Coal India Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat **One-line:** Coal India (CIL) is successfully transitioning from a "waiting-on-price-hikes" story to a "volume-led execution" powerhouse, with record H1 production and a high-realization e-auction tailwind maintaining massive cash generation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	H1 Net Sales (□63,051 Cr) and production growth (11.3%) exceeded historical H1 trajectories.	□
Earnings Quality	High (Core driven)	Performance driven by a 90% premium on e-auctions and 8.6% offtake growth; CFO/PAT remains healthy despite receivables uptick.	□
Guidance Confidence	Strong	Management reconfirmed 780 MT for FY24 and 850 MT for FY25; infrastructure (FMC/Rail) is finally matching mining capacity.	□
Management Credibility	Strong	Delivered on the ambitious volume ramp-up while maintaining a disciplined 5% annual manpower reduction.	□
Business Quality Signal	Improving	Shift to mechanized "First Mile Connectivity" (9 projects commissioned) is structurally de-risking the evacuation bottleneck.	□
Key Q&A Exchange	Q2 - FSA Pricing	Mgmt confirmed no FSA price hike for the power sector in the "near future" (next 12 months), shifting focus to non-power hikes.	□
The Street's Primary Anxiety	Evacuation Limits	Analysts feared MCL/SECL had hit a plateau; mgmt countered with specific rail-link (CERL/CEWRL) timelines.	□
Capital Cycle Stage	Investment	Mid-heavy capex phase (□16,500 Cr/year) focusing on rail/solar/gasification to secure the 1 Billion Tonne (1 BT) goal.	□
Margin / Return Ratio Trajectory	Stable	EBITDA margins at 30% (Q2) vs 29% (YoY) despite higher contractual expenses (+22%).	□
Pricing Power	Dormant (FSA)	FSA prices are regulated, but e-auction premiums (90%) prove massive market-based pricing power for 15% of the mix.	□
FCF Conversion & Quality	Strong	Consistent dividend payout (□15.25 interim) backed by □39,983 Cr fund balance.	□
Competitive Moat Signals	Stable	Unchallenged monopoly; domestic coal demand for baseload power is projected to grow through 2030-2040.	□
Balance Sheet Strength	Strong	Net Cash position remains robust; □15,604 Cr receivables are manageable vs the □72,281 Cr H1 Total Income.	□
Working Capital Efficiency	Stable	Receivables rose □2,544 Cr since March, but collection cycles from discoms remain within historical norms.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on "volume over price" strategy over the last 4 quarters.	□
Key Vulnerability / Red Flag	Land/R&R	Basundhara field (MCL) stoppage (26 days) highlights localized social risks to production targets.	□
Management Tone	Confident	Chairman P.M. Prasad was assertive on reaching 1 BT targets and managing the cost-volume trade-off.	□

Key Takeaways: * **Positives:** Volume growth is the new profit engine. With a 780 MT FY24 target, CIL is offsetting the lack of FSA price hikes through sheer scale and operational leverage. E-auction realizations (₹3,294/t) are nearly 2x FSA prices (₹1,539/t), and mgmt plans to push 15% of H2 volume through this high-margin channel. * **Negatives:** The "FSA Price Hike" is effectively off the table for the power sector due to the election cycle and inflation concerns. Contractual expenses rose 22% YoY, reflecting a higher reliance on outsourcing (MDOs/outsourced mining) which eats into the benefits of declining direct employee costs. * **Street Concern:** Analysts are hyper-focused on the evacuation capacity of SECL/MCL. Mgmt's response: The commissioning of the Tori-Shivpur 3rd line and various JV rail projects (CERL/CEWRL) by March 2024-2025 will unlock an additional 50-100 MTPA. * **Forward Watchpoint:** Track the progress of the 15 MDO projects; they are critical to the 1 BT target without ballooning the permanent employee wage bill.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q2 FY24)	YoY Change	Trend	Mgmt Commentary
Production Volume (MT)	157.4	+12.6%	↑	H1 production reached 332.9 MT; well on track for 780 MT FY24 target.
Offtake Volume (MT)	173.7	+12.4%	↑	Driven by 33% growth in coal-based power demand in October alone.
Avg. Realization (Total) (₹/t)	₹1,747 (H1)	-3.3%	↓	Lower e-auction premiums vs the abnormal highs of H1 FY23.
FSA Realization (₹/t)	₹1,539	+7.7%	↑	Growth driven by grade-mix and periodic non-power adjustments.
E-Auction Realization (₹/t)	₹3,294	-32.9%	↓	Normalizing from the ₹4,910/t peak but still 90% above notified price.
Revenue (Net Sales) (₹Cr)	₹29,978	+8.9%	↑	Volume growth (+12.4%) more than offset realization dip.
EBITDA (₹Cr)	₹9,021	+11.2%	↑	Strong operational leverage; highest ever Q2 EBITDA.
EBITDA Margin %	30%	+100 bps	↑	Improved efficiency in explosives/diesel costs per ton (Concall).
PAT (₹Cr)	₹6,813	+12.7%	↑	Highest ever Q2 PAT; EPS for Q2 at ₹11.03.
ROCE (%)	28.1% (H1)	↓	↓	Impacted by high capex and increased net worth (₹69,666 Cr).
Net Debt / (Cash) (₹ Cr)	(₹33,917)	↑	↑	Cash & Bank balances (₹37,078 Cr) less total borrowings (₹6,092 Cr).
Employee Cost (₹Cr)	₹11,617	+12%	↓	Reflects post-wage revision levels; FY24 total target is ₹46,000 Cr.

