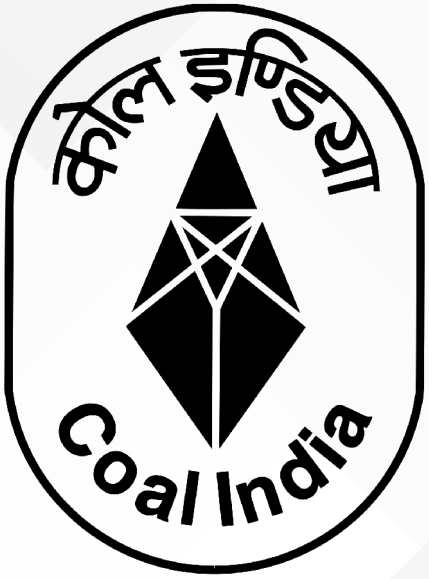
INVasset Corporate Insights



25th May, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Coal India Ltd (CIL) stands as a cornerstone of India's energy landscape, entrusted with the pivotal task of mining and producing coal while spearheading the nation's transition towards sustainable energy solutions. Established in 1973 as Coal Mines Authority Ltd post the nationalization of the coal sector, CIL has since evolved into a global leader in coal production, operating under the esteemed status of a 'Maharatna' company under the Ministry of Coal, Government of India, with its headquarters located in Kolkata, West Bengal. With a rich legacy of service to the nation's energy needs, CIL emerges as a compelling investment opportunity, poised to navigate the evolving energy landscape while delivering sustainable value to its stakeholders.

Market Leadership and Monopoly Miner: CIL proudly holds the distinction of being the single largest coal-producing company globally, wielding a substantial influence on the country's energy trajectory. A testament to its unparalleled dominance, CIL commands around 80% of India's entire coal output, with its supplies to the power sector alone surpassing 80% of its total dispatch. This monopoly position underscores its pivotal role in fueling India's industrial growth and powering essential sectors like power and steel, alongside catering to diverse industries including cement, fertilizers, and brick kilns.

Expansive Operations and Strategic Projects: Spanning across 8 states within India, CIL's operational footprint extends further with its fully owned subsidiary, Coal India Africana Limitada, poised to commence operations in Mozambique. Embracing a forward-looking vision, CIL has embarked on ambitious mining projects boasting a sanctioned capacity of 99.84 MTs per year. These projects signify a strategic thrust towards bolstering India's coal production capabilities and reinforcing its energy security.

Infrastructure Development and Sustainability Initiatives: Committed to enhancing efficiency and sustainability, CIL is actively investing in infrastructure projects like the First Mile Connectivity (FMC) initiatives aimed at modernizing coal transportation systems. Concurrently, CIL is pioneering renewable energy endeavors, aiming to achieve a net-zero status by FY 25-26 through the installation of 3GW capacity of solar power projects. This transition underscores CIL's proactive stance towards mitigating environmental impact while embracing renewable energy alternatives.

Production Capacity and Market Dynamics: CIL's operational prowess is reflected in its vast network of 318 mines, encompassing underground, opencast, and mixed mines, alongside 13 state-of-the-art Coal Washeries. Bolstered by its highest-ever coal production of 703.2 MT in FY23, CIL continues to cater to diverse market demands, offering a spectrum of coal and value-added products to sectors ranging from power and steel to cement and fertilizer industries.

Financial Fortitude and Strategic Imperatives: With a strategic focus on achieving 1BT of coal production by FY 2025-26, CIL remains steadfast in its pursuit of operational excellence and sustainable growth. Backed by robust financials, exemplified by a capital expenditure of Rs. 15,400, CIL's strategic initiatives encompass accelerated HEMM procurement, infrastructure augmentation, and renewable energy ventures, poised to propel the company towards greater heights of success

Stock Data	
CMP (24-05-2024)	500.15
52 Week High/Low	507.35/223.25
Face Value	10.0
Market Cap (In Crs)	3,08,753
Enterprise Value (In Crs)	2,85,041
NSE	COALINDIA
BSE	533278
Bloomberg	COAL:IN
Sector	Coal

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	63.13	63.13
FII	8.41	8.59
DII	23.18	23.06
Public	5.16	5.10
Others	0.11	0.10

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	2.40	15.42	24.10
COAL INDIA	9.73	46.26	107.10

