

MARKET CAP- 2,93,561 CR
CURRENT MARKET PRICE- 486.95

Research report as on 15 june,2024

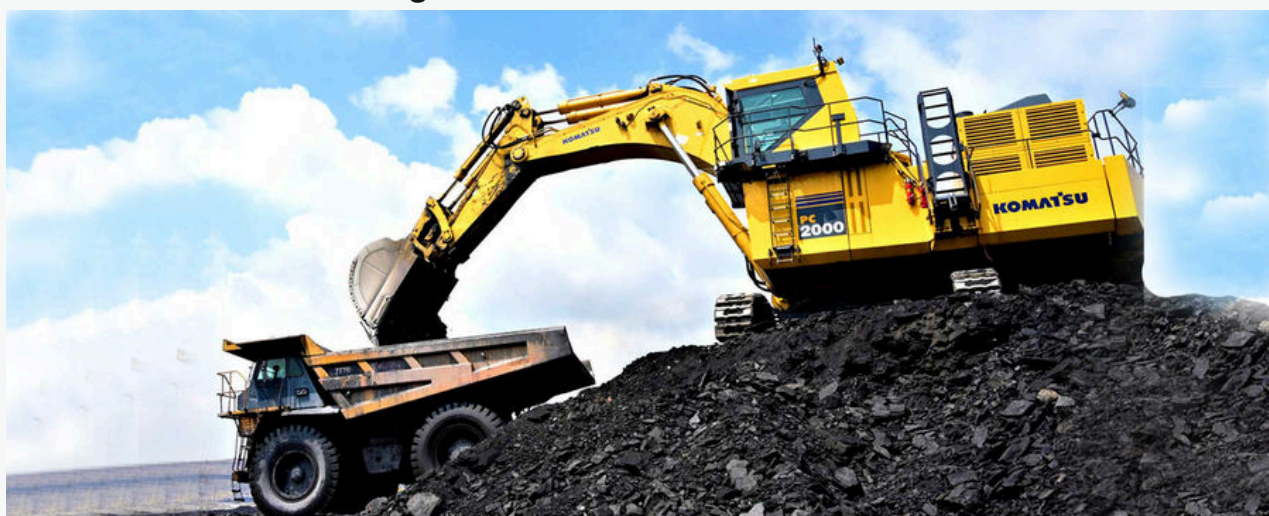


BY-SAMBHAV LALWANI
JUNIOR ANALYST
PEE AAR SECURITIES

ABOUT COMPANY

Coal India Limited (CIL) is a state-owned coal mining corporate headquartered in Kolkata, India. Founded in 1975, it is the largest coal producer in the world, contributing to about 80% of India's total coal output. CIL operates through its subsidiaries spread across eight states in India and is involved in both underground and opencast mining.

CIL's primary product is non-coking coal, which is used mainly for power generation, accounting for the majority of its production. This type of coal is also utilized in cement, fertilizer, glass, ceramic, paper, chemical, and brick manufacturing industries.



Apart from non-coking coal, CIL also produces coking coal, which is essential for steel manufacturing. The coking coal segment includes both high-grade coking coal and semi-coking coal, used in metallurgical processes and various industrial applications, respectively. The company's portfolio also includes washed and beneficiated coal products, which have higher calorific value and lower ash content, thus catering to specific industrial needs.

HISTORY

Coal India Limited (CIL) is an Indian state-owned coal mining and refining corporation. It is the largest coal-producing company in the world and a Maharatna public sector enterprise. Here's a brief history of Coal India Limited:

Early History

- 1853: The history of coal mining in India dates back to the early 18th century with the introduction of steam locomotives in 1853. The East India Company exploited the Raniganj Coalfield in West Bengal.

Formation and Early Years

- 1956: The government of India took over private coal mines under the Coal Mines (Nationalization) Act, making them public sector entities.
- 1973: Coal India Limited was formed as a holding company for nationalized coal mines in India to improve efficiency and production.
- 1975: National Coal Development Corporation (NCDC) was merged into Coal India Limited.

Expansion and Growth

- 1975-1990s: Coal India expanded its operations by consolidating small mines into larger, more productive units. This era saw significant modernization and increased mechanization in coal mining operations.
- 1990s: Economic liberalization policies of the Indian government allowed private investment in the coal sector. Coal India continued to dominate the market but faced competition from private players.

Modernization and Restructuring

- 2000s: Coal India undertook significant restructuring to improve efficiency and productivity. It also focused on safety, environmental management, and corporate social responsibility.

