



## E-Auction Volumes Recover; Premiums Better Than Expected

Est. Vs. Actual for Q4FY24: Revenue – Largely **INLINE**; Adj EBITDA – **MISS**; PAT – **BEAT**

### Change in Estimates post Q4FY24 Investor Meet

FY25E/FY26E: Revenue: 0%/-1%; Adj. EBITDA: -4%/-6%; Attrib. PAT: -3%/-5%

### Recommendation Rationale

- **Adj EBITDA excluding stripping activity missed our estimate:** CILs reported EBITDA grew by 21% YoY, down 13% QoQ at Rs 11,338 Cr, 11% ahead of consensus. This was led by lower RM costs (due to inventory build-up ahead of the peak summer which drove the cost of RM down) and a change in the accounting policy for the stripping activity. The reported EBITDA however, is down by 25% YoY when adjusted for one time higher employee provisions of Rs 5,870 Cr in Q4FY23 towards wage hike. Adj EBITDA excluding stripping activity missed our estimate by 12% and stood at Rs 9,844 Cr (up 14% YoY but down 18% QoQ). This was mainly led by higher employee and contractual expenses. Full-year employee expenses stood at Rs 48,783 Cr, which exceeded the guidance of Rs 46,000 Cr.
- **E-auction volumes rose to 11% in Q4FY2:** E-auction volumes improved to 11% of total offtake in Q4FY24, recovering from the low of 8% in Q3FY24 (the target was to achieve 15%). In FY25, the e-auction volume target is set at above 15%. Higher e-auction volumes will partly offset the lower e-auction prices. E-auction premium stood at 66% (vs. our assumption of 40%) against 117% in Q3FY24 (192% in Q4FY23). E-auction prices declined to Rs 2,545/t (down 44% YoY, 23% QoQ), led by a drop in international coal prices and was largely on the expected lines. FSA prices stood flat YoY/QoQ at Rs 1,536/t.
- **Volume guidance:** In FY24, CIL achieved coal production of 774 MT (largely in line with its target of 770 MT). FY25 target is at 838 MT, out of which, ~661 MT will be for the regulated power sector. For FY26, CIL has a coal production target of 1 BT.

### Sector Outlook: Cautiously positive

**Company Outlook & Guidance:** We keep our sales volume offtake assumption unchanged at 820/880 MT (CIL target is 838/1,000 MT) for FY25/26E. Our earnings changes reflect the impact of higher employee and contractual expenses.

**Current Valuation:** 5.5 x EV/EBITDA on Adj. FY26E EBITDA (From 5.0x)

**Current TP:** Rs 505/share (Earlier TP: Rs 510/share)

**Recommendation:** We maintain our **BUY** rating on the stock.

**Financial Performance:** CIL revenue at Rs 37,410 Cr (down 2% YoY, up 3% QoQ) stood largely in line with our and consensus estimates. Reported EBITDA at Rs 11,338 Cr (up 21% YoY, down 13% QoQ), beat the consensus by 11%, led by lower RM costs (due to inventory build-up ahead of the peak summer which drove the cost of RM down) and change in the accounting policy for the stripping activity. Adj. EBITDA excluding stripping activity missed our estimate by 12% at Rs 9,844 Cr (up 14% YoY, down 18% QoQ), mainly driven by higher employee and contractual expenses. Full-year employee expenses at Rs 48,783 Cr exceeded the guidance of Rs 46,000 Cr. Attributable PAT stood at Rs 8,682 Cr (up 26% YoY, down 14% QoQ), 12% ahead of consensus led by an EBITDA beat. CIL declared a final dividend of Rs 5/share in addition to the 1<sup>st</sup> and 2<sup>nd</sup> interim dividend of Rs 15.25 and 5.25/share, which brings the total dividend for FY24 to Rs 25.5/share (6% dividend yield at the CMP).

**Outlook:** We keep our sales volume offtake assumption unchanged at 820/880 MT (CIL target is 838/1,000 MT) for FY25/26E. Our earnings changes reflect the impact of higher employee and contractual expenses.

**Valuation & Recommendation:** We value the stock at 5.5x (vs. 5.0x) 1-year forward EV/EBITDA multiple on FY26E Adj. EBITDA (unchanged). Based on this, we arrive at our target price of Rs 505/share (from Rs 510/share), implying an upside of 12% from the CMP.

### Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	37,410	3%	-2%	38,087	-2%
EBITDA	11,338	-13%	21%	9,266	22%
EBITDA %	30.3%			24.3%	
Adj EBITDA (ex OBR)	9,844	-18%	14%	11,156	-12%
Adj EBITDA Margin	26.3%			29.3%	
Attrib Net Profit	8,682	-14%	26%	7,277	19%
EPS (Rs/sh)	14.09	-14%	26%	11.81	19%

Source: Company, Axis Research

(CMP as of 2<sup>nd</sup> May 2024)

CMP (Rs)	453
Upside /Downside (%)	12%
High/Low (Rs)	487/223
Market cap (Cr)	2,79,325
Avg. daily vol. (6m) Shrs.	1,40,62,243
No. of shares (Cr)	616

### Shareholding (%)

	Sep-23	Dec-23	Mar-23
Promoter	63.13	63.13	63.13
FII	7.80	8.59	8.41
MF/UTI	11.06	10.36	10.79
Fin Institutions	0.16	0.11	0.06
Others	17.85	17.81	17.61

### Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	1,42,324	1,54,819	1,66,535
Adj EBITDA	41,833	45,666	52,025
Net Profit	37,402	31,298	35,498
EPS (Rs.)	60.7	50.8	57.6
PER (x)	7.4	8.9	7.8
P/BV (x)	3.4	2.9	2.5
EV/Adj EBITDA (x)	6.1	5.6	4.8
ROE (%)	53%	35%	35%

### Change in Estimates (%)

Y/E Mar	FY24	FY25E	FY26E
Sales	-1%	0%	-1%
Adj EBITDA	-5%	-4%	-6%
Attrib PAT	18%	-3%	-5%

### ESG disclosure Score\*\*

Environmental Disclosure	29.0
Social Disclosure Score	37.7
Governance Disclosure	57.7
Total ESG Disclosure Score	41.5
<b>Sector Average</b>	<b>50.60</b>

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures, The Sector average is for NSE500 companies

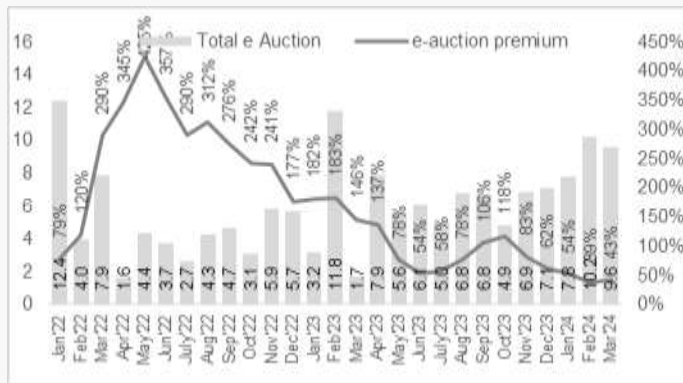
### Relative performance



Source: ACE Equity, Axis Securities

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**Exhibit 1: E-Auction Volumes and Premium: Premiums (%) come down but volumes (MT) have improved**



Source: Company, LSEG Workspaces

**Exhibit 2: Thermal Coal Prices Range-bound after Correction**



### Key Risks to our Estimates and TP

- The key risk to our BUY rating is the decline in E-Auction volumes vs. our expectations.
- Lower-than-expected e-auction premiums.
- Lower coal offtake than our assumptions for FY25/26E.
- Higher employee and other expenses than our estimates.

### Change in Estimates

	New			Old			% Change		
	FY24	FY25E	FY26E	FY24E	FY25E	FY26E	FY24	FY25E	FY26E
Sales	1,42,324	1,54,819	1,66,535	1,44,215	1,55,385	1,68,622	-1%	0%	-1%
Adj EBITDA	41,833	45,666	52,025	44,086	47,584	55,437	-5%	-4%	-6%
Attrib PAT	37,402	31,298	35,498	31,801	32,393	37,472	18%	-3%	-5%
Coal offtake (MT)	754	819	879	760	821	881	-1%	0%	0%
ASP (Rs/t)	1,731	1,731	1,736	1,739	1,732	1,751	0%	0%	-1%

