CMP: ₹ 425 | Target: ₹ 500 (18%) | Target Period: 12 months | BUY

March 2, 2026

Dividend paying machine...

About the stock: Coal India Ltd (CIL), is the largest coal producer domestically as well as globally. It is a 'Maharatna' PSU, operating under aegis of Ministry of Coal.

- Operation spanning 85 mining areas across eight states, currently owing 310 mines including 129 underground, 168 opencast and 13 mixed mines.

Q3FY26 Results: Coal India reported a muted performance in Q3FY26. Total operating income stood at ₹34,924 crore (down 5% YoY) with coal sales volume of 189 million tonne (MT), down 3% YoY. Reported EBITDA stood at ₹9,331 crore with margins at 26.7%, down 670 bps YoY. EBITDA/tonne for Q3FY26 at ₹495 vs. ₹634 in Q3FY25. PAT stood at ₹7,157 crore. It declared a third interim dividend of ₹5.5/share with cumulative dividend for FY26 as on date pegged at ₹21.25/share.

Investment Rationale

- **Coal remains central to India's energy security:** Coal continues to play a critical role in India's energy landscape, contributing ~55% to the overall country's energy mix and ~72% to electricity generation. Despite the accelerating push toward renewable energy, coal-based thermal power demand is expected to remain resilient, with domestic coal production is set at 1.5 billion tonnes by FY30. CIL stands to be a key beneficiary of this structural demand, given its dominant ~74% share in India's coal production and ~40% contribution to the nation's energy requirement. Additionally, India's ~167 MT of non-coking coal imports in FY25 presents a near-term import substitution opportunity for CIL.
- **Long term growth strategy intact despite near-term volume delay:** CIL reported a 3% YoY decline in coal production to 529 MT in 9MFY26, primarily due to land acquisition constraints and heavy rainfall disruptions. However, the medium-term growth roadmap remains firmly in place, with CIL targeting 1 billion tonnes of coal production by FY29E. To support this ambition, it has sanctioned 117 mining projects with a cumulative capacity of 979 MT, at a capex outlay of ~₹1.4 lakh crore. It is also strengthening its infrastructure through first-mile connectivity projects, dedicated railway lines for efficient coal evacuation, and increased engagement with 26 MDOs. On a conservative basis, we estimate coal production to grow at a CAGR of ~3% over FY25-28E, reaching ~850 MT by FY28E.
- **Strategic diversification beyond conventional coal mining:** CIL is expanding beyond traditional coal mining to strengthen long-term growth prospects: (i) a coal gasification projects with BHEL and GAIL, supported by ~₹1,350 crores financial incentives per projects (ii) investments in thermal power generation and renewable energy projects like Mahanadi Basin Power Ltd among others (iii) Exploration and acquisition of critical mineral assets across domestic and international markets (iv) Secured Kawalapur Rare Earth Element (REE) block. These strategic initiatives are positive for CIL and expected to yield long term benefits.

Rating and Target Price

- Despite a recent slowdown in volume, Coal India is positioning itself for long-term sustainable growth through strategic diversification into coal gasification, critical minerals, and renewable energy. This is further supported by a robust net-cash-positive B/S and a strong dividend yield of ~7%. Consequently, we maintained a **BUY rating** on Coal India, thereby valuing it at **₹500** i.e. 5.5x on Avg EV/EBITDA FY27-28E.

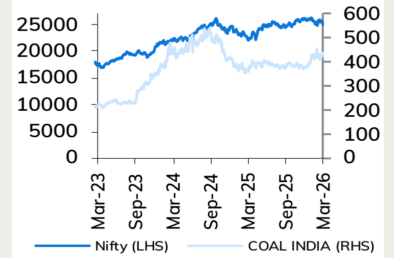
Particulars

Particulars	₹ crore
Market capitalisation	2,61,916
Total Debt (FY25)	8,908
Cash & Investment (FY25)	37,390
EV (₹ crore)	2,33,434
52 week H/L (₹)	462 / 350
Equity capital (₹ crore)	6,163
Face value (₹)	10.0

Shareholding pattern

	Mar-25	June-25	Sep-25	Dec-25
Promoter	63.1	63.1	63.1	63.1
FII	7.7	8.2	8.0	8.2
DII	23.4	22.7	22.8	22.5
Other	5.8	6.1	6.1	6.1

Price Chart



Recent event & key risks

- Posted muted Q3FY26 result. Revenue is expected to grow at ~3% CAGR over FY25-28E.
- **Key Risk:** (i) Increase in share of renewable energy and captive coal mining to impact Coal India's market share ii) abrupt imposition of taxes and duties by central and state governments