- 2010: Coal India launched its Initial Public Offering (IPO) and was listed on the Indian stock exchanges. It became one of the largest IPOs in the Indian market.

Recent Developments

- 2014: The government of India launched the auction of coal blocks to private companies for commercial mining, ending Coal India's monopoly.
- 2017: Coal India adopted a new business model to improve operational efficiency and profitability.
- 2020s: Emphasis on sustainability and environmental compliance, with efforts to reduce carbon footprint and adopt renewable energy sources.

Current Status

Coal India Limited continues to be a significant player in the Indian energy sector, contributing to about 80% of India's coal production. It plays a critical role in meeting the country's energy demands and supporting economic growth.



MEET OUR TEAM



Shri P M Prasad
*Chairman cum
MD*

With over 30 years of experience in the coal mining sector, Prasad holds a post-graduate degree in mining engineering from the Indian School of Mines, IIT Dhanbad. Prasad's career in Coal India began in 1984 as a management trainee at Western Coalfields Limited. He also spent three years as the Executive Director (coal mining) at NTPC (National Thermal Power Corporation).



Shri Vinay Ranjan
*Director
P&IR*

Shri Ranjan is an Alumni of prestigious INSEAD Business School and passed out from Fontainebleau, France, with a general management program. He is an Honours graduate in Physics and holds full time PG Diploma in Personnel Management & Industrial Relation. Shri Ranjan has close to 24 years of extensive work experience in Talent Acquisition, Talent Management, Performance Management, Employer Branding, etc.



Dr. B. Veera Reddy
*Director
Technical*

He did his B. Tech in Mining from Kothagudem School of Mines, Osmania University in the year 1986, obtained First Class Managers Competency Certificate by DGMS in the year 1990, and completed Master of Technology in Mine Planning from Kothagudem School of Mines, Osmania University in the year 2000. He was awarded Doctor of Philosophy (Ph D) Degree by the Indian Institute of Technology (Indian School of Mines), Dhanbad. He has more than 33 years of experience in coal mining, planning, procurement and operations.



Dr. Debasish Nanda
Director
Business Development

A graduate in mechanical engineering from UCE Burla, Sambalpur University, Shri Nanda is a Post Graduate in production engineering from REC Rourkela and has to his credit a Masters in International Business from IIFT, New Delhi. Nanda began his career with Indian Oil Corporation in 1988 as a Management Trainee in the Marketing Division, where he spent one year marketing Servo lubricants. In 1999, he joined the Business Development Group.



Shri Mukesh Choudhary
Director
Marketing

An Officer of Indian Ordnance Factory Services (IOFS) 1996 batch, Mr. Choudhary is a Mechanical Engineering (Honours) graduate from Engineering College Kota. He also holds a Master of Financial Analysis (MFA) degree and a MBA degree.



Shri Mukesh Aggarwal
Director
Finance

Shri Mukesh Aggarwal is a Science Graduate from University of Allahabad and a Member of the Institute of Cost Accountants of India. His experience spans over three decades with a blend of both private and public sector work familiarity in entities like ITI Limited, IRCON International Limited and NLCIL.

INDUSTRY OVERVIEW

The India Coal Market size is estimated at 0.97 Billion tons in 2024, and is expected to reach 1.40 Billion tons by 2029, growing at a CAGR of 7.57% during the forecast period (2024-2029).

- Over the medium term, factors such as increasing power generation capacity plans and increasing electricity demand and rapidly growing industrial and infrastructural development activities, are expected to be one of the most significant drivers for the India coal market during the forecast period.
- On the other hand, supportive government policies to increase renewable energy generation is expected to restrain the growth of the Indian coal market during the forecast period.

Increasing Thermal Power Generation is Expected to Drive the Market

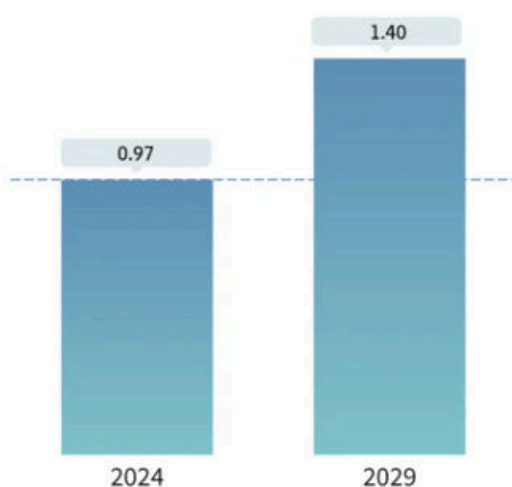
- Coal is extensively used in India to fire thermal power stations and, in turn, meet the demand for various sectors, such as industry, transport, residential, commercial, and public services. The power stations segment is expected to dominate the market, supported by India's plan to add additional coal-fired plants during the forecast period.
- Coal-fired power plants generate energy from the combustion of coal. The country is the second-largest coal producer globally and uses most coal to produce electricity. According to the India Ministry of Coal statistics, as of July 2023, the country imported 87.97 million tonnes of coal, moreover, the total coal imports registered 237.67 million tonnes in 2022-23.

