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Ref.No. CIL:XI(D):4157/4156:2022:

Dated: 21.02.2022

To,
Listing Department,
Bombay Stock Exchange Limited,
14th Floor, P.J. Towers, Dalal Street,
Mumbai – 400 001
Scrip Code 533278

To,
Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051.
Ref: ISIN – INE522F01014

**Sub:- Transcript of Conference call for Financial Results for Un-audited
Financial Results for 3rd quarter and nine months ended on 31st
December.'2021**

Dear Sir,

Further to our letter no CIL:XI(D):4157/4156:2022 dated 18th February.'2022, we are enclosing transcript of Conference call for Un-audited Financial Results for 3rd quarter and nine months ended on 31st December.'2021 as **Annexure A**.

This is for your information and records as per Regulation 46 of SEBI (LoDR)' 2015.

Yours faithfully,

M. Viswanathan
21/2/22

(M. Viswanathan/एम.विस्वनाथन)
Company Secretary/कंपनी सचिव
& Compliance Officer/कम्प्लायंस ऑफिसर

Encl: As above



“Coal India Limited
Q3 FY2022 Earnings Conference Call”

February 17, 2022



ANALYST: MR. VISHAL CHANDAK - MOTILAL OSWAL FINANCIAL SERVICES LIMITED

MANAGEMENT: MR. PRAMOD AGRAWAL - CHAIRMAN & MANAGING DIRECTOR - COAL INDIA LIMITED



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Moderator:

Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of Coal India hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Chandak from Motilal Oswal Financial Services. Thank you and over to you Sir!

Vishal Chandak:

Thank you Rituja. Good evening everyone and welcome to the Q3 FY2022 earnings call of Coal India Limited. This is Vishal from Motilal; I would like to thank Shri. Pramod Agrawal, Chairman and Managing Director of Coal India for giving us this opportunity to host the call, so without much ado I would like to hand over the floor to Mr. Agrawal for his opening remarks followed by which he would open the floor for Q&A. Over to you Sir!

Pramod Agrawal:

Good evening everyone. We have completed third quarter and we have announced our results. To my understanding despite the difficult circumstances in which we were working our performance in last nine months have been significantly better than last year. We must keep in mind that while evaluating this performance we must keep in the mind that the first three months are very difficult for Coal India because the time was very difficult because of COVID situation and we lost many of our miners, many of our officers in that time period. Then secondly the rainfall in our area was especially very high this year. On one day in ECL there was a rainfall of about 400 mm and this resulted in submergence of almost all the mines of ECL and in ECL area for a couple of days or may be a week there was almost zero production because none of the mines were in the condition where it could have operated. In other areas also the rainfall was very heavy despite that our results are quite satisfactory and today is a great day for us because today we have surpassed the dispatch that we did last year on March 31, 2021 and we are looking forward that this year the dispatch will be ever highest much higher than anything that we have achieved till now and I am targeting that the dispatch will be in the range of 660 to 670 million tonne. Secondly our production this year also is likely to be very high, we are already about 25million ahead of what we did last year in the corresponding till today so I am looking forward that maybe we will end up this year with a production of more than 630 million tonne. We are targeting that we should try to achieve 640 million tonne, but that is a slightly difficult target but we will put everything to achieve this. We have supplied huge quantity of coal to power sector and I think that dispatch this year compared to last year is 17% to 18% higher than what we did last year or any other year which was a normal year. If we compare the dispatches to



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non-regulated sector also we are maintaining a dispatch of about 3.2, 3.25 lakh tonnes per day and which is more than what we did in FY2020 or FY2019. In FY2021 definitely we have given slightly more coal to non-regulated sector because the demand in power sector was less; however, today everybody wants that coal should be supplied by Coal India because our prices are very low compared to international market. Replacing the whole thing in a year is slightly difficult, but in coming years we will definitely increase our production and if our performance remains good in first quarter of next year, which I expect that it will be then perhaps in next year that a lot of demand or lot of import that is taking place can be replaced by Coal India. With this opening remark I would like you to ask questions so that we can explain if any doubt is there.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Prashanth Kumar Kota from Dolat Capital. Please go ahead.

Prashanth Kumar K: Good evening and thanks for the opportunity and congrats for a good set of results. My question is regarding the pricing of G1 to G5 grades wherein earlier we had some flexibility to keep the prices of these grades, some discount import parity basis, etc., where are these prices now and what is the thought process in thinking around these prices because international prices are quite high, so just wanted to know your thoughts and later situation on this Sir?

Pramod Agrawal: From G1 to G5 the availability of coal in Coal India is very less most of their coal is given to an NRS sector and which is linked to their use and then secondly it is based on linkage auction just because the international price has increased we cannot increase that price suddenly breaking the contract, but a small portion of which it is auctioned there we are getting very good premium and their price will be also considered whenever this overall price increase takes place.

Prashanth Kumar K: Okay Sir understood. Thanks. That is it from my side.

Moderator: Thank you. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Thanks for taking my question Sir and congratulations for a good set of numbers. I have two questions. The first one is on the status of wage negotiation where we are now when we expect this to be completed and also if there is a possibility of price hike in next to three months that is the first question, the second one is a more book-keeping question essentially



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on receivables that you have on books as on January end or if you can mention for February 15, 2022 that would be great?

