

Industry Mining
Bloomberg COALIN
BSE CODE 533278

RATING	NEUTRAL
CMP	136
Price Target	150
Potential Upside	10%
Rating Change	↔
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	271/119
Mkt Capital (Rs Cr)	83,676
Free float (%)	31%
Avg. Vol 1M (,000)	11268
No. of Shares (Crs)	616
Promoters Pledged %	0%

RESEARCH ANALYST

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Collection crisis faced due to this current pandemic

4QFY20 Result update

- COALINDIA reported revenue of Rs. 27567 Cr. (vs our estimates of Rs. 23068 Cr.) de-grew by 3.4% YoY largely on account of reduced realization due to lockdown in the month of March. However, production as well as off-take volumes increased by 10% YoY and 1% YoY respectively. Meanwhile fall in international coal prices (particularly Indonesia coal prices) reduced the E-auction, washed coal and other by product realization during the quarter.
- Production and Off-take volumes in 4QFY20 is at 213.7 MT (up 10% YoY) and 164.5 MT (up 1% YoY) respectively. Reduced offtake volume due to complete lockdown in the month of March.
- FSA volumes were at 140 MT with an average realization of Rs. 1445/T (up 2% YoY). E-auction volume is 21 MT with the realization of Rs. 2106/T (down 20% YoY) led by decrease in international coal prices.
- Blended realization remains flat on YoY basis at Rs. 1556/T in 4QFY20.
- EBITDA in 4QFY20 is Rs. 6728 Cr. with an EBITDA margin of 24.4% contracted by 4.4% YoY due to higher employee cost and CSR activity.
- PAT during the quarter stood at Rs. 4625 Cr. de-grew by 23.2% YoY despite higher other income and lower finance cost.

View and Valuation

Sequential contraction in margins led by reduced international coal prices. Higher CSR expenses in this COVID-19 reduced EBITDA on per ton basis. Lower off take volumes due to dispatch issues faced due to lockdown across the country. Collection issues faced by the COALINDIA and ready to increase the credit period in this pandemic due to liquidity issues faced by power companies. Thus, we maintain our stance to remain NEUTRAL valuing at Rs. 150 3x EV/EBITDA FY21E.

Key Risks to our rating and target

- Further decline in international coal prices.
- Impact on volume growth due to change in norms.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	78,221	85,926	99,547	96,080	97,969
EBITDA	12,240	9,629	24,977	21,920	22,486
Adj.PAT	9,266	11,152	17,462	16,700	17,750
EPS (Rs)	14.93	11.41	28.34	27.10	28.80
EPS growth (%)	-34	-24	148	-4	6
ROE (%)	37	35	65	51	50
ROCE (%)	37	31	76	53	49
BV	40.07	32.56	43.59	52.82	57.35
P/B (X)	7.31	8.71	5.43	2.37	2.37
P/E (x)	19.62	24.85	8.36	4.61	4.72

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Lower volumes hampered performance..

4QFY20 Results Consolidated

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	28,546	24,939	20,383	23,190	27,567	-3.4%	18.9%	99,547	96,080	-3.5%
Other Income	1,820	1,150	1,630	1,412	1,913	5.1%	35.5%	5,874	6,105	4%
COGS	521	2,195	2,683	1,455	(249)	-147.8%	-117.1%	8,188	6,084	-25.7%
Staff Cost	10,701	9,896	9,073	9,839	10,577	-1.2%	7.5%	38,770	39,384	1.6%
Power and Fuel	605	590	630	648	620	2.5%	-4.4%	2,443	2,487	1.8%
Contract. Exp	3,839	3,325	2,397	3,676	4,514	17.6%	22.8%	13,378	13,912	4.0%
Other Exp	1,517	1,096	987	1,034	1,489	-1.8%	44.1%	4,741	4,605	-2.9%
Stripping Act	2,208	899	638	1,214	2,790	26%	129.7%	5,071	5,542	9.3%
Total Exp	20,334	18,327	16,771	18,222	20,839	2.5%	14.4%	74,570	74,159	-0.6%
EBITDA	8,212	6,612	3,611	4,968	6,728	-18.1%	35.4%	24,977	21,920	-12.2%
Depreciation	1,037	734	793	894	1,029	-0.7%	15.1%	3,450	3,451	0.0%
EBIT	7,175	5,878	2,818	4,074	5,699	-	39.9%	21,527	18,470	-14.2%
PBT	8,893	7,012	4,279	5,335	7,447	-16.3%	39.6%	27,125	24,072	-11.3%
Tax	2,866	2,381	754	1,414	2,822	-	99.6%	9,662	7,371	-23.7%
PAT	6,024	4,630	3,523	3,922	4,625	-23.2%	17.9%	17,462	16,700	-4.4%
Adj.PAT	6,024	4,630	3,523	3,922	4,625	-23.2%	17.9%	17,462	16,700	-4.4%

