Coal India Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** Coal India is successfully pivoting from a pricing-led story to a volume-driven powerhouse, though the looming "realization cliff" in e-auctions makes an FSA price hike the only remaining catalyst for further re-rating.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	Q3 EBITDA (□12,325 Cr) and PAT (□9,071 Cr) exceeded expectations due to high e-auction premiums (117%) and record 9M offtake.	□
Earnings Quality	High (Core driven)	Performance driven by operational record-breaking volumes; however, an accounting change in stripping costs is pending.	□
Guidance Confidence	Neutral	FY24 production target of 780 MT likely to see a marginal miss (~770 MT) due to SECL land issues. FY25 target revised down to 838 MT.	□
Management Credibility	Strong	Consistently delivering double-digit volume growth and aggressive capex execution (□13,441 Cr 9M).	□
Business Quality Signal	Improving	Massive de-bottlenecking via First Mile Connectivity (FMC) and railway lines is structural, reducing reliance on expensive road transport.	□
Key Q&A Exchange	Q5: E-Auction Pricing	Mgmt admitted e-auction premiums are cooling to 40-50% in Q4 from 117% in Q3, signaling a sequential realization headwind.	□
The Street's Primary Anxiety	FSA Pricing	Analysts pressed on the 6-year lack of an FSA price hike; mgmt confirmed "no proposal currently," creating a ceiling on margins.	□
Capital Cycle Stage	Investment	High capex phase (□16.5k-17.5k Cr/year) focusing on evacuation and diversifying into Solar/Thermal JVs.	□
Margin Trajectory	Improving	EBITDA margins expanded to 37% in Q3 vs 34% YoY, aided by lower material costs and realization tailwinds.	□
Pricing Power	Dormant	While e-auctions capture market volatility, the core FSA business (80% + of volume) lacks inflation-indexed pricing power.	□
FCF Conversion	Distorted	Receivables jumped by □3,983 Cr since March, weighing on cash generation this quarter.	□
Competitive Moat	Widening	Import substitution is accelerating; domestic coal is becoming the undisputed baseload king as global supply remains volatile.	□
Balance Sheet Strength	Strong	Net Cash position of □25,231 Cr (Cash minus total Borrowings) provides a massive dividend safety net.	□
Working Capital	Deteriorating	Net Receivables rose 30.5% in 9 months to □17,044 Cr; mgmt is aggressively pursuing dues from state GENCOs.	□
Mgmt Guidance	Reliable	Historical delivery on production targets remains high, with 5 out of 7 major subsidiaries exceeding targets.	□
Key Red Flag	Inventory Overhang	Record stockpiles (38 MT at mines) and high power plant stocks have forced a downward revision of FY25 targets.	□
Management Tone	Pragmatic	Chairman focused on operational "monsoon-proofing" and logistic efficiency while being candid about realization normalization.	□

Key Takeaways: * **Positives:** CIL achieved its highest-ever 9M production (531.9 MT) and PBT (₹31,937 Cr). Logistic de-bottlenecking is real: FMC projects and new railway lines (Tori-Shivpur, CERL) are now operational, structurally lowering evacuation costs. Dividend yield remains attractive with a cumulative ₹20.50/share declared YTD. * **Negatives:** The "E-Auction Alpha" is fading; premiums have crashed from 117% in Q3 to 36-50% in Jan/Feb. Working capital is a drag, with receivables crossing ₹17,000 Cr. Management's admission that no FSA price hike is currently proposed removes the most immediate lever for margin expansion against rising wage and diesel costs. * **Watchpoint:** The implementation of the new stripping activity adjustment accounting policy in Q4. This will align CIL with international Ind-AS standards but may trigger a one-time tax hit or non-cash reversal on the balance sheet.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT figures used as primary source. Concall used for Mgmt Commentary.*