Pramod Agrawal:

Coming to your first question on wage negotiation, wage negotiation yesterday we had the third round of negotiation, third round of meeting I do not foresee when negotiation getting concluded in next three, four months, but definitely we will try to conclude it by end of FY2023. It depends how it goes and where, what are the stand that both of us face, so it will be very difficult for me to give you the timeline for it because never before which negotiation has been completed in one year time only once it got completed in 10 months it generally takes slightly longest time, but we are very keen that it should be concluded well in time and maybe by end of FY2023 it will be concluded. The second thing is price hike, I am trying to bring everybody on board and for me every day is critical. I hope price hike should take place immediately it has become very urgent for Coal India and for certain subsidiaries it has become so important that without that it will be difficult for them to survive and I cannot tell you what is the receivables on February 15, 2022 as such but it is constantly going down and on January 31, 2021 it was 13000 and on December 31, 2021 it was 15000 and I think we should get back to that stage which was earlier by the end of March because some of the state governments have requested us to bear with them till March end and they have agreed that by March end they will clear most of their dues so I am quite hopeful that we should come in the range of minus 10000 by the end of March.

Amit Dixit:

Thanks. That is very helpful. I will get back in the queue.

Moderator:

Thank you. The next question is from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain:

Good evening Sir. Thanks for taking my question. I have a couple of questions. Firstly on your volumes how do we look at volumes for next year because this year we have sold from our opening stocks about 60 million tonnes so next year although probably we may see 4%, 5% volume growth, but on dispatch trend we may see 1% to 2% growth is that assessment right?

Pramod Agrawal:

I could not get your question please repeat.

Rahul Jain:

This year so far we have sold about 60 million tonnes from opening stocks and that is why we are seeing this good uptake growth of about 12% so for next year how do you see the situation because our typical volume growth has been around 4%, 5% and you may have to



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let the initial stocks and things like that so are we looking at a flat year in volume for next year?

Pramod Agrawal:

No, next year our production should grow, this year will be ranging at 630 I am looking for a growth of about at least 10% or something in that range because last year our performance in production was very bad in April, May, June because of COVID situation. We were producing something like 14 lakhs tonnes per day whereas our capacity to produce in any quarter is about 18 to 19 to 20 lakh per tonne, we will try to maximize this. If we are able to perform well in the first quarter that will give us about 40 million tonne extra coal and that itself will be adequate to propel our growth, so I am looking forward that next year the dispatches will be in the range of 700 and the production should also be in that range. Yes, you are right to an extent that this year we got a support of whatever stocks we had last year, but then there were constraints also in this year in production front because of COVID and the heavy rainfall. I do not think this will get repeated this year. If there is a COVID situation, if there is a very heavy rainfall last year perhaps then at that point we will make the corrections, but today I am quite hopeful that we will be able to give a substantial growth next year.

Rahul Jain:

My second question is on your wage provisioning, so six months have already passed and have we done any provision so far and what kind of quantum suppose if the last hike what we had if similar kind of a hike we have happened this time so what is the provision which is not being done so far?

Pramod Agrawal:

We are providing about Rs.100 Crores per month it will be difficult for me to what will be the wage negotiation, but if you see all the factors which are prevailing in the economy which increase also depend on the growth that takes place in the economy because that growth gets compensated, the inflation gets compensated in dearness but the growth plus some thing gets reflected in this thing so to my understanding this should be in the same range, but it will be difficult for me.

Rahul Jain:

Why I am coming to this is because the last time when we had this price increase I think the total cost went up by almost like Rs.15000 Crores so Rs.100 Crores is really very..

Pramod Agrawal:

I think it went up by about Rs.4000 Crores to something Crores not Rs.15000 Crores Rs.4500 Crores or so, so I concede that Rs.1200 Crores or Rs.1300 Crores or Rs.100 Crores may not be adequate but we will provide something more in coming months.



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- Rahul Jain:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.
- Rahul Modi:** Good afternoon Sir. Congrats great set of numbers and thanks for a very liberal dividend, really appreciate for that, couple of questions, how has the key auction volumes and pricing been post December and how is the demand itself from the NRS sector and our supplies to that sector being?
- Pramod Agrawal:** The e-auction thing in January our premium was about 100% we got about 100% premium on that and that this e-auction till January it is 86 million tonnes and 3% higher than the last year and up to December and we are doing slightly better than the last year, but the quantum has increased slightly 3% or 4%, but the premium in January was in the range of 100% and if we offer in spot more perhaps the premium will be higher because in spot we get much higher and the lifting too also has been good it is more than what it has happened last year I do not have any figures right now but I will tell you in a while.
- Rahul Modi:** We did close to around in the first nine months around 83 million tonne, so are you comfortable touching obviously more than 100 for the full year?
- Pramod Agrawal:** I am quite hopeful that we will do more than 110 million tonne, we did last year 124 million tonne I think our production is increasing now, today we have reached 23.5 once we cross this 24 we will offer much more quantity for e-auction also, so may be not 124, but 110 or 115 we will definitely achieve.
- Rahul Modi:** Right, perfect Sir. From the contractual expenses now employee cost if you see we have done around close to around Rs.30000 Crores for the first nine months, any actuarial or something booked on a Y-o-Y basis?
- Pramod Agrawal:** There was a provision of about Rs.800 Crores for CPRMSE it is medical after retirement.
- Rahul Modi:** Okay, Rs.800 Crores, so this is the provision, this is non-cash?
- Pramod Agrawal:** Yes, this is non-cash.
- Rahul Modi:** Over and above the Rs.800 Crores we have done Rs.600 Crores of wage provision?



