

COAL INDIA

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	391
12 month price target (INR)	375
52 Week High/Low	460/349
Market cap (INR bn/USD bn)	2,412/27.3
Free float (%)	31.0
Avg. daily value traded (INR mn)	2,187.2

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	63.13%	63.13%	63.13%
FII	7.96%	8.16%	7.74%
DII	22.8%	22.65%	23.35%
Others	6.11%	6.06%	5.78%

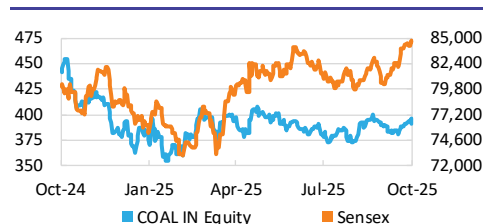
FINANCIALS

	(INR bn)			
Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	1,404.9	1,403.2	1,485.2	1,535.3
EBITDA	400.8	375.6	376.5	386.5
Adjusted profit	283.7	267.9	268.1	268.0
Diluted EPS (INR)	46.0	43.5	43.5	43.5
EPS growth (%)	(9.3)	(5.6)	0.1	0
RoAE (%)	38.9	25.7	23.4	21.4
P/E (x)	8.3	8.8	8.8	8.8
EV/EBITDA (x)	5.2	5.5	5.4	5.1
Dividend yield (%)	6.9	6.5	6.5	6.5

CHANGE IN ESTIMATES

(INR bn)	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,403	1,485	-2.4	-1.8
EBITDA	375.6	376.5	-3.3	-2.0
Adjusted profit	267.9	268.1	-3.8	-2.2
Diluted EPS (INR)	43.5	43.5	-3.8	-2.2

PRICE PERFORMANCE



Awaiting volume growth

Coal India (CIL) posted in-line Q2FY26 EBITDA (ex-OBR) of INR58.5bn, down 24% YoY (estimate: INR57.9bn). EBITDA fell due to higher CoP and lower credit of stripping activity adjustment. EBITDA/t was INR352, down INR105/t YoY; declared second interim DPS of INR10.25.

Volume growth has been missing with H1FY26 volume down ~3% YoY due to lower power demand and rising competition from captive miners. We are trimming FY26E/27E EBITDA by 3%/2% to factor in lower volume and prices. Though earnings growth is missing (EBITDA CAGR -1.2% over FY25–28E), CIL is available at a dividend yield of ~6.5% (DPS: INR25). We roll over to FY28E, yielding TP of INR375 (earlier: INR367), valuing at 5x FY28E EV/EBITDA; maintain 'REDUCE'.

Revenue down 3% YoY due to lower volumes and lower credit of OBR

Revenue at INR301.9bn inched down 3% YoY. We observe lower credit of stripping activity adjustment (in other operating income) due to which operating income/t dipped to INR197 versus INR233 in Q2FY25 despite higher performance incentive (INR5.4bn versus INR1.37bn in Q2FY25). Net coal revenue at INR269bn was down 1% YoY due to lower sales volume (down 1% YoY at 166mt) and blended coal realisation inched down 0.3% YoY at INR1,621/t. We observe FSA volume dropped by 0.5% YoY to 147.5mt due to lower demand from the power sector. However, E-auction volume rose 1.5% YoY to 15.3mt. Overall, competition from captive miners and lower power demand hit volume. FSA coal prices inched up 1.1% YoY to INR1,478/t. E-auction prices decreased 7.3% YoY/1.7% QoQ to INR2,292/t.

Higher CoP/t further drives EBITDA/t decline YoY

CoP (ex-employee cost)/t increased by INR80/t YoY to INR820/t. It was primarily due to higher other expenses (up 22% YoY to INR37.9bn). Part of the increase such as social and welfare expenses may not be repeated. Contractual expenses/t rose marginally by INR13/t to INR374, which is positive. Employee cost fell 3.4% YoY to INR107.3bn. The decrease was due to lower average manpower (down 4% YoY to 216k). Overall, blended cost/t was INR1,466, up INR64/t YoY. As a result, EBITDA (ex-OBR) was INR58.5bn, down 24% while EBITDA/t was INR352, down INR105/t YoY.