The India coal market is semi-consolidated. Some of the major players in the market (in no particular order) include Adani Group, Coal India Limited, JSW Energy Ltd, NTPC Ltd, and Jindal Steel & Power Ltd., among others.

India Coal Market

Market Size in Billion Tons

CAGR 7.57%



Source : Mordor Intelligence



Study Period 2020 - 2029

Base Year For Estimation 2023

Market Volume (2024) 0.97 Billion tons

Market Volume (2029) 1.40 Billion tons

CAGR (2024 - 2029) 7.57 %

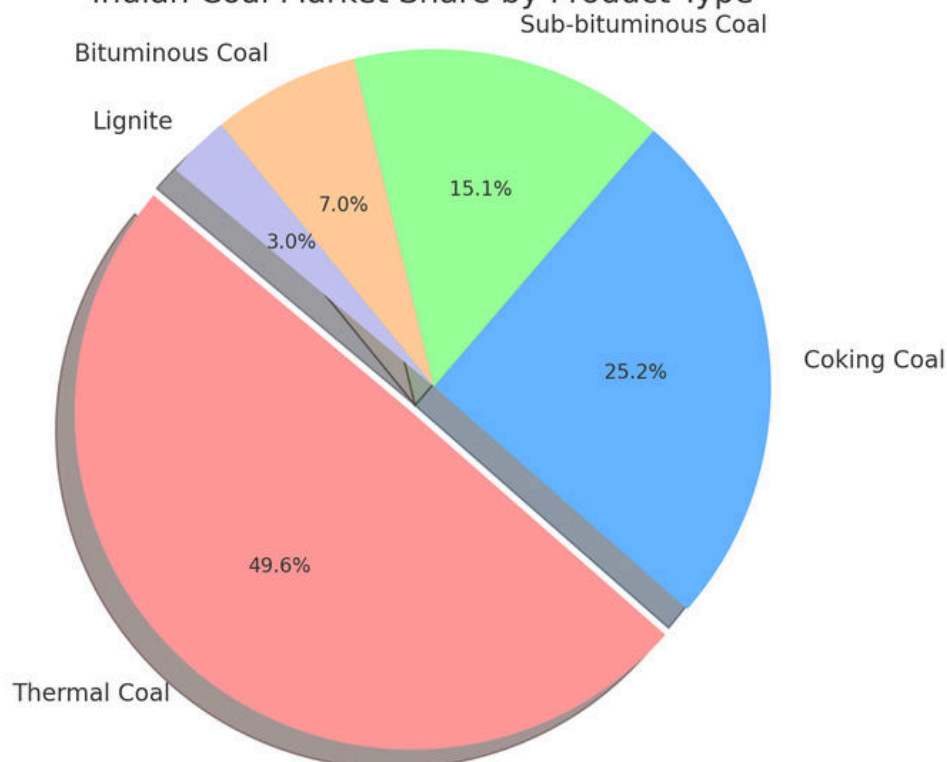
Market Concentration Medium

Major Players



*Disclaimer: Major Players sorted in no particular order

Indian Coal Market Share by Product Type



The organized sector collectively accounts for around 90-95% of the total coal production in India.

The unorganized sector, including illegal and informal mining activities, contributes around 5-10% of India's total coal production.

MARKET SHARE

Coal India Limited (CIL) and its subsidiaries produced **703.20** million tonnes (MT) of coal in India in 2022-23, which was **78.73%** of the country's total coal production. This was a **12.94%** increase from 2021-22, when CIL produced 622.63 MT. In 2023-24, CIL produced 773.64 MT, which was a **10.02%** increase from the previous year.