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- Pramod Agrawal:** Yes that is right.
- Rahul Modi:** Wage revision we have done only for six months, we have done Rs.600 Crores so far is it?
- Pramod Agrawal:** From July 1, the wage revision is applicable so we have started from July 1, only.
- Rahul Modi:** Okay, perfect and how do you see the contractual expenses because obviously due to the fuel price hike there has been a constant increase so how do you see this normalizing at what level obviously subject to the input cost how do you see this movement?
- Pramod Agrawal:** I think per tonne basis this will normalize at this level, but nobody expected that the petroleum prices will reach \$100 mark, it has not reached there yet but it reached to \$96, \$97 per barrel nobody expected that, there has been a significant impact on our expenditure, because of diesel I think in the nine months it has been contractual plus our own diesel consumption the extra expenditure will be more than Rs.2000 Crores and in coming months I do not see that it will likely to work, but I cannot make any comment on that. If our production increases that is something different, but diesel prices increase if it takes us further so it will impact.
- Rahul Modi:** Now this would be a good enough reason for the elongated price hike what is your view because we have been constantly asking the same question again and again.
- Pramod Agrawal:** I think I should do it tomorrow then the crisis that is going on in the country because of all the stakeholders are not on board and unilateral decisions are not possible in these sectors.
- Rahul Modi:** Sir, last question from my side before I get into the queue in terms of restocking at power plants because obviously the demand from the power sector is high and it is continuing to be high so when do you see this restocking happening and we read a lot in the papers that the NRS sector constantly complains and we at Coal India get higher realization selling there so where do you see on a sustained basis meeting the power demand and moving towards NRS also, how do you see the situation qualitative?
- Pramod Agrawal:** Rahul, first thing is we have not reduced the supply to NRS that is the wrong perception being created in the market. A normal year FY2020 you take we have given more than that 10% more than last FY2020 to NRS sector. One must understand that the price of Coal India's coal is much below the market price or the imported coal price so everybody wants that they should get this coal by pressurizing us but it is not correct that we have reduced



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the supplies to NRS. The second thing is the power plant stocking, the stocks at the power plant have reached 23 million tonne besides that about 8 million tonne is there in pipeline which is lying in the stockyards or the goods sheds, washeries, sidings, etc, so this coal has already been sold to the power plants it is just because the railways because of excessive demand is unable to transport them to power plant point, but that is easily available and this 8 million tonne and 9 million tonne if it reaches to the power plant then their stock will reach to more than 30 million tonne which will be higher than the last year, but last year we faced the kind of this, so I think that in March again we will have to give them extra coal, from April onwards if we are able to maintain the production level at a reduced level but at the level of January or December also then also there will not be any shortage of the coal and I think given the increased requirement of NRS we will be able to meet.

Moderator: Thank you. The next question is from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: I just had one question. A lot of my questions have been asked, there is only one more left Sir, what is the capex that you have been able to do against the original guidance for up to YTD and where you think you will end up for the full year and any guidance on capex for FY2023?

Pramod Agrawal: For this year we will be doing about Rs.15500 Crores to Rs.16000 Crores and in next year also I think we should try to complete Rs.17000 Crores or go beyond that. A lot of our projects for evacuation and road construction, etc., and rail line construction are in progress. Once they get constructed we will be able to evacuate more coal. Today the problem is not coal but evacuation, so we have to streamline for that and once this is done in next two, three years thereafter perhaps the capex will get stabilized.

Murtuza Arsiwala: Sure and for nine months up to December how much of this Rs.15500 Crores that we spent?

Pramod Agrawal: We have spent about Rs.10500 Crores.

Murtuza Arsiwala: Thank you so much.

Moderator: Thank you. The next question is from the line of Saket Kapoor From Kapoor Company. Please go ahead.



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Saket Kapoor:

First of all I take this opportunity to thank the investor presentation team for such an elaborate and exhaustive presentation and we hope for the continuity of that same. Firstly coming to the point that as discussed earlier regarding the buyback clarification which we were awaiting from post the budget so any update on the tax part and secondly as we have seen in one private corporate where they were looking for restructuring the company because of this holding company scenario of a dividend leakage and also buyback proposals not being having the efficiency in taxation, so can Coal India could also be looked in that angle in restructuring the same, so that this holding company discounts that generally the company is getting on the budget will get eliminated?

Pramod Agrawal:

There are two questions first is about buyback. We did try a lot doing for this budget to be incorporated, but may be the department decided that it should not be done. We are taking up this matter constantly with DIPAM, but till the time that buyback structure is not changed or the tax structure on the buyback is not changed it will be difficult for us to go for buy back because there is a huge leakage in that so about 50% will go as a tax so I think that will not be considered prudent by the investors as well. I do not think there is any leakage in dividend payment because of the holding structure because now that tax is completely passed to. If whatever dividend I get and I pass it to the shareholders then we are not required to pay any tax. The third thing about restructuring in a major way we are not thinking of any restructuring, but we may think of listing one or two small companies like CMPDI or BCCL in coming days but it depends on what type of financial strength they develop.

Saket Kapoor:

I was asking for the holding company discount that we are getting currently since all the subsidiaries we are Coal India is the holding company, it is not entity holding the assets, these are the subsidiaries that are holding the coal mines so as we have seen in case of Vedanta wherein they were looking to delist the company first get it restructured and then relist again, so for the value creation for investors since it is our company trading at a huge discount that was the thought process, second point was on the diversification part Sir are we looking for into ethanol projects and flue gas as an opportunity going forward and also Sir on the cost reduction exercise post the implementation of FMCs what kind of cost reductions and increasing efficiency if you would quantify per tonne on a basis that will flow to the P&L going forward that would suffice and then I will come in the queue?

Pramod Agrawal:

Okay, coming to this methanol thing.

Saket Kapoor:

Ethanol blending program.