Operating Matrix

FSA	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%
Quantity (mt)	126.4	130.4	116.8	135.8	142.4	130.3	103.8	127.7	139.2	-2.3%
Sales (Rs.cr)	17,736	17,116	15,284	18,125	20,794	17,855	14,937	18016	20123	-3.2%
Realzt. (Rs./t)	1,403	1,313	1,308	1,334	1,460	1,370	1,439	1411	1446	-1.0%

E-AUCTION	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%
Quantity (mt)	29.3	19.4	17.7	14.7	16.7	19.1	15.5	9.8	21.0	25.8%
Sales (Rs.cr)	6,181	4,657	4,583	4,171	4,603	4,106	3,128	2581	4426	-3.8%
Realzt. (Rs./t)	2,112	2,399	2,592	2,847	2,754	2,155	2,020	2623	2106	-23.5%

Fall in production and off take volume in 3QFY20

Volume in 4QFY20 grew by 10% YoY with the increase in volumes of FSA and E-auction. FSA volumes stood at 139 MT (down 3% YoY) and E-auction volumes are at 21 MT (up 23% YoY). Among the 8 subsidiaries NCL is the only one which grew across the months in 4QFY20 in terms of production as well as off-take volumes. Meanwhile, November and December were the months which show some improvement in production and Off-take. However, production volumes of CCL and NEC subsidiaries declined consecutively. Overtake follows the same trend of growth and de-growth of production volumes during the quarter. Overall the off take fell by 10% YoY in 4QFY20.

FSA and E-Auction volume and realization

FSA volume de-grew by 3% YoY to 139 MT yet realization de-grew of 6% YoY to Rs. 1445/Tons offset the same. FSA revenue remains flat on YoY basis at Rs. 20123 Cr during the quarter. E-auction revenue stood at Rs. 2106 Cr. (down by 38% YoY) with the reduced volumes by 33% YoY to 10 MT and realization by 8% YoY. Reduced realization of E-auction coal is due to fall in international coal prices particularly in Indonesia, South Africa and Australia. The average inventory days in power companies are around 17 to 19 days.

Exhibit: Monthly Coal Production Trend

Production Volumes increased in 4QFY20 on YoY basis due to prolonged monsoon...

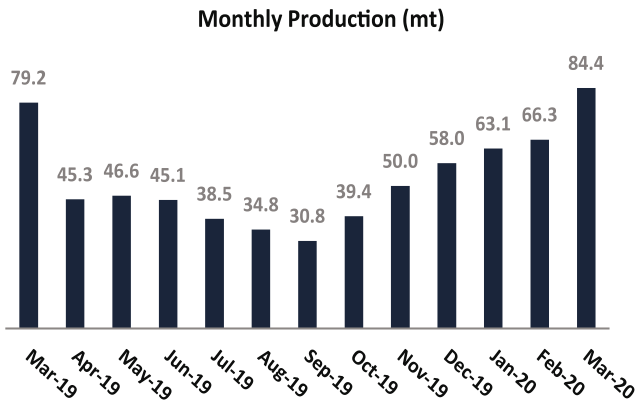


Exhibit: Monthly Coal Offtake Trend

Off-take volumes reduced due to lockdown..

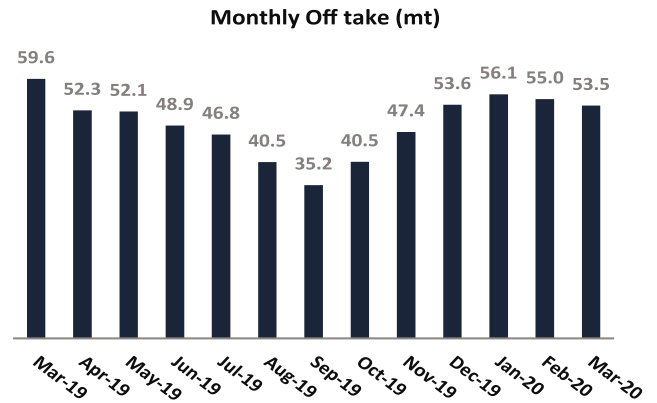


Exhibit: Dispatches to Power Sector Trend

Dispatches to power continue to remain range bound....

