

**Volumes are picking-up with easing lockdown; demand from power sector to drive volumes in H2FY21**
**Key result highlights**
***Easing lockdown restrictions improved volumes and financial performance***

Coal India Ltd (CIL) reported a net revenue of Rs.21,153 cr in Q2FY21, a QoQ/YoY growth of 14.4%/3.8% respectively. Sales volume stood at 134.1 Mn Tn in Q2FY21, a QoQ/YoY growth of 11.6%/9.6% respectively. Sales volume picked up due to broader recovery in power demand and low base of last year.

FSA volumes grew at a QoQ/YoY rate of 5.8%/4.2%, respectively, to 108.2 Mn Tn due to broader recovery across all industries, while FSA realization stood at Rs.1,412/tn (QoQ/YoY change of 3.9%/-1.8% respectively). E-auction volumes reported a QoQ/YoY growth of 40.8%/44.2%, respectively, to 22.4 Mn Tn during the quarter. E-auction volumes spurred due to lower realization (Rs.1,437/tn, a QoQ/YoY decline of 10.1%/28.8%) and strong demand resumption for coal from the power sector. Decline in e-auction prices has reduced the gap between FSA and E-auction realizations, making the latter more competitive. Washed coal volumes stood at 2.7 Mn Tn, a QoQ/YoY growth of 59.6%/18.7% respectively. Washed coal realizations were at Rs.2,835/tn, a QoQ/YoY change of 6.3%/-3.9% respectively.

***Savings on administration cost aided profitability***

EBITDA clocked a QoQ/YoY growth of 30.2%/10.1% respectively to Rs.3,975 cr, while EBITDA/Tn grew at a QoQ/YoY rate of 16.7%/0.4% respectively to Rs.296/Tn during the quarter. Despite decline in the overall realization, CIL managed to report better EBITDA/Tn due to savings on administration cost and employee expenses. Employee cost reported a QoQ/YoY change of -4.9%/0.5% to Rs.9,122 cr, while other operating expenses grew at a QoQ/YoY rate of 2.1%/3.9% (lower than revenue growth) respectively to Rs.5,212 cr during the quarter. Opex is expected to increase gradually with the easing of restrictions due to COVID-19, which could suppress further growth in EBITDA/Tn.

Bloomberg Code	CIL.IN
No of share O/S	616.3
Market Cap	78,151
Face Value	10.0
Dividend Yield	9.53
52 Wk High/Low	215/110

Shareholding	
Promoters	66.13
Institutional	29.10
Public	4.77
Total	100

Other income declined at a YoY rate of 33.5% to Rs.1,085 cr due to a significant decline in net cash on the balance sheet. Net cash & equivalents declined from Rs.35,239 cr in Q2FY20 to Rs.15,360 cr in Q2FY21. As a result, net profit reported YoY decline of 16.3% to Rs.2,948 cr, while net margins deteriorated by 335bps YoY to 13.9% in Q2FY21.

### ***Concall Highlights***

- Management has allowed all the subsidiaries to fix their e-auction premium and also provided flexibility in pricing the coal. CIL is planning to raise sales volumes under the E-auction route.
- Management stated that the dues from power generation companies have increased and there is no clarity on the time frame for the recovery of past dues. But the companies are regularly paying on the incremental volumes, to avoid any new/additional payables.
- Earlier guidance for FY21 capex was Rs.10,000 cr, which has now increased to Rs.11,000 cr. The management is targeting 1.0 bn tn of annual production, which could require a capex of Rs.65,000 cr in the coming years
- CIL produced 605 Mn Tn of coal in FY20, and the company is confident of surpassing it in FY21. Management is expecting strong revival in power demand in H2FY21

### ***Valuation***

CIL is currently trading at a FY21 forwarded EV/EBITDA of 2.7x

## Financial Summary

EBITDA margin at 18.8% was higher due to savings on administration cost and better than expected sales volume

Management has indicated a capex of Rs.11,000 cr, which will increase every year to achieve 1 bn tn of production

As the company adjusts to the revised tax structure, the management has guided a 25% tax rate.

