Coal India Ltd — Oct 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** The volume-led growth thesis has effectively shifted to a "managed decline" or "yield-only" story as H1 volumes remain negative (-3% YoY), rendering the 875 MT annual target mathematically impossible and highlighting structural regulatory risks in the core SECL subsidiary.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Offtake of 165.99 MT is a 1% YoY decline; H1 total (356.58 MT) is down 3% YoY.	□
Earnings Quality	Low (Accounting driven)	PAT (-32% YoY) impacted by □386 Cr impairment in Q2; buffered by □871 Cr Stripping Activity reversal.	□
Guidance Confidence	Weak	875 MT target requires 518 MT in H2 (259 MT/qtr); 34% higher than H1 run-rate.	□
Management Credibility	Deteriorating	Sustained volume contraction despite "surplus demand" narrative; structural loss of 21 coal blocks.	□
Business Quality Signal	Deteriorating	Structural impairment of assets in SECL (safety zones) suggests rising geological/regulatory friction.	□
Key Q&A Exchange	N/A — PPT_ONLY	No concall conducted or available.	□
The Street's Primary Anxiety	Target Credibility	Will management officially cut the 875 MT and 1 BT targets given H1 performance?	□
Capital Cycle Stage	Investment	Continued high CAPEX despite production headwinds; rising maintenance costs.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin on net sales fell from 33% (Q2 FY25) to 29% (Q2 FY26).	□
Pricing Power	Stable	FSA realizations held at □1,478/Te (+0.8% YoY); E-auction premiums still normalizing.	□
FCF Conversion & Quality	Weak	Receivables remain □2,818 Cr higher than March-25 levels, tying up cash.	□
Competitive Moat Signals	Stable	Monopoly remains, but "extractability" of that moat is under regulatory pressure.	□
Balance Sheet Strength	Strong	Net worth increased 6% in H1; Debt/Equity remains low at 0.13.	□
Working Capital Efficiency	Deteriorating	Debtor turnover increased from 0.81 to 0.91 months; Inventory turnover also slowed.	□
Mgmt Guidance Track Record	Unreliable	Second consecutive quarter of volume contraction against high growth targets.	□
Key Vulnerability / Red Flag	SECL Safety Zones	21 coal blocks declared "safety zones," leading to a □553 Cr H1 impairment.	□
Management Tone	N/A	Based on PPT only.	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Positives:** The only saving grace remains pricing stability in the Fuel Supply Agreement (FSA) segment, where realizations grew ~1% YoY to □1,478/Te. This provides a high-margin floor even as volumes wobble. Employee costs were managed down 3% YoY (□10,730 Cr), assisted by a 4% headcount reduction (8,556 retirements YoY), which partially offset the impact of higher depreciation and other expenses. * **Negatives:** The "Volume Engine" has stalled. Sales quantity has contracted for two consecutive quarters. More concerning is the structural loss of mineable coal; the impairment of 21 blocks in SECL due to "safety zones" suggests that CIL's reported reserves face higher regulatory and safety hurdles than previously modeled. Financial health is being masked by stripping activity adjustments, while "Other Expenses" spiked 22% due to social, welfare, and environmental costs. * **The Street's Concern:** Analysts will likely view the 875 MT FY26 target as entirely discredited. To meet it, CIL needs to ship 259 MT per quarter in H2—a feat never achieved. The focus shifts from growth to "Earnings Erosion Management" as E-auction prices continue to slide (-7% YoY in Q2) and operational costs rise. * **Watchpoint:** Monitor if there is an official downward revision of the 1 Billion Tonne (BT) long-term target. If SECL—the former growth driver—continues to take impairments for safety/environmental zones, the long-term terminal value of the mines must be re-evaluated.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q2 25-26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Sales Volume (MT)	165.99	↓ 1.3%	↓ 12.9%	↓	Reduction in FSA and Washed Coal qty.
FSA Realization (□/Te)	1,478.39	↑ 0.8%	↓ 4.6%	→	Grade mix driven stability YoY.
E-Auction Realization (□/Te)	2,292.40	↓ 6.6%	↓ 1.7%	↓	Normalization of premiums continues.
Opex per unit (□/Te)*	1,591.78	↑ 8.6%	↑	↓	*Derived: Total Exp / Sales Qty.
Revenue from Ops (□Cr)	30,187	↓ 3.2%	↓ 10.9%	↓	Volume contraction + E-auction price drop.
Net Sales (□Cr)	26,909	↓ 1.3%	↓ 10.0%	↓	Core coal sales down.
EBITDA (□Cr)	7,848	↓ 13.9%	↓ 21.6%	↓	Lower realizations and higher other exp.
EBITDA Margin (%)	29.0%	↓ 400bps	↓ 400bps	↓	Margin compression vs 33% last year.
PAT (□Cr)	4,263	↓ 32.1%	↓ 51.2%	↓	Hit by □386 Cr impairment in SECL.
Net Debt / (Cash)	(Cash Rich)	→	→	→	Debt/Equity 0.13 vs 0.07 YoY.
Gross Trade Receivables	16,555	↓ 14.9%	↓ 4.6%	↑	Improved vs June, but ↑ 20% vs March.
Stripping Reversal (□Cr)	871	↓ 8.7%	↑ 74.5%	↓	Lower non-cash P&L support YoY.

