Coal India Ltd — 09 Oct 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed**: Long-term: CARE AAA
Outlook (Current vs Previous)	**Stable** vs **Stable**
Key Drivers of Change	1. **Strategic Sovereign Linkage:** 63.13% GoI ownership; meets 78% of India's domestic coal needs (774 MT production in FY24). 2. **Robust Revenue Visibility:** Long-term FSAs cover ~687 MTPA; realisations are stable despite e-auction premium volatility. 3. **Exceptional Debt Metrics:** Overall gearing at a negligible **0.11x**; Interest Coverage at **58.55x** (FY24). 4. **Profitability Resilience:** TOI grew 3% to **□1,42,329 Cr**; PBILDT margin improved to **33.71%** due to better fixed-cost absorption.
Rated Instruments	1. **ST-BG/LC:** □7,210 Cr (CARE A1+) 2. **LT-Cash Credit:** □2,330 Cr (CARE AAA; Stable) 3. **Term Loan:** □364.30 Cr (CARE AAA; Stable)
Key Observations	**Strengths:** • Near-monopoly status with 48% of India’s proven reserves. • Strong liquidity: Unencumbered cash of **□33,287 Cr**. • High capacity utilization (94% in FY24). **Risks/Concerns:** • **Tax Liability:** Supreme Court ruling on mineral rights creates a potential retrospective liability of **~□31,591 Cr** (est. net impact **□6,000 Cr** after FSA recoveries). • **Contingent Liabilities:** High at **□54,345 Cr** (67% of Net Worth). • **Capex:** Large annual spend of **□15,500–16,500 Cr** for evacuation and diversification (Solar/Fertilizer).
Investor Impact	**Growth:** Targeting 1 Billion Tonnes by FY26; supports volume-led growth. **Margins:** Resilient margins (33-39%) likely to persist with higher off-takes. **Leverage:** Minimal; capex is 100% internal accrual funded, negating dilution or debt risk. **Dividends:** Strong FCF supports continued high payout despite the tax ruling (ruling allows 12-year payment window).
Agency / Cross Analysis	**Same Agency (CARE):** Reaffirmed. The primary update is the impact analysis of the SC verdict on mineral taxes. CARE concludes that even a "worst-case" retrospective hit is mitigated by: (a) the 12-year installment plan starting 2026, (b) contractual ability to pass through costs to customers via FSAs, and (c) massive liquidity buffer. **Financials have improved YoY** (PAT up from □31,723 Cr to □37,369 Cr), justifying the top-tier rating despite legal headwinds.
Final Inference	**Real Improvement:** Operational efficiency and volume growth are offsetting lower e-auction premiums. The SC tax ruling is a **manageable cash flow event**, not a solvency threat, given the 12-year payment window and high cash reserves.