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Pramod Agrawal: Ethanol blending we are not getting into because I have been told that there is no very established technology to convert ethanol from coal and there is no nowhere in the world I have been told that there is any big plant existing, so I do not think we can go into ethanol blending or using coal for ethanol blending, but at today's rate everything looks viable we are thinking and we are exploring the possibility of converting coal to ammonium nitrate and this ammonium nitrate will ensure steady supply of explosive to our companies we are looking at it and we will be putting it to tender, if found attractive and viable, actually the Honourable Finance Minister has declared in her budget speech also that they will be granting certain concessions for it and with that if it becomes viable definitely Coal India will look into it, but that will depend on its viability and rate of return as such. Second question that you asked about what was that?

Saket Kapoor: The flue gas opportunity for carbon capture program I was seeking the ethanol projects from the grain based distillery part I think GAIL and other PSUs are participating so with the cash accruals and with the kind of returns that these ethanol plants are generating from grain based distilleries in terms of diversification that was my question not looking for ethanol from coal it was totally setting up ethanol plants and helping the government in achieving this blending program?

Pramod Agrawal: Frankly speaking I have not looked into that aspect. In the last six months I just got some information a few days back that it is a very viable project and it does not require much of capital but the capital required and the returns are high it is better for the Coal India but frankly speaking I have not looked into it, let me look into it then perhaps you can take a call on that and second thing what was your other question?

Saket Kapoor: Flue gas, I was looking into the flue gas opportunity for power plant, carbon dioxide capturing programs.

Pramod Agrawal: Flue gas again I have not looked into that nor is the carbon capture to my understanding is a very viable option for Coal India this is for the thermal power station or the persons who are using the coal to look into, if suppose we get some opportunity it becomes very viable for us then I will think but as of now no.

Saket Kapoor: I will come in the queue. Thank you.

Moderator Thank you. The next question is from the line of Pinakin from JPMorgan. Please go ahead.



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- Pinakin:** Thank you very much Sir. Just going back to your comment on e-auction prices 100% premium to FSA coal prices just to be clear the third quarter implied FSA e-auction prices 1947 which on FSA was roughly 42% so has this 1947 moved to around Rs.2500 because that is what 100% premium would imply?
- Pramod Agrawal:** In January it has.
- Pinakin:** The blended portfolio has moved to those kind of realizations in the auction?
- Pramod Agrawal:** That is right.
- Pinakin:** Second point is that there is e-auction sales and then there is linkage auctions so if you were to roughly the FSA coal bucket was 145 million tonne is that entire bucket of coal sales on fixed prices or does it also include some kind of linkage auction so basically trying to understand is there scope for more coal to get transferred from the FSA coal bucket to the linkage coal bucket?
- Pramod Agrawal:** Can you repeat your question I just missed it?
- Pinakin:** So basically other than e-auction coal sales to the non-power sector Coal India has been auctioning coal linkages and supplying that so what is the update over there in terms of all the non-power coal sales on contract shifted to linkage auctions or are there more to be shifted over the coming period?
- Pramod Agrawal:** All are based on linkage auction is non-power thing I am talking about all are on linkage basis, some linkages were done in phase 1, phase 2, today what is going is tranche 5, in tranche 5 there are certain things which had expired and we have not been able to do the auction for them but all those are not getting coal on linkage price they have to take some e-auction.
- Pinakin:** So far in third quarter what would have been the volume which got sold under linkage auction as part of the linkage auction?
- Pramod Agrawal:** I would not be able to give you.
- Pinakin:** You will be classifying it under FSA coal or e-auction volume when you report the sales?



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- Pramod Agrawal:** If we sell coal through e-auction it will be classified into e-auction, if it is through linkage auction it will be through linkage auction, if the linkage auction has lapsed they are taking coal classified in e-auction only. Linkage auction volume in the whole year is about 100 million tonne.
- Pinakin:** Understood Sir. Thank you.
- Moderator** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** Congrats for good set of numbers. So sir my question is on your slide 11 you have mentioned that 700 million tonne of coal projects are progressing so over what timeframe these are going to be implemented, our capacity will be 1600 million tonne after all the projects are implemented?
- Pramod Agrawal:** The thing is 700 million tonne but some of the projects will outlive their life also, so this 700 million tonne what we are saying is the extra coal that projects will generate, it will take another 4 to 5 years to come in place not less than 5 years so it will not go up to 7500 but if all this coal is produced by 2030 about 1200 tonne or 1300 tonne type of coal can be produced.
- Vipul Shah:** Sir you are executing coal evacuation infra projects about 20000 Crores but I suppose these are JVs so all this capex will not be done by Coal India, some of the capex will be done by JV partners so can you quantify how much will the Coal India contribution in the coal evacuation infra projects?
- Pramod Agrawal:** When we are saying 20000 Crores it includes about 8000 Crores remaining about 7000 Crores rupees of FMC projects then some of the railway lines, which have to be laid in the next two to three years which are financed completely by Coal India that will be another 6000 to 7000 Crores and the sidings, etc., which will constitute about 4000 to 5000 Crores so 18000 to 19000 Crores are required to be spent from the Coal India only this is the type of money we will be investing as equity in certain projects like CERL, etc., it will be part of the equity and plus which is fully funded by us so it will not be equity thing not the debt or the partner's money which we are talking about.
- Vipul Shah:** So you will be compensated later?



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Pramod Agrawal: Suppose we construct the line fully like we have constructed this line fully we get extra mileage on that about 60% extra mileage we get on that money should come and that is process incoming so in that project alone we are likely to get Rs.200 Crores per year.

Vipul Shah: So what will be the return on this 20000 Crores rupees worth of investment and I am still failing to understand?

Pramod Agrawal: For sidings and this FMC projects which constitute the major part of it we have calculated that the money gets returned in the next three, four, five years because a part of it the transportation cost from mining to the point of loading that is reduced substantially so within four to five years we get the return so that type of return we are getting. For the railway projects which are essential we do not get much of return on that, but most of those projects are being constructed through that PPP rule in that the PPP company gets 12% return we are keeping that but those projects are essential for our full evacuation so if we do not do that our full evacuation will come to standstill.

