

## Weak Q1, Volume Growth Disappoints; Downgrade to HOLD

**Est. Vs. Actual for Q1FY26:** Revenue – **INLINE**; Adj EBITDA – **BEAT**; PAT – **MISS**  
**Change in Estimates post Q1FY26 Result**

**FY26E/FY27E:** Revenue: -4%/-5%; Adj. EBITDA: -5%/-11%; **Attrib. PAT:** -10%/-14%

### Recommendation Rationale

- Volume Growth disappoints:** CIL's coal production in Q1FY26 stood at 183.3 Mt vs. the target of 208 MT, down 3% YoY, with production down YoY across subsidiaries except at NCL and NEC. Coal offtake in Q1FY26 stood at 191 MT vs. the target of 225.4 MT, down 4% YoY. The weak offtake is partly explained by lower peak demand in Q1FY25, which stood at 242 GW in Jun'25 (down 2.9% YoY) due to the early monsoon. OB removal also fell short of the target of 550 Mn CuM at 507 Mn CuM, down 5% YoY. Lower offtake and ASP led to a fall in the adjusted EBITDA (excluding stripping activities) at Rs 11,126 Cr, down 4%/1% YoY/QoQ.
- E-auction premium dropped** at 50% (vs. our est. of 69%), down from 58%/69% YoY/QoQ. ASP stood at Rs 1,673/t, flat YoY but down 2% QoQ. E-auction prices stood at Rs 2,332/t (down 3%/11% YoY/QoQ), below our assumption of Rs 2,600/t. FSA price stood slightly ahead of our estimate at Rs 1,550/t (up 2% YoY but flat QoQ). **E-auction volumes** stood at 21 MT (down from 23/22 MT YoY/QoQ) in line with our estimate.
- Full-year volume guidance** for FY26/27 is 875/915 MT, which looks ambitious. In FY25, CIL's volume offtake stood at 780 MT, 7% below its target. We cut our coal offtake volumes by 4%/5% at 775 MT/805MT for FY26/27, respectively. Coal Inventory as of Jun'25 is also adequate at 99 MT (vs 80 MT in Jun'24).

### Sector Outlook: Neutral

**Company Outlook & Guidance:** We decrease our FY26/27 EBITDA estimates by 5%/11% YoY/QoQ as we cut our coal offtake assumptions. CIL offers a good dividend yield of 6%; however, volume ramp-up remains crucial for earnings growth in FY26/27. Although peak power demand is projected to grow to 366 GW by FY32, focus on captive coal growth and lower thermal PLFs as RE capacity picks up in the coming years, may slow down coal offtake requirements. Captive coal volumes reached 198 MT at 19% of total coal production in FY25 (25% CAGR over FY20-25). More Odds are stacked against CIL, with its production cost likely to increase with increasing stripping ratio. In Q4FY25, concall management guided at increasing the stripping ratio at 2.67x (vs. average of 2.3x over FY20-25). Furthermore, wage revision is due for non-executive employees in Jun'26 and executive employees in Jan'27, which will increase employee expenses in FY26/27. Capex guidance is of Rs 20,000 Cr for the next 3-4 years.

**Current Valuation:** 5.5 x EV/EBITDA on Adj. Mar'27E EBITDA (Unchanged)

**Current TP:** Rs 400/share (Earlier: Rs 440/share)

**Recommendation:** We downgrade to a **HOLD** from a BUY rating.

**Financial Performance:** Coal India reported a weak set of numbers, as was anticipated. Revenue stood at Rs 35,842 Cr, down 2%/5% YoY/QoQ (in line with our estimate). EBITDA excluding stripping activity stood at Rs 11,126 Cr, down 4%/1% YoY/QoQ, 3% ahead of our estimate. The beat against our estimate was due to lower raw material costs and lower employee expenses, partially offset by higher other expenses. Attributable net profit stood at Rs 8,743 Cr, down 20% YoY and 9% QoQ, 9% below our estimate due to lower other income. The board declared the first interim dividend of Rs 5.5 per share, with the record date of 6<sup>th</sup> August, 2025.

### Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	35,842	-5%	-2%	35,722	0%
EBITDA	12,521	6%	-13%	13,482	-7%
EBITDA %	34.9%			37.7%	
Adj EBITDA (ex OBR)	11,126	-1%	-4%	10,751	3%
Adj EBITDA Margin	31.0%			30.1%	
Attrib Net Profit	8,743	-9%	-20%	9,579	-9%
EPS (Rs/sh)	14.19	-9%	-20%	15.54	-9%

Source: Company, Axis Securities

(CMP as of 31<sup>st</sup> July, 2025)

CMP (Rs)	376
Upside /Downside (%)	6%
High/Low (Rs)	545/349
Market cap (Cr)	2,31,995
Avg. daily vol. (6m) Shrs.	65,69,156
No. of shares (Cr)	616

### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	63.13	63.13	63.13
FII	8.58	7.74	8.16
MF/UTI	10.81	11.38	10.64
Fin Institutions	0.04	0.03	0.05
Others	17.44	17.72	18.02

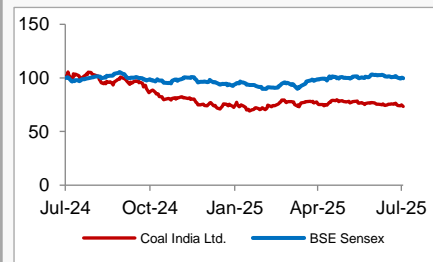
### Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	1,42,983	1,49,732	1,56,188
Adj EBITDA	37,186	38,588	41,240
Net Profit	30,397	31,429	33,781
EPS (Rs.)	49.3	51.0	54.8
PER (x)	7.6	7.4	6.9
P/BV (x)	2.0	1.7	1.5
EV/Adj EBITDA (x)	5.3	4.9	4.3
ROE (%)	28%	25%	24%

### Change in Estimates (%)

Y/E Mar	FY25A	FY26E	FY27E
Sales		-4%	-5%
Adj EBITDA		-5%	-11%
Attrib PAT		-10%	-14%

### Relative Performance



Source: ACE Equity, Axis Securities

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## Outlook

The share of captive coal in total coal production has increased to 19% in FY25 at 198 MT from 9% in FY20 (the government plans to achieve 20% captive coal out of 1.5 Bn T coal production target by 2030). Focus on captive coal growth and lower thermal PLFs as RE capacity picks up in the coming years, which may slow down coal offtake requirements.

## Valuation & Recommendation

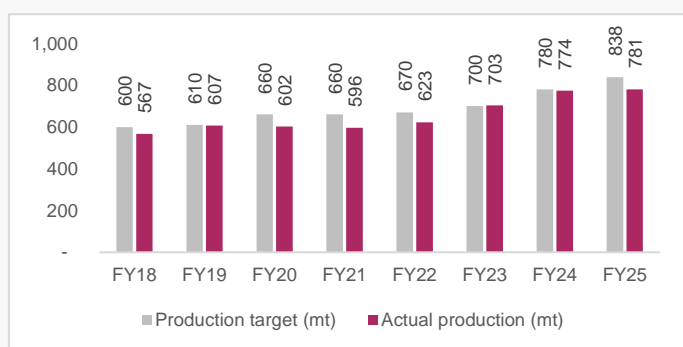
We value the stock at 5.5x 1-year forward EV/EBITDA multiple (unchanged) on Mar'27E Adj. EBITDA (unchanged). Based on this, we arrive at our target price of Rs 400/share (from Rs 440/share), implying an upside of 6%. As a result, we downgrade our rating from BUY to **HOLD**.

## Key Highlights

**Focus on diversification projects:** CIL has a focus on diversification projects such as solar/thermal power, coal gasification and revival of fertiliser plants. In Q1FY26, it announced several diversification projects.

