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CIL feeds the fire of investor appetite

Climbing coal prices, gas supply squeeze stoke e-auction interest

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Rising global coal prices pushed Coal India Ltd (CIL) shares up 3.4 per cent on Thursday, as investors anticipated a shift in power generation from gas to coal amid reduced natural gas supply from major West Asian exporters like Qatar.

The stock rose 5.36 per cent intraday before settling 3.37 per cent higher at ₹449.70 per share on the BSE. Over 2 million shares changed hands, compared with a two-week average volume of 520,000. By comparison, the Sensex closed with gains of 1.14 per cent.

The impact Global coal future contracts

	Latest price ($/tonne)	Weekly change (%)
Rotterdam Coal	124.9	17.2
Newcastle Coal	131.3	13.3
Richards Bay Coal	109.0	10.3

Source: Bloomberg

Burning up the market

European thermal coal prices reportedly hit their highest level since October 2023 on Wednesday, while South African thermal coal reached its highest since August 2024.

Newcastle Coal Futures, a key global benchmark for thermal coal, is up 13 per cent over the past week and 26 per cent over the past year, trading around $131 per tonne. Meanwhile, Northwest Europe steam coal — a high-energy thermal coal imported into Europe — jumped 16 per cent to $133.18 per tonne on Tuesday and is up 26 per cent over the week. A UBS report said that if gas generation becomes expensive due to limited liquefied natural gas supply from Qatar, "more coal power generation could take place, driving up the demand for thermal coal and hence its price".

Analysts, however, note that the direct impact on CIL is limited, as the state-owned company operates largely in a regulated domestic market. Rising global coal prices may still support earnings via the e-auction channel.

"Due to an expected energy crisis triggered by the war in West Asia, crude and gas prices have moved up. Coal prices, too, are moving in tandem, as evidenced by the latest e-auction," said Ambareesh Baliga, an independent market analyst.

CIL sells 10-15 per cent of its coal through a single-window mode-agnostic e-auction. When global coal prices rise, domestic industries such as cement, steel, and sponge iron turn to locally produced coal rather than imports, driving up CIL's auction premium.

In February 2026, CIL recorded a 35 per cent premium over its notified base prices in e-auctions, according to a recent exchange filing.

Analysts at Citi said import parity prices suggest e-auction rates could move closer to ₹3,000 per tonne, compared with around ₹2,435 per tonne in the third quarter (October-December/Q3) of 2025-26 (FY26). They estimate that every ₹100 per tonne increase in e-auction realisations could lift CIL's earnings per share (EPS) by roughly 2 per cent.

The brokerage maintained its 'neutral' rating on CIL, with a target price of ₹430.

Meanwhile, analysts at JP Morgan said every 1 per cent change in CIL's average selling price would translate into a 3 per cent change in the company's EPS.

Baliga cautioned that since the rise in global coal prices is linked to ongoing conflicts, a truce or negotiation could trigger a quick reversal in the stock's movement.

Coal's quiet power

In Q3FY26, CIL reported a consolidated net profit of ₹7,160 crore, down 16 per cent year-on-year (Y-o-Y) but up 65 per cent quarter-on-quarter (Q-o-Q). Consolidated revenue fell 4.7 per cent Y-o-Y to ₹30,818 crore but rose 14.5 per cent Q-o-Q.

Total coal production for nine months (9M) of FY26 declined 3 per cent Y-o-Y to 529.2 million tonnes (mt), with offtake down 3 per cent to 545.74 mt. CIL cited volume reductions, higher contractual costs, and weaker realisations as factors impacting earnings before interest, tax, depreciation, and amortisation (Ebitda) and margins in Q3. Adjusted Ebitda fell 24 per cent Y-o-Y to ₹7,870 crore but rose 34 per cent Q-o-Q.

"CIL delivered a decent performance in Q3, supported by volume recovery, where e-auction volumes accounted for 10 per cent of total volumes, and the premium stood at 62 per cent," said Motilal Oswal Financial Services (MOFSL). "We have raised our adjusted net profit estimate for FY26 by 14 per cent to incorporate the performance beat while maintaining our 2026-27/2027-28 estimates."

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