Vipul Shah: Okay Sir, thank you. I am coming back in the queue.

Moderator Thank you. The next question is from the line of Satyan Wadhwa from Profusion Capital. Please go ahead.

Satyan Wadhwa: My question is regarding washed coking coal for many years Coal India has been talking about setting up washeries and increasing the output of washed coal we are still running at about 2 million tonne as of last quarter and coking coal is highly profitable no matter what the economic scenario is so can you shed some light on what the company is doing regarding this and the demand is only going up so India imports almost all is coking coal, back in Coal India like 30 to 40 million tonne of washed coking coal is higher in last few years?

Pramod Agrawal: There are two types of washed coal, one is coking and non-coking. From this question I understand that you are talking about coking coal only. Washing the coal reduces the ash percentage but it does not improve the other properties. Indian coking coal is not of good quality and it cannot be used as such it has to be blended it can be used only for blending and what the people say and what the metallurgist say that at the best 20% or 25% of Indian coals can be blended with the imported coal to be fed in blast furnace. So whatever the demand is few days back there was meeting with Steel Ministry also and they have indicated that not more than 17 to 18 million tonne of Indian coking coal can be absorbed



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by and that too by 2030 by the Steel Industries of India so if we think that we can replace the coking coal imported coking coal completely by Indian coking coal that is not a possibility.

Satyan Wadhwa: Right even to get to 15 million tonne by when Coal India has a plan by when do you think you will get to 15 million tonne of washed coking coal?

Pramod Agrawal: If all our washes are constructed in time with the extended timeline also I think that by 2030 we will be able to produce that much type of washed coal.

Satyan Wadhwa: Nonwashed coal will go up in the same proportion three times nonwashed versus one time washed coal?

Pramod Agrawal: I could not get your point, three times, one time what do you mean by that?

Satyan Wadhwa: Currently your total washed coal is 2 million tonne as of last quarter of which 75% is noncoking so will that percentage remain the same?

Pramod Agrawal: Most of the capacity of washing coal is coming up is it in the coking coal not in the noncoking. Noncoking are two washes existing and one more is going to come which may come next year and we are not constructing anymore washes.

Moderator Thank you. The next question is from the line of Kamlesh Bhagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bhagmar: My basic question was on the FSA realization. So if I see the FSA realization they are at let us say in 9 years they have increased in total absolute terms by 6% odd if I take like nine month average and on top of that we are seeing significant cost increases and we are having such a high capex like I say I do appreciate that in your regime the way the aggression on the capex has increased it is beyond imagination so in that perspective we are not able to take a price hike and that is also like say in the last four years we have not took the price hike, so on the working side let us say what price increase we are factoring in or we are asking to the ministry because that is the only authority which is going to allow you to increase value?

Pramod Agrawal: First thing FSA price has not gone down in this quarter.



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Kamlesh Bhagmar: No Sir I am saying that over 9 years like say if I see the realizations in FY2013 it was Rs.1300 and we have in nine months at roughly around Rs.1380 so it is a total increase of 6%.

Pramod Agrawal: In the last four years we have not increased the price that is a known fact, there is nothing, we are trying our best to bring all the stakeholders on board and the price rise has become imminent and there is no question about it, so we are working on that and I have been working very hard for the last one year or so, but I think now it should happen when will it happen it is difficult for me to comment. Capex is required without which we cannot increase our production at this time. See second thing you must understand that in Coal India most of the expenditure is committed expenditure, whatever extra we do gives us a lot of returns like this quarter we did slightly extra production and extra dispatch and the returns have been very phenomenal. Second thing in other areas in non-FSA area and we get auction price we are trying to increase those volumes, unfortunately this year because of the price of imported coal being very high the imported coal based power plants have shut down and we have to cover that up and we have to supply something like 20 to 25 million tonne for that so in that situation increasing the volume became difficult, but in coming months with our increase in production I think we will be able to increase our volumes in e-auction and that itself can give lot of return to us so I am not worried about return per se but I am really worried about price increase and we must do that.

Kamlesh Bhagmar: Sir lastly on the going back to the beneficiated coal like in FY2007 we were doing 14 million tonne and now we are doing 10 million tonne so the whole theme that we are going up to put up 10 or 20 odd new washeries so in almost like 13 years our volumes have gone down from 14 to 10 million tonne so what is the view on that part, are they on a low go mode or they have been stopped or what is happening on that part?

Pramod Agrawal: There are certain issues some legal issues, etc., in constructing the washeries because of which three washeries which we had earlier we could not start there are one washery we have started last year near Patherdih, and the second washery Madhuban we will start maybe in the next 15 to 20 days and Dahibari has been started, we are trying to complete this but there is some issue of using CB land for noncoal purpose and for that almost the decision now government has taken and I think it will be taken very soon and once that is done these washeries can be constructed, but this is one aspect in which definitely CIL has failed to deliver on what they had promised.

Kamlesh Bhagmar: Thanks a lot Sir.



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Moderator Thank you. The next question is from the line of Mohit from DAM Capital. Please go ahead.

Mohit: Good evening Sir. Congratulations on good set of numbers. Sir what is the status of our solar PLI bids is there any update which you can share?

Pramod Agrawal: We were out of list whatever they had declared 4500 Crores, etc., but now we are in the list and once it is clarified and whatever they have declared in the budget we should get that thing and we are looking for partner as I told earlier that Coal India will not establish at its own it will look for some partner and construct a joint venture, if we get that then only we will go ahead with that.