2B. SEGMENT BREAKDOWN (H1 FY24)

Segment	Revenue (₹ Cr)	Volume (MT)	Realization (₹/t)	Trend	vs Company Avg	Key Development
FSA	₹49,577	322.2	₹1,539	↑	Below Avg	80% of volume goes to power sector; core offtake driver.
E-Auction	₹10,511	31.9	₹3,294	↓	Above Avg	Premiums currently 90%; H2 volume target increased to 15%.
Washed Coal	₹2,232	4.34	₹5,144	↑	Premium	Coking coal washed production up 9.7%; key import sub play.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Production	780 MT for FY24.	Needs 447 MT in H2 (Historical H2 is always stronger). Highly feasible.	Delivered	Low
Guidance	Production	850 MT for FY25.	Requires ~9% YoY growth from FY24 target. Feasible with rail-link commissions.	Reliable	Medium
Guidance	Capex	₹16,500 Cr for FY24.	Spent ₹7,739 Cr in H1. Needs ₹8,761 Cr in H2. Feasible.	Delivered	Low
Strategy	Diversification	3 GW Solar by 2025-26.	Current 23.5 MW commissioned; 379 MW awarded. Needs 10x ramp-up.	Slow Start	High
Strategy	Cost Control	5% Manpower reduction.	Currently at 2.33 Lakh (down from 2.43 Lakh YoY). On track.	Delivered	Low
Macro	Price Hike	No power FSA hike "near future".	Strategy shifts to volume and non-power auction premiums.	Mixed	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Amit Dixit, ICICI Sec	Volume Growth	Business Overview	Why has MCL volume remained flat YTD October?	Management cited a 26-day land compensation protest at Basundhara field but expects to hit the 204 MT target for MCL. This confirms that MCL's growth is hampered by R&R issues, not depletion.	None	4.0	Specific and Quantified
2	5.0	Amit Dixit, ICICI Sec	Pricing	Financials	What are the current e-auction premiums?	Management stated overall premiums are 90%, with BCCL at 56% and CCL/NCL at 114%. High premiums provide a massive margin buffer against the lack of FSA hikes.	None	5.0	Specific and Quantified
3	4.0	Digant Haria, GreenEdge	Profitability	Management Outlook	Is improved profitability due to efficiency or just e-auctions?	Mgmt highlighted lower explosive/ diesel costs and a 1% decrease in cost per ton produced due to scale. Structural cost reduction is real, but volume leverage remains the primary driver.	None	4.0	Directional with evidence
4	4.0	Hardik Jain, Whitestone	Diversification	Capex and Allocation	What is the capital outlay for the	Mgmt plans to reach 250 MW by year-end,	Specific debt levels for subs	3.0	Vague on funding

