

Coal India | REDUCE

Management meet: Higher e-auction realisation possible for now

We met Coal India's management at Kolkata to get a better handle on long-term outlook, diversification strategy and impact of recent geopolitical disturbances. The long-term demand outlook is intact, and the company is targeting 5% annual growth in the medium term. Prices (FSA and e-auction) have both stabilised post the recent run-up and are expected to remain at similar levels, excluding short-term spikes due to supply constraints. Initial trials for substitution of imported coal (40-45MTPA requirement) with domestic coal are encouraging. The company is trying to increase supplies to non-power sector consumers like sponge iron (eastern India) and cement to increase offtake. Private commercial mining is expanding rapidly but will stabilise around 300-320MT by FY29. Coal gasification opportunities are under exploration. We maintain REDUCE with a TP of INR 420 valuing at 5x EV/EBITDA FY28.

- Future role of coal in India's energy mix:** If RE capacity grows at 20% CAGR, coal's share in the power mix may fall from 70% today to about 50-55% by 2030. However, in absolute terms, coal demand is still expected to grow. The sector, therefore, faces share decline but volume growth. Additionally, coal demand has a strong correlation with GDP growth. If GDP grows 7%, then coal demand should grow around 5% annually. The company has long-term plans to reach 1BT of annual production by 2029-30.
- Non-power sector coal demand:** Coal India is expanding its focus on non-power sectors like sponge iron (eastern India) and cement (highly price sensitive, reluctant to sign long-term contracts), and substitution in imported coal-based power plants.
- Import-substitution opportunity:** India imports 40mn-45mn tonnes of thermal coal for power. Coal India is attempting partial substitution. However, there are limitations due to lower calorific value of domestic coal. If international coal exceeds USD 70/tonne, domestic coal becomes competitive. If global prices fall significantly, imports may increase again.
- Coal pricing and e-auction:** Historically, Coal India's e-auction premiums averaged 30-35% above notified prices, and they fluctuate depending on supply shortages, demand cycles and international coal prices.
- Commercial coal mining:** Private commercial mining is expanding rapidly. However, the growth rate may moderate. Typical mine production pattern is 20% of capacity in year 1, rapid ramp-up in years 2-4 and production plateau after that. Because many mines are currently in the ramp-up phase, production appears to be growing quickly. But the sector may stabilise around 300mn-320mn tonnes by 2028-29.
- Logistics and evacuation constraints:** Coal availability is not always the issue - movement of coal (logistics) is often the constraint due to rail infrastructure limitations, regional evacuation constraints and seasonal demand spikes. Power producers have sometimes been reluctant to build coal stocks in advance, creating supply pressure during peak demand periods. If demand spikes unexpectedly, imports may become necessary despite domestic availability.
- Coal gasification opportunities:** This is under exploration. Potential applications include fertiliser production, ammonium nitrate manufacturing and DRI steel plants. However, economic viability depends on producing gas at roughly USD 10/MMBTU. If costs exceed this level, gasification becomes uncompetitive versus global alternatives.
- Coal exchange proposal:** There have been discussions about creating a coal exchange. However, practical challenges exist like coal quality differences, logistics complexities and physical delivery constraints. Exchanges work best where commodities are standardised. Coal India's coal grades vary widely, which complicates exchange trading. Therefore, the main benefit would likely be improved transparency rather than higher volumes.



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Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	REDUCE
Current Price Target (12M)	420
Upside/(Downside)	-4.1%
Previous Price Target	N/A
Change	4.7%

Key Data - COAL IN

Current Market Price	INR438
Market cap (bn)	INR2,697.1/US\$29.2
Free Float (%)	25.3
Shares in issue (mn)	6,162.7
Diluted share (mn)	6,162.7
3-mon avg daily val (mn)	INR3,995.6/US\$43.3
52-week range	INR462/350
Sensex/Nifty	77,566/24,028
INR/US\$	92.3