CIL Produces :

- Coking Coal.
- Semi coking coal.
- Non Coking Coal.
- Beneficiated coal.
- Cil Coke / LTC Coke.
- Coal Fines/ Coke Fines.
- Tar/ Heavy Oil/ Light Oil

Customer segments serviced by CIL are as under :

- Power(Power utilities including IPPs).
- Power(Captive).
- Defence.
- Railways.
- Fertilizer.
- Steel including Sponge Iron & Pig iron manufactures and other metallurgical industries who use coal/coke for their own end use.
- Cement.
- Aluminium Ind.
- Paper Ind.
- Central PSUs for consumption and use (as distinguished from trading).
- Export.
- Glass/ Ceramic/ Pottery.
- Chemical.
- Engineering/ Rolling Mills.
- State nominated agency.
- Traders, etc..

Coal India Limited, scripting a prolific performance, has ended FY 2023-24 with an all-time record high coal production of **773.65 million tonnes (MTs)** and coal off-take of **753.59 MTs**.

Coal Production

(A) CIL produce non-coking coal and coking coal of various grades for diverse applications. The following table provides certain information relating to the non-coking coal and coking coal produced by CIL in the periods indicated:

Grades	2019-20	2019-20	2020-21	2020-21	2021-22
	Raw coal Production Mill Te	% of Total Raw Coal Production	Raw coal Production Mill Te	% of Total Raw Coal Production	Raw coal Production Mill Te
Non Coking Coal	555.70	92.3	557.38	93.5	576.03
Coking Coal	46.44	7.7	38.84	6.5	46.60
Total	602.14	100.0	596.22	100.0	622.63

2022-23	2022-23	2023-24	2023-24
Raw coal Production Mill Te	% of Total Raw Coal Production	Raw coal Production Mill Te	% of Total Raw Coal Production
648.58	92.2	713.21	92.2
54.63	7.8	60.43	7.8
703.20	100.0	773.65	100.0

SUBSIDIARIES

DETAILS	UNIT	ECL	BCCL	CCL	NCL	WCL	SECL	MCL	NEC	CIL
UG	Mill Te	9.18	0.77	0.78	0.00	2.87	11.96	0.46	0.00	26.02
OC	Mill Te	38.38	40.33	85.27	136.15	66.24	175.41	205.64	0.20	747.63
TOTAL	Mill Te	47.56	41.10	86.05	136.15	69.11	187.38	206.10	0.20	773.65
OFFTAKE	Mill Te	43.75	39.27	82.91	137.63	70.24	180.60	199.02	0.17	753.59

Coal India Limited (CIL)			

ECL	BCCL	CCL	NCL
(West Bengal & Jharkhand)	(Jharkhand)	(Jharkhand)	(Madhya Pradesh & Uttar Pradesh)
Rajmahal Sonepur Bazari Jhanjra	Moonidih Sudamdih Barora	Magadh Amrapali Piparwar	Nigahi Jayant Amlohri
(High-grade Coal)	(Coking Coal)	(Coking and Non-coking Coal)	(Non-coking Coal)

WCL	SECL	MCL	NEC
(Maharashtra & Madhya Pradesh)	(Chhattisgarh & Madhya Pradesh)	(Odisha)	(Assam)
Majri Chandrapur Ballarpur (Non-coking Coal)	Kusmunda Gevra Dipka (Large Producer)	Talcher IB Valley (Significant Contributor)	Ledo Tipong (Smaller Producer, Local Industries)

MAJOR CLIENTS

Power Generation Companies:

1. National Thermal Power Corporation (NTPC)
2. Various State Electricity Boards (SEBs)
3. Independent Power Producers (IPPs)

Steel Plants:

1. Steel Authority of India Limited (SAIL)
2. Tata Steel
3. Rashtriya Ispat Nigam Limited (RINL)
4. Other private steel producers

Cement Industry:

1. UltraTech Cement
2. ACC Limited
3. Ambuja Cements
4. Other regional cement manufacturers

Fertilizer Industry:

1. Indian Farmers Fertiliser Cooperative (IFFCO)
2. National Fertilizers Limited (NFL)
3. Other fertilizer companies

Other Industries:

1. Brick kilns
2. Textile manufacturing units
3. Paper mills

Railways and Ports:

1. Indian Railways (for transportation of coal)
2. Various major and minor ports (for export and import of coal)

Export Clients:

1. Clients in Bangladesh, Nepal, and other neighboring countries
2. Occasionally, international clients in Europe and Asia through tenders

CIL's clients primarily purchase coal for thermal power generation, steel production, cement manufacturing, etc.