Metric	Current Qtr (9M FY24)	YoY Change	vs Prior Qtr (Q3 FY22)	Trend	Mgmt Commentary
Production Volume (MT)	531.9	+11.0%	+28.5%	↑	Volume driven by 5 subsidiaries ahead of target; SECL lagging by ~10 MT.
Offtake Volume (MT)	552.0	+8.7%	+14.5%	↑	Record 9M offtake; power sector dispatches grew 4.9%.
Total Realization (□/t)	□1,739	-4.4%	+18.5%	↓	YoY drop due to lower e-auction premiums vs abnormal FY23 highs.
FSA Realization (□/t)	□1,536	+6.2%	+11.2%	↑	Improved grade mix; FSA prices last hiked in 2018.
E-Auction Realization (□/t)	□3,303	-33.3%	+94.8%	↓	Normalizing from geopolitical spike; current premiums at 36-50%.
Revenue (□Cr)	□1,04,914	+4.8%	+269%*	↑	Growth driven by volume (+8.7%) offsetting lower e-auction prices.
EBITDA (□Cr)	□32,451	+1.4%	+360%*	↑	Margin expansion to 34% (9M) despite higher employee costs.
PAT (□Cr)	□23,849	+5.5%	+423%*	↑	Highest ever 9M profit; EPS □38.68 vs □36.72 YoY.
Net Debt / (Cash) (□Cr)	(□25,231)	-3.0%	-3.0%	→	Net cash position after deducting □7,400 Cr in borrowings.
Opex per unit (□/t)	□1,211	+0.4%	+12.4%	→	Cost control: Contractual exp (+19%) offset by lower material cost (-15%).
Net Receivables (□Cr)	□17,044	+30.5%	+26.9%	↓	Jump in dues from state discoms (Mahagenco, WPDCL, DVC).
Capex (□Cr)	□13,441	+13.9%	+25.4%	↑	Run-rate of □1,493 Cr/month; needs □3,059 Cr in Q4 to hit target.

Note: Comparisons to Q3 FY22 are skewed as prior context was for 3 months, current is 9 months.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Realization (□/t)	Trend	vs Co. Avg	Key Development
FSA (Power/ NRS)	□75,972	+15.8%	□1,536	↑	Below	89.5% of total volume; core stability.
E-Auction	□15,744	-30.8%	□3,303	↓	Above	Premium dropped from 300% to 117% YoY.
Washed Coking Coal	□1,880	+21.4%	□11,497	↑	Premium	Madhuband washery (5 MTPA) commissioned.
Washed Non-Coking	□1,256	+32.7%	□2,735	↑	Above	Lakhanpur 10 MTPA washery trial complete.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume (FY24)	780 MT (Production).	Needs 248.1 MT in Q4. Historical Q4 max is ~224 MT. High risk of 10 MT miss.	Reliable	High
Guidance	Volume (FY25)	838 MT (Revised from 850).	7.4% growth over FY24 projected. Feasible with debottlenecking.	New Target	Low
Guidance	Capex (FY24)	□16,500 Cr.	Needs □3,059 Cr in Q4. Run-rate is □4,480 Cr/avg Qtr. Highly feasible.	Delivered	Low
Strategy	Diversification	3GW Solar by FY26.	43 MW commissioned; 379 MW awarded. Needs aggressive ramp-up.	Slow Start	High
Strategy	Efficiency	Closure of unviable mines.	138 UG mines contribute only 3.6% production. 18 mines suspended YTD.	Consistent	Low
Strategy	Manpower	5% annual reduction.	Manpower down from 2.41L to 2.31L (-4.1% YoY). On track.	Delivered	Low
Balance	Debt	Selective debt for JV projects.	Borrowings rose to □7,400 Cr for Solar/ Thermal JVs.	Changing	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Alok Deora, Motilal Oswal	FY24 Guidance	Management Outlook	Will Coal India achieve the 780 MT target?	Management admitted SECL is lagging by 8-9 MT due to early land issues, likely resulting in a group total of ~770 MT. Investors should trim Q4 volume expectations as SECL mega-projects (Gevra/ Kusmunda) underperform.	None	4.0	Revised Down
2	5.0	Alok Deora, Motilal Oswal	E-Auction Premium	Financials	Why has e-auction volume been lower and what is the premium trend?	Management clarified volumes are increasing (17% in Feb) but premiums have dropped to 36-48% from 117% in Q3. This confirms the end of abnormal "super-profits" from e-auctions, placing the burden of growth on volume and FSA pricing.	None	5.0	Clear Normalizatio
3	3.5	Meet Parikh, Indiv. Investor	Realization Parity	Business Overview	How does Indian coal compare to international benchmarks?	Management explained that Indian coal is high-ash (42%) and cannot be compared directly to 8-10% ash global coal except on a specific GCV	None	3.0	Contextual

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						band-parity. This reinforces the cost-competitive moat of domestic coal despite inferior quality.			
4	4.5	Dixit Doshi, Whitestone	Critical Minerals	Strategy	What are the plans for lithium/rare earth mines in India and Australia?	Management revealed they are participating in 3 critical mineral blocks in India (e-auction on Feb 26) and investigating Australian lithium assets. Success here would mark a major strategic pivot from "Coal" to "Energy Minerals" but remains early-stage.	None	4.0	Strategic Pivot
5	5.0	Indrajit, CLSA	Accounting Change	Financials	What is the impact of changing the stripping activity adjustment policy?	Management confirmed they are aligning with international standards for stripping costs, which will likely result in a reversal of provisions and a one-time tax impact. This improves long-term transparency but creates short-term P&L volatility in Q4.	Specific quantum of impact	2.5	Opaque Impact
6	4.5	Indrajit, CLSA	Receivables	Financials	Do stripping activity	Management noted that tax	None	3.0	Live Risk