Price Performance

%	1M	6M	12M
Absolute	1.4	12.8	15.0
Relative*	10.1	18.4	9.9

*To the NSE Nifty 50

Financial Summary

	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,447,624	1,433,689	1,391,471	1,580,420	1,675,694
Sales Growth (%)	4.7	-1.0	-2.9	13.6	6.0
EBITDA	479,715	470,683	397,913	476,517	510,853
EBITDA Margin (%)	33.1	32.8	28.6	30.2	30.5
Adjusted Net Profit	373,691	353,074	288,019	367,771	379,211
Diluted EPS (INR)	60.6	57.3	46.7	59.7	61.5
Diluted EPS Growth (%)	17.8	-5.5	-18.4	27.7	3.1
ROIC (%)	89.1	48.2	29.0	29.4	25.1
ROE (%)	52.1	38.8	26.8	28.6	24.6
P/E (x)	7.2	7.6	9.4	7.3	7.1
P/B (x)	3.3	2.7	2.3	1.9	1.6
EV/EBITDA (x)	5.0	5.0	6.0	5.0	4.6
Dividend Yield (x)	4.3	6.1	4.3	4.3	4.3

Source: Company data, JM Financial. Note: Valuations as of March 09, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Management meeting takeaways

We met the management of Coal India at Kolkata to get a better handle on long-term outlook, diversification strategy and impact of recent geopolitical disturbances.

Long-term outlook

Coal is expected to remain an important component of India's energy system for the foreseeable future, even as RE capacity expands rapidly. Under aggressive RE expansion scenarios, where renewable capacity grows at ~20% annually, the share of coal-based power generation could decline from roughly 70% today to 50-55% by 2030. However, even in such a scenario, coal demand in absolute terms is still likely to grow. The decline would, therefore, be in coal's share of the power mix rather than in its overall consumption. Even if renewable expansion proceeds at the pace currently targeted, coal demand could still grow at roughly 2-3% annually. This reflects the reality that total electricity demand in India is rising rapidly and coal continues to provide reliable base-load power that complements intermittent renewable sources.

Demand growth

Historically, coal demand has maintained a strong relationship with GDP growth. Current estimates suggest that if GDP grows at 7% annually, coal demand could expand by around 5%. Growth significantly below that level would likely reflect weaker economic activity across multiple sectors. Coal India continues to target production levels of around 1BT annually by 2029-30.

Non-power opportunities

Coal India has been expanding its focus beyond the power sector to strengthen demand from other industries. Key target sectors include sponge iron production, cement manufacturing, and imported coal-based power plants. Sponge iron plants, particularly in eastern India, represent a significant source of demand and have shown strong interest in domestic coal supply. Cement companies also consume coal, although they tend to be highly price-sensitive and are often reluctant to enter into long-term supply contracts. Cement producers frequently switch between fuels such as coal, petcoke, and alternative fuels depending on relative prices and availability. This makes them less predictable long-term customers compared with the power sector.

Import substitution

Some imported coal-based power plants have also begun experimenting with blending domestic coal with imported coal. Trials conducted at several plants have produced encouraging results, suggesting that partial substitution may be possible under certain conditions. India currently imports 40-45MT of thermal coal for power generation, in addition to roughly 150MT of higher-grade coal used in other industries. Coal India is attempting to capture a part of this market through import substitution. However, domestic coal typically has lower calorific value than imported coal, which limits substitution opportunities. Many industries require higher-grade coal that is not readily available domestically.

The economics of import substitution also depend heavily on international coal prices. When global prices exceed around USD 70/tonne, domestic coal becomes more competitive. If international prices decline significantly, imports may again become attractive. As a result, the balance between domestic supply and imports will continue to fluctuate depending on global market conditions.

E-auction

Historically, e-auction prices have averaged premiums of around 30-35% above notified prices. These premiums fluctuate depending on supply shortages, demand conditions, and international coal price trends. The average FSA price is roughly INR 1,300-1,400/tonne, while e-auction coal typically commands a much higher price, often around INR 2,400-2,500/tonne depending on grade and market conditions. However, recent auction data indicate a possible shift in market conditions.