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Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Total Operating Income	1,38,252	1,43,127	1,43,369	1.8%	1,38,807	1,48,340	1,58,412	3.4%
EBITDA	44,240	46,336	47,063	3.1%	40,828	44,340	47,912	0.6%
EBITDA Margins (%)	32.0	32.4	32.8		29.4	29.9	30.2	
Net Profit	31,763	37,403	35,358	5.5%	29,499	32,011	34,417	-0.9%
EPS (₹)	51.5	60.7	57.4		47.9	51.9	55.8	
P/E	8.2	7.0	7.4		8.9	8.2	7.6	
RoNW (%)	52.2	45.6	36.0		26.9	25.8	24.6	
RoCE (%)	50.3	39.9	31.8		23.9	23.7	23.2	

Source: Company, ICICI Direct Research

Key Tables and Charts

Exhibit 1: Quarterly Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Total Operating Income	34,924	36,859	-5.2	30,187	15.7	Topline decline by 5% YoY owing to decline in volume and average blended realization
Raw Material Expenses	2,093	2,282	-8.3	3,620	-42.2	
Employee Expenses	13,220	10,854	21.8	10,730	23.2	Employee expenses came in higher due to one time provision of ₹2,201 crore for pay scale upgradation
Contractual Expenses	8,373	8,503	-1.5	6,205	34.9	Contractual expenses came in higher than expected
Other expenses	3,368	3,736	-9.8	3,786	-11.0	
Stripping Adjustment Activity	-1,462	-834	75.3	-871	67.8	
EBITDA	9,331	12,317	-24.2	6,716	38.9	Consequently, EBITDA was down by 24% YoY with EBITDA Margins declining by 670 bps YoY to 26.7%
EBITDA Margin (%)	26.7	33.4	-670 bps	22.2	447 bps	
Other Income	2,392	2,143	11.6	2,140	11.7	
Depreciation	2,218	2,513	-11.7	2,664	-16.7	
Interest	321	226	42.2	287	11.9	Interest cost came in higher than expected due to increase working caital loan
Tax	2,307	3,301	-30.1	1,852	24.6	
PAT	7,157	8,506	-15.8	4,354	64.4	Subsequently, PAT degrew by ~16% YoY
Key Metrics						
Sales Volume (million tonne)	189	194	-3.0	166	13.7	Sales volume degrew by 3% YoY at 189 MT
Blended Realisations (₹/tonne)	1,634	1,664	-1.9	1,621	0.8	Realisation marginally decline by 2% YoY to ₹1,634/ton
EBITDA/tonne	495	634	-21.9	405	22.2	EBITDA/tonne declined by 22% YoY to ₹495/tonne

Source: Company, ICICI Direct Research

Exhibit 2: Key Operational Matrix including assumptions

Particulars	Units	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Production	**MT**	**623**	**703**	**774**	**781**	**770**	**800**	**850**
Total FSA	MT	540	621	670	666	659	696	732
% of total sales vol	%	82%	89%	88%	87%	88%	87%	86%
Realisation	₹/tonne	1,407	1,475	1,536	1,494	1,514	1,520	1,525
Total E-Auction	MT	28	62	70	79	77	88	102
% of total sales vol	%	4%	9%	9%	10%	10%	11%	12%
Realisation	₹/tonne	2,434	4,841	3,065	2,542	2,377	2,402	2,364
Total Washed Coal	MT	11	12	14	16	14	16	17
% of total sales vol	%	2%	2%	2%	2%	2%	2%	2%
Realisation	₹/tonne	2,204	3,037	3,078	3,685	3,415	3,450	3,500
Total Sales Volume	**MT**	**663**	**700**	**760**	**762**	**750**	**800**	**850**
Blended Realisation	**₹/tonne**	**1,519**	**1,824**	**1,715**	**1,647**	**1,638**	**1,656**	**1,664**
EBITDA/tonne	**₹/tonne**	**373**	**632**	**631**	**617**	**544**	**554**	**564**

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

Change in estimates	FY26E			FY27E			FY28E
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced
Sales Volume (MT)	850	750	-11.8	925	800	-13.5	850
Blended Realization (₹/tonne)	1,619	1,638	1.2	1,618	1,656	2.3	1,664
Total Op.Income	1,51,674	1,38,807	-8.5	1,64,607	1,48,340	-9.9	1,58,412
EBITDA	51,034	40,828	-20.0	56,844	44,340	-22.0	47,912
EBITDA (₹/tonne)	600	544	-9.3	615	554	-9.9	564
PAT	36,240	29,499	-18.6	40,577	32,011	-21.1	34,417
EPS (₹)	58.8	47.9	-18.6	65.8	51.9	-21.1	55.8

