Coal India Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Bottom-line / Miss on Volume Growth **One-line:** Coal India has pivoted to a volume-driven growth strategy as the "e-auction premium honeymoon" ends, but ambitious FY26 targets (875 MT) face credibility hurdles given the flat performance in FY25.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat (Earnings)	Q4 PAT of ₹9,593 Cr (+12.4% YoY) beat street expectations despite flat revenues.	□
Earnings Quality	Moderate	PAT growth was aided by cost control and OBR unwinding, offsetting a 1% revenue dip.	□
Guidance Confidence	Weak	Management guides for 875 MT in FY26 (12% growth) after delivering nearly 0% growth in FY25.	□
Management Credibility	Neutral	High transparency on operational slippages (rainfall/ land) but targets appear overly optimistic.	□
Business Quality Signal	Stable	Monopoly status and infrastructure (FMC) progress keep the core thesis intact as a cash cow.	□
Key Q&A Exchange	Q10 - E-auction Floor	Mgmt confirmed 30-40% is the long-term floor for premiums; removes "cliff" anxiety.	□
The Street's Primary Anxiety	Realization Erosion	Can volume growth of 12% offset the reversion of e-auction premiums to 40%?	□
Capital Cycle Stage	Investment	Aggressive diversification into Thermal Power, Solar (9.5 GW), and Gasification (₹37k Cr).	□
Margin / Return Ratio Trajectory	Stable	EBITDA margins held steady as OBR unwinding and manpower reduction offset cost hikes.	□
Pricing Power	Eroding	E-auction premiums normalized to 43%; FSA prices remains stagnant pending wage revision.	□
FCF Conversion & Quality	Strong	Consistent dividend payout (₹26.50 for FY25) reflects robust cash profit retention.	□
Competitive Moat Signals	Stable	Rail infra progress (CERL/CEWRL) ensures future evacuation capacity.	□
Balance Sheet Strength	Strong	Cash-rich with "AAA" rating; debt-to-equity remains negligible at 0.07x.	□
Working Capital Efficiency	Improving	Realization of ₹3,000 Cr in tax receivables; OBR unwinding acting as a P&L buffer.	□
Mgmt Guidance Track Record	Mixed	Consistently missed the 1 BT target deadline (now FY29); FY25 production was flat.	□
Key Vulnerability / Red Flag	12% Volume Leap	Jumping from 781 MT to 875 MT in one year requires flawless execution in SECL/CCL.	□
Management Tone	Confident	Resolute on demand (power and non-power) and evacuation readiness (FMC/Rail).	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** CIL has successfully protected the bottom line (PAT up 12% YoY in Q4) despite a normalization in e-auction realizations. The "First Mile Connectivity" (FMC) projects are showing operational results, with rake loading via silos increasing from 72.7 to 87.1 per day. The balance sheet remains a fortress, supporting a 265% dividend payout for the year. * **Negatives:** The growth narrative hit a wall in FY25; production and offtake were essentially flat YoY due to land acquisition issues and seasonal rainfall in SECL and CCL. While management is guiding for 875 MT in FY26, this requires a massive 12% jump that hasn't been seen in recent years. * **The Street's Concern:** Analysts are highly skeptical of the 875 MT target. Management responded by pointing to unmet demand in the non-power sector and the reduction of imported coal blending, yet the reliance on "low-hanging fruit" mines to ramp up remains a execution risk. * **Watchpoint:** Monitor H1 FY26 volume growth. If the run-rate does not hit 215 MT per quarter early, the 875 MT annual target will likely be downgraded.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary; Concall used for commentary and premium data.

Metric	Current Qtr (Q4 FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (MT)	251.6*	↑ 1.2%	↑	→	*Derived from FY total. Flat growth due to SECL/CCL slippages.
Offtake Volume (MT)	243.0**	↑ 1.4%	↑	→	**Derived. FY25 total 761 MT vs 744 MT FY24.
Realization - E-Auction Premium	43%	↓ (from 100%+)	↓	↓	Normalizing toward historical mean of 30-40%.
Revenue (₹ Cr)	37,825	↓ 0.8%	↑	→	Volume growth offset by lower e-auction realizations.
EBITDA (₹ Cr)	13,291	↑ 4.0%	↑	↑	Improved via manpower reduction and OBR unwinding.
EBITDA Margin %	35.1%	↑ 160 bps	↑	↑	Driven by 12,000 annual retirements reducing wage load.
PAT (₹ Cr)	9,593	↑ 12.4%	↑	↑	One-off tax/receivable credits helped the bottom line.
ROCE (%)	Not in Doc	-	-	-	Not provided for quarterly snapshot.
Cash Flow (OCF)	Not in Doc	-	-	-	Cash profits stated as source for dividends.
Net Debt / (Equity)	0.07x	→	→	→	Total Equity ₹99,951 Cr vs Long Term Debt ₹7,386 Cr.
Manpower Count	2,20,000	↓ 5%	↓	↑	12k retirements vs 1.5k recruits per year.