Captive and commercial mining

Commercial coal mining by private companies is expanding. New mines typically follow a predictable production pattern. In the first year, production may reach only about 20% of capacity. Over the next several years, production ramps up rapidly before eventually stabilising. Because many private mines are currently in the ramp-up phase, overall production growth appears strong. However, this growth is expected to moderate over time as mines reach stable production levels. Current projections suggest that commercial mining output may stabilise at 300-320MT by 2028–29.

Supply constraints

In many cases, the primary constraint is not the availability of coal but the ability to transport it efficiently to consumers. Rail logistics, wagon availability, and regional infrastructure limitations can restrict coal movement even when mines have sufficient production capacity. Power producers have sometimes been reluctant to build coal inventories in advance, which creates additional pressure on the supply chain during peak demand periods. When demand spikes unexpectedly, the result can be shortages at power plants even though coal may be available at mine sites. In such situations, imports sometimes become necessary despite domestic production capacity.

Wage revision

From a cost perspective, the company benefits from a gradual decline in its workforce. Coal India historically had a very large employee base—at one time as high as 500,000 to 600,000 employees—but this has reduced significantly to around 200,000 employees. Each year approximately 8,000–10,000 workers retire, and the company does not replace them fully, resulting in a steady net reduction in manpower. This structural decline in workforce helps moderate labour costs, which constitute a significant portion of operating expenses.

In addition to workforce rationalisation, Coal India has been focusing on improving productivity and outsourcing certain mining operations through Mine Developer and Operator (MDO) models. These arrangements allow private contractors to operate mines, helping the company increase production without expanding its internal workforce significantly.

However, wage revisions remain an important cost risk. The next wage revision cycle is expected to take effect from Jul'26 for workers and Jan'27 for executives.

Historically, wage revisions in Coal India have resulted in increases of 14–17%, though the final outcome will depend on negotiations and government approval.

Coal exchange

In theory, a coal exchange could improve transparency and price discovery. However, coal markets present unique challenges. Coal quality varies widely across mines, and logistical constraints complicate physical delivery. Exchanges tend to work best when commodities are standardised and easily transportable. Because coal grades vary significantly and transportation logistics are complex, the benefits of a coal exchange may be limited primarily to improved transparency rather than large increases in trading volumes.

Coal gasification

This is another area of potential development. This technology could enable coal to be used in producing fertilisers, ammonium nitrate, and other industrial products. It may also support certain steel production processes such as direct reduced iron (DRI). However, the economic viability of coal gasification depends on production costs. For gasification to compete with international alternatives, the resulting gas would need to be produced at roughly USD 10/MMBTU. If costs exceed that level, the technology becomes less competitive.

Operating models

Coal India is experimenting with different mining models across its subsidiaries, including departmental mining, mine developer and operator (MDO) arrangements, and outsourced production. Large open-cast mines provide stable baseline production, while more flexible production arrangements can respond to short-term demand fluctuations. By balancing these different models, the company aims to manage variability in both supply and demand.

Financial Tables (Consolidated)