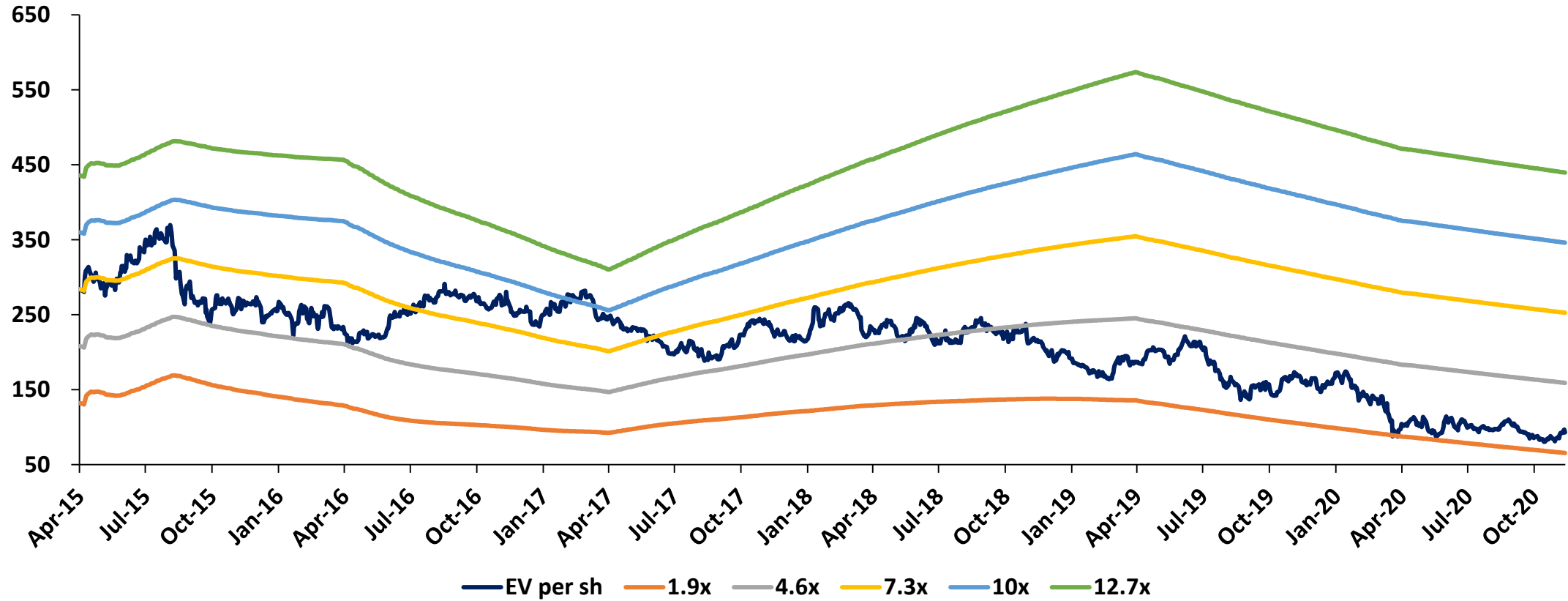
Figures are in Rs Cr	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	FY19	FY20	YoY (%)
Net Sales	21,153	20,383	3.8	18,487	14.4	99,586	96,080	(3.5)
Raw Material Cost	2,843	2,683	6.0	734	287.2	8,188	6,084	(25.7)
<b>RM Cost to Sales (%)</b>	<b>13.4</b>	<b>13.2</b>		<b>4.0</b>		<b>8.2</b>	<b>6.3</b>	<b>(23.0)</b>
Employee Cost	9,122	9,073	0.5	9,596	(4.9)	38,773	39,384	1.6
<b>Employee Cost to Sales (%)</b>	<b>43.1</b>	<b>44.5</b>		<b>51.9</b>		<b>38.9</b>	<b>41.0</b>	
Other Expenses	5,212	5,016	3.9	5,105	2.1	27,660	28,693	3.7
<b>Other Exp to Sales (%)</b>	<b>24.6</b>	<b>24.6</b>		<b>27.6</b>		<b>27.8</b>	<b>29.9</b>	
EBITDA	3,975	3,611	10.1	3,052	30.3	24,965	21,920	(12.2)
<b>EBITDA Margin (%)</b>	<b>18.8</b>	<b>17.7</b>	<b>1.07</b>	<b>16.5</b>	<b>2.28</b>	<b>25.1</b>	<b>22.8</b>	
Depreciation	852	793	7.5	853	(0.0)	3,450	3,451	0.0
Interest	147	170	(13.3)	183	(19.5)	264	503	90.7
TTM Interest Coverage	21.2	16.6		12.0		81.6	36.7	
Other Income (incl Excep)	1,085	1,630	(33.5)	785	38.2	5,878	6,107	3.9
<b>Other Income to Sales (%)</b>	<b>5.1</b>	<b>8.0</b>		<b>4.2</b>		<b>5.9</b>	<b>6.4</b>	
Profit Before Tax	4,060	4,279	(5.1)	2,801	44.9	27,129	24,072	(11.3)
<b>Tax Rate (%)</b>	<b>27.3</b>	<b>17.6</b>		<b>25.8</b>		<b>35.6</b>	<b>30.6</b>	
Profit After Tax	2,951	3,524	(16.3)	2,079	42.0	17,466	16,702	(4.4)
<b>PAT Margin (%)</b>	<b>13.9</b>	<b>17.3</b>	<b>(3.3)</b>	<b>11.2</b>	<b>2.7</b>	<b>17.5</b>	<b>17.4</b>	
Share of Assoc / Minority Int	(3)	(2)		1		(3)	13	
Net Profit	2,948	3,523	(16.3)	2,080	41.8	17,463	16,714	(4.3)
<b>Net Margin (%)</b>	<b>13.9</b>	<b>17.3</b>	<b>(3.35)</b>	<b>11.2</b>	<b>2.69</b>	<b>17.5</b>	<b>17.4</b>	
Adjusted EPS	4.8	5.7	(16.3)	3.4	41.8	28.3	27.1	(4.3)
Shareholder's Funds	37,084	34,048				26,455	32,157	21.6
BV per share	60.2	55.2				42.9	52.2	21.6
Net Debt	(15,360)	(35,239)				(30,664)	(22,113)	(27.9)
Net Debt to Equity						(1.2)	(0.7)	
Net Debt to EBITDA						(1.2)	(1.0)	
RoE						66.0	52.0	
RoIC						(329.1)	127.6	
P/E						4.4	4.6	
EV/EBITDA						1.9	2.6	