Key Ratios	
P/E	8.26
P/S	2.17
P/B	3.73
Debt To Equity	0.08
ROE	53.4
ROCE	65.1
Dividend Yield	4.84

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	37,410	36,154	38,152	3.47%	-1.94%
EBITDA	13,656	15,510	11,624	-11.95%	17.48%
EBIT	11,663	13,861	9,764	-15.86%	19.45%
Net Profit	8,640	10,155	6,869	-14.92%	25.78%
EPS	14.09	16.44	11.16	-14.29%	26.25%

Result Highlights

In the fourth quarter of FY 2024, Coal India Ltd (CIL) demonstrated a robust financial performance with a sales figure of Rs. 37,410 crore, marking a 3.47% quarter-on-quarter (QoQ) increase from Rs. 36,154 crore in Q3 FY 2024, although it was slightly down by 1.94% year-on-year (YoY) compared to Rs. 38,152 crore in Q4 FY 2023. The company's EBITDA stood at Rs. 13,656 crore, reflecting a decline of 11.95% QoQ from Rs. 15,510 crore in the previous quarter but showing a significant YoY growth of 17.48% from Rs. 11,624 crore in Q4 FY 2023.

Despite the QoQ decreases, CIL's financial health showed notable improvements on a YoY basis. EBIT fell by 15.86% QoQ to Rs. 11,663 crore from Rs. 13,861 crore in Q3 FY 2024 but rose by 19.45% YoY from Rs. 9,764 crore in Q4 FY 2023. Similarly, net profit decreased by 14.92% QoQ to Rs. 8,640 crore from Rs. 10,155 crore in the preceding quarter but surged by 25.78% YoY from Rs. 6,869 crore in the same quarter last year. Correspondingly, the earnings per share (EPS) dropped by 14.29% QoQ to Rs. 14.09 from Rs. 16.44 in Q3 FY 2024, yet increased by 26.25% YoY from Rs. 11.16 in Q4 FY 2023. These figures underscore CIL's resilient profitability and growth trajectory despite short-term fluctuations.

Industry Dominance and Market Leadership: Coal India's unparalleled dominance in the Indian coal mining sector positions it as a key player in meeting the nation's energy demands. As the largest coal producer in the world, the company holds a significant market share and plays a crucial role in supplying coal to various sectors, including power, steel, cement, and fertilizers. Its status as a 'Maharatna' company under the Ministry of Coal further underscores its stature and influence within the industry. The company's extensive operational presence across 8 states in India and plans for international expansion, highlight its commitment to maintaining market leadership and strategic growth.

Sustainable Development Initiatives: Recognizing the importance of environmental sustainability and corporate responsibility, Coal India has been actively implementing sustainable development initiatives. These include investments in renewable energy projects, such as solar power generation, aimed at reducing the carbon footprint and promoting clean energy adoption. Additionally, the company's focus on modernizing its operations through technology adoption, such as mechanized coal transportation systems and mine development projects, reflects its commitment to enhancing operational efficiency while minimizing environmental impact.

Strategic Expansion and Infrastructure Development: Strategic expansion plans and investments in infrastructure development are pivotal in driving its growth trajectory. The company's approval of new mining projects and the commissioning of mining infrastructure projects, such as the First Mile Connectivity (FMC) initiatives, aim to enhance coal evacuation capacity and improve logistical efficiencies. Its focus on diversifying energy sources through investments in renewable energy projects and collaborations with state energy entities underscores its adaptability to evolving market dynamics and emerging energy trends.

Stakeholder Engagement and Corporate Governance: Coal India's strong emphasis on stakeholder engagement and robust corporate governance practices underpin its commitment to transparency, accountability, and ethical conduct. The company's engagement with shareholders, government stakeholders, local communities, and other relevant entities fosters trust and strengthens its relationships with key stakeholders. Moreover, its adherence to stringent corporate governance standards, including regulatory compliance, risk management frameworks, and ethical business practices, instills confidence among investors and enhances its reputation as a responsible corporate citizen.

Concall Highlights

Financial Performance Analysis: Adj. EBITDA ex OBR at Rs 98.4bn, registering a 14% YoY increase but a notable 17.5% QoQ decline, attributed to higher-than-expected employee costs. Despite an 8% YoY increase in sales volume, blended realization declined by 9.6% YoY primarily due to a significant drop in e-auction premium to 66%. Employee costs surged by 17% QoQ, leading to a decline in employee cost by 26.2% YoY to Rs 560/t, impacting overall operational margins.

