

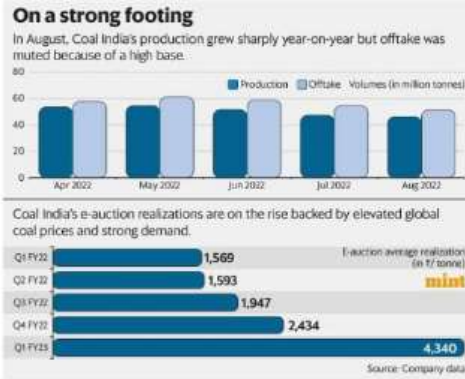
# CIL shares light up; FSA hikes needed

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Coal India Ltd's (CIL) shares are burning bright on the bourses, having risen almost 60% in the past year. Favourable demand-supply dynamics and growing global coal demand have augured well for the state-run coal producer.

The company fared well on production in August despite it being a seasonally weak month because of rains. Output rose 8.5% year-on-year (y-o-y) to 46.2 million tonnes, but the rise in off-take or sales volumes was subdued at 5% y-o-y because of the higher base of last year. Supplies to thermal power plants stood at 86% of the total and increased by 16% y-o-y. For FY23, CIL's off-take target is 700 million tonnes, implying 3.6% y-o-y growth for the rest of this fiscal.

The demand momentum in the power sector is expected to continue, driving a rise in off-take in the coming days. E-auction realizations are also robust. CIL supplies coal through the fuel supply agreements (FSA) and the e-auction route. Coal sold through



e-auction tracks prices of international coal, which have surged substantially in 2022 so far.

Europe has banned coal imports from Russia, a key exporter of this commodity, against the backdrop of the ongoing Russia-Ukraine war. This would mean an increase in coal supply from Australia

and South Africa. Also, elevated natural gas prices offer no respite and would boost coal demand in Europe in winter. As such, Europe has restarted its coal-fired power plants. "We further believe Europe will continue to reopen as well as increase the life of its remaining thermal power plants to shift away from

Russian gas and in the process will fuel demand for thermal coal," said analysts at Motilal Oswal Financial Services.

These factors are likely to keep international coal prices firm, which would mean higher imported coal prices, thus, improving outlook for CIL's e-auction realisation. Domestic demand, especially in the power sector, is also strong. The coal inventory at non-pit head plants is 25% of normal levels, according to analysts at Antique Stock Broking.

The demand in the non-power segment is also staging a recovery. "Taking cues from the August supply to the unregulated sector, we believe that e-auction volume is expected to sustain at 20-25 million tonnes with realization expected to increase significantly compared to June quarter (Q1 FY23 levels)," said a report by Edelweiss Securities dated 1 September.

In Q1 FY23, CIL's e-auction realization was ₹4,340 per tonne, a 200% premium over coal sold through FSA. CIL may reap a record ₹48,000 crore annual earnings before interest, tax, depreciation and amortization (EBITDA) versus

₹24,685 crore in FY22 if the e-auction window remains elevated at the Q1 FY23 level, according to Antique.

However, there are downside risks to this estimate. A potential drop in power demand is one risk, and another would be a drop in e-auction premium. As such, CIL's investors are also awaiting a rise in FSA prices, which were last revised in 2018. The impending wage hikes warrant an increase in FSA prices so that earnings are not impacted. CIL raises wages every fifth year, and a revision has been due since July 2021. The company is in talks with the employees' union for wage hikes.

Meanwhile, shares of CIL are flirting with their 52-week highs of ₹236.80 each. While environmental,

social, and governance issues persist in the long run for the CIL stock, the prospects are bright from a near-to-medium term perspective, which reflects in the stock movement.

Even so, investors would do well to track hikes in FSA prices. Any adverse developments on wage renegotiation would dampen investor sentiments.

## REVVING UP

**OUTLOOK** for e-auction realization is robust in view of firm international coal prices

**IF** the Q1 e-auction levels continue to sustain, CIL may see significant growth in profits in FY23

# CIL's output up 21% so far this fiscal

Company hopes to achieve 306-mt target by H1-end

## OUR BUREAU

Kolkata, September 7

Coal India Ltd (CIL) is hopeful of reaching close to the apportioned production target of 306 mt by the end of the first half of this fiscal.