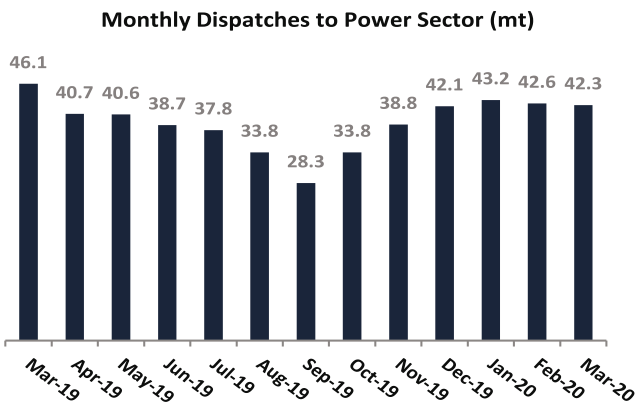


Exhibit: Coal Inventory at Power Plants

Coal inventory at power plants have declined consistently..

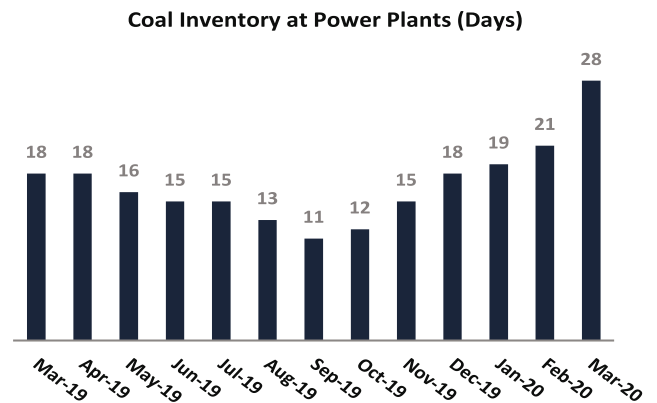


Exhibit: FSA Volume and Realisation Trend

FSA volume declined while realization down 3% YoY....

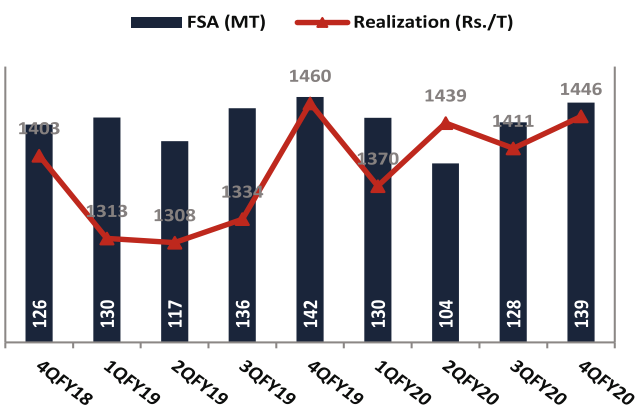


Exhibit: E-Auction Volume and Realisation Trend

realization down sharply due to falling international coal prices on YoY basis...

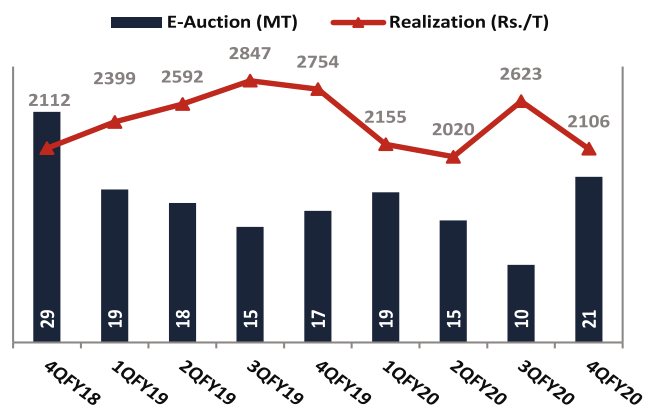


Exhibit: Quarterly Coal Production Trend

Production volume declined by 5.4% YoY...