Mohit: Secondly how has been your experience with the MDO tenders and how many blocks do you expect to bid out in FY2023?

Pramod Agrawal: We have already done two the third Chandragupta again has been bid out and LOI has been issued for that maybe the agreement or work order will be issued very soon. Subhadra, Gare Palma, and another one Madan Nagar, these three financial operations have been opened and they have been evaluated so I hope out of this three at least one or two will be awarded we are working but all these are very huge mines, they may look four, five mines but then the (inaudible) 46:00 about 5 million tonne, Chandragupta is about 20 million tonne so volume wise they are very huge and all these mines once auctioned out even if four or five days done it will be in the range of 100 million tonne.

Mohit: Lastly sir what is the status of Coal Gasification project, will we start something in the near term, medium term tender out some large tender given the fact that there is a coal gasification policy in place how do we see over a medium term?

Pramod Agrawal: We are not implementing this in EPC mode, we are trying to implement in DO mode, (inaudible) 46:47 tender was out but there are certain complexities because of which it is taking time and I do not know what will happen to that tender, but rest of the two tenders have been issued we are waiting also for the government's clarification about what type of subsidies they are going to provide or what type of support they are going to provide. Once it becomes clear then the viability can be established and then perhaps it will be possible to move further and define the timeline.

Mohit: Which are the two tenders?



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- Pramod Agrawal:** ECL and SECL.
- Mohit:** Okay Sir thank you and all the best.
- Moderator** Thank you. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.
- Rashi Chopra:** What is the net cash on your books as of December?
- Pramod Agrawal:** As of January end it is about 30000 Crores and as of December end it was 28000 Crores.
- Rashi Chopra:** Second thing on the e-auction prices you mentioned that the premium was 100% in January is that still persisting through February as well?
- Pramod Agrawal:** February I do not have report right now but Director Marketing I request if he has got some figure he will tell you, but in January we did get 103% thing and that was about first 12 million tonne coal, and in February he is saying it will be more than 12 million tonne and the rate will be in the same range.
- Rashi Chopra:** Do you anticipate the situation at the power plants in terms of the inventory gets better in the course of the next few months?
- Pramod Agrawal:** It is getting better there is no doubt it will get better because there is 23 million tonne already there in power houses and 8 million tonne as I mentioned is there in pipeline it is extra coal that is lying in the goods sheds and washeries, etc., of power houses so we have already sold that coal once it reaches there it will become 31, 32 million tonne and the accretion is taking place every day and I hope in April, May, June again our production will remain good and in that situation there should not be any shortage of coal in powerhouses business.
- Rashi Chopra:** Got it. This is my last question. You said that you had the meeting for the wage negotiation yesterday what did they ask from the union at the moment?
- Pramod Agrawal:** At the initial stage they are asking for 50% increase in everything so those ask have got no meaning.
- Rashi Chopra:** Okay got it. Thank you Sir. That is it from me.



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- Moderator** Thank you. The next question is from the line of Hemal an Individual Investor. Please go ahead.
- Hemal:** Sir thank you for the question. Very quickly what is the cash on the book as of December 31, 2021 and the debt that we have?
- Pramod Agrawal:** There is hardly any debt. Cash is about 28000 Crores. We have removed all the short-term borrowing there is a long term borrowing which gets reflected because of those railway projects of CERL and CWL it is about 3500 Crores.
- Hemal:** Sir just one final question, rest is all answered, in case we are going to continue with 16000 to 17000 Crores capex next year and if the price rises do not happen in the wages do have to increase as per your negotiations do the additional capex still continue and you would borrow for the same or is it a capital allocation or capex just frontend investment over the dividend policy how does it work in your mind if you can shed some light on it?
- Pramod Agrawal:** Giving any commitment about the future will be difficult but what I think there is no reason that prices will not increase. Prices will have to be increased otherwise coal production in the country will get suffered because some of my subsidiaries already feeling the pinch and hence that will happen, but in a hypothetical situation nothing happens then we are zero debt company and we can leverage our balance sheet very easily at a very low cost so that is not a bad option we will do that.
- Hemal:** Okay. Thank you Sir. I appreciate it.
- Moderator** Thank you. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.
- Amit Dixit:** Thanks for taking my questions again. I have just two questions. The first one is incentive, earlier we used to get incentive in fourth quarter, but last year we forgot it because of COVID situation so this year how much incentive can we expect in the fourth quarter that is the first question?
- Pramod Agrawal:** We had waived the PI I think you are asking about performance incentive because no other incentive is there in Coal India that is there till March, that waiver was given till March and after March we are going to reintroduce that is there.



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Amit Dixit: One another book keeping question what was the cash flow from operations for the nine months FY2022?

Pramod Agrawal: I will send you this answer.

Amit Dixit: Great and all the best.

Moderator Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Thank you Sir, just quick two questions. Sir one on the employee cost how is the accretion rate panning out and given the accretion and post the wage hike that has to happen you see normalization of the employee cost and that is not increasing going forward that is first and second question is regarding the 3000 megawatt of solar project that we were planning to do any update on that please?

Pramod Agrawal: First thing accretion of the employees that is going as we have predicted because there is no production involved in that because the retirement age is one thing which is fixed it is not decided by God it is decided by man, after wage hike accretion will take place will continue and because of certain provisioning this year we have seen slight increase in our employee cost, but in coming years it is likely to reduce further because we had not provided earlier for once this CPRSME this post retirement medical benefit for nonexecutives, and secondly there was some provisioning to be made for gratuity also because of that we had to make some provisioning this year and last year as well last quarter of the last year as well. I would not be able to say that this reduction or the reduction in manpower will be adequate to compensate completely for the wage hike that is likely to take place, but that wage hike will not significantly the PAT of the country that much I am quite sure.