Triggers missing; volume needs to grow

Rising coal production from captive mines led CIL to lose market share (during FY25, captive's share was 19% versus 15% in FY24). We are factoring in a 2.2% volume CAGR over FY25–28E, assuming poor power demand. E-auction prices remain tepid. Hike in FSA price, if it comes, will be only in FY27E when CIL implements wage hikes for non-executives. The only silver lining is high dividend yield of 6–7% (INR25/sh).

Financials (INR mn)

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	3,01,867	3,11,819	(3.2)	3,58,422	(15.8)
EBITDA	58,452	76,632	(23.7)	1,11,264	(47.5)
Adjusted Profit	34,834	53,352	(34.7)	73,484	(52.6)
Diluted EPS (INR)	5.7	8.7	(34.7)	11.9	(52.6)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	14,04,872	14,03,171	14,85,185	15,35,335
Raw Material Cost	89,436	1,18,916	1,23,741	1,25,274
Employee costs	4,62,491	4,52,871	5,03,133	5,24,180
Other expenses	70,740	71,818	74,733	75,659
EBITDA	4,00,757	3,75,640	3,76,485	3,86,509
Depreciation	91,455	1,02,453	1,04,774	1,12,774
Less: Interest expense	8,837	10,344	9,809	9,809
Add: Other income	94,701	82,382	83,554	81,428
Profit before tax	3,95,167	3,45,225	3,45,456	3,45,354
Prov for tax	1,16,641	87,342	87,400	87,374
Less: Other adj	69,873	0	0	0
Reported profit	3,53,582	2,67,883	2,68,056	2,67,979
Less: Excp.item (net)	69,873	0	0	0
Adjusted profit	2,83,709	2,67,883	2,68,056	2,67,979
Diluted shares o/s	6,163	6,163	6,163	6,163
Adjusted diluted EPS	46.0	43.5	43.5	43.5
DPS (INR)	26.5	25.0	25.0	25.0
Tax rate (%)	29.5	25.3	25.3	25.3

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Free cashflow yield (%)	6.9	4.9	7.5	7.0
EBITDA margin (%)	28.5	26.8	25.3	25.2
Net profit margin (%)	20.2	19.1	18.0	17.5
Revenue growth (% YoY)	(2.6)	(0.2)	6.0	3.4
EBITDA growth (% YoY)	(4.2)	(6.3)	0.2	2.7
Adj. profit growth (%)	(9.3)	(5.6)	0.1	0

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.7	86.5	86.5	86.5
Sales volume	761.5	759.2	790.0	814.0
FSA (mt)	666.5	662.1	691.8	715.2
E-auction (mt)	79.1	80.0	80.0	80.0
FSA (INR/t)	1,514	1,544	1,591	1,608
E-auction	2,541.4	2,239.3	2,100.0	2,036.0
EBITDA/t (INR)	525.2	494.8	476.6	475.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	8.3	8.8	8.8	8.8
Price/BV (x)	2.4	2.2	2.0	1.8
EV/EBITDA (x)	5.2	5.5	5.4	5.1
Dividend yield (%)	6.9	6.5	6.5	6.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	61,627	61,627	61,627	61,627
Reserves	9,29,422	10,33,237	11,37,224	12,41,135
Shareholders funds	9,91,049	10,94,864	11,98,852	13,02,762
Minority interest	8,458	8,458	8,458	8,458
Borrowings	89,172	89,172	89,172	89,172
Trade payables	1,02,056	79,808	84,626	87,518
Other liabs & prov	5,48,365	5,47,654	5,65,473	5,76,166
Total liabilities	26,01,984	26,31,312	28,04,764	29,50,358
Net block	7,66,399	7,53,945	7,39,171	7,36,397
Intangible assets	1,27,215	1,27,215	1,27,215	1,27,215
Capital WIP	1,58,886	2,28,886	3,08,886	3,88,886
Total fixed assets	10,52,500	11,10,046	11,75,272	12,52,498
Non current inv	44,161	44,161	44,161	44,161
Cash/cash equivalent	3,73,906	3,84,211	4,42,589	4,92,460
Sundry debtors	1,27,277	1,26,972	1,34,638	1,39,237
Loans & advances	24,947	24,947	24,947	24,947
Other assets	4,62,752	4,25,764	4,37,077	4,32,450
Total assets	26,01,984	26,31,312	28,04,764	29,50,358