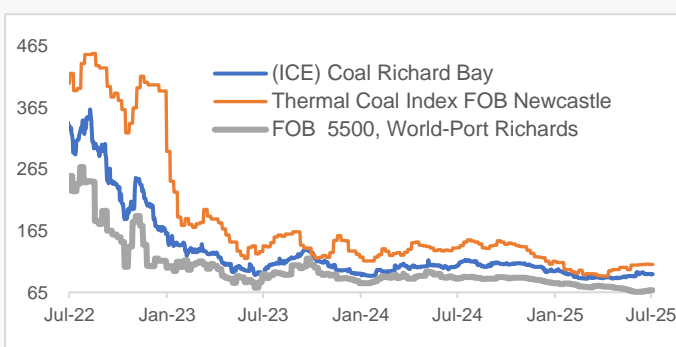
- **Copper & Critical Mineral Sectors:** MoU signed on 30<sup>th</sup> June, 2025, with Hindustan Copper Ltd to collaborate in the copper and critical minerals sectors.
- **New Graphite and Vanadium:** Preferred bidder for Oranga Revatipur Graphite and Vanadium Block of Chhattisgarh auctioned for mining lease.
- **Solar Power:** MoU signed on 5<sup>th</sup> May, 2025, with UPRVUNL for setting 500MW Solar Power project in Uttar Pradesh as a part of Green and Renewable Energy Initiatives.
- **New Renewable Energy Subsidiary:** Incorporation of CIL RAJASTHAN AKSHAY URJA LIMITED, CIL -74%/RVUNL - 26%.
- **Employee expenses declined** by 1%/6% YoY/QoQ, 2% below our estimate, led by 3% reduction in manpower. The workforce stood at 2,18,190 as of Jun'25.

**Exhibit 1: Coal India Production Target Miss vs Actual**



Source: Company, LSEG Workspaces, Ministry of Coal

**Exhibit 2: Thermal Coal Prices Range-bound after Correction**



## Key Risks to Our Estimates and TP

- The key risk to our HOLD rating is the improvement/decline in E-Auction volumes and FSA prices vs. our expectations.
- Lower/higher than expected e-auction premiums.
- Lower/higher coal offtake than our assumptions for FY26E/FY27E.
- Lower/Higher employee and other expenses than our estimates.

## Change in Estimates

	New			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	1,42,983	1,49,732	1,56,188	1,48,724	1,57,081	NA	-4%	-5%	NM
Adj EBITDA	37,186	38,588	41,240	39,327	43,212	NA	-5%	-11%	NM
Attrib PAT	30,397	31,429	33,781	33,776	36,546	NA	-10%	-14%	NM
Coal offtake	776	805	834	810	851	NA	-4%	-5%	NM
ASP (Rs/t)	1,665	1,690	1,705	1,673	1,681	NA	0%	1%	NM