Rahul Modi: Thank you. Sir on the 3000 megawatt..

Pramod Agrawal: 3000 megawatt thing we have already placed order for 190 megawatts, 90 megawatts is in pipeline which the order can be made very soon and another 100 to 150 megawatts is in pipeline, we were bidding for whatever market we are getting, except for 100 megawatt rest of the thing is for our internal consumption we were bidding in whatever discounts were coming forward and trying to get that but unfortunately the market has been fluctuating and the taxes, etc., had increased substantially so we have not been very successful in that. Now we are planning that we can have solar power plants in our own land which is lying vacant



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and perhaps with that the cost of generation will come down and we can bid so that we are planning.

Rahul Modi:

Great Sir, thank you and all the best. That you very much.

Moderator

Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor:

Coming to the point of this staff cost versus the accretion part so today's employee strength the x number what is the reduction we are expecting for this year and for the next financial year in the absolute number term?

Pramod Agrawal:

Reduction in the manpower in the range of 14% to 15%, this year again it will happen and next year again that will happen.

Saket Kapoor:

Sir on the set up of this employee cost looking at the size the projects we are contemplating and the way the production ramping up being a government organization is this going to be the employee cost structure permanently but a fair share of the revenues go towards the payment of employee cost we can understand the special obligation, the duty and government being the owner but then you are also in the listed space and you have your minority shareholders to also accountable for it if my point is correct, in that case the ratio of employee cost to the total revenue stands slightly I am explaining in that sense, so if you could explain to us going forward is this the same ratio going to be because as you have told when you go for revision they ask is 50% and as and when we go for an increase in the selling price they would be putting pressure again for revision in that correlation so what is the thought process and how is this cost going to pan out say from today at 630 to 1 billion and then over and above that, so if you could explain?

Pramod Agrawal:

Saket the employee cost has remained fairly constant in absolute terms over the last four to five years if you see the numbers it has been almost constant, there might have been increase 1% or 2%, 3% or something like that but the employee cost has not increased despite increase in DA, despite increase in their increment that takes place every year, so if we increase the volume that employee cost is not going to increase in the same proportion. Today we are getting more than 70% of our production through outsource more so we are not dependent completely on our permanent employee to increase the production nor are we planning to induct more manpower just to increase the production that again we are not doing so there is no reason why the employee cost percentage in the total expenditure



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should not reduce in coming years, it will come down substantially over the year. Our employee strength will stabilize somewhere near 1 lakh or something after maybe 6 to 7 years so that is the thing that is likely to happen, so in long term employee cost is going to reduce, whatever capex that we are doing is not requiring extra manpower if we are constructing FMC, etc., they are being maintained by the contractor in the initial 4 or 5 periods and thereafter we are outsourcing the maintenance part and operation part to the private sector so there also we are not increasing extra manpower. Slowly the cost of employee as a percentage of the turnover is likely to reduce substantially.

Saket Kapoor:

Then what is the key reason for such kind of evaluations we are commanding?

Pramod Agrawal:

That is an enigma to me also why the market is not maybe this is because it is a fossil energy and the people are not liking fossil energy company, all over the world fossil energies are being valued much lower and secondly maybe because it is a government company and sometimes government take steps which are not appreciated by the shareholders because of these reasons we are undervalued.

Saket Kapoor:

As I was putting the first one the restructuring part when we look at the structure for Coal India it is all the subsidiaries and Coal India is the holding company correct me there, if that could be a reason that a holding company discount is prevailing sharply over the market capitalization and we should contemplate things like what Vedanta was looking forward just to get it first delisted and then again..

Pramod Agrawal:

Saket on this topic we can discuss why Vedanta was doing and why not we should do these are not something we can discuss openly and you know much better than me, why Vedanta was doing, why it was undervaluing the market, why it was trying to sell it at much lower price, these are all known factors and secondly I told you it is not just because of this Why NMDC is being valued so low, these are the considerations which we have to talk, we can discuss these things some time offline, if you come to Kolkata we can discuss it.

Saket Kapoor:

Definitely Sir I am in Kolkata Sir I will come down.

Pramod Agrawal:

Fix a time and come down.

Saket Kapoor:

Yes Sir I will do that. Thank you for the gesture. Thank you.



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- Moderator** Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead.
- Faisal Hawa:** My question is that you would have been outsourcing most of our extraction and other contracts to third party contractors like Power Mech projects, etc.; will this continue as a trend where we will try to reduce our employees on the books?
- Pramod Agrawal:** See our employees are reducing I am not planning to increase it substantially the extra production has to come through outsourcing so that is the plan of the company.
- Faisal Hawa:** Why are we not issuing more tenders?
- Pramod Agrawal:** Not many tenders you see number of tenders we have finalized for the last year; we have created extra capacity of excavation and transportation.
- Faisal Hawa:** What could be the saving in terms of Crores of rupees?
- Pramod Agrawal:** Giving numbers, etc., to such a thing will be difficult, about 75000 people are producing about 70000 coal, 70% of our production and rest of the manpower is producing 30% so I do not have right now but we have got those figures that is cost per tonne from the department of labor and from the outsource, I can get it calculated and then send it.
- Faisal Hawa:** No problem, efficiency wise you feel that the third party operators labor is much more efficient than ours that is for sure?
- Pramod Agrawal:** Let us talk all these things offline.
- Faisal Hawa:** But I must admit that you are doing a very candid concall within the government's constraints that you have guided these investors very well.
- Pramod Agrawal:** Thank you.
- Moderator** Thank you. The next question is from the line of Kamlesh Bhagmar from Prabhudas Lilladher. Please go ahead.
- Kamlesh Bhagmar:** Sir any update on the aluminium project?