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
PBT	4,69,662	3,45,225	3,45,456	3,45,354
Add: Depreciation	91,455	1,02,453	1,04,774	1,12,774
Interest (net of tax)	(25,114)	(37,038)	(39,799)	(41,619)
Others	(63,283)	1,230	(30,870)	(18,524)
Less: Changes in WC	(61,921)	(48,672)	55,724	44,853
Operating cash flow	2,91,997	2,75,857	3,47,884	3,55,464
Less: Capex	(1,28,036)	(1,60,000)	(1,70,000)	(1,90,000)
Free cash flow	1,63,961	1,15,857	1,77,884	1,65,464

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	38.9	25.7	23.4	21.4
RoCE (%)	32.0	24.9	22.6	21.0
Inventory days	30	29	25	24
Receivable days	34	33	32	33
Payable days	24	24	20	20
Working cap (% sales)	(3.5)	(4.6)	(4.6)	(5.4)
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Interest coverage (x)	35.0	26.4	27.7	27.9

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(9.3)	(5.6)	0.1	0
RoE (%)	38.9	25.7	23.4	21.4
EBITDA growth (%)	(4.2)	(6.3)	0.2	2.7
Payout ratio (%)	46.2	57.5	57.5	57.5

Exhibit 1: Consolidated financial snapshot (INR mn)

Year to March	2QFY26	2QFY25	% change	1QFY26	% change	FY26E	FY27E	FY28E
Net revenues	3,01,867	3,11,819	(3.2)	3,58,422	(15.8)	14,03,171	14,85,185	15,35,335
Raw material	36,198	32,595	11.1	27,109	33.5	1,18,916	1,23,741	1,25,274
Staff cost	1,07,303	1,11,077	(3.4)	1,09,483	(2.0)	4,52,871	5,03,133	5,24,180
Other expenditure	99,914	91,515	9.2	1,10,566	(9.6)	71,818	74,733	75,659
Total expenditure	2,43,415	2,35,187	3.5	2,47,158	(1.5)	10,27,532	11,08,700	11,48,826
EBITDA ex-OBR*	58,452	76,632	(23.7)	1,11,264	(47.5)	3,75,640	3,76,485	3,86,509
Depreciation	26,644	18,978	40.4	23,072	15.5	1,02,453	1,04,774	1,12,774
Interest	2,869	2,081	37.8	2,651	8.2	10,344	9,809	9,809
Other income	21,405	15,050	42.2	16,159	32.5	82,382	83,554	81,428
Profit Before Tax	53,213	72,705	(26.8)	1,04,350	(49.0)	3,45,225	3,45,456	3,45,354
Provision for Tax	18,519	18,786	(1.4)	29,750	(37.7)	87,342	87,400	87,374
Reported net profit before JV	40,534	61,377	(34.0)	85,900	(52.8)	2,57,883	2,58,056	2,57,979
Minority Int/ JV share	-3,009	-1,514	98.7	-1,534	96.1	(10,000)	(10,000)	(10,000)
Adjusted Profit	34,834	53,352	(34.7)	73,484	(52.6)	2,67,883	2,68,056	2,67,979
No. of Diluted shares o/s (mn)	6,163	6,163		6,163		6,163	6,163	6,163
EPS (INR)	5.7	8.7	(34.7)	11.9	(52.6)	43.5	43.5	43.5
as % of net revenues								
Raw material	12.0	10.5		7.6		8.5	8.3	8.2
Staff costs	35.5	35.6		30.5		32.3	33.9	34.1
Other expenses	33.1	29.3		30.8		5.1	5.0	4.9
EBITDA	19.4	24.6		31.0		26.8	25.3	25.2
Reported net profit	13.4	19.7		24.0		18.4	17.4	16.8
Tax rate	34.8	25.8		28.5		25.3	25.3	25.3