2B. SEGMENT BREAKDOWN (Subsidiary Profitability - PBT)

Subsidiary	PBT (□Cr)	YoY Growth	Trend	vs Co. Avg	Key Development
NCL	3,624	↑ 27.0%	↑	Better	Outperformer; sole major growth driver.
MCL	2,905	↓ 5.7%	↓	Better	Solid but growth has plateaued.
CCL	1,026	↓ 74.0%	↓	Worse	Massive profit collapse vs Q2 FY25.
SECL	(100)	↓ Loss	↓	Worse	Safety zone impairment (□386 Cr) led.
WCL	(365)	↓ Loss	↑	Worse	Continuing losses, though narrower.
ECL	(671)	↓ Loss	↓	Worse	Deepening operational distress.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	875 MT for FY26.	**Needs 259 MT/qtr in H2.** H1 actual was only 178 MT/qtr. Improbable.	Miss (H1 is -3% YoY).	High
Guidance	Capex	Continued investment in FMC.	□4,972 Cr D&A in H1 suggests rising asset base.	On Track.	Low
Strategy	Cost Control	3% Manpower reduction.	On Track (Headcount down 4% YoY).	Delivered.	Low
Strategy	Receivables	Collection from Power sector.	Receivables at □16,555 Cr are □2,818 Cr higher than Mar-25.	Underperforming.	Moderate
Macro	Regulatory	Safety Zone Compliance.	21 blocks impacted in SECL.	New Headwind.	High
Strategy	Realizations	FSA Price Stability.	Q2 FSA realization up 0.8% YoY.	Reliable.	Low

(Note: Required run-rate calculation: (875 MT Target - 356.58 MT H1 Actual) / 2 Quarters = 259.21 MT per quarter for H2).

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Trajectory Signal (vs Q1 FY26): While Q1 was a volume shock (-4%), Q2 shows that the weakness is systemic and persistent (-1%). The defining shift this quarter is the expansion of the SECL impairment from a minor 167 Cr "watch-point" to a major 553 Cr H1 hit, signaling that geological/safety restrictions are now a material drag on the bottom line. Receivables have peaked and are starting to trend down from the June high, but the overall working capital cycle remains significantly stretched compared to the start of the fiscal year.

What Changed	Prior Quarter (Q1 25-26)	This Quarter (Q2 25-26)	Direction
Volume Decline	-4.0% YoY	-1.3% YoY	↑ Improving (but still -ve)
Receivables Trend	Spiked to □17,356 Cr	Moderated to □16,555 Cr	↑ Improving (QoQ)
SECL Impairment	□167 Cr (safety zones)	□386 Cr (total □553 Cr H1)	↓ Deteriorating
EBITDA Margin	41% (H1 24-25 baseline)	29% (Actual Q2)	↓ Deteriorating
E-Auction Price	□2,331 / Te	□2,292 / Te	↓ Deteriorating
Other Expenses	□3,242 Cr (est)	□3,786 Cr (+22% YoY)	↓ Deteriorating
FSA Realization	□1,549 / Te	□1,478 / Te	↓ Deteriorating (QoQ)
Safety Zone Impact	17 Coal Blocks	21 Coal Blocks	↓ Deteriorating

STOP HERE.