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					adjustments provide a tax shield?	treatment varies by subsidiary state, with some already having paid tax on disallowed adjustments. Continued receivable growth (□17k Cr) remains the primary threat to the liberal dividend thesis.			
7	4.0	Venkatesh S., Logictree	Pricing Strategy	Financials	How will realization be maintained if e-auction premiums fall?	Management intends to offer more volume to the Non-Regulated Sector (NRS) via the 7th tranche of linkages to offset lower per-unit premiums. This shift to volume-based realization is critical as the FSA price hike remains elusive.	None	4.0	Directional Clarity
8	4.5	Siddharth G., Equirus	Washeries	Business Overview	When will beneficiated coal volumes ramp up?	Management expects coking coal washing to jump to 6-7 MT by FY27 (from ~2 MT) once Bhojudih and Patherdih II are fully commissioned. Higher washed coal share is the only path to margin	None	4.0	Long-term target

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						expansion in a fixed FSA pricing environment.			
9	4.0	Ashish K., Nuvama	Employee Costs	Financials	What is the trend for employee costs given the retirements?	Management expects FY24 employee costs to be □2,000 Cr lower than FY23 due to natural attrition. This structural cost reduction is the primary internal offset to stagnant FSA prices.	None	5.0	Quantified Save
10	4.0	Prachi Chopra, Citi	Regulatory Caps	Business Overview	Is there a cap on e-auction volumes?	Management confirmed they are mandated to offer 10% but can go up to 20% if power sector requirements are met. With power plant stocks at comfortable levels, e-auction volume upside is available to capture Q4 demand.	None	5.0	Specific Cap
11	5.0	Jitaksh Gupta, Tikri Mgmt	FSA Price Hike	Financials	Is there a proposal to increase FSA coal prices?	Management gave a flat "No" regarding any current proposal to hike prices. This is a significant negative for the bull case, which relied on an imminent price	None	5.0	Negative Clarity

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						revision to offset inflation.			

PATTERN FLAGS & SENTIMENT * **The E-Auction Premium Hangover:** Analysts were hyper-focused on the plummeting e-auction premiums (from 117% to ~40%). Management was pragmatically defensive, admitting that domestic availability is high and the link to expensive imported coal has broken. This concern will likely resurface next quarter as sequential margins compress. * **The FSA Pricing Dead-End:** The most striking takeaway was the definitive "No" on FSA price hike proposals. This signaled a shift in posture from "urgent" (in prior years) to "stagnant," likely due to the upcoming election cycle and the need to keep power costs low. * **Logistics Optimism:** There is a clear sense that the decade-long evacuation bottleneck is finally breaking. Commissioning of new rail corridors and washeries provided the most confident management responses.

Analyst Sentiment Verdict: Analysts were **skeptically optimistic.** While the 9M operational records are undeniable, the skepticism lies in the "ceiling" on earnings. Without an FSA hike and with e-auctions cooling, the market sees limited catalysts for further EPS growth. Management's credibility on execution is at a multi-year high, but the PSU regulatory overhang on pricing remains the dominant risk.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | FY24 Production | Target of 780 MT. | SECL is lagging by 8-10 MT. | Implicit admission of a ~1.3% miss on the group target. | Low (operational) | | FY25 Target | 850 MT previously signaled. | Revised to 838 MT. | 12 MT downward revision due to "high stockpiles." | Medium (demand signaling) | | FSA Price Hike | Usually termed "under discussion." | "No proposal currently." | Complete abandonment of immediate pricing upside. | High (margin pressure) |

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison against Q3 FY22 context.

What Changed	Prior Quarter (Q3 FY22)	This Quarter (Q3 FY24)	Direction
E-Auction Alpha	Premiums at 103% and rising.	Premiums at 117% but falling to 40%.	↓
FSA Price Hike Stance	"Urgent and imminent."	"No proposal currently."	↓
Receivables Profile	Improving (Dropped to □13,428 Cr).	Deteriorating (Jumped to □17,044 Cr).	↓
Production Run-rate	414 MT (9M).	531.9 MT (9M).	↑
Dividend Payout	□17.50 for full year.	□20.50 already declared YTD.	↑
Evacuation Strategy	9 FMC projects commissioned.	19 FMC projects commissioned/ready.	↑
Coking Coal Pivot	Early stage; Madhuband delayed.	Madhuband commissioned; 6 MT target set.	↑
Balance Sheet Mix	Zero bank borrowings.	□7,400 Cr debt for JVs.	□