Operational Insights and Outlook: In the fourth quarter of FY 2024, Coal India Ltd (CIL) exhibited mixed operational performance metrics. FSA volumes increased by 5% YoY, and e-auction volumes saw a substantial 37.6% YoY growth. However, the e-auction sales recorded a significant 23% YoY decrease, attributed to a lower e-auction premium. Despite a 2% YoY revenue decline to Rs 374 billion, higher volumes partially offset this impact, with overall volume rising by 7.8% YoY to 201 MT. CIL achieved a dispatch of 202 MT, marking an 8% YoY and 5% QoQ increase in Q4 FY 2024. The cost of production during this period rose to Rs 1,368 per ton, reflecting a 13% YoY decrease but an 8% QoQ increase.
Looking ahead, Coal India targets a sales volume of approximately 850 MT by FY 2026.

Strategic Initiatives and Operational Efficiencies: Coal India has engaged in mine development cum operator initiatives for 15 projects in Phase I and 15 projects in Phase II, aiming for a combined total capacity of about 173 million tonnes per year. First Mile Connectivity (FMC) projects are underway to upgrade mechanized coal transportation and loading systems, targeting an increase in mechanized evacuation from 151 MTPA to 988.5 MTPA by FY 29-30. The company has suspended production from unviable underground mines, focusing on productivity enhancement and cost control measures.

Production and Dispatch Insights: Coal India produced a record 773.6 million tonnes (MTs) of coal in FY24, marking a significant 10% growth over FY23, with key subsidiaries contributing to the production growth. Supplies to the power sector reached 618.5 MTs in FY24, exceeding the assigned commitment for the year, while non-power sector supplies rose to 135 MTs, reflecting a 25% YoY growth. Enhanced logistics and supply chain efficiency were demonstrated by loading an average of 292.2 rakes per day during FY24, showcasing operational excellence.

Revenue and EBITDA Analysis: Despite revenue declining by 2% YoY to Rs 374bn, the company managed to surpass estimates due to higher-than-expected e-auction premiums over FSA prices. Adj. EBITDA stood at Rs 98bn, registering a 14% YoY increase but falling 18% QoQ, mainly due to higher contractual and other expenses. PAT surpassed estimates by 15%, standing at Rs 86.4bn, primarily attributed to the reversal of stripping activity provision and revised accounting policies.

Cost Management and Efficiency Measures: Despite a QoQ increase in employee costs, the company witnessed a decline in employee cost per tonne basis, reflecting ongoing cost management efforts. CoP reduced by 13.4% YoY, leading to improved EBITDA/t performance despite short-term challenges, demonstrating operational efficiency.

Guidance and Future Projections: Coal India targets to achieve a production volume of 838 MTs in FY25 and 1,000 MTs in FY26, emphasizing steady growth and efficiency enhancement. Revenue and EBITDA are projected to grow at a CAGR of 5% and 10% respectively over FY24-26, reflecting the company's strategic focus on operational excellence and volume growth.

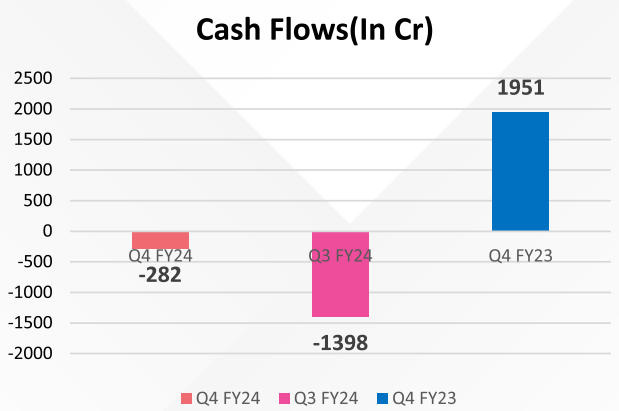
Investment in Renewable Energy: Investing in renewable energy projects is in alignment with global sustainability goals and to diversify its energy portfolio. The company aims to set up 3GW capacity of solar power projects by FY 25-26, with plans to add another 2 GW of renewable energy, aiming for a total installed capacity of 5 GW. Participation in PAN-India Solar tenders and collaboration with state energy entities underscore its commitment to embracing clean energy solutions.

