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Operational improvements boosting prospects for Coal India



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Adding to Coal India's earnings prospects are strong coal prices, globally.

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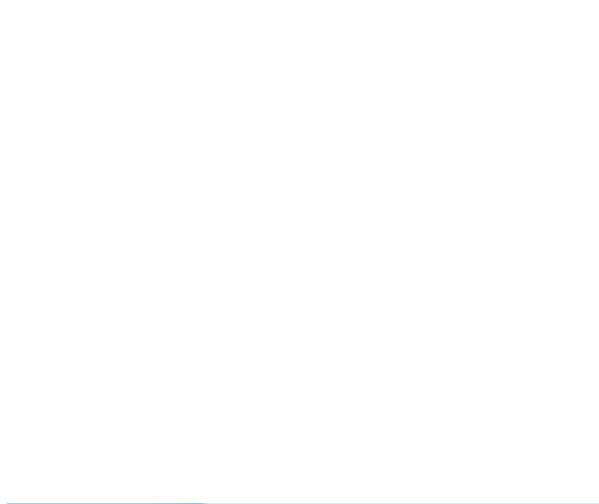
Ujval Jauhari

Coal production during April-August stood at 253.3 million tonne, up 21.1% year-on-year. Even sales volumes which had grown at more than 10% during Q1, rose 9.1% during April-August, despite some supply bottlenecks due to monsoons

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in line with the weakness in broader markets, but returns for investors in 2022 still stand at more than 47%.



As coal demand in the country remains strong, Coal India's fortunes are being led by improving operating performance. Added to good domestic demand are firm global prices, which have helped realisations at the company's e-auctions, thereby boosting earnings outlook. OPEN APP

Coal India has also been impressing with its output growth, having already produced 159.75 million tonne during Q1 (April-June), up 28.8% year-on-year, with the momentum continuing into Q2.

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benchmark--South African thermal coal--had crossed its all-time high of around \$200 per tonne, which was seen in October 2021, and peaked at around \$300 per tonne in April 2022 before settling at \$285 per ton in June 2022, suggests CareEdge Research data.

As a result, Coal India saw e-auction realisations at ₹4,339.97 a tonne during Q1, up 176.6% year-on-year and 78.3% sequentially, and is likely to continue benefitting.

Analysts at Elara Securities India Pvt Ltd said that high domestic coal demand due to increased thermal power plant load factor (PLF) and elevated international coal prices resulted in higher e-auction premiums. All these together reaffirm that Coal India may continue to post better growth in the subsequent quarters on volumes/prices., added analysts.

Those at Axis Securities Ltd. said, "We foresee some moderation in the peak e-auction prices in the coming quarters but expect the prices to remain elevated backed by strong power demand and high international coal prices."

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Analysts have been upgrading their volume estimates for Coal India, too. Axis Securities has revised its sales volume estimate to 700 million tonne from 690 million tonne for FY23. The company had produced about 622.6 million tonne of coal during FY22, with sales at 662.3 million tonne.

Rising volumes and better e-auction realisations will also likely drive-up earnings. During Q1, Ebitda improved significantly by 153% y-o-y and 35% sequentially, aided by growth in the top line and also helped by lower employee expenses - down 3% y-o-

They also said that overall pricing will outpace wage growth due to strong prices at e-auctions. The concern about the rise in wages impacting forward earnings, therefore, stands resolved.

The rising net profits will also mean a higher dividend yield for investors. Analysts at Motilal Oswal Financial Services expect a 10% dividend yield at the current market price, as they forecast strong earnings to result in healthy dividends going forward.

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212.90 -0.65 (-0.30%)

Updated - 30 SEP 2022

214.50 ↑ DAY HIGH	207.90 ↓ DAY LOW	1,85,090.00 VOLUME (BSE)	More Information
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