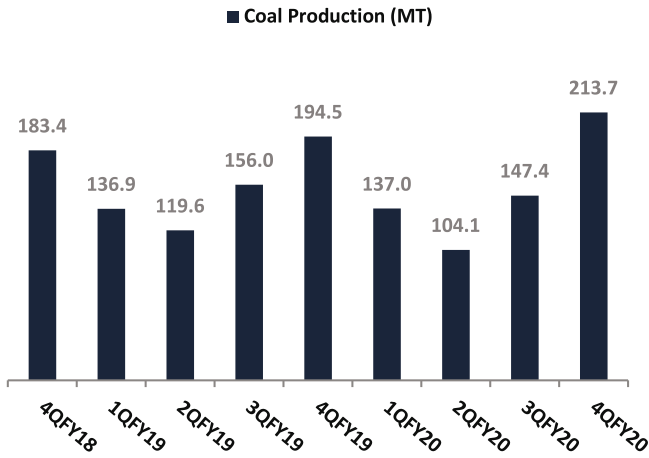


Exhibit: Quarterly Coal Offtake Trend

Off take volume also declined by 8% YoY...

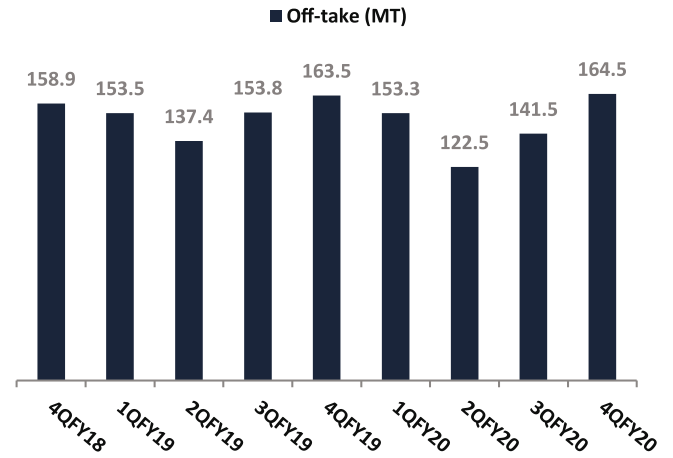


Exhibit: Net sales and Blended Realisation Trend

Realization remains flat on YoY basis..

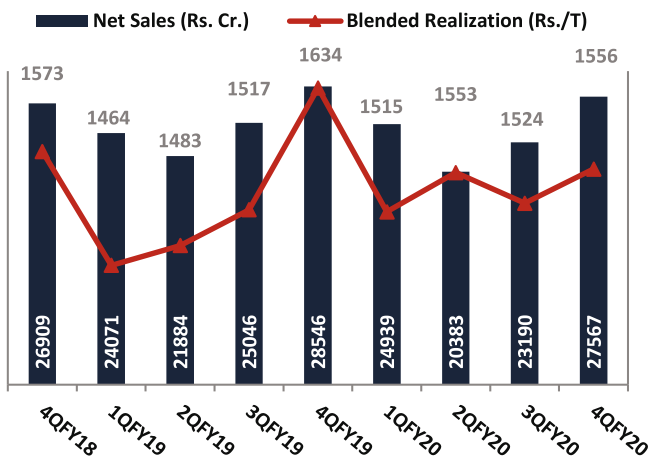


Exhibit: EBITDA and EBITDA Margin Trend

Higher cost on per ton basis due to lower volumes hampered margins

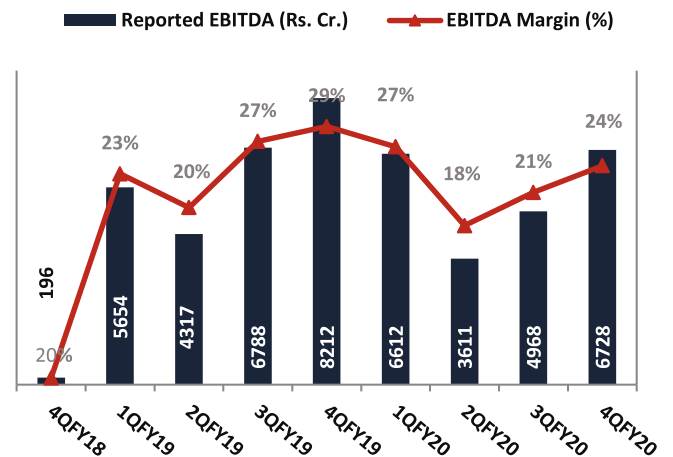


Exhibit: PAT and PAT Margin Trend

Lower taxes provided cushion to PAT.