Source: Company, Axis Securities

## Results Review

Consolidated	Q4FY23	Q3FY24	Q4FY24	Q4FY24	Q4FY24	YoY	QoQ	QoQ	QoQ
	Actual	Actual	Axis Sec	Cons	Actual	%	%	vs Axis	vs Consensus
Sales Volume (mt)	187	191	201		201	7%	5%	0%	
ASP (Rs/t)	1,877	1,736	1,736		1,696	-10%	-2%	-2%	
Net Sales/Income from operations	35,161	33,011	34,910		34,264	-3%	4%	-2%	
Other Operating Income	2,991	3,143	3,177		3,147	5%	0%	-1%	
<b>Total Income From Operations</b>	<b>38,152</b>	<b>36,154</b>	<b>38,087</b>	<b>36,815</b>	<b>37,410</b>	<b>-2%</b>	<b>3%</b>	<b>-2%</b>	<b>2%</b>
RM Costs, purchase & increase/ (Decrease) in stocks	1,123	2,094	2,659		420	-63%	-80%	-84%	
Contractual expense	7,039	7,246	7,708		8,146	16%	12%	6%	
Stripping activity adjustment	-701	-1,084	1,890		-1,494	NA	NA	NA	
Employee benefit expense	16,984	11,574	11,888		13,536	-20%	17%	14%	
Other Expenses	4,373	3,304	3,200		5,464	25%	65%	71%	
<b>Total Expenditure</b>	<b>28,819</b>	<b>23,133</b>	<b>28,822</b>		<b>26,073</b>	<b>-10%</b>	<b>13%</b>	<b>-10%</b>	
<b>EBITDA</b>	<b>9,333</b>	<b>13,021</b>	<b>9,266</b>	<b>10,190</b>	<b>11,338</b>	<b>21%</b>	<b>-13%</b>	<b>22%</b>	<b>11%</b>
<b>Adj EBITDA (Exl Stripping)</b>	<b>8,632</b>	<b>11,936</b>	<b>11,156</b>		<b>9,844</b>	<b>14%</b>	<b>-18%</b>	<b>-12%</b>	
D&A & Impairment	1,860	1,649	1,251		1,993	7%	21%	59%	
Other Income	2,219	2,203	2,199		2,244	1%	2%	2%	
Interest Expense	195	227	226		232	19%	2%	3%	
<b>P/L Before Tax</b>	<b>9,498</b>	<b>13,348</b>	<b>9,988</b>		<b>11,356</b>	<b>20%</b>	<b>-15%</b>	<b>14%</b>	
Tax	2,700	3,479	2,711		2,790	3%	-20%	3%	
Extra Ordinary Items						NA	NA	NA	
<b>Net Profit/(Loss) For the Period</b>	<b>6,798</b>	<b>9,869</b>	<b>7,277</b>		<b>8,566</b>	<b>26%</b>	<b>-13%</b>	<b>18%</b>	
Minority Interest	6	-25	-		42	644%	NA	NA	
Share Of P/L Of Associates	72	286	-		74	4%	-74%	NA	
<b>Net P/L After M.I &amp; Associates</b>	<b>6,875</b>	<b>10,130</b>	<b>7,277</b>	<b>7,737</b>	<b>8,682</b>	<b>26%</b>	<b>-14%</b>	<b>19%</b>	<b>12%</b>
Basic EPS	11.16	16.44	11.81	12.55	14.09	26%	-14%	19%	12%
EBITDA %	24.5%	36.0%	24.3%		30.3%	584	-571	598	
Adj EBITDA %	22.6%	33.0%	29.3%		26.3%	369	-670	-298	
Tax Rate %	28%	26%	27%		25%	-386	-150	-257	

Source: Company, Axis Securities, LSEG Workspace Consensus. Note: Employee benefit expense in Q4FY23 includes onetime wage hike provision of Rs 5,870 Cr. Stripping activity and D&A are restated due to change in accounting policy on overburden removal adjustments which resulted in reversal of provision.