## Segmental Performance

Segmental Analysis	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	FY17	FY18	FY19	FY20
<b>Production (Mn Tn)</b>	<b>156.0</b>	<b>194.4</b>	<b>136.9</b>	<b>104.0</b>	<b>147.5</b>	<b>213.7</b>	<b>121.0</b>	<b>115.0</b>	<b>554.1</b>	<b>567.4</b>	<b>606.9</b>	<b>602.1</b>
<b>Sales/Offtake (Mn Tn)</b>	<b>154.1</b>	<b>163.4</b>	<b>153.3</b>	<b>122.3</b>	<b>141.5</b>	<b>164.1</b>	<b>120.2</b>	<b>134.1</b>	<b>541.4</b>	<b>580.6</b>	<b>608.2</b>	<b>581.2</b>
FSA	135.8	142.4	130.3	103.8	127.7	139.2	102.2	108.2	429.8	460.0	525.4	501.0
E-auction	14.7	16.7	19.1	15.5	9.8	21.0	15.9	22.4	94.2	106.2	68.5	65.4
Washed Coal	2.9	3.3	3.1	2.3	2.3	3.3	1.7	2.7	14.0	11.5	11.2	11.0
Others	0.7	1.0	0.8	0.7	1.7	0.6	0.3	0.8	3.4	2.9	3.1	3.8
<b>Realization (Rs/Tn)</b>												
FSA	1,334	1,460	1,370	1,438	1,411	1,446	1,359	1,412	1,301	1,257	1,348	1,416
E-auction	2,847	2,754	2,155	2,019	2,623	2,105	1,598	1,437	1,536	1,839	2,632	2,177
Washed Coal	2,866	2,879	3,171	2,951	2,667	2,548	2,668	2,835	3,049	3,023	2,713	2,831
Others	3,425	3,559	3,644	3,832	2,060	3,643	3,506	2,709	2,914	3,249	3,306	2,957
<b>EBITDA</b>	<b>6,787.8</b>	<b>8,240.9</b>	<b>6,612.4</b>	<b>3,611.2</b>	<b>4,968.4</b>	<b>6,728.9</b>	<b>3,052.0</b>	<b>3,975.0</b>	<b>11,730.7</b>	<b>8,731.7</b>	<b>25,005.9</b>	<b>21,920.9</b>
EBITDA/Tn	440.5	504.3	431.3	295.3	351.1	410.0	254.0	296.4	216.7	150.4	411.1	377.2

# 1 year forward valuation band chart

### 1 year forward EV/EBITDA band chart



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