SWOT ANALYSIS

Strengths:

- **Market Leadership:** Coal India Limited (CIL) is the largest coal producer in the world, commanding a significant market share in India.
- **Resource Availability:** CIL has access to vast coal reserves, ensuring a stable supply of raw material.
- **Government Support:** Being a state-owned enterprise, CIL benefits from strong governmental backing, including favorable policies and financial assistance.
- **Extensive Distribution Network:** The company has a well-established distribution network, ensuring efficient supply chain management across the country.
- **Strong Financial Performance:** CIL boasts consistent profitability with a strong track record of revenue and profit growth. They recently achieved record highs in production and offtake.

Weaknesses:

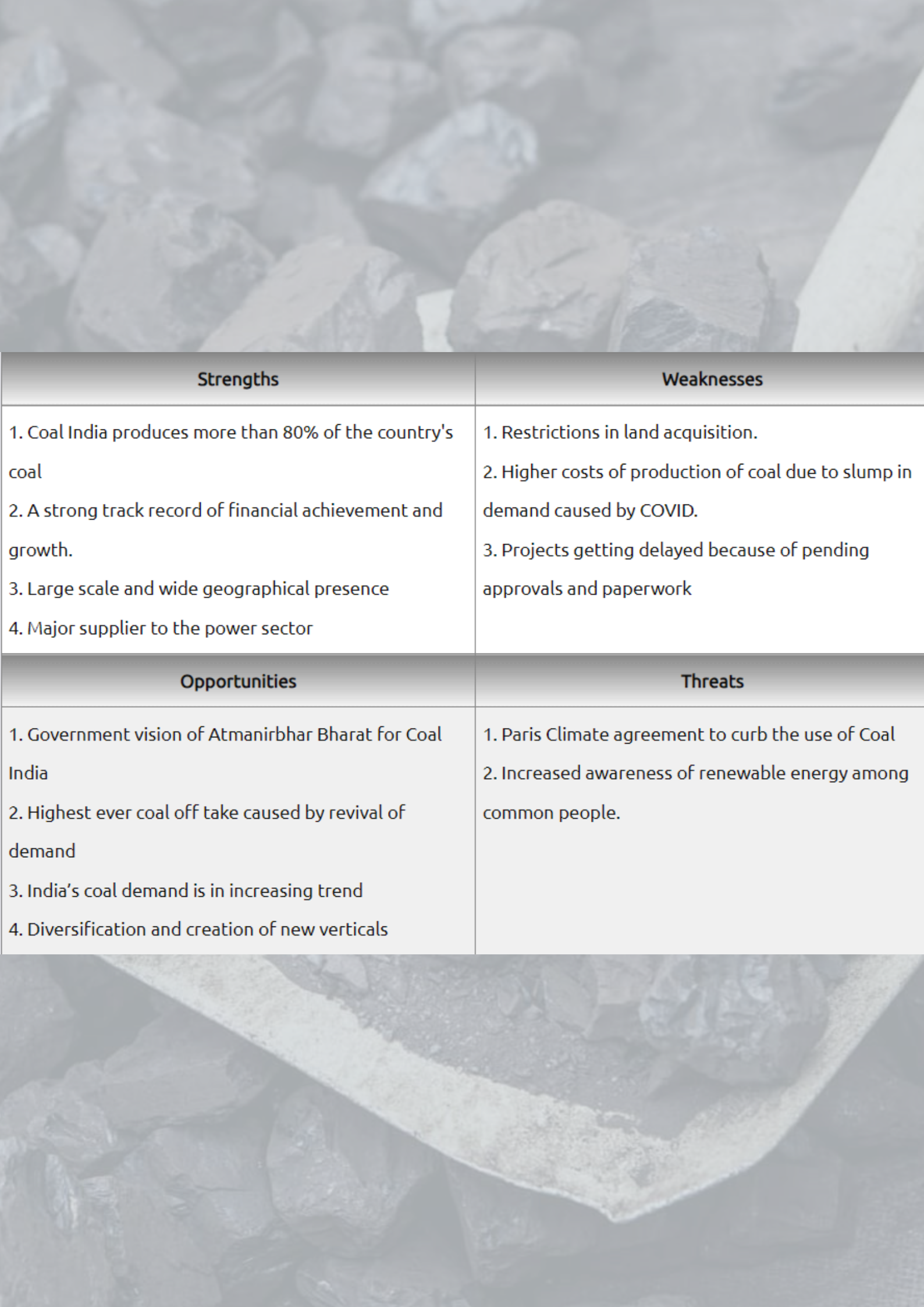
- **Operational Inefficiencies:** CIL often faces issues related to outdated technology and inefficiencies in mining operations, leading to higher production costs.
- **Environmental Concerns:** The company's operations have significant environmental impacts, including land degradation, water pollution, and air pollution, attracting regulatory scrutiny and potential penalties.
- **Dependency on Railways:** CIL relies heavily on the Indian Railways for coal transportation, which can lead to logistical bottlenecks and delays.
- **Government Control:** Being under the Ministry of Coal's control, CIL faces pressure to sell coal at subsidized rates to power plants, impacting profitability.

