

## Coal India Ltd — 09 Oct 2025 Credit Rating Summary

Below is the equity-focused credit analyst summary of the Coal India Limited (CIL) report.

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed at CARE AAA / CARE A1+ (0 notches moved)
Outlook	Stable (Maintained)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Strategic Near-Monopoly:</b> 74% contribution to domestic coal; targets 875 MT production in FY26 (Revenue Visibility).</li> <li><b>Robust Margins:</b> PBILDT margin remains healthy at 32.83% despite moderation in e-auction premiums (48% in FY25 vs 72% in FY24).</li> <li><b>Sovereign Support:</b> 63.13% GoI ownership; critical for India's energy security (coal fuels ~75% of power generation).</li> <li><b>Fortress Balance Sheet:</b> Net worth of ₹97,371 Cr vs. low debt of ₹11,182 Cr; Gearing at a negligible 0.11x.</li> </ol>
Rated Instruments	<ul style="list-style-type: none"> <li><b>LT Cash Credit:</b> ₹7,275 Cr</li> </ul>
Key Observations	<p><b>Positives:</b></p> <ul style="list-style-type: none"> <li>Unencumbered cash of ₹36,669 Cr (3.2x total debt).</li> <li>High-volume FSAs (628.8 MTPA) provide stable cash flow floor.</li> <li>GST hike to 18% allows CIL to unlock ₹17,006 Cr in Input Tax Credit over 12–18 months.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li><b>Contingent Liabilities:</b> ₹56,471 Cr (approx. 58% of Net Worth).</li> <li><b>Tax Litigation:</b> SC verdict on retrospective mineral tax implies a ₹31,591 Cr gross liability (Management estimates ₹6,000 Cr net impact after recoveries).</li> <li><b>Diversification Risk:</b> Foray into critical minerals/thermal power is at a nascent stage and requires monitoring.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li><b>Growth:</b> Driven by volume (target 915 MT by FY27); offset by normalizing e-auction premiums.</li> <li><b>Dividends:</b> Massive cash surplus and 12-year staggered payment of tax dues suggest high dividend payout capacity remains intact.</li> <li><b>Dilution Risk:</b> Zero; capex (~₹16,500 Cr p.a.) is 90% funded via internal accruals.</li> <li><b>Margins:</b> Resilient due to "SHAKTI" policy linkages and established cost structures.</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency:</b> Reaffirmed. The primary update is the <b>enhancement of LT facilities</b> (from ₹2,694 Cr to ₹8,492 Cr) for evacuation infrastructure and the assessment of the <b>SC Retrospective Tax Verdict</b>. CARE views the tax impact as manageable due to the 12-year installment window and CIL's ability to recover dues from customers under FSA terms. Financials show a marginal 1% TOI dip, which CARE attributes to premium moderation rather than operational weakness.</p> <p><b>Conclusion:</b> Consistent Improvement in liquidity profile despite legal headwinds.</p>
Final Inference	CIL remains a "Sovereign Proxy" with a rock-solid balance sheet. The Supreme Court tax ruling is a <b>liquidity event, not a solvency crisis</b> , as the staggered payment schedule and Input Tax Credit offsets protect the dividend-paying capacity and equity valuation.