Source: Axis Securities

## Results Review Q1FY26

Coal India Q1FY26 Results		Q1FY25	Q4FY25	Q1FY26	Q1FY26	Q1FY26	YoY	QoQ	QoQ	QoQ
Consolidated		Actual	Actual	Axis Sec Est	Consensus	Actual	%	%	vs Axis	vs Consensus
Sales Volume (mt)		199	201	190	190	190	-4%	-5%	0%	
ASP (Rs/t)		1,671	1,702	1,716	1,842	1,677	0%	-1%	-2%	-9%
Net Sales/Income from operations		33,170	34,156	32,623	35,012	31,880	-4%	-7%	-2%	-9%
Other Operating Income		3,294	3,668	3,099		3,962	20%	8%	28%	
<b>Total Income From Operations</b>		<b>36,465</b>	<b>37,825</b>	<b>35,722</b>		<b>35,842</b>	<b>-2%</b>	<b>-5%</b>	<b>0%</b>	
RM Costs, purchase & increase/ (Decrease) in stocks		3,025	377	3,111		2,711	-10%	619%	-13%	
Contractual expense		7,810	9,499	7,629		7,815	0%	-18%	2%	
Stripping activity adjustment		-2,796	-561	-2,731		-1,395	NA	NA	NA	
Employee benefit expense		11,455	12,089	11,569		11,323	-1%	-6%	-2%	
Other Expenses		2,632	4,630	2,662		2,868	9%	-38%	8%	
<b>Total Expenditure</b>		<b>22,126</b>	<b>26,034</b>	<b>22,240</b>		<b>23,321</b>	<b>5%</b>	<b>-10%</b>	<b>5%</b>	
<b>EBITDA</b>		<b>14,339</b>	<b>11,790</b>	<b>13,482</b>	<b>11,282</b>	<b>12,521</b>	<b>-13%</b>	<b>6%</b>	<b>-7%</b>	<b>11%</b>
<b>Adj EBITDA (Exl Stripping)</b>		<b>11,542</b>	<b>11,229</b>	<b>10,751</b>		<b>11,126</b>	<b>-4%</b>	<b>-1%</b>	<b>3%</b>	
<b>Adj EBITDA per tonne</b>		<b>581</b>	<b>560</b>	<b>566</b>		<b>585</b>	<b>1%</b>	<b>5%</b>	<b>3%</b>	
Depreciation & amortisation & Impairment		1,952	2,782	2,132		2,307	18%	-17%	8%	
Other Income		1,885	3,937	1,794		1,616	-14%	-59%	-10%	
Interest Expense		209	241	445		265	27%	10%	-40%	
<b>P/L Before Tax</b>		<b>14,062</b>	<b>12,704</b>	<b>12,699</b>		<b>11,565</b>	<b>-18%</b>	<b>-9%</b>	<b>-9%</b>	
Tax		3,204	3,281	3,120		2,975	-7%	-9%	-5%	
Extraordinary Items							NA	NA	NA	
<b>Net Profit/(Loss) For the Period</b>		<b>10,858</b>	<b>9,424</b>	<b>9,579</b>		<b>8,590</b>	<b>-21%</b>	<b>-9%</b>	<b>-10%</b>	
Minority Interest		16	11	-		9	-42%	-20%	NA	
Share Of P/L Of Associates		85	169	-		144	69%	-15%	NA	
<b>Net P/L After M.I &amp; Associates</b>		<b>10,959</b>	<b>9,604</b>	<b>9,579</b>	<b>8,043</b>	<b>8,743</b>	<b>-20%</b>	<b>-9%</b>	<b>-9%</b>	<b>9%</b>
Basic EPS		17.78	15.58	15.54	14.75	14.19	-20%	-9%	-9%	-4%
EBITDA %		39.3%	31.2%	37.7%		34.9%	-439	376	-281	
Adj EBITDA %		31.7%	29.7%	30.1%		31.0%	-61	136	95	
Tax Rate %		23%	26%	25%		26%	294	-10	116	

