

Coal India Limited
Conference call
(November 12, 2020)

Moderator: Ladies and Gentlemen, Good evening and welcome to Coal India Limited Quarter 2 FY21 Earnings Call organized by Batlivala & Karani Securities India Private Limited. At this moment, all participants are in the listen-only mode. Later we will conduct a question and answer session. At that time if you have a question please press pressing * and 1. I would now like to turn the conference over to Mr. Jinit Mehta. Thank you and over to you, sir.

Jinit Mehta: Thank you. Good afternoon ladies and gentlemen. Welcome everyone on the Q2 FY21 Earnings Call of Coal India Limited. It gives us great pleasure to host Mr. Pramod Agrawal – Chairman and Managing Director, Coal India Limited and along with him we have the entire top management and the directors on the call. On behalf of B&K Securities we thank everyone present on this call. Without much ado, I would like to hand over the call to Mr. Pramod Agrawal for his opening remarks post which we can have the question and answer round. Thank you and over to you, sir.

Pramod Agrawal: Thank you very much and good afternoon friends. We have posted one presentation on our site I will request you to see that site and I think many of you would have seen that in which we have given the details of our performance in Q2 and H1. However I will like to mention some salient features and I will not like to talk much about that because we would have seen that and most of the data must be known to you and so there will be more time for question and answer. Our Q2 performance compared to Q1 or Q2 of last year was I would say was satisfactory in the sense that the situation of COVID was continuing in the country and the demand at some places was depressed an economy could not take off completely and as the figures are appearing in Q2 also this economy there was actually negative growth of about 8.6% or 8.7% so that indicates that technically India was in recession for these two quarters. Even in that circumstances our offtake increased by 9% and our production increased by 10% and 9% or 10% growth in Coal India is a significant achievement. Third thing our OBR production increased by about 50% which is a significant increase, and it indicates that the geometric of our mines have been improved significantly.

Secondly it also indicates that we are now ready to increase our production whenever the demand increases in the economy and this is evident from whatever we have done in September and October. In September our production increased by 32% and it increased by about 20% and in November again we are continuing with a growth of about 8% to 9% and we hope that in November again our growth will be in double digit. So this indicates a very significant achievement. In September the growth of dispatch or offtake about 32% where growth in offtake in October again was in the range of 25% and in this month again, we are staying a growth of about 20% in offtake. So all these figures indicate that we are now in the correct path and in coming months and in coming months our offtake etcetera should increase significantly.

One thing I will like to mention that in September the energy production based on thermal coal fuel has increased by about 10% and in October again the increase was in the range of 14%. So that shows that there is a huge demand for coal and in coming months we will be able to meet this demand so our performance will improve significantly in coming months. Thanks a lot with this opening remark I will invite you to ask any questions that you might have.

Moderator: Ladies and Gentlemen we will now begin the question and answer session. We have a first question from Mr. Pinakin Parekh from JPMorgan. Please go ahead.

Pinakin Parekh: I have three quick questions my first is sir can you please give us an update as to what is the current policy on the e-auction slower pricing and have we the six months levy that we had given on e-auction coal prices do they still sustain or have they been removed. My second question is sir what is the situation on receivable, what are the current receivables versus September and what were the peak levels and my third question is yesterday NMDC in its call said that the government of India is considering allocation block policy where all minerals which have been given on an allocated basis there would be a premium which they would have to give on the signing of leases, what would be your take and will it apply to coal?

Pramod Agrawal: Update on the e-auction slower price as you know that from November onwards the CIL guidelines on slower price have been removed and subsidiaries have been asked to fix their own slower price based on their judgment, demand and their supply situations. So all those guidelines removed from the September. In October also the guideline was that the maximum slower price they can increase was by 10%. So from November onwards those things have been removed and whatever situation was existing before COVID has been restored. About receivables, our receivables have not declared it is still in the range of Rs. 22,000 crore actual amount is about Rs. 22,500 crore and on October 31st on September 30th it was in the same range about sorry September to October it is 23,800 and on 30th September it was Rs. 23,300 crore. So in October also there has been slight increase there has been slight increase, but the issue is whatever we are supplying now and these supplies are very high considered to what was happening last year we are getting money, but one thing I should make clear here that there is no doubt that anything will become bad debts you know all these are from the state discoms.

As we know that the state discoms are facing lot of problems and because of that receivables not getting diluted, but we are hopeful after Diwali we will be in the position to hear on them and reduce this receivable. This is the situation about receivables. NMDC thing that you have asked allocation on the equity coal is a different thing. In coal we acquire the land, and we acquire the mine etcetera under coal bearing act and so there is no question of mining license to us. Whatever we get is something we acquire against that so we are not paying any royalty. What we are paying is amount equivalent to royalty to the state government so there is no question of imposing any premium on coal. So the coal is on the slightly different quoting.

Pinakin Parekh: Just to confirm you said that receivables as of October were higher than September, but at this point of time all your supplies you are receiving payments in cash there is no incremental increase in receivables?

Pramod Agrawal:: See compare from September end to October end the receivables have increased by Rs. 200, Rs. 300 which is not a very significant amount and November again whatever we are supplying we are getting that money. So receivables are