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY23A	FY24A	FY25E	FY26E
Total Income From Operations	1,38,252	1,42,324	1,54,819	1,66,535
Consumption of Raw Materials	13,557	11,580	12,451	13,505
Increase / Decrease in Stocks	(208)	(1,522)	1,900	1,900
Contractual expense	23,289	27,598	30,606	33,552
Stripping activity adjustment	3,809	(6,138)	4,248	4,631
Power	2,760	3,044	3,337	3,615
Repairs	1,772	1,959	2,178	2,389
Employees Cost	49,409	48,783	49,270	49,763
Other Expenses	7,046	9,049	9,411	9,787
<b>Total Expenditure</b>	<b>1,01,434</b>	<b>94,352</b>	<b>1,13,402</b>	<b>1,19,142</b>
<b>EBITDA</b>	<b>36,818</b>	<b>47,971</b>	<b>41,417</b>	<b>47,394</b>
<b>Adj EBIDA (Exl Overburden)</b>	<b>40,820</b>	<b>41,833</b>	<b>45,666</b>	<b>52,025</b>
Depreciation and Amortization	4,675	6,735	7,177	8,238
<b>EBIT</b>	<b>32,143</b>	<b>41,236</b>	<b>34,240</b>	<b>39,155</b>
Other Income	6,551	7,969	8,635	9,289
Share Of P/L Of Associates (Net of Tax)	(8)	427	-	-
Less: Interest & Fin Chg.	684	819	1,384	1,384
Less: Exceptional Items	-	-	-	-
<b>Profit before tax</b>	<b>38,001</b>	<b>48,813</b>	<b>41,492</b>	<b>47,060</b>
Provision for Tax	9,876	11,443	10,194	11,562
Minority Interest	40	33	-	-
<b>Attr Reported PAT</b>	<b>28,165</b>	<b>37,402</b>	<b>31,298</b>	<b>35,498</b>
<b>EPS (Rs/sh)</b>	<b>45.7</b>	<b>60.7</b>	<b>50.8</b>	<b>57.6</b>
<b>DPS (Rs/sh)</b>	<b>24.3</b>	<b>25.5</b>	<b>30.5</b>	<b>34.6</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY23A	FY24A	FY25E	FY26E
Net Block	44,448	67,900	75,462	84,223
CWIP	15,263	14,739	17,000	17,000
Intangible assets	4,947	6,940	6,940	6,940
Investments	7,139	7,110	7,110	7,110
Inventories	8,155	10,177	11,071	11,909
Trade Receivables	13,060	13,256	14,420	15,511
Cash / Bank balance	39,922	30,235	31,610	35,809
Misc. Assets	78,272	87,315	87,315	87,315
<b>Total assets</b>	<b>2,11,207</b>	<b>2,37,672</b>	<b>2,50,928</b>	<b>2,65,817</b>
Equity capital	6,163	6,163	6,163	6,163
Reserves	51,082	76,567	89,086	1,03,285
Borrowings	4,115	6,289	6,289	6,289
Def Tax Liabilities	1,331	1,822	1,822	1,822
Other Liabilities	56,176	57,454	57,454	57,454
Provisions	83,791	80,992	80,992	80,992
Trade Payables	8,549	8,386	9,122	9,812
<b>Capital employed</b>	<b>2,11,207</b>	<b>2,37,672</b>	<b>2,50,928</b>	<b>2,65,817</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY23A	FY24A	FY25E	FY26E
Profit before tax	38,001	48,846	41,492	47,060
Depreciation	4,675	6,735	7,177	8,238
Interest Expenses	684	819	1,384	1,384
Non-operating / EO item	(533)	(10,387)	-	-
Change in W/C	2,609	(2,381)	(1,321)	(1,239)
Income Tax (Paid)/Refund	(9,750)	(11,727)	(10,194)	(11,562)
<b>Operating Cash Flow</b>	<b>35,686</b>	<b>31,905</b>	<b>38,537</b>	<b>43,882</b>
Capital Expenditure	(14,209)	(16,380)	(17,000)	(17,000)
<b>Free cash Flow</b>	<b>21,477</b>	<b>15,525</b>	<b>21,537</b>	<b>26,882</b>
Other Investments	(9,214)	11,894	-	-
<b>Investing Cash Flow</b>	<b>(23,423)</b>	<b>(4,486)</b>	<b>(17,000)</b>	<b>(17,000)</b>
Proceeds / (Repayment) of Borrowings	805	1,423	-	-
Finance cost paid	(138)	(224)	(1,384)	(1,384)
Dividend paid	(14,328)	(15,098)	(18,779)	(21,299)
Other Financing activities	-	-	-	-
<b>Financing Cash Flow</b>	<b>(13,661)</b>	<b>(13,899)</b>	<b>(20,162)</b>	<b>(22,683)</b>
<b>Change in Cash</b>	<b>(1,398)</b>	<b>13,520</b>	<b>1,375</b>	<b>4,199</b>
Opening Cash	7,063	5,627	6,009	7,384
<b>Closing Cash</b>	<b>5,665</b>	<b>5,345</b>	<b>7,384</b>	<b>11,583</b>