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- Pramod Agrawal:** Yes we are working hard for that, we have got approvals etc., from Odisha government, we have requested them to give us mine on nomination basis once that is allotted then we will go ahead with it, it is a time taking process but to my understanding every stage of aluminium is a profit making venture, we can sell bauxite and make profit, we can sell alumina and make profit and we can make aluminium and get profit, so I think this is one project on which we are seriously working whether we succeed or not that is a different question.
- Kamlesh Bhagmar:** I believe DPR and all have been made?
- Pramod Agrawal:** DPR has been made including powerhouse it will cost something like 26000 to 27000 Crores, but it will be based on leverage thing and we are not going to invest everything as we do in generally our own projects.
- Kamlesh Bhagmar:** Okay and got it and how much let us say share or equity would be there?
- Pramod Agrawal:** We are planning that we should hold the majority stake because otherwise on nomination basis getting the bauxite mine is not possible so we are working in that line but it will depend on when the power partner is inducted and what he wants.
- Kamlesh Bhagmar:** Okay and lastly Sir your other expenses have increased a lot like you say it is an increase of roughly around if I see 18% odd year-over-year while our production has increased almost 4.5% so what is the reason for this, miscellaneous expenditure?
- Pramod Agrawal:** One thing is that environmental and tree plantation has increased, hire charges have increased ,but I would not be able to give you the details why it has increased maybe I will request the Director Finance, we do not have Director of Finance right now the CFO to send it you separately.
- Kamlesh Bhagmar:** Okay.
- Moderator** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** Sir what will be your employee strength three to four years down the line?



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Pramod Agrawal: I think it should reduce 14000 to 15000 per year that is the likely reduction, this year we are likely to close at 245000 so whatever time period you keep in mind we will keep on reducing by 14500.

Vipul Shah: So that would result in how much reduction in percentage of revenue, employee cost any ballpark figure?

Pramod Agrawal: In general if you do not take into account the incidents/events like wage negotiation, etc., or any other increase that suddenly takes place like gratuity was increased by Central Government then it will remain almost constant.

Vipul Shah: It will not get reduced?

Pramod Agrawal: Marginal reduction may take place here and there because there is an increase of about 3% every year due to increment, there is further increase of 1% or 2% because of the promotions, etc., 1% you take on average and then the DA thing that is compensated, in real term it will get reduced but in absolute term in that numerical sense I do not think there will be serious reduction in that.

Vipul Shah: Lastly regarding this fertilizer project what will be our investment and when is it likely to be operated?

Pramod Agrawal: There are two sets of fertilizer projects one is HURL and one is TFL. In HURL the total expenditure is about 16000 Crores so our share is about 33% that means about 1400 to 1300 Crores and in TFL again the total expenditure is about 13000 Crores and it will be about in the 1300 Crores that is the total capex that is likely to take place. The capex has taken place which also includes the proportional investment that we are making in HURL and TFL and taking a loan there so in absolute outgo terms these 15000 Crores will not take place in actual terms.

Vipul Shah: Okay sir, thank you and all the best. I have many questions regarding employee cost but you will not be comfortable discussing these, as per your suggestion we can take it offline so whom should I contact for your time for this question?

Pramod Agrawal: You consult our Company Secretary, Mr. Viswanathan he will arrange the meeting.

Vipul Shah: Thank you very much Sir and all the best for the future.



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- Moderator:** Thank you. The next question is from the line of Ashish K from Centrum Broking. Please go ahead.
- Ashish K:** Thanks for the opportunity. Two questions from my side. One is on e-auction volume so when you spoke about January, February it is around 100% premium so when will it start hitting our P&L?
- Pramod Agrawal:** Next quarter because actual listing will start in about 30 to 35 days.
- Ashish K:** So as of now if I look at from up to in fourth quarter actual thing will start which we have already booked in November, December time?
- Pramod Agrawal:** That will start getting reflected in the fourth quarter.
- Ashish K:** What was that percentage Sir is it more than 45%?
- Pramod Agrawal:** Definitely, on the average this year it is more than 60% so till December also it was more than 60% to 70%.
- Ashish K:** In terms of volume you were saying that fourth quarter e-auction volume which will be reported in P&L will be higher than what we reported in fourth quarter last year that is right?
- Pramod Agrawal:** Last year it was 29 million tonne in the fourth quarter. We are expecting more than that.
- Ashish K:** Secondly on employee cost obviously you must be making some increase in that and taking provisions for that so what was the rate at which we are making provisions in our employee cost as of now?
- Pramod Agrawal:** What we are making right now is about 100 Crores rupees per month.
- Ashish K:** I am talking about they ask initially was 50% increase so is it possible to quantify what percentage increase we are taking to account while making provisions?
- Pramod Agrawal:** I would not discuss that thing.
- Ashish K:** No issues Sir.



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- Pramod Agrawal:** It will affect our negotiations.
- Ashish K:** Thank you Sir and all the best and you are doing pretty well. Thank you Sir and just we are waiting for the ultimate things which you are also waiting.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Vishal Chandak for closing remarks.
- Vishal Chandak:** Thank you everyone for joining this call and thank you very much Sir. I think this was a very, very candid conference call that we had had for a very long time and I am sure investors will appreciate that. Sir I would hand over the floor to you for your closing remarks.
- Pramod Agrawal:** Thank you Vishal. Thank you everyone for being so patiently hearing for me, sometime I become slightly longer but then to explain the things one has to put some words on that. Thank you very much for hearing me so patiently thank you and I would like to meet you people physically maybe who will be able to travel to Mumbai. Thank you very much.
- Moderator:** Thank you. On behalf of Motilal Oswal Financial Services Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.