Opportunities:

- **Rising Energy Demand:** The growing energy demand in India presents a significant opportunity for CIL to expand its production and sales.
- **Diversification:** Exploring opportunities in renewable energy and other minerals can help CIL reduce dependency on coal and open new revenue streams.
- **Expansion into New Markets:** CIL can explore opportunities to export coal to other countries, especially those with developing economies.
- **Technological Advancements:** Adopting advanced mining technologies and automation can enhance operational efficiency and reduce costs.

Threats:

- **Regulatory Changes:** Stricter environmental regulations and policies promoting renewable energy sources can impact CIL's operations and market demand for coal.
- **Competition:** Increasing competition from private players and international coal producers can affect CIL's market position and profitability.
- **Market Volatility:** Fluctuations in coal prices and demand can impact CIL's revenue and profitability.
- **Climate Change:** Global efforts to combat climate change and reduce carbon emissions pose a long-term threat to the coal industry, including CIL.



Strengths	Weaknesses
1. Coal India produces more than 80% of the country's coal 2. A strong track record of financial achievement and growth. 3. Large scale and wide geographical presence 4. Major supplier to the power sector	1. Restrictions in land acquisition. 2. Higher costs of production of coal due to slump in demand caused by COVID. 3. Projects getting delayed because of pending approvals and paperwork
Opportunities	Threats
1. Government vision of Atmanirbhar Bharat for Coal India 2. Highest ever coal off take caused by revival of demand 3. India's coal demand is in increasing trend 4. Diversification and creation of new verticals	1. Paris Climate agreement to curb the use of Coal 2. Increased awareness of renewable energy among common people.

PESTLE ANALYSIS

Political	Economical
1. Protest against privatization of coal blocks in Chhattisgarh, Telangana 2. Impact of Russia-Ukraine war on coal	1. Rising population is going to drive the rise in demand for coal generated electricity. 2. Transition to renewable energy may bring unemployment in some parts of country.
Social	Technological
1. Urbanization to increase demand for energy in India	1. Integration of technology for surveillance purpose. 2. Use of drone technology in coal mines 3. E- tendering Procurement Mechanism to increase transparency
Legal	Environmental
1. Illegal mining in Assam due to non-renewal of licenses	1. Coal India Limited's foray into Renewable Energy production 2. Coal Ministry forms sustainable development cell 3. Investments in eco-friendly technology

