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Coal India prospects brighten on strong power demand



With demand staying strong, the company looks set to score its highest April production ever. [afp](#)

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With strong demand driving prices for the [fossil fuel](#), domestic coal prices are also being supported by prevailing high international prices. Cheaper coal imports are being curtailed too, helping drive e-auction realizations.

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With the state-run company set to gain both on the sales volume and realization front, not surprisingly, earnings expectations are improving and causing a sharp uptick in the stock price.

Shares of Coal India, which hit a 52-week high of ₹209 per share on 22 April, retraced some of their gains since. The shares closed at ₹183.1 apiece on the BSE on Friday.

On the production and sales front, the company closed the just-ended financial year on a strong note. Sales volume at [662 million tonnes \(MT\)](#) marked a 15% rise from FY21. Its larger units contributed bulk of the growth. Besides, its pit-head inventory

Coal India's overall volume outlook remains strong, the analysts said. "Going ahead, we expect off-take to accelerate from seasonally strong demand and high import prices. Besides, the impressive production ramp-up at BCCL (high GCV coal) and profitable subsidiaries—MCL, SECL and NCL—are likely to expand margins" said analysts at Edelweiss Securities Ltd.

Coal India is ramping up production this financial year as well. Supplies to the [power](#) OPEN APP sector have risen 14.2% in the first half of April, from the same period last year to 1.64 MTs. Production accelerated 27% from a year earlier to 26.4 MTs in the first half of this month. With demand staying strong, the company looks set to score its highest April production ever.

Dependence on domestic production is also set to rise as prices surge amid geopolitical tensions, said [CareEdge Ratings](#). Higher domestic coal dispatches to the power sector were due to reduced coal imports besides an increase in overall demand for power generation with resumption in economic activity, the rating agency said.

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Robust volumes are also boosting margins at Coal India. A Credit Suisse report said the company's e-auction premium of 290% this March was at a record high compared to February's 120%, with volumes doubling sequentially to 7.9MT. In the medium term, analysts expect dispatches to remain at elevated levels and a pick-up in non-power offtake once plant inventory becomes normal.

"Global coal prices remain elevated and are at significant premiums to CIL coal. We believe higher prices are here to stay in the medium term and e-auction premi OPEN APP should remain strong (last 6 months: 137% and yet to flow through to P&L)," the Credit Suisse analysts said.

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