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Net Sales	1,26,957	1,23,384	1,32,446	1,41,439
Other Operating Income	16,412	15,423	15,894	16,973
Total Operating Income	1,43,369	1,38,807	1,48,340	1,58,412
Growth (%)	0.2	-3.2	6.9	6.8
Raw Material Expenses	8,944	9,038	9,600	10,625
Employee Expenses	45,505	47,798	50,000	53,125
Other Operating Expense	41,857	41,143	44,400	46,750
Total Operating Expenditure	96,306	97,979	1,04,000	1,10,500
EBITDA	47,063	40,828	44,340	47,912
Growth (%)	1.6	-13.2	8.6	8.1
Depreciation	9,145	9,369	9,817	10,471
Interest	884	1,177	1,068	963
Other Income	9,470	8,328	8,530	8,713
PBT	46,504	38,610	41,984	45,190
Profit from JV & MI	-518.3	-962.4	-971.9	-1,001.3
Total Tax	11,664	10,073	10,945	11,774
PAT	35,358	29,499	32,011	34,417
Growth (%)	-1.1	-16.6	8.5	7.5
EPS (₹)	57.4	47.9	51.9	55.8

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	35,358	29,499	32,011	34,417
Add: Depreciation	9,145	9,369	9,817	10,471
(Inc)/dec in Current Assets	11,563	1,514	-3,380	-3,565
Inc/(dec) in CL and Provisions	2,826	-4,380	9,153	9,671
Others, Sub-Other Income	-8,586	-7,151	-7,462	-7,750
CF from operating activities	50,306	28,851	40,140	43,244
(Inc)/dec in Investments	-481	-2,100	-5,100	-10,100
(Inc)/dec in Fixed Assets	-19,767	-16,000	-18,000	-20,000
Others, Add- Other income	-8,831	7,938	8,140	8,323
CF from investing activities	-29,078	-10,162	-14,960	-21,777
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	2,619	-500	-500	-500
Dividend & interest outgo	-17,122	-17,817	-18,323	-19,451
Inc/(dec) in Share Cap	0	0	0	0
Others	-2,745	0	0	0
CF from financing activities	-17,248	-18,317	-18,823	-19,951
Net Cash flow	3,980	372	6,356	1,516
Opening Cash	30,235	34,216	34,588	40,944
Closing Cash	34,216	34,588	40,944	42,460

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet ₹crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	6,163	6,163	6,163	6,163
Reserve and Surplus	92,942	1,05,802	1,20,557	1,36,486
Total Shareholders funds	99,105	1,11,964	1,26,720	1,42,649
Total Debt	8,908	8,408	7,908	7,408
Deferred Tax Liability	1,832	1,832	1,832	1,832
Minority Interest / Others	12,694	12,904	13,114	13,324
Total Liabilities	1,22,539	1,35,108	1,49,574	1,65,213
Assets				
Gross Block	1,24,653	1,43,038	1,59,038	1,76,038
Less: Acc Depreciation	41,788	51,157	60,975	71,446
Net Block	82,865	91,881	98,063	1,04,592
Capital WIP	22,385	20,000	22,000	25,000
Total Fixed Assets	1,05,250	1,11,881	1,20,063	1,29,592
Investments	7,591	9,691	14,791	24,891
Inventory	12,614	12,169	13,005	13,888
Debtors	12,728	12,323	13,169	14,063
Loans and Advances	409	396	423	452
Other Current Assets	33,443	32,791	34,461	36,221
Cash	34,215	34,588	40,944	42,460
Total Current Assets	93,408	92,266	1,02,002	1,07,083
Current Liabilities	10,206	9,881	10,559	11,276
Provisions	80,754	78,184	83,554	89,227
Current Liabilities & Prov	1,37,660	1,33,279	1,42,432	1,52,103
Net Current Assets	-44,252	-41,013	-40,430	-45,020
Others Assets	53,949	54,549	55,149	55,749
Application of Funds	1,22,539	1,35,108	1,49,574	1,65,213

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	57.4	47.9	51.9	55.8
Cash EPS	72.2	63.1	67.9	72.8
BV	160.8	181.7	205.6	231.5
DPS	26.4	27.0	28.0	30.0
Cash Per Share	55.5	56.1	66.4	68.9
Operating Ratios (%)				
EBITDA Margin	32.8	29.4	29.9	30.2
PAT Margin	24.7	21.3	21.6	21.7
Inventory days	32.1	32.0	32.0	32.0
Debtor days	32.4	32.4	32.4	32.4
Creditor days	26.0	26.0	26.0	26.0
Return Ratios (%)				
RoE	36.0	26.9	25.8	24.6
RoCE	31.8	23.9	23.7	23.2
RoIC	63.9	43.9	47.5	50.9
Valuation Ratios (x)				
P/E	7.4	8.9	8.2	7.6
EV / EBITDA	5.0	5.6	4.9	4.3
EV / Net Sales	1.6	1.7	1.5	1.3
Market Cap / Sales	1.8	1.9	1.8	1.7
Price to Book Value	2.6	2.3	2.1	1.8
Solvency Ratios				
Debt/EBITDA	0.2	0.2	0.2	0.2
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	0.5	0.5	0.5	0.5
Quick Ratio	0.4	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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