The country's largest miner saw its production increase by nearly 44.6 mt in just five months and four days of the ongoing fiscal, eclipsing the



previous best of 44.5 mt registered for the whole of FY16, said a statement.

## Hopeful outlook

CIL's progressive production increased by nearly 21 per cent at 259.6 mt as on September 4

as compared to 215 mt same period last year.

At the current pace of production, if CIL's mining areas are not excessively affected by heavy seasonal deluge in September, the company is hopeful of reaching the H1 target of 306 mt.

Pursuing a targeted production of 700 mt in FY23, CIL began the chase with an asking growth rate of 12.4 per cent which slid down to 8 per cent as of now. All the subsidiary companies have posted growth over last year, it said.

Date - 09-09-2022

Publication - The Telegraph

## CIL pays Rs 1223cr as dividend to Centre

ANALYST COMMENT

Calcutta: The central government has received Rs 1,223 crore from Coal India as part of the dividend payments by government undertakings, the Department of Investment and Public Asset Management (DIPAM) said.

The government has received about Rs 1,223 crore from Coal India as dividend transfer, secretary of DIPAM said in a statement Thursday.

The central government holds a 66.13 per cent stake in the public sector miner according to a stock exchange disclosure.

The total dividend payment for Coal India in 2021-22 is Rs 12,230 crore.

The dividend payout during the fiscal was higher compared with Rs 9,046.48 crore in 2020-21 and Rs 7,066.25 crore in 2019-20 according to Coal India's annual financial reports.

The dividend payout ratio (dividend per share/earnings per share) was at 68.23 per cent.

Coal India's market capitalisation in FY2021 was Rs 1.12 lakh crore, up from Rs 96,331 crore in FY2020.

### Production milestone

Coal India in a statement said its production during the current fiscal has seen an absolute growth of 46.6 million tonnes as of September 4, eclipsing the previous best of 44.5 million tonnes in FY2016.

"What makes the achievement stand out is that CIL accomplished the absolute growth in only a span of 5 months and 4 days of the current fiscal, whereas the earlier high of 44.5 million was for a full fiscal," a senior executive of CIL said.

Coal India has a production target of 108 million tonnes in 2022-23.

Already the public sector miner has produced over 400 million tonnes and barring heavy seasonal shortage, the miner hopes to reach its six-month target of 200 million by the first half of the financial year.

Date - 09-09-2022

Publication - Dainik Jagran (Hindi)

## कोल इंडिया ने दिया 1,223 करोड़ रुपये का लाभांश

नई दिल्ली : निवेश और सार्वजनिक संपत्ति प्रबंधन विभाग ( दीपम ) ने गुरुवार को बताया कि केंद्र को कोल इंडिया से लाभांश के तौर पर 1,223 करोड़ रुपये मिले हैं। इसके अलावा एक्सपोर्ट क्रेडिट गारंटी कारपोरेशन आफ इंडिया ( ईसीजीसी ) और गेल ने क्रमशः 227 और 226 करोड़ रुपये का लाभांश दिया है। इस सप्ताह की शुरुआत में सरकार को ओएनजीसी से 2,408 करोड़ रुपये और आइओसीएल से 1,745 करोड़ रुपये का लाभांश मिला था। (एनआइ)

Date - 10-09-2022

Publication - The Times of India

## **Coal India's record output**

**Kolkata:** In a historic high, Coal India's (CIL) production increased by 44.6 million tonne (MT) in five months and four days of the ongoing fiscal, as of September 4 eclipsing the previous best of 44.5 MT registered for the entire year in FY'16.

According to CIL, the record milestone was achieved when CIL's progressive production touched 259.6 MT on September 4 of the current fiscal, compared to 215 MT on the same date last year.

"What makes the achievement stand out is that CIL accomplished the absolute growth of 44.6 MT in production in only a span of five months and four days of the current fiscal whereas the earlier high of 44.5 MT was for the full fiscal of 2015-16," said a senior executive of CIL. **TNN**