Source: Company, Axis Securities

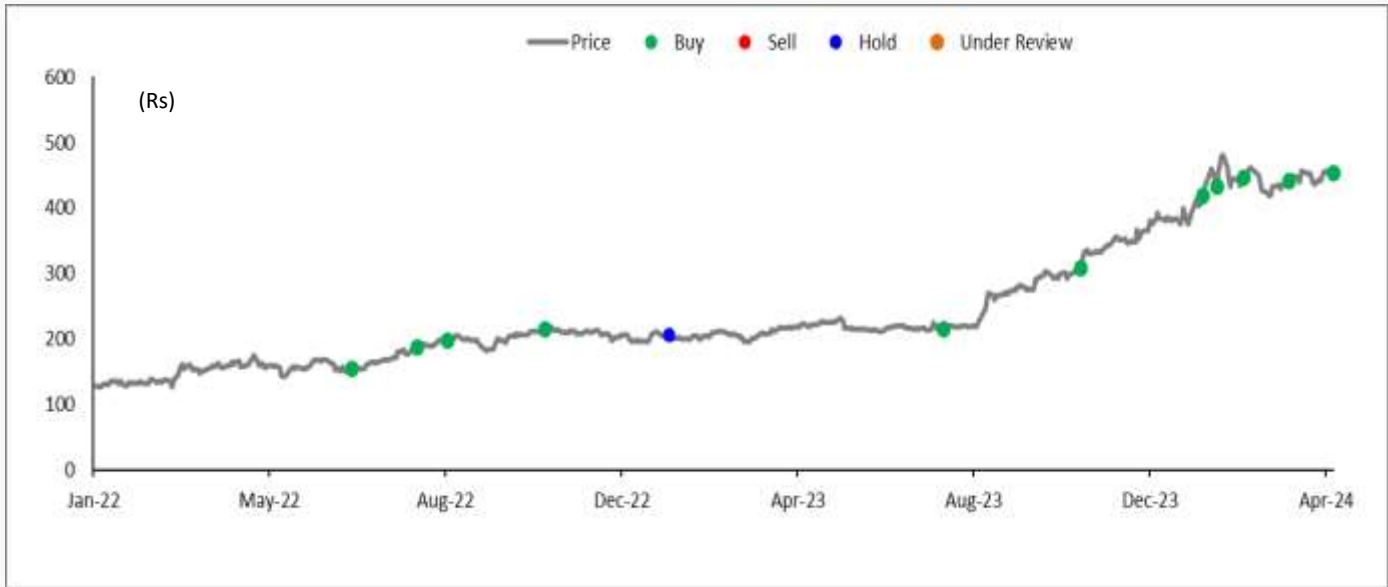
**Ratio Analysis**

(%)

Y/E March	FY23A	FY24A	FY25E	FY26E
<b>Operational Ratios</b>				
Sales growth (% YoY)	26%	3%	9%	8%
EBITDA growth (% YoY)	43%	2%	9%	14%
Op. profit growth (% YoY)	59%	28%	-17%	14%
Net Profit growth (% YoY)	62%	33%	-16%	13%
EBITDA Margin %	30%	29%	29%	31%
Net profit Margin %	20%	26%	20%	21%
Tax Rate %	26%	24%	25%	25%
<b>Efficiency Ratios</b>				
Total Asset Turnover (x)	0.7	0.6	0.6	0.6
Sales/Gross block (x)	2.1	1.7	1.4	1.4
Sales/Net block(x)	3.2	2.5	2.2	2.1
Working capital/Sales (x)	(0.00)	0.09	0.09	0.09
<b>Valuation Ratios</b>				
PER (x)	4.4	7.4	8.9	7.8
P/BV (x)	2.2	3.4	2.9	2.5
EV/Adj Ebitda (x)	6.0	6.1	5.6	4.8
EV/Sales (x)	1.8	1.8	1.6	1.5
Dividend Yield (%)	12%	6%	7%	8%
<b>Return Ratios</b>				
ROE	56.1%	53.4%	35.2%	34.7%
ROCE	24.4%	26.0%	18.8%	20.1%
ROIC	111.0%	53.6%	36.9%	37.0%

Source: Company, Axis Securities

## Coal India Price Chart and Recommendation History



Source: Axis Securities

Date	Reco	TP	Research
27-Jun-22	BUY	220	Initiating Coverage
11-Aug-22	BUY	245	Result Update
01-Sep-22	BUY	262	Top Picks
01-Oct-22	BUY	262	Top Picks
07-Nov-22	BUY	275	Result Update
01-Feb-23	HOLD	245	Result Update
08-May-23	BUY	275	Result Update
09-Aug-23	BUY	270	Result Update
13-Nov-23	BUY	380	Result Update
13-Feb-24	BUY	500	Result Update
20-Feb-24	BUY	510	Result Update
03-May-24	BUY	505	Result Update

Source: Axis Securities

## About the Analyst



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<b>HOLD</b>	Between 10% and -10%
<b>SELL</b>	Less than -10%
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