Source: Company, Axis Securities, Bloomberg Consensus

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Total Income From Operations	1,40,742	1,42,983	1,49,732	1,56,188
Consumption of Raw Materials	11,247	11,655	12,230	12,826
Increase / Decrease in Stocks	(2,303)	249	1,900	1,900
Contractual expense	31,812	33,298	35,284	37,373
Stripping activity adjustment	(6,733)	(5,509)	(5,761)	(6,018)
Power	3,110	3,202	3,352	3,505
Repairs	2,004	2,100	2,229	2,363
Employees Cost	46,249	46,465	47,179	47,651
Other Expenses	8,294	8,828	8,970	9,329
<b>Total Expenditure</b>	<b>93,679</b>	<b>1,00,289</b>	<b>1,05,383</b>	<b>1,08,929</b>
<b>EBITDA</b>	<b>47,063</b>	<b>42,695</b>	<b>44,349</b>	<b>47,258</b>
<b>Adj EBIDA (Exl Overburden)</b>	<b>40,330</b>	<b>37,186</b>	<b>38,588</b>	<b>41,240</b>
Depreciation and Amortisation	9,145	8,704	9,673	9,673
<b>EBIT</b>	<b>37,918</b>	<b>33,991</b>	<b>34,677</b>	<b>37,586</b>
Other Income	9,470	7,881	8,771	8,979
Share Of P/L Of Associates (Net of Tax)	462	144	-	-
Less: Interest & Fin Chg.	884	1,601	1,782	1,782
Less: Exceptional Items	-	-	-	-
<b>Profit before tax</b>	<b>46,966</b>	<b>40,415</b>	<b>41,666</b>	<b>44,784</b>
Provision for Tax	11,664	10,028	10,237	11,003
Minority Interest	56	9	-	-
<b>Attr Reported PAT</b>	<b>35,358</b>	<b>30,397</b>	<b>31,429</b>	<b>33,781</b>
<b>EPS (Rs/sh)</b>	<b>57.4</b>	<b>49.3</b>	<b>51.0</b>	<b>54.8</b>
<b>DPS (Rs/sh)</b>	<b>26.5</b>	<b>22.2</b>	<b>22.9</b>	<b>24.7</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Net Block	76,640	83,825	90,152	97,480
CWIP	15,889	16,000	17,000	17,000
Intangible assets	9,076	9,076	9,076	9,076
Investments	7,591	7,591	7,591	7,591
Inventories	12,614	12,815	13,419	13,998
Trade Receivables	12,728	12,930	13,541	14,125
Cash / Bank balance	34,215	43,405	52,638	63,196
Misc. Assets	91,446	91,446	91,446	91,446
<b>Total assets</b>	<b>2,60,198</b>	<b>2,77,088</b>	<b>2,94,864</b>	<b>3,13,911</b>
Equity capital	6,163	6,163	6,163	6,163
Reserves	92,942	1,09,660	1,26,946	1,45,526
Borrowings	8,908	8,908	8,908	8,908
Def tax Liabilities	1,832	1,832	1,832	1,832
Other Liabilities	59,394	59,403	59,403	59,403
Provisions	80,754	80,754	80,754	80,754
Trade Payables	10,206	10,368	10,858	11,326
<b>Capital employed</b>	<b>2,60,198</b>	<b>2,77,088</b>	<b>2,94,864</b>	<b>3,13,911</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Profit before tax	47,022	40,433	41,666	44,784
Depreciation	9,145	8,704	9,673	9,673
Interest Expenses	884	1,601	1,782	1,782
Non-operating / EO item	(9,779)	-	-	-
Change in W/C	(88)	(241)	(726)	(694)
Income Tax (Paid)/Refund	(11,880)	(10,028)	(10,237)	(11,003)
<b>Operating Cash Flow</b>	<b>35,303</b>	<b>40,470</b>	<b>42,158</b>	<b>44,541</b>
Capital Expenditure	(12,804)	(16,000)	(17,000)	(17,000)
<b>Free Cash Flow</b>	<b>22,500</b>	<b>24,470</b>	<b>25,158</b>	<b>27,541</b>
Other Investments	2,727	-	-	-
<b>Investing Cash Flow</b>	<b>(10,076)</b>	<b>(16,000)</b>	<b>(17,000)</b>	<b>(17,000)</b>
Proceeds / (Repayment) of Borrowings	3,155	-	-	-
Finance cost paid	(225)	(1,601)	(1,782)	(1,782)
Dividend paid	(16,239)	(13,678)	(14,143)	(15,201)
Other Financing activities	-	-	-	-
<b>Financing Cash Flow</b>	<b>(13,309)</b>	<b>(15,280)</b>	<b>(15,925)</b>	<b>(16,983)</b>
<b>Change in Cash</b>	<b>11,918</b>	<b>9,190</b>	<b>9,233</b>	<b>10,558</b>
Opening Cash	5,345	11,161	20,351	29,584
<b>Closing Cash</b>	<b>11,160</b>	<b>20,351</b>	<b>29,584</b>	<b>40,141</b>