Source: Company, Nuvama Research; *in quarterly, we only exclude OBR reported by company separately in calculating EBITDA

Stripping activity adjustment (OBR)

Since Q4FY25, the company used to reverse stripping activity (credit) in other operating income and in another line item. We used to adjust both in our EBITDA calculation, as it is non-cash in nature. However, the company stopped providing full details of reversal of stripping activity adjustment from this quarter and restated earlier quarters number too. As a result, other operating income is inflated and thus EBITDA too. Another part of OBR is still shown in other line item, which we still do not include in calculating EBITDA. During Q2FY26, it wrote back INR8.7bn (Q2FY25: INR9.5bn) and we exclude this while calculating EBITDA.

Exhibit 2: Sales volume inches down 1% YoY

(mt)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Total sales	167.7	194.1	200.7	190.6	166.0	(1.0)	(12.9)
FSA	148.2	170.8	175.1	165.7	147.5	(0.5)	(11.0)
E-auction	15.1	19.2	21.6	21.3	15.3	1.5	(28.2)
Washed & coal	4.8	7.1	4.0	3.6	3.2	(33.3)	(9.6)

Source: Company, Nuvama Research

Exhibit 3: FSA price inches up 1.1% YoY while e-auction price down 7.3% YoY

(INR/t)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Blended realisation	1,626	1,667	1,702	1,673	1,621	(0.3)	(3.1)
FSA	1,462	1,514	1,547	1,550	1,478	1.1	(4.6)
E-auction	2,472	2,671	2,615	2,332	2,292	(7.3)	(1.7)
Washed coal	3,883	1,900	3,561	3,465	3,294	(15.2)	(5.0)

Source: Company, Nuvama Research

Exhibit 4: Per tonne analysis; blended EBITDA/t plunges 23% YoY driven by higher CoP and lower volume

(INR/t)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Blended cost	1,402	1,307	1,325	1,297	1,466	4.5	13.1
Cost excl employee cost	740	729	723	722	820	10.8	13.5
EBITDA	457	592	560	584	352	(23.0)	(39.7)
EBITDA (FSA)	60	207	222	253	12	(79.5)	(95.1)
EBITDA (e-auction)	1,069	1,364	1,290	1,035	826	(22.7)	(20.1)

Source: Company, Nuvama Research

Exhibit 5: Key trend and assumptions

mt	FY23	FY24	FY25	FY26E	FY27E	FY28E
Production	703	774	781	780	799	809
Sales volume	695	754	761	759	790	814
FSA (mt)	621	670	666	662	692	715
E-auction-RHS	62	70	79	80	80	80
Washed Coal	7	8	10	11	12	12
Other by-products	5	6	6	6	6	6
End Inventory	68	89	107	127	136	131
(INR/t)						
Blended Realisation	1,835	1,730	1,667	1,668	1,700	1,707
FSA (INR/t)	1,475	1,536	1,514	1,544	1,591	1,608
E-auction	4,866	3,061	2,541	2,239	2,100	2,036
Washed Coal	5,012	5,473	4,375	4,407	4,769	4,769
Blended cost/t (INR)	1,406	1,334	1,316	1,353	1,403	1,412
EBITDA/t (INR)	585	555	525	495	477	475