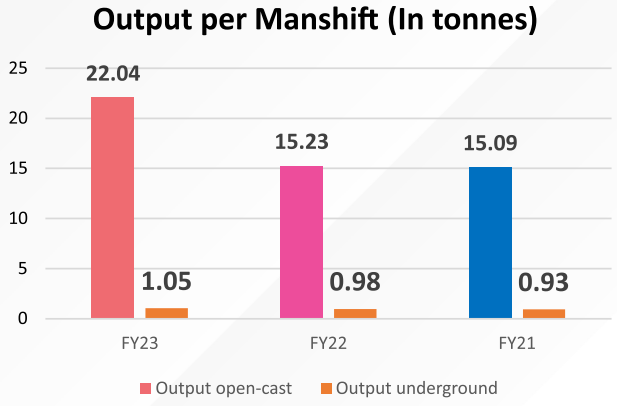
Enhanced Operational Efficiency Through Technology Adoption: Coal India is leveraging technology to enhance operational efficiency across its mining and production processes. Initiatives such as the implementation of mechanized coal transportation and loading systems under the First Mile Connectivity (FMC) projects and engagement with Mine Developer cum Operators (MDOs) for capacity expansion projects signify the company's focus on adopting modern technologies to improve productivity, reduce costs, and mitigate environmental impact.