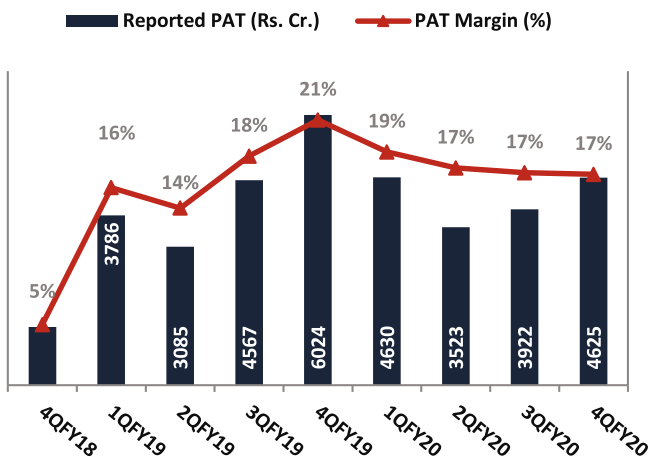
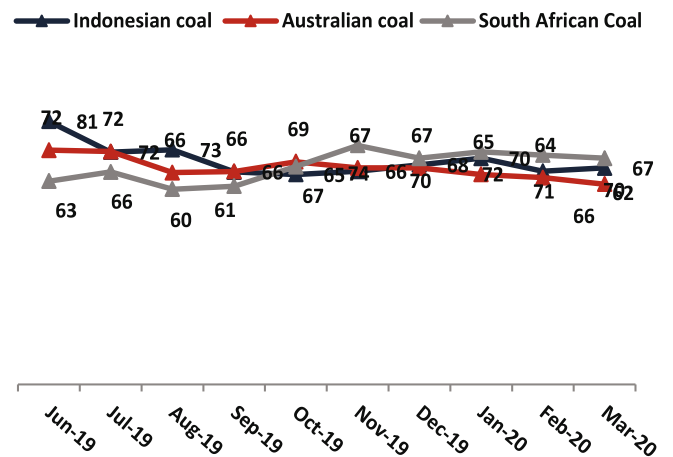


Exhibit: International Coal Price Trend

International coal prices reduced consecutively will create pressure on margins.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	6,316	6,316	6,316	6,207	6,207	6,163	6,163	6,163
Reserves	36,088	34,037	28,517	18,319	13,639	20,291	25,994	28,589
Networth	42,404	40,353	34,833	24,527	19,847	26,454	32,157	34,752
Debt	171	402	1,192	3,008	1,531	2,203	6,426	1,866
Other Non Cur Liab	37,168	41,498	46,273	48,679	55,433	58,574	67,013	58,220
Total Capital Employed	42,576	40,755	36,025	27,535	21,378	28,657	38,583	36,617
Net Fixed Assets (incl CWIP)	19,100	21,274	26,636	32,398	37,864	42,273	45,112	50,753
Non Cur Investments	1,188	963	966	969	1,303	1,421	1,874	500
Other Non Cur Asst	3,728	4,601	4,017	4,995	8,921	7,376	5,742	6,863
Non Curr Assets	24,016	26,838	40,502	47,816	58,677	63,399	66,510	76,366
Inventory	5,568	6,184	7,569	8,945	6,444	5,584	6,619	7,247
Debtors	8,241	8,522	11,448	10,736	8,689	5,499	14,408	9,931
Cash & Bank	52,390	53,093	38,015	31,230	31,475	31,124	28,447	23,778
Other Curr Assets	14,028	15,905	15,295	17,352	22,206	27,113	34,038	27,333
Curr Assets	80,227	83,703	72,327	68,263	68,814	69,320	83,512	68,288
Creditors	805	921	3,297	3,900	4,517	6,816	10,108	4,295
Provisions (both)	39,191	44,204	49,591	53,203	64,717	59,556	67,017	61,230
Other Curr Liab	-	-	3,988	4,557	5,416	4,143	4,755	6,175
Curr Liabilities	24,435	28,223	30,425	39,519	50,319	45,082	44,032	49,423
Net Curr Assets	55,792	55,481	41,901	28,744	18,496	24,238	39,481	18,866
Total Assets	104,242	110,541	112,828	116,079	127,492	132,719	150,022	144,655