Income Statement						(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	1,447,624	1,433,689	1,391,471	1,580,420	1,675,694	
Sales Growth (%)	4.7	-1.0	-2.9	13.6	6.0	
Other Operating Income	-	-	-	-	-	
Total Revenue	1,447,624	1,433,689	1,391,471	1,580,420	1,675,694	
Cost of Goods Sold/Op. Exp	337,987	366,443	420,662	493,034	541,594	
Personnel Cost	487,826	462,491	439,472	497,433	502,408	
Other Expenses	142,097	134,072	133,424	113,436	120,840	
EBITDA	479,715	470,683	397,913	476,517	510,853	
EBITDA Margin (%)	33.1	32.8	28.6	30.2	30.5	
EBITDA Growth (%)	8.4	-1.9	-15.5	19.8	7.2	
Depn. & Amort.	67,354	91,455	100,307	84,631	97,381	
EBIT	412,361	379,228	297,606	391,886	413,471	
Other Income	79,691	94,701	100,000	120,000	120,000	
Finance Cost	8,194	8,837	16,134	21,402	26,452	
PBT before Excep. & Forex	483,858	465,092	381,472	490,484	507,020	
Excep. & Forex Inc./Loss(-)	-	-	-	-	-	
PBT	483,858	465,092	381,472	490,484	507,020	
Taxes	114,435	116,641	98,075	127,335	132,431	
Extraordinary Inc./Loss(-)	-	-	-	-	-	
Assoc. Profit/Min. Int.(-)	4,268	4,623	4,623	4,623	4,623	
Reported Net Profit	373,691	353,074	288,019	367,771	379,211	
Adjusted Net Profit	373,691	353,074	288,019	367,771	379,211	
Net Margin (%)	25.8	24.6	20.7	23.3	22.6	
Diluted Share Cap. (mn)	6,163	6,163	6,163	6,163	6,163	
Diluted EPS (INR)	60.6	57.3	46.7	59.7	61.5	
Diluted EPS Growth (%)	17.8	-5.5	-18.4	27.7	3.1	
Total Dividend + Tax	117,092	163,312	117,092	117,092	117,092	
Dividend Per Share (INR)	19.0	26.5	19.0	19.0	19.0	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	488,126	469,662	386,095	495,106	511,642	
Depn. & Amort.	67,354	91,455	100,307	84,631	97,381	
Net Interest Exp. / Inc. (-)	-30,624	-25,114	16,134	21,402	26,452	
Inc (-) / Dec in WCap.	-186,220	-61,921	-12,999	-22,318	-11,254	
Others	-40,339	-63,283	-140,472	-165,694	-168,436	
Taxes Paid	-117,267	-118,802	-98,075	-127,335	-132,431	
Operating Cash Flow	181,031	291,997	250,989	285,791	323,354	
Capex	-163,085	-127,500	-255,229	-255,397	-255,397	
Free Cash Flow	17,946	164,496	-4,240	30,394	67,957	
Inc (-) / Dec in Investments	-	-	-	-	-	
Others	118,227	26,737	100,000	120,000	120,000	
Investing Cash Flow	-44,858	-100,764	-155,229	-135,397	-135,397	
Inc / Dec (-) in Capital	-	-	-	-	-	
Dividend + Tax thereon	-150,979	-162,385	-117,092	-117,092	-117,092	
Inc / Dec (-) in Loans	15,011	17,334	47,677	37,546	37,546	
Others	-3,025	11,966	-16,134	-21,402	-26,452	
Financing Cash Flow	-138,993	-133,085	-85,549	-100,948	-105,998	
Inc / Dec (-) in Cash	-2,820	58,148	10,211	49,446	81,959	
Opening Cash Balance	56,279	53,459	111,607	121,818	171,264	
Closing Cash Balance	302,352	342,153	352,364	401,810	483,770	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders Fund	835,819	999,507	1,170,434	1,421,113	1,683,232	
Share Capital	61,627	61,627	61,627	61,627	61,627	
Reserves & Surplus	765,671	929,422	1,100,349	1,351,028	1,613,147	
Preference Share Capital	-	-	-	-	-	
Minority Interest	8,521	8,458	8,458	8,458	8,458	
Total Loans	56,172	73,858	121,535	159,080	196,626	
Def. Tax Liab. / Assets (-)	-823,819	-816,167	-775,695	-730,001	-681,565	
Other non-current liabilities / Lease Liabilities	118,170	133,704	133,704	133,704	133,704	
Total - Equity & Liab.	1,010,161	1,207,068	1,425,673	1,713,898	2,013,563	
Net Fixed Assets	946,285	1,052,500	1,207,422	1,378,188	1,536,204	
Gross Fixed Assets	1,005,681	1,174,679	1,429,679	1,684,679	1,939,679	
Intangible Assets	69,399	90,762	90,762	90,762	90,762	
Less: Depn. & Amort.	326,677	408,281	508,358	592,592	689,576	
Capital WIP	197,882	195,339	195,339	195,339	195,339	
Investments	71,104	75,913	75,913	75,913	75,913	
Current Assets	1,327,209	1,446,624	1,474,521	1,560,780	1,661,302	
Inventories	101,772	126,137	122,423	139,047	147,429	
Sundry Debtors	132,558	127,277	148,678	168,867	179,047	
Cash & Bank Balances	302,352	342,153	352,364	401,810	483,770	
Loans & Advances	3,803	4,088	4,088	4,088	4,088	
Other Current Assets	786,725	846,969	846,969	846,969	846,969	
Current Liab. & Prov.	1,348,340	1,376,597	1,340,811	1,309,612	1,268,484	
Current Liabilities	83,857	102,056	106,743	121,238	128,546	
Provisions & Others	1,264,484	1,274,540	1,234,068	1,188,374	1,139,938	
Net Current Assets	-21,131	70,027	133,710	251,168	392,817	
Other Non Current Assets/ROU Assets	-	-	-	-	-	
Total - Assets	1,010,161	1,207,068	1,425,673	1,713,898	2,013,563	