Market Positioning

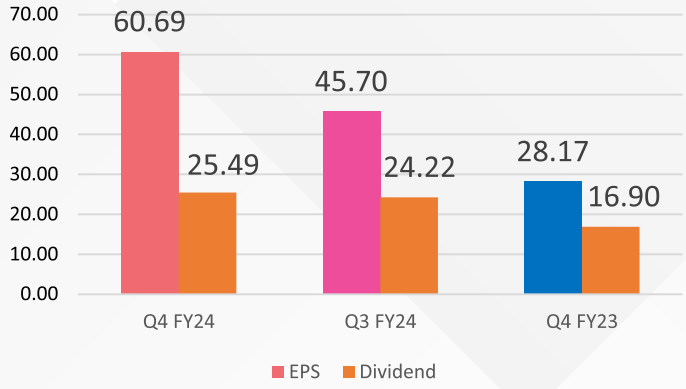


Story Through Charts

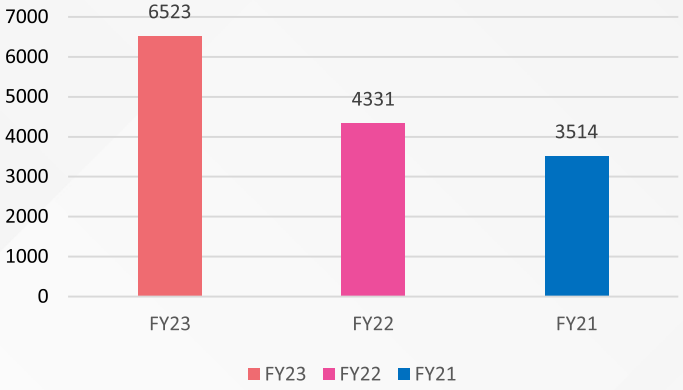




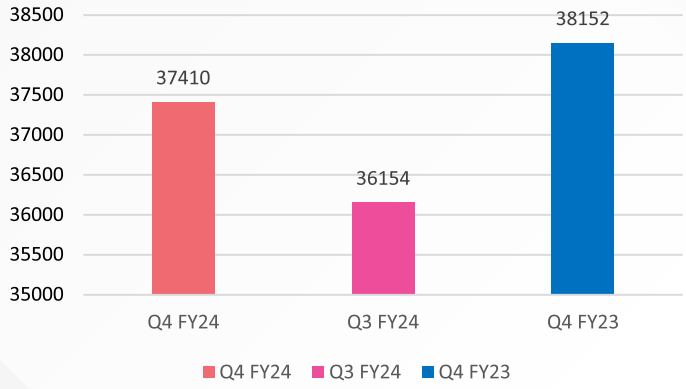
EPS & Dividend



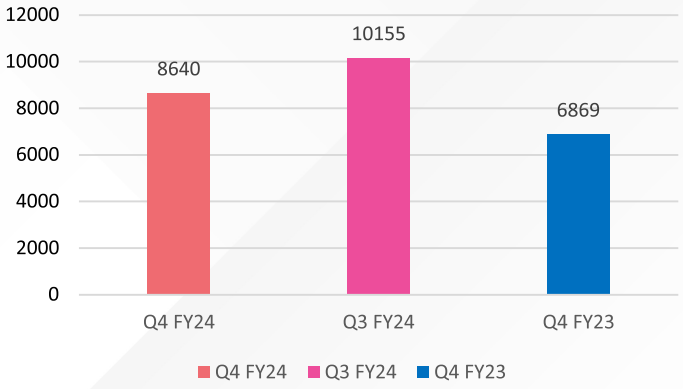
Borrowings (In Cr)



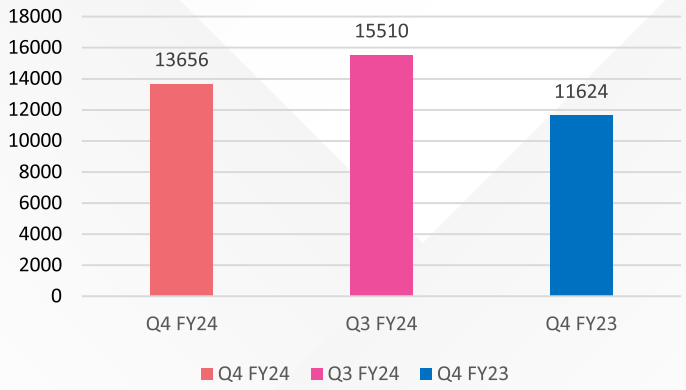
Revenue (In Cr)



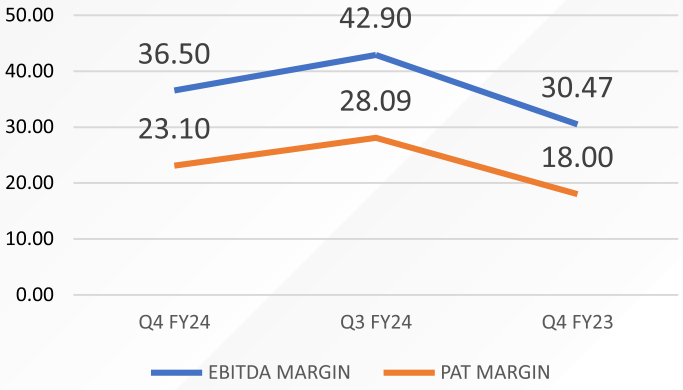
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT MARGINS (IN %)



Technical Outlook



The weekly chart for Coal India Ltd. reveals a strong bullish trend, as evidenced by the upward movement since the beginning of 2021. The stock has notably moved from a low around ₹140 to currently challenging the ₹500 mark. Throughout 2023, it showed significant resilience, consistently finding support above higher lows, indicative of strong buying interest . The current price has recently tested and slightly exceeded previous resistance at around ₹480, indicating potential breakout momentum. If this level can be solidly breached on increased volume, it could signal further upside potential, targeting the next major resistance near the ₹600 zone. Conversely, any pullback that respects the previous resistance-turned-support near ₹480 could consolidate gains before another upward move. Volume has been robust during the recent price increase, reinforcing the strength of the current price movement. This suggests that institutional and retail interest remains high, potentially supporting continued bullish behavior in the short to medium term.

Based on the Relative Strength Index values, Coal India Ltd. appears to be in a strong technical position. Both the daily RSI at 68.64 and the weekly RSI at 68.12 suggest that the stock is trending towards being overbought, indicating a strong upward momentum in recent trading periods.

The Simple Moving Averages (SMA) and Exponential Moving Averages (EMA) indicate a bullish trend across all time frames. The consistent rise from the 200-day to the 5-day averages suggests strong upward momentum and investor confidence in the stock.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	492.1	492.2
10	476.0	481.7
20	466.3	470.3
50	449.9	454.1
100	434.9	428.8
200	367.2	382.0

Pivot Levels : FIBONACCI		
R1 507.9	Pivot 498.52	S1 491.6
R2 514.8		S2 482.3
R3 524.1		S3 475.4

	Daily	Weekly
Relative Strength Index (RSI)	68.64	68.12

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