Source: Company, Nuvama Research

Exhibit 6: Change in estimates

	Old		New		Variance (%)	
INR mn	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales volume(mt)	770	793	759	790	(1.4)	(0.4)
FSA price (INR/t)	1,571	1,618	1,544	1,591	(1.7)	(1.7)
E-auction price (INR/t)	2,199	2,100	2,239	2,100	1.8	0.0
Revenue	14,38,395	15,12,137	14,03,171	14,85,185	(2.4)	(1.8)
Employee cost	4,61,751	5,12,998	4,52,871	5,03,133	(1.9)	(1.9)
EBITDA ex-OBOR	3,88,395	3,84,276	3,75,640	3,76,485	(3.3)	(2.0)
PAT	2,78,397	2,74,096	2,67,883	2,68,056	(3.8)	(2.2)
EPS (INR/share)	45.2	44.5	43.5	43.5	(3.8)	(2.2)

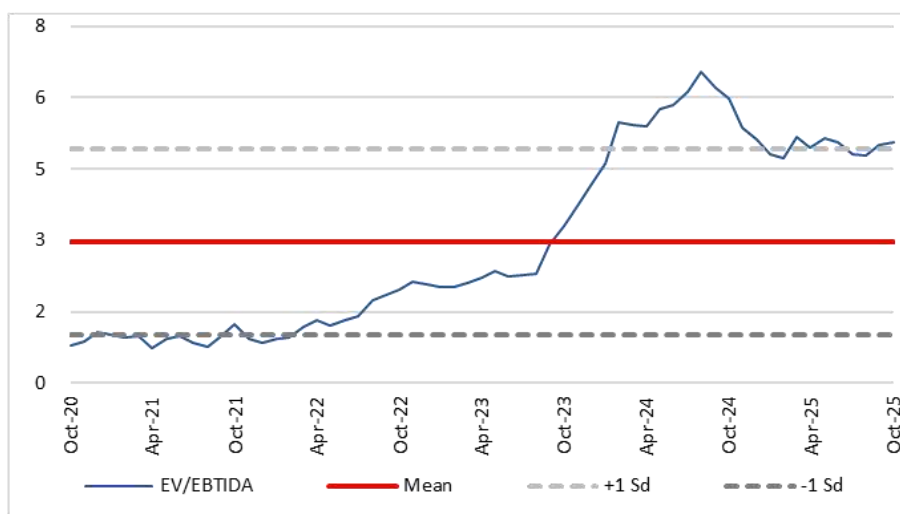
Source: Nuvama Research

Exhibit 7: Valuation

Particulars (INR mn)	FY28E
EBITDA ex-OBR	3,86,509
Multiple (x)	5.0
Enterprise value	19,32,546
Average net debt	-3,78,352
Implied Market-cap	23,10,898
No. of shares (mn)	6,163
Target Price (INR/share)	375

Source: Nuvama Research

Exhibit 8: On 1Y forward EV/EBITDA, COAL trading near +1SD of five-year average



Source: Bloomberg, Nuvama Research

Company Description

Coal India (CIL), the largest coal producer in the world, produces ~83% of India's overall coal production. Majority of coal produced is of inferior quality. As a result, it is mostly used in power plant and other industries like cement, which blend high calorific value imported coal with domestic coal. CIL operates through approximately 82 mining areas spread over eight states in India.

Investment Theme

The world is not yet ready to switch to renewable energy. Hence, coal remains the dominant fuel in the foreseeable future. Besides, amid disruption in supply of natural gas from Russia; demand has shifted to coal, as an alternative. Domestically, power demand is on the rise due to increased industrial activities. Volume is expected to increase at 2% CAGR of over FY25-27E to 790mt. Amid increased competition from captive sources, CIL's ambition to increase its production and evacuation facilities to ~1bn tonnes by FY28 looks difficult. E-auction prices are likely to remain low in FY26. We expect DPS of INR25/25 in FY26/FY27.

