Coal India Ltd — 28 Aug 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Maintained / Credit Update** (Status Quo on CARE AAA; Stable)
Outlook (Current vs Previous)	**Stable / Stable** (No immediate revision despite SC ruling)
Key Drivers of Change	1. **SC Mineral Tax Ruling:** Potential retrospective tax liability of **₹31,591 Cr** backdated to 2005. 2. **Contractual Recovery:** Management expects to pass on **~₹25,591 Cr** to customers via Fuel Supply Agreements (FSAs). 3. **Net Liability Impact:** Estimated at a manageable **₹6,000 Cr** after recoveries. 4. **Payment Moratorium:** 12-year payment window starting April 2026 with **zero interest/penalties** significantly eases liquidity pressure.
Rated Instruments	Not explicitly listed in update; refers to previous **AAA (Stable)** rationale for broad bank facilities/CPs.
Key Observations	• **Subsidiary Concentration:** Liability heavily skewed towards MCL (**₹31,227 Cr**) and CCL (**₹364 Cr**). • **Operational Strength:** Business risk profile remains robust as of June 30, 2024, with high production volumes. • **Liquidity Comfort:** Strong cash reserves allow for absorption of the net hit without immediate distress. • **Recovery Risk:** Success of the "Net ₹6,000 Cr" claim depends on legal/contractual enforceability against FSA customers. • **Regulatory Tailwinds:** Waiver of interest/penalties prevents a massive one-time P&L wipeout.
Investor Impact	• **Margins:** One-time provisioning likely in upcoming quarters; may impact short-term PAT. • **Leverage:** Negligible impact on Net Debt/EBITDA due to staggered 12-year payment cycle. • **Dividends:** Minimal risk to dividend payouts given the deferred nature of cash outflows. • **Growth:** Capex plans unlikely to be derailed by the ₹500 Cr/year (approx.) additional outflow.
Agency / Cross Analysis	**Same Agency (Update vs Last Review):** This update specifically addresses the Supreme Court ruling of August 2024. While the liability is massive on paper (₹31k Cr+), the agency maintains its stance due to the deferred payment structure and pass-through clauses. **Conclusion: Improvement/Neutral.** The risk is recognized but deemed non-threatening to the credit profile.
Final Inference	**Real Improvement in Risk Clarity:** While the gross liability is high, the interest-free 12-year payment plan and FSA pass-through turn a "black swan" event into a manageable annual operational cost. CIL remains a cash-rich, low-leverage play.