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin (%)	25.8	24.6	20.7	23.3	22.6
Asset Turnover (x)	0.8	0.7	0.7	0.7	0.6
Leverage Factor (x)	2.5	2.1	2.0	1.8	1.7
RoE (%)	52.1	38.8	26.8	28.6	24.6

Source: Company, JM Financial

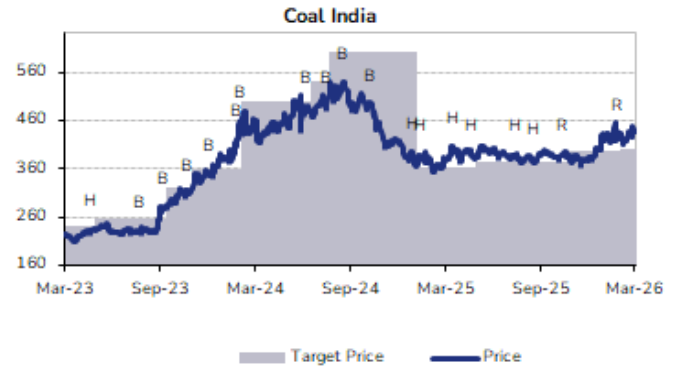
Key Ratios					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	134.2	160.8	188.5	229.2	271.8
ROIC (%)	89.1	48.2	29.0	29.4	25.1
ROE (%)	52.1	38.8	26.8	28.6	24.6
Net Debt/Equity (x)	-0.4	-0.3	-0.3	-0.2	-0.2
P/E (x)	7.2	7.6	9.4	7.3	7.1
P/B (x)	3.3	2.7	2.3	1.9	1.6
EV/EBITDA (x)	5.0	5.0	6.0	5.0	4.6
EV/Sales (x)	1.6	1.6	1.7	1.5	1.4
Debtor days	33	32	39	39	39
Inventory days	26	32	32	32	32
Creditor days	32	39	39	40	40

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
12-Feb-26	Reduce	401	0.7
30-Oct-25	Reduce	398	7.0
3-Sep-25	Hold	372	0.0
1-Aug-25	Hold	372	-0.9
8-May-25	Hold	376	3.8
2-Apr-25	Hold	362	0.0
27-Jan-25	Hold	362	0.2
13-Jan-25	Hold	362	-39.8
27-Oct-24	Buy	601	0.0
3-Sep-24	Buy	601	0.0
1-Aug-24	Buy	601	11.3
25-Jun-24	Buy	540	7.9
19-Feb-24	Buy	500	-0.1
13-Feb-24	Buy	500	38.8
21-Dec-23	Buy	360	0.0
10-Nov-23	Buy	360	12.5
22-Sep-23	Buy	320	25.6
9-Aug-23	Buy	255	0.0
7-May-23	Hold	255	6.4
1-Feb-23	Hold	240	

Recommendation History Chart



APPENDIX I

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Rating	Meaning
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