Key Risks

- Fall in global coal prices
- Sharp fall in e-auction prices
- Lower-than-expected volume growth
- Sale of GoI's stake via OFs

Additional Data

Management

Chairman	PM Prasad
Director (Finance)	Mukesh Agrawal
Director (Marketing)	Mukesh choudhary
Director (Technical)	B.Veera Reddy

Holdings – Top 10*

	% Holding		% Holding
LIC of India	10.74	BlackRock Inc	1.14
PPFAS AMC	2.68	ICICI Prudentia	0.96
HDFC AMC	1.14	SBI MF	0.89
Nippon Life Ind	2.37	UTI AMC	0.55
Vanguard Group	1.59	TATA AMC	0.19

*Latest public data

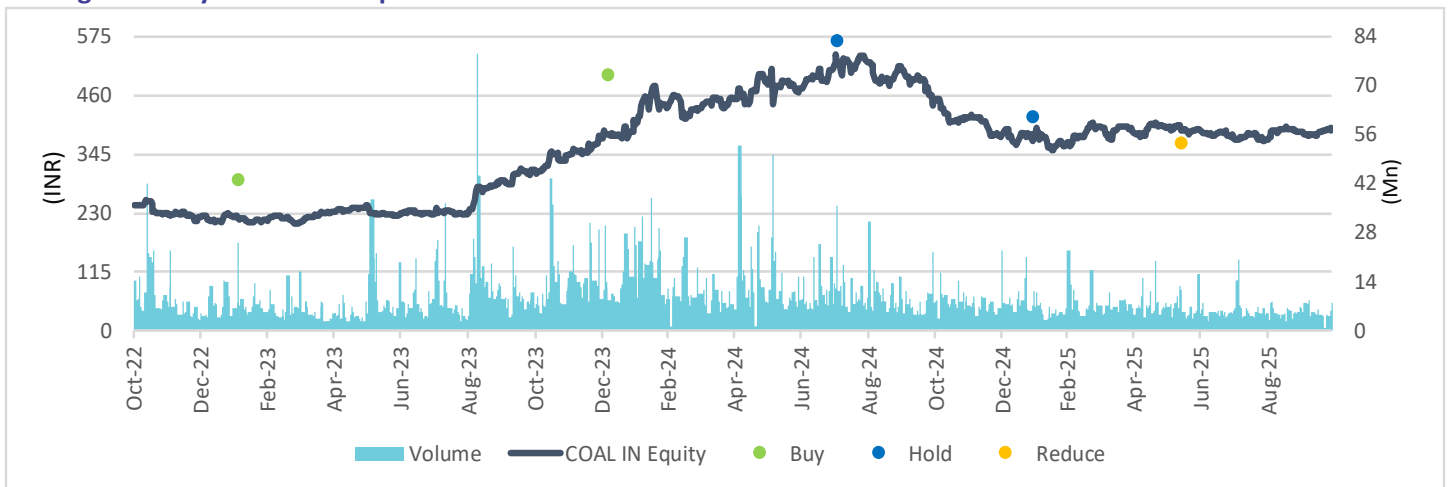
Recent Company Research

Date	Title	Price	Reco
01-Aug-25	Volume dips; cautious on growth; <i>Result Update</i>	376	Reduce
12-Jun-25	Volume dips; cost to increase; <i>Company Update</i>	402	Reduce
07-May-25	Volume growth missing ; <i>Result Update</i>	383	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
18-Oct-25	JSW Steel	Resilient earnings amid adverse macro; <i>Result Update</i>
17-Oct-25	Hindustan Zinc	Price-driven growth; <i>Result Update</i>
05-Oct-25	Metals & Mining	Non-ferrous shines; weak prices hit steel; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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