KEY RATIOS

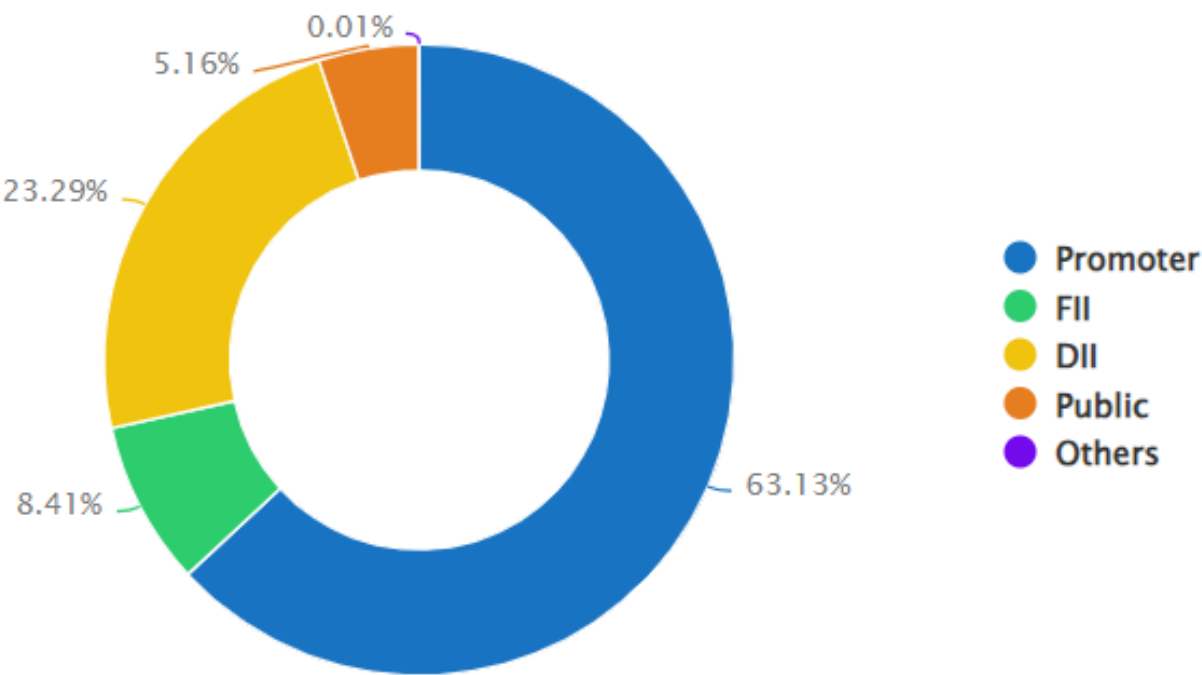
Market Cap	₹ 3,00,156 Cr.	Current Price	₹ 487	High / Low	₹ 527 / 223
Stock P/E	8.03	Book Value	₹ 134	Dividend Yield	4.98 %
ROCE	65.1 %	ROE	53.4 %	Face Value	₹ 10.0
Sales	₹ 1,42,324 Cr.	Sales Qtr	₹ 37,410 Cr.	Qtr Profit Var	25.8 %
EPS	₹ 60.7	Promoter holding	63.1 %	Profit after tax	₹ 37,369 Cr.
PAT Qtr	₹ 8,640 Cr.	Price to Earning	8.03	Return on assets	16.7 %
Change in Prom Hold	0.00 %	Qtr Sales Var	-1.94 %	Price to book value	3.63
Debt to equity	0.08	Debt	₹ 6,523 Cr.	Pledged percentage	0.00 %

BALANCE SHEET

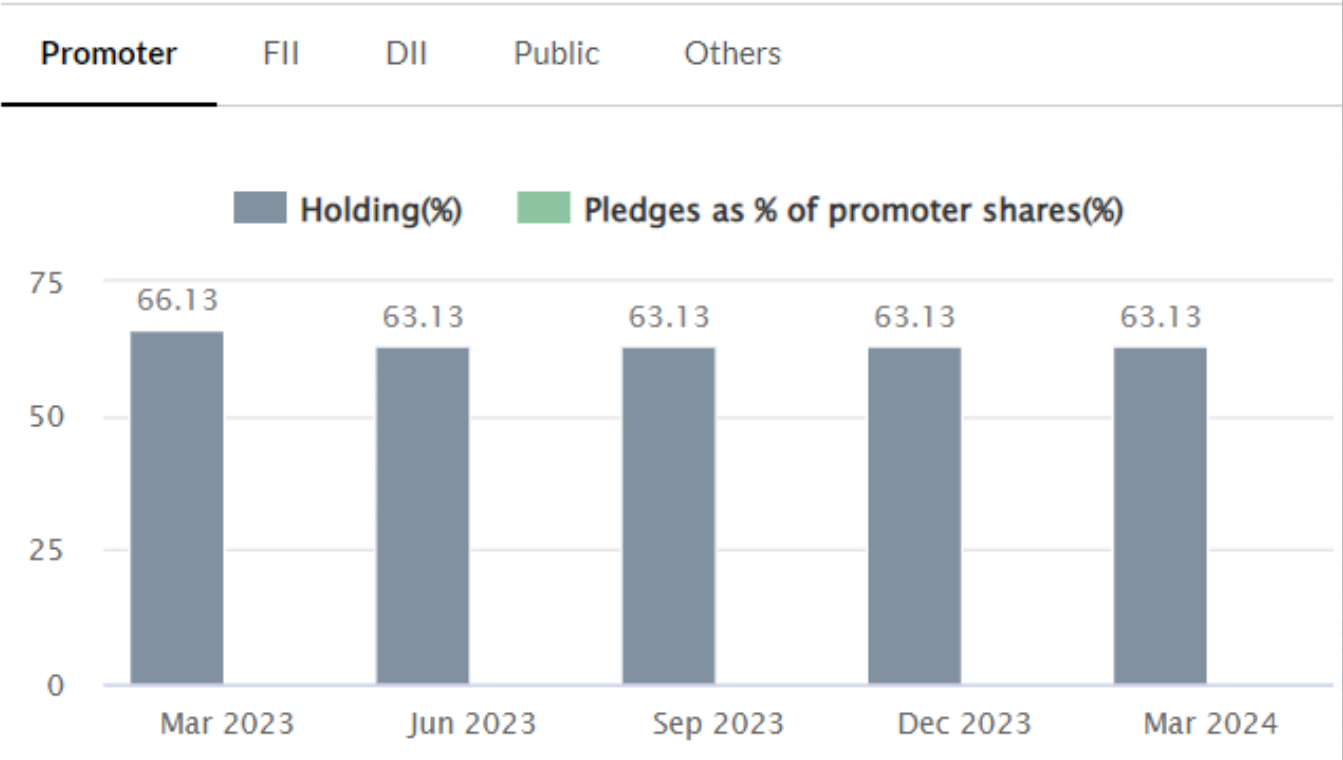
	Mar 2022	Mar 2023	Mar 2024
Equity Capital	6,163	6,163	6,163
Reserves	36,980	51,082	76,567
Borrowings +	3,514	4,331	6,523
Other Liabilities +	132,780	148,300	148,419
Total Liabilities	179,436	209,876	237,672
Fixed Assets +	46,677	51,961	79,890
CWIP	12,897	17,622	14,739
Investments	8,921	7,139	7,110
Other Assets +	110,942	133,154	135,933
Total Assets	179,436	209,876	237,672

