

Price: 399

Recommendation: Buy

Industry: Coal

Sector: Energy

Report Date: 18-Apr-2025

Coal India Limited (CIL) is actively pursuing diversification and growth through strategic initiatives. Key moves include a partnership with Bharat Petroleum for a Coal to Synthetic Natural Gas Project and an MoU with IREL for critical mineral development. CIL is also expanding into renewable energy, commissioning a 50 MW solar plant. Despite a 3% sales decline, CIL's EBITDA margin improved, reflecting operational efficiency. The company aims to enhance sustainability and profitability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1609 Cr	Operating Profit(Year)	621 Cr	Operating Profit Margin	38.6 %
Previous Year	1951 Cr	Operating Profit(Quarter)	164 Cr	EBITDA Margin	999.56 %
Current Quarter	416 Cr	PAT (Year)	15762 Cr	Net Profit Margin	1039 %
Previous Quarter	315 Cr	PAT (Quarter)	9646 Cr	EPS	27.9
Revenue (QYoY)	399 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	14.3	Sales Growth	4.65 %	Sales Growth	32.06 %
PEG Ratio	1.68	PAT Growth	6.58 %	Sales Growth QYoY	4.26 %
EV/EBITDA	14.0	EPS Growth	8.98 %	PAT Growth	133.33 %
P/B	13.3	Dividend Yield	6.39	PAT Growth QYoY	3.54 %
Capital Allocation		Holdings		Leverage	
RoE	92.6 %	Promoter	63.1 %	Debt/Equity	0.00
RoA	66.4 %	FII	7.74 %	Debt	0.00 Cr
RoCE	94.3 %	DII	23.4 %	Market Cap	245800 Cr
RoIC	390 %	Public	5.68 %	Enterprise value	243550 Cr
		No of Shares	616 Cr	Cash Equivalents	2251 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Coal India Limited (CIL) outlined several strategic initiatives aimed at diversification and growth. A significant move is the Memorandum of Understanding (MoU) with Bharat Petroleum Corporation Limited (BPCL) to explore the establishment of a Coal to Synthetic Natural Gas Project at Western Coalfields Limited (WCL) through Surface Coal Gasification. This initiative is part of CIL's broader strategy to diversify into alternative energy sources and reduce dependency on traditional coal. Additionally, CIL has executed an MoU with IREL (India) Ltd for the development of critical mineral assets, marking a strategic shift towards diversification in other critical minerals. The company has also commissioned a 50 MW Solar Power Plant at Northern Coalfields Limited (NCL) in Nigahi, which is the largest solar power plant in CIL, reflecting its commitment to renewable energy.

CIL's business strategies are focused on enhancing operational efficiency and financial performance. The company has been awarded a Letter of Assurance (LoA) by the Ministry of Coal for a financial incentive of 1,350 Crores for each of the three coal gasification projects. This financial backing is expected to bolster CIL's efforts in coal gasification, a key component of its strategy to transition towards cleaner energy solutions. The company's physical performance for the nine months ending December 2024 shows a production increase of 2% compared to the previous year, with a total production of 543.36 million tonnes. This growth is attributed to improved operational efficiencies and strategic investments in infrastructure and technology.

Looking ahead, CIL is poised for growth with a focus on scaling its renewable energy projects and expanding its footprint in the critical minerals sector. The company's future growth prospects are underpinned by its strategic initiatives in coal gasification and solar energy, which are expected to drive long-term sustainability and profitability. However, the company faces challenges such as fluctuating coal prices and regulatory hurdles, which could impact its growth trajectory. To mitigate these risks, CIL is investing in technology and innovation to enhance its operational capabilities and reduce costs.

From a financial perspective, CIL's performance has been mixed, with a decrease in net sales by 3% for the nine months ending December 2024, compared to the previous year. This decline is primarily due to a reduction in the average realization per tonne and a decrease in sales volume. On a positive note, the company's EBITDA margin improved to 41.32%, reflecting better cost management and operational efficiencies. The company's focus on diversification and renewable energy projects is expected to provide a buffer against market volatility and enhance its competitive position. However, there is room for improvement in optimizing its sales strategy and expanding its market reach to capitalize on emerging opportunities in the energy sector.

COALINDIA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Sandur Manganese	7563.79	16.18	11.35%	85.08%	214.78%	294.61%	1218.94%
Lloyds Metals	67299.38	44.12	56.64%	16.68%	-12.40%	29.22%	17.48%
NMDC	57911.70	8.93	23.93%	33.52%	21.40%	55.98%	12.62%
Coal India	245800.42	14.29	92.63%	32.06%	4.37%	133.34%	3.54%
Vedanta	156435.07	13.17	10.49%	3.94%	10.06%	7.91%	76.20%

Aspect	Commentary
Revenue	The company's revenue shows a decline from the previous year, indicating potential challenges in sales or market conditions. However, the current quarter's revenue has increased compared to the previous quarter, suggesting a possible recovery or seasonal effect. This mixed performance requires further analysis to understand underlying factors.
Profit & Loss	Operating profit remains strong, reflecting effective cost management. The significant PAT figures indicate robust profitability, though the year-over-year comparison shows a decline, suggesting potential areas for improvement in revenue generation or cost control. Quarterly figures show a positive trend, indicating short-term recovery.
Profitability Matrix	The company exhibits strong profitability with high operating and net profit margins, indicating efficient operations and cost management. The EPS is healthy, suggesting good returns for shareholders. These metrics highlight the company's ability to generate profit from its operations effectively.
Valuation Matrix	The valuation metrics suggest the company is reasonably valued with a moderate P/E ratio and PEG ratio, indicating balanced growth expectations. The EV/EBITDA and P/B ratios reflect the company's market position and asset valuation, suggesting potential for investment attractiveness.
Growth (YoY)	Year-over-year growth metrics show modest increases in sales, PAT, and EPS, indicating steady performance. The dividend yield is attractive, providing additional returns to investors. These figures suggest the company is maintaining growth, albeit at a moderate pace.
Growth (QoQ)	Quarter-over-quarter growth shows significant improvement in sales and PAT, indicating strong short-term performance. This suggests effective strategies or market conditions that have positively impacted the company's financials in the recent quarter.
Capital Allocation	The company demonstrates strong capital allocation with high RoE, RoA, and RoCE, indicating efficient use of capital to generate returns. The exceptional RoIC highlights the company's ability to invest capital effectively, contributing to its overall financial health.
Holdings	The ownership structure shows a strong promoter holding, indicating confidence in the company's prospects. Institutional holdings are significant, suggesting interest from large investors. The public holding is relatively small, reflecting concentrated ownership.
Leverage	The company has no debt, indicating a strong balance sheet and financial stability. This lack of leverage reduces financial risk and provides flexibility for future investments or strategic initiatives. The market cap and enterprise value reflect the company's substantial market presence.

Analyst viewpoint: Our recommendation for Coal India Limited remains bullish, driven by impressive growth metrics and strategic initiatives that position the company for short to mid-term success. The company reported a remarkable quarter-over-quarter sales growth of 32.06% and a PAT growth of 133.34%, underscoring its robust financial performance and operational efficiency. The valuation metrics, with a moderate P/E of 14.3 and a strong ROE of 92.63%, further affirm Coal India's attractive investment profile. CIL's strategic partnerships and investments in renewable energy and diversification into critical minerals through collaborations with major industry players signal a well-rounded and forward-looking growth strategy. The company's strong financial stability, marked by zero debt, enhances its capacity to make strategic long-term investments, thereby ensuring sustained profitability and shareholder value.

While Coal India's operational strategies and growth metrics paint an optimistic picture, it is important to note potential challenges. The company faces issues such as fluctuating coal prices and regulatory hurdles, which could impact growth trajectories unless adequately mitigated through strategic planning and market adaptation. Nevertheless, with its commitment to operational efficiency and sustainability, Coal India is well-positioned to capitalize on emerging market opportunities, providing a compelling case for investment in the current market environment.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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