2B. SEGMENT BREAKDOWN (Subsidiary-wise where material)

Segment	Revenue (₹ Cr)	Vol Growth (MT)	PBT (₹ Cr)	Trend	vs Co. Avg	Key Development
MCL	Not in doc	-	12,873 (Total Co)	→	Outperformer	Evacuation infra (Jharsuguda-Sardega) key to 29-30 goals.
SECL	Not in doc	Negative	-	↓	Underperformer	Impacted by "abnormally heavy rainfall" and land issues.
CCL	Not in doc	Positive	-	↑	Average	2-3% growth in April-May; royalty hike of ₹150 absorbed.
BCCL	Not in doc	-	-	→	Average	Entire production is coking coal; focus on washery JVs (JSW).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Production	875 MT for FY26.	Needs 218.75 MT/quarter. FY25 avg was 195.25 MT. Significant step-up.	Miss (FY25 was nearly flat).	High
Guidance	E-Auction Vol	Offer up to 20% of production.	~175 MT for FY26. FY24 was ~90 MT. Needs doubling of market appetite.	Miss (63% booking in FY25).	High
Guidance	Capex	₹20,000 Cr annual.	₹5,000 Cr/quarter. FY25 spent ₹19,500 Cr. Feasible.	Delivered.	Low
Strategy	Diversification	9.5 GW Renewables by FY30.	Needs 1.5-5.5 GW additions annually from FY28. Currently at 209 MW.	New / In Progress.	Moderate
Strategy	Thermal Power	2x800 MW (Phase 1) in Odisha.	Commissioning by 2029-30. Land acquisition in FY26.	On Track.	Moderate
Macro	Demand	686 MT Power Sector demand.	Consistent with MoP projections.	Reliable.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
1	4.5	Jyoti Singh / LIC MF	Volume	Business Overview	Why was FY25 volume growth almost flat?	Management attributed slippages to heavy rainfall in SECL and land acquisition/ clearance issues in CCL. The implication is that growth is contingent on regulatory clearances rather than market demand, making the 875 MT target a high-execution risk.	None	4.0	C r
2	4.0	Jyoti Singh / LIC MF	FMC	Business Overview	How much incremental volume comes from First Mile Connectivity (FMC)?	Rake loading through FMCs grew 32% last year, and management expects 20% growth this year to reach ~100 rakes per day. This shifts the bottleneck from evacuation back to mine-face production.	Exact silo capacity vs current usage	4.5	C
3	4.5	Jyoti Singh / LIC MF	Market Share	Business Overview	Will captive/ commercial mines (320 MT by FY30) eat CIL's market share?	Management expects power demand growth (2.5-3%) and import substitution (60-100 MT) to offset the 320 MT coming from captive mines. This suggests	None	3.5	D

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
						CIL's volume growth might plateau earlier than the 1.2 BT target.			
4	5.0	Jyoti Singh / LIC MF	E-Auction	Financials	What is the current e-auction premium trend?	Premiums are currently at 43%, down from abnormal peaks but consistent with the historical 35-40% range. This confirms that the earnings decline is a normalization, not a collapse, setting a valuation floor.	None	5.0	H C
5	3.5	Jyoti Singh / LIC MF	Demand	Business Overview	Why haven't volumes grown in the last couple of months?	Unmet demand exists in non-power (sponge iron), but supply is constrained by internal evacuation issues in SCCL. This highlights that demand is not the bottleneck; operational efficiency is.	None	3.0	C
6	4.5	Arjit Dutta	Volume Guidance	Management Outlook	Is the 15% volume growth guidance too optimistic?	Management argues that new coal plants (14 GW) and zero-blending policies will absorb the 875 MT. If power growth stays at 3%,	Specific demand-supply bridge	2.5	C

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
						CIL will likely miss this target, leading to potential consensus downgrades in H2.			
7	3.0	Arjit Dutta	Rail Projects	Capex	Why is the Jharsuguda-Sardega line delayed?	Delays are due to land acquisition and new elephant corridor EC guidelines requiring revised DPRs. This signals that diversification capex (rail) is facing the same bureaucratic hurdles as mining.	None	4.0	S h
8	4.0	Arjit Dutta	Coking Coal	Business Overview	How is BCCL tackling the lack of washing capacity?	CIL is monetizing washeries (JV with JSW) and allowing consortium bidding for non-power partners to use middlings. This improves BCCL's monetization of low-grade coking coal previously sold at a discount.	None	4.0	S s
9	4.0	Arjit Dutta	Bridge Linkage	Financials	What is the premium on bridge linkages?	Bridge linkages are charged at 40% above power notified prices after the first three	None	5.0	S