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					solar subsidiaries?	part of a larger □16,500 Cr group capex. Solar remains a small fraction of the current balance sheet, limiting near-term ESG re-rating.			
5	4.5	Ashish Kejriwal, Nuvama	Employee Cost	Financials	What is the total expected employee cost for FY24?	Management expects total employee costs to settle at □46,000 Cr, which is lower than last year as a % of revenue. Wage revision impact is now fully baked in, removing a major earnings uncertainty.	None	5.0	Specific and Quantified
6	4.0	Kirtan Mehta, BOB Caps	Evacuation	Capex and Allocation	Where are the evacuation bottlenecks for 850 MT target?	Mgmt identified MCL and SECL as the focus, needing 40-50 additional rakes through rail projects like CERL. Evacuation is the real ceiling for CIL; monitoring rail-link commissioning is thesis-critical.	None	4.5	Specific timeline
7	3.5	Vipulkumar Shah, Sumangal	Labor Efficiency	Business Overview	Why is MCL much more efficient (less manpower) than other subs?	Mgmt explained MCL is a "relatively new" subsidiary with high-stripping-	None	5.0	Clear and Quantified

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						ratio open cast mines and fewer old UG mines. Highlights that structural efficiency is a function of mine-age/ geology, not just mgmt.			
8	4.5	Amit Dixit, ICICI Sec	Pricing	Financials	Can we expect an FSA price hike soon?	Mgmt explicitly stated no hike for the power sector in the next 12 months, though non-power hikes are possible. This removes the "pricing trigger" catalyst from the short-term thesis.	None	5.0	Specific admission

PATTERN FLAGS & SENTIMENT * **The "Volume over Price" Pivot:** Analysts have largely accepted that FSA price hikes are politically unviable in an election year. Management has countered this by pivoting the discussion to volume targets (780 MT) and efficiency. The posture was highly confident, backed by record H1 production numbers. * **Evacuation Infrastructure:** Multiple questions focused on whether the rail infrastructure can handle 850 MT next year. Management was very specific about silo loading times (reducing from 4 hours to 45 mins) and specific rail-corridor commissioning dates. * **Diversification Skepticism:** Analysts remain skeptical about the Solar and Gasification timelines. Management was directionally clear but lacked the "hard dates" seen in the coal mining business, suggesting these are still long-term experimental plays.

Analyst Sentiment Verdict: Analysts were **convinced on the operational ramp-up** but remain **neutral on margin expansion** due to the FSA price freeze. The friction point has moved from "wage hike fears" (which was the Q3 FY22 anxiety) to "evacuation bottlenecks." Management's credibility has significantly improved because they are finally matching their 10% volume growth promises with actual offtake. The primary unresolved risk is localized social/land unrest (as seen in MCL), which can derail specific subsidiary targets.

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5. WHAT CHANGED vs PRIOR QUARTER (vs Q3 FY22)

Comparing current Q2 FY24 results to the baseline Q3 FY22 provided in Prior Context.

What Changed	Prior Quarter (Q3 FY22)	This Quarter (Q2 FY24)	Direction
FSA Realization	□1,381 / tonne	□1,539 / tonne	↑
E-Auction Realization	□1,695 / tonne	□3,294 / tonne	↑
Offtake Volume (H1/9M)	482 MT (9M FY22)	360.7 MT (H1 FY24)	↑ (Run-rate)
Wage Revision Status	Overhang / Negotiating	Fully Provisioned / Baked-in	↑
E-Auction Premium	103% (Peak)	90% (Sustainable)	↓
Receivables	□13,428 Cr	□15,604 Cr	↓
Dividend per Share	□14.50 (9M total)	□15.25 (Interim only)	↑
Solar Capacity	190 MW ordered	23.5 MW Comm. / 379 MW Awarded	↑
Manpower Count	248,000 (est)	233,048	↑ (Efficiency)
Thesis Driver	Pricing / Recovery	Volume / Infrastructure	→ (Pivot)

Investor Notes: * **CFO Divergence:** Net Receivables increased 19.5% since March 2023. While the PAT is strong, the cash is slightly more tied up in working capital than in the prior baseline quarter, though still very healthy. * **Implicit Run-Rate:** To hit the 780 MT target, CIL needs to average ~70 MT/month in H2. Historically, CIL peaks at 80-90 MT in March, making this target highly achievable. * **Forensic Trigger:** No unexplained RPTs or KMP changes. The primary forensic watch is the "Contractual Expenses" line, which is growing faster than revenue, indicating a shift to a "Variable Cost" model through MDOs.