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	68,810	74,120	78,008	78,221	85,926	99,547	96,080	97,969
Change (%)	1%	8%	5%	0%	10%	16%	-3%	2%
Other Income	8,969	6,571	5,941	5,516	4,658	5,874	6,105	5,951
EBITDA	15,963	17,335	18,711	12,240	9,629	24,977	21,920	22,486
Change (%)	-12%	9%	8%	-35%	-21%	159%	-12%	3%
Margin (%)	23%	23%	24%	16%	11%	25%	23%	23%
Depr & Amor.	1,996	2,320	2,826	2,910	3,066	3,450	3,451	4,227
EBIT	13,967	15,016	15,885	9,330	6,562	21,527	18,470	18,258
Int. & other fin. Cost	58	7	386	412	432	275	503	489
EBT	22,878	21,579	21,440	14,434	10,789	27,125	24,072	23,720
Exp Item	-	-	-	-	-	-	0	0
Tax	7,768	7,857	7,172	5,166	3,707	9,662	7,371	5,970
Minority Int & P/L share of Ass.	0	0	-1	-2	0	-1	(1)	-
Reported PAT	15,112	13,727	14,267	9,266	7,083	17,462	16,700	17,750
Adjusted PAT	15,112	13,727	14,267	9,266	11,152	17,462	16,700	17,750
Change (%)	-13%	-9%	4%	-35%	-24%	147%	-4%	6%
Margin(%)	22%	19%	18%	12%	8%	18%	17%	18%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	35.6%	34.0%	40.8%	37.3%	35.0%	65.0%	51.3%	50.2%
ROCE	32.8%	37.0%	45.1%	37.1%	30.9%	76.0%	53.5%	49.3%
Asset Turnover	0.7	0.7	0.7	0.7	0.7	0.8	0.6	0.7
Debtor Days	44	42	54	50	37	20	25	37
Inv Days	30	30	35	42	27	20	20	27
Payable Days	4	5	15	18	19	25	25	16
Int Coverage	240.8	2051.3	41.1	22.7	15.2	78.3	36.7	37.3
P/E	14.2	15.3	14.4	19.6	24.8	8.4	4.6	4.7
Price / Book Value	5.0	5.2	5.9	7.3	8.7	5.4	2.4	2.4
EV/EBITDA	10.1	9.0	8.9	12.3	15.1	4.7	2.3	2.6
FCF per Share	16.5	15.0	11.7	11.6	20.5	16.1	8.2	23.0
Div Yield	10%	6%	8%	7%	6%	6%	14%	13%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	22,880	21,584	21,439	14,432	11,004	27,125	24,071	23,720
(inc)/Dec in Working Capital	244	649	(2,670)	6,022	13,845	(4,892)	(9,299)	1,564
Non Cash Op Exp	227	1,721	2,260	4,336	3,846	3,995	3,966	4,717
Int Paid (+)	58	7	21	31	37	275	503	489
Tax Paid	(8,826)	(9,572)	(7,875)	(8,943)	(7,433)	(9,533)	(7,371)	(5,970)
others								
CF from Op. Activities	14,525	14,382	13,154	15,847	21,262	16,695	11,367	24,031
(inc)/Dec in FA & CWIP	(4,116)	(4,901)	(5,786)	(8,676)	(8,529)	(6,787)	(6,290)	(9,869)
Free Cashflow	10,408	9,480	7,368	7,171	12,733	9,908	5,077	14,162
(Pur)/Sale of Inv	6,221	509	8,905	5,667	(1,551)	(4,067)	(453)	1,374
others								
CF from Inv. Activities	8,580	894	8,154	455	(7,676)	(8,266)	(6,743)	(8,495)
inc/(dec) in NW	-	-	-	(3,650)	-	(1,050)	-	-
inc/(dec) in Debt	(1,263)	193	990	1,817	(1,478)	(1,050)	4,223	(4,560)
Int. Paid	(58)	(7)	(21)	(31)	(37)	(10)	(503)	(489)
Div Paid (inc tax)	(24,243)	(15,596)	(20,830)	(15,103)	(12,324)	(9,947)	(12,978)	(12,978)
others								
CF from Fin. Activities	(25,350)	(15,026)	(19,587)	(17,598)	(13,587)	(10,152)	(9,258)	(18,028)
Inc(Dec) in Cash	(2,246)	250	1,721	(1,296)	(1)	(1,722)	(4,633)	(2,493)
Add: Opening Balance	11,685	9,439	3,156	4,876	4,194	3,998	31,124	28,447
Closing Balance	9,439	9,689	4,876	3,580	4,193	2,276	26,491	25,954

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