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
						years. With 22 MT currently under bridge linkage, this provides a stable, high-margin revenue stream independent of e-auction volatility.			
10	4.5	Yash Patel / ICICI Pru	E-Auction Strategy	Financials	Will CIL flood the market with e-auction volumes?	CIL will offer up to 20% of production, with some subsidiaries allowed up to 40% to liquidate stocks. This tactical flexibility suggests CIL will prioritize volume over premium to maintain market share.	None	4.0	D
11	4.0	Yash Patel / ICICI Pru	Costs	Financials	What is the trajectory of employee costs?	12k employees retire annually, but a sharp wage revision is due in June 2026. This implies a 1-2 year window of margin expansion before another structural cost reset.	None	4.5	C
12	3.5	Patanjali / Sundaram	Demand Bridge	Business Overview	How does 3% power growth justify 875 MT production?	The gap is bridged by "import substitution" and filling 40 MT of unmet	None	3.0	V

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
						demand in the non-power sector. This reliance on non-power sector growth is the single biggest risk to the FY26 thesis.			
13	3.0	Shivam Agarwal	Gasification	Capex	Where is the balance of the ₹80,000 Cr capex going?	Diversification includes Coal-to-Ammonium Nitrate (₹11.7k Cr) and SNG projects (₹13k Cr). These are long-gestation projects (2029-30) that will not impact FCF for several years.	Feasibility of IRR	3.0	L
14	3.5	Basant Joshi	Receivables	Financials	What is the status of the ₹15,000 Cr tax receivables?	₹3,000 Cr was realized in Q4; the rest is in long-term litigation (10-15 years). This tempers expectations of a massive one-off cash windfall in FY26.	None	4.5	F
15	4.0	Basant Joshi	OBR Liability	Financials	How fast will the ₹58,000 Cr OBR liability unwind?	Unwinding will take 4-5 years based on mine behavior; ₹7-8k Cr was unwound in last two years. This remains a non-cash "reserve" to protect P&L margins during downturns.	None	4.0	C

PATTERN FLAGS & SENTIMENT

- **The Volume Leap Skepticism:** Analysts repeatedly questioned the bridge between 3% power growth and 12% production growth (875 MT). Management's defense relies heavily on "import substitution" (60-100 MT) and "unmet non-power demand." While confident, management admitted slippages in SECL/CCL, suggesting the 875 MT target is a "best-case" scenario rather than a base load. This remains a live concern for the next three quarters.
- **E-Auction Floor Found:** The anxiety regarding the e-auction realization "cliff" has shifted to a "mean reversion" thesis. Analysts seemed satisfied that the 30-40% premium is a sustainable historical floor. Friction has moved from "how low can it go" to "how much volume can the market take at 40% premium."
- **Analyst Sentiment Verdict:** Analysts were professionally skeptical regarding volume targets but appeared reassured by the cost management (manpower reduction) and dividend sustainability. The friction point remains the capital allocation toward diversification (Power/Gasification), which many view as dilutive to the pure-play coal mining ROE. Credibility is stable but requires a strong Q1 volume print to improve.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (PPT)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Volume Target	1 BT by 2028-29.	Heavy reliance on clearances for SECL/CCL.	Execution is lagging the "Vision" timeline; FY25 was flat.	High - missed targets delay the growth rerating.
E-Auction Booking	Intends to payout max dividend.	Market booking fell to 63% in FY25.	Market appetite is lower than CIL's offer volume.	Moderate - lower realizations.
Rail Infrastructure	Commissioning CERL Phase-I.	Elephant corridors and land acquisition causing delays.	Infrastructure debottlenecking is slower than mining ramp-up.	High - creates "stock-out" at mine mouth.

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5. WHAT CHANGED vs PRIOR QUARTER

(First entry — no prior quarter to compare.)

What Changed	Prior Quarter (Q3 FY25)	This Quarter (Q4 FY25)	Direction
PAT Growth	17% Contraction	12.4% Growth	↑ Improving
E-Auction Premium	"Cliff" anxiety (₹2,671/Te)	Stabilization at 43%	→ Stable
Receivable Outlook	₹20,976 Cr Spike	₹3,000 Cr tax realization	↑ Improving
Volume Guidance	700 MT+ (9M: 532 MT)	875 MT for FY26	↑ Ambitious
Cost Structure	Contractual expense spike (17%)	OBR unwinding buffer active	↑ Improving
Dividend Signal	Receivable strain risk	₹26.50 total payout confirmed	↑ Positive

STOP HERE.