Source: Company, Axis Securities

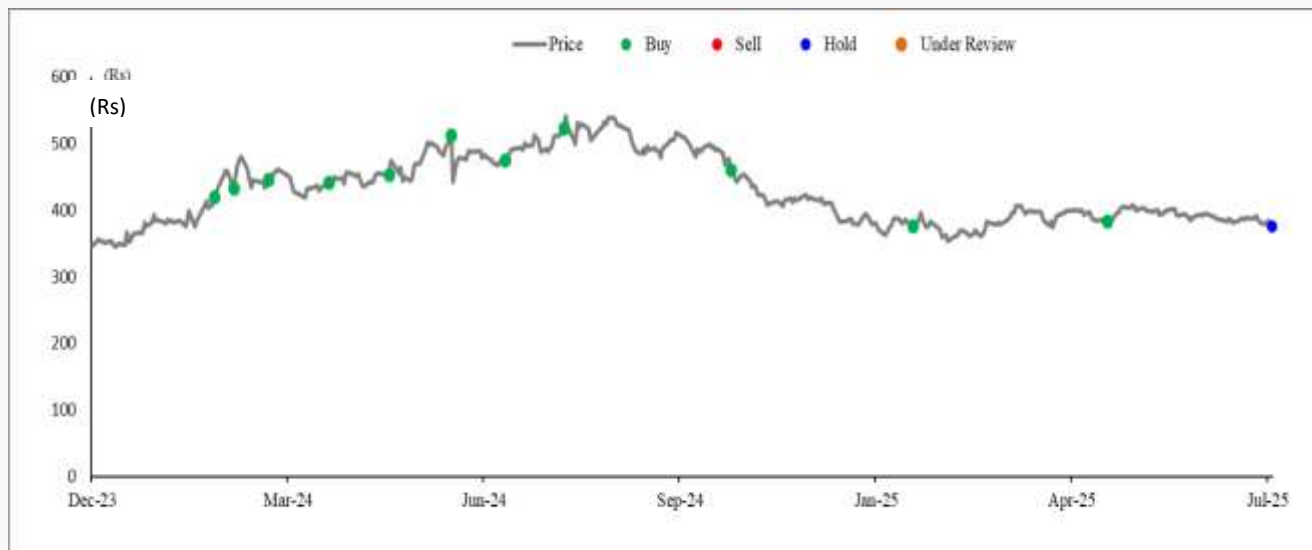
**Ratio Analysis**

(%)

Y/E March	FY25A	FY26E	FY27E	FY28E
<b>Operational Ratios</b>				
Sales growth (% YoY)	-1%	2%	5%	4%
EBITDA growth (% YoY)	-4%	-8%	4%	7%
Op. profit growth (% YoY)	-8%	-10%	2%	8%
Net Profit growth (% YoY)	-5%	-14%	3%	7%
EBITDA Margin %	29%	26%	26%	26%
Net profit Margin %	25%	21%	21%	22%
Tax Rate %	25%	25%	25%	25%
<b>Efficiency Ratios</b>				
Total Asset turnover (x)	0.6	0.5	0.5	0.5
Sales/Gross block (x)	1.3	1.1	1.1	1.0
Sales/Net block(x)	1.9	1.8	1.7	1.7
Working capital/Sales (x)	(0.01)	(0.01)	(0.00)	0.00
<b>Valuation Ratios</b>				
PER (x)	6.6	7.6	7.4	6.9
P/BV (x)	2.3	2.0	1.7	1.5
EV/Adj Ebitda (x)	5.1	5.3	4.9	4.3
EV/Sales (x)	1.5	1.4	1.3	1.1
Dividend Yield (%)	7%	6%	6%	7%
<b>Return Ratios</b>				
ROE	38.9%	28.3%	25.3%	23.7%
ROCE	20.5%	16.7%	15.8%	15.8%
ROIC	38.5%	31.4%	29.3%	29.1%

Source: Company, Axis Securities

## Coal India Price Chart and Recommendation History



Source: Axis Securities

Date	Reco	TP	Research
13-Feb-24	BUY	500	Result Update
01-Mar-24	BUY	510	Top Picks
01-Apr-24	BUY	510	Top Picks
01-May-24	BUY	510	Top Picks
03-May-24	BUY	505	Result Update
03-Jun-24	BUY	550	Top Picks
01-Jul-24	BUY	550	Top Picks
01-Aug-24	BUY	575	Result Update
28-Oct-24	BUY	520	Result Update
28-Jan-25	BUY	440	Result Update
08-May-25	BUY	440	Result Update
01-Aug-25	HOLD	400	Result Update

Source: Axis Securities

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
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