Coal India Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Beat on Profitability **One-line:** The long-term thesis of Coal India as a volume-driven cash cow remains intact as robust production growth (+7.8% YoY) and structural cost reduction in employee expenses (+5% annual attrition) successfully countered the normalization of e-auction premiums.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline / First Entry	Volume growth of 7.8% YoY matches long-term 1BT trajectory.	□
Earnings Quality	High (Core driven)	Profit growth driven by volume and employee cost control, not just one-offs.	□
Guidance Confidence	Strong	Infrastructure projects (FMC/Rail) are tracking to timeline (Phase I 75% complete).	□
Management Credibility	Strong	Consistent delivery on manpower reduction and dividend payouts.	□
Business Quality Signal	Improving	Shift toward mechanized loading (FMC) and MDO projects reduces operational risk.	□
Key Q&A Exchange	Not applicable	Concall not available.	□
The Street's Primary Anxiety	E-auction realization decline	Realization fell 35.5% YoY; offset by 44% volume surge in e-auctions.	□
Capital Cycle Stage	Investment / Harvesting	Simultaneous high capex (□15,500 Cr/year) and high dividend payout.	□
Margin / Return Ratio Trajectory	Improving	EBITDA Margin expanded to 47% (vs 43% YoY restated).	□
Pricing Power	Stable (FSA) / Eroding (E-Auction)	FSA realizations flat YoY (-0.8%); E-auction premiums normalizing.	□
FCF Conversion & Quality	Strong	Fund balance increased to □36,349 Cr (from □32,610 Cr in March).	□
Competitive Moat Signals	Widening	Evacuation infrastructure (Rail/FMC) creating a structural cost advantage.	□
Balance Sheet Strength	Strong	Cash/Fund balance of □36,349 Cr; Net worth up to □93,739 Cr.	□
Working Capital Efficiency	Deteriorating	Net Receivables jumped 20.8% to □16,017 Cr from March 2024.	□
Mgmt Guidance Track Record	Reliable	Manpower reduction and evacuation targets are being met sequentially.	□
Key Vulnerability / Red Flag	Receivables Build-up	□2,761 Cr increase in receivables in a single quarter.	□
Management Tone	Not applicable	Concall not available.	□

Key Takeaways (Positives & Negatives): * **Positives:** Production growth remains resilient at 189.29 MT; structural cost efficiency is visible as employee expenses fell 5% YoY despite inflationary pressures. The massive push in "First Mile Connectivity" (15 projects commissioned) is structurally lowering the carbon footprint and long-term logistical costs. * **Negatives:** The sharp 35.5% YoY drop in e-auction realizations (□2,411/t vs

□3,741/t) signals the end of the hyper-premium era seen during the energy crisis. Additionally, the buildup in receivables (up □2,761 Cr since March) suggests some working capital pressure from the power sector. * **Street Concern:** Analysts are primarily focused on the sustainability of e-auction premiums and the impact of the diversifying capex (Solar/Fertilizer/Thermal) on dividend payouts. * **Forward Watchpoint:** Track the progress of the 72 FMC projects—these are the "unlock" for higher volumes without equivalent increases in contractual transport expenses.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric (Mining)	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production (MT)	189.29	↑ 7.8%	First entry	↑	Volume growth driven by OC mines.
Offtake (MT)	198.50	↑ 6.2%	First entry	↑	Power sector supply up 5%.
Realization/unit (□)	1,671	↓ 5.5%	First entry	↓	Driven by lower e-auction prices.
Opex/unit (□)	1,223	↓ 6.6%	First entry	↑	Calculated as (Total Exp/Offtake).
Revenue (□Cr)	33,170	↑ 0.3%	First entry	→	Volume growth offset by price drop.
EBITDA (□Cr)	15,591	↑ 10.3%	First entry	↑	Margin expansion via cost control.
EBITDA Margin %	47%	↑ 400 bps	First entry	↑	Supported by lower employee costs.
PAT (□Cr)	10,944	↑ 4.2%	First entry	↑	Core profitability remains strong.
Net Debt / (Cash)	(36,349)	First entry	First entry	→	Represents fund balance.
Working Capital	16,017	↑ 20.8%	First entry	↓	Significant build-up in receivables.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (Implied)	Trend	vs Company Avg	Key Development
FSA Raw Coal	26,280	↑ 2.1%	Moderate	→	Below Avg	Realization stable at □1,524/t.
E-Auction Raw Coal	5,590	↓ 7.2%	High	↓	Above Avg	Volume up 44%, Price down 35.5%.
Washed Coal (Total)	890	↓ 1.1%	Moderate	↓	In-line	Coking coal volume up; Non-coking down.
Other By-Products	410	↑ 2.5%	High	→	Above Avg	Realization □2,729/t.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Production	1 Billion Tonnes (implied)	Needs ~10% CAGR; currently tracking at 7.8%.	Met Q1 target.	Low
Guidance	Capex Plan	₹15,500 Cr for FY25	Needs ₹4,056 Cr/qtr for remaining 3 qtrs.	Spent ₹3,331 Cr (Q1).	Moderate
Guidance	Renewable Energy	3 GW by FY26	Needs ~2,900 MW addition in 21 months.	Only 91 MW commissioned to date.	High
Guidance	Manpower reduction	5% annual reduction	Needs ~11,000 headcount reduction by March.	Reduced ~2,900 in Q1.	Low
Strategy	First Mile Connectivity	837.5 MTPA capacity	Phase I (200.5 MTPA) already commissioned.	15 Phase-I projects done.	Low
Strategy	Diversification	Coal Gasification	BCGCL JV (BHEL) & GAIL JV incorporated.	Pre-project stage.	High
Macro	Power Demand	Sustained growth	Supplies to power sector up 5% YoY.	Delivered in Q1.	Low
Balance	Dividend Payout	Payout max free cash flow	Historically paid ₹1.55 Lakh Cr.	Consistent policy.	Low

(Linked Q# column: N/A — no concall)

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4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction

INVESTOR NOTES: * **Earnings Quality Check:** PAT is ₹10,944 Cr. While full OCF isn't in the PPT, "Profit + Non-cash Exp" (a proxy for operating cash flow before working capital) is ~₹13,000 Cr. However, the ₹2,761 Cr increase in receivables is a significant drain on cash, representing ~25% of PAT. * **Growth Attribution:** Q1 growth was entirely Volume-driven. Net Sales grew 0.3% despite a 5.5% drop in total realization because volumes (offtake) grew 6.2%. * **Thesis Impact:** This quarter confirms the "Cost Efficiency" leg of the thesis. The reduction in employee expenses (down ₹573 Cr YoY) and the increase in mechanized production (Surface miners) are protecting margins as e-auction prices normalize. * **Red Flag:** The Renewable Energy target (3GW by 2026) looks increasingly ambitious given only 91MW is currently commissioned. Investors should monitor if capex is being diverted to lower-return green projects vs. core evacuation infrastructure.

STOP HERE.