Last 3 years consolidated balance sheet

SHAREHOLDING



Trend



FINANCIALS

- As of March 2024 , company promoters held 63.13% stake in Coal India Limited, with no shares having been pledged.
- Over the last one year, Coal India Limited share price has moved up from Rs.228.55 to Rs.486.95 registering a gain of Rs.258.4 which is around 112.46%.
- EBITDA stands at Rs.49,205 Cr in March 2024 which is up by 21.36% from Rs.38,693 Cr in March 2023
- Net profit has increased from Rs.38,001Cr in March 2023 to Rs.48,813 Cr in March 2024 which is a gain of approximately 22.14%. This was due to a number of factors including-
 - 1.Reduced operational costs and expenses
 - 2.Higher production and sales
 - 3.Higher coal prices
 - 4.Increased demand for coal
- Debt to equity ratio is 0.08 which shows ability of a company's shareholder equity to pay its debt obligations in a tough time. D/E of less than 1 is preferred in case of coal India limited it is very low which is very good.
- Return on capital employed is 65.1% means the company is able to generate favourable amount of returns on the investment done in business activities.
- Fixed assets has increased from Rs.51,961 Cr to Rs.79,890 Cr which shows the company's long term plan to expand as it increases the value of a company.

PEER COMPARISON

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
Coal India	486.95	8.03	300094.06	4.98	8640.45	25.78	37410.39	-1.94	65.11
Vedanta	447.60	45.51	166382.15	6.59	2275.00	-36.24	35509.00	-6.38	23.41
NMDC	267.40	13.58	78364.40	2.47	1409.78	0.97	6489.31	10.90	31.92
Lloyds Metals	723.40	29.40	36550.04	0.00	277.06	2.98	1554.29	77.38	79.17
KIOCL	461.60		28053.79	0.00	-42.91	-152.20	372.19	-49.34	-2.13
G M D C	401.65	20.69	12772.47	2.85	207.13	-53.15	750.75	-20.82	13.78
MOIL	531.70	36.88	10819.31	0.69	91.15	12.60	415.88	-2.85	16.48
Median: 21 Co.	267.4	20.66	2302.89	0.38	8.68	-32.73	315.8	-2.4	16.48

- Coal India Limited tops the chart is doing very well as compared to its peers in the same sector.
- It has a comparatively very high return on capital investments and high quarter on quarter profit variation as compared to its peers.
- The net profit is huge as compared to Vedanta which has almost the same amount of sales in the same quarter.
- The company's working in the same sector has a very high price to earnings ratio as compared to Coal India Limited.

CONCLUSION

- CIL's robust financial performance is attributed to various factors, including increased coal production and sales volumes, improved operational efficiency, and favourable market conditions. Despite challenges faced by the coal sector, CIL has managed to enhance its revenue generation capacity.
- CIL aims to further enhance its operational performance and contribute to the country's energy security and economic development goals. By leveraging innovation, technology, and responsible mining practices, CIL seeks to maintain its position as a cornerstone of India's energy sector while promoting
- It has a very low p/e ratio and is undervalued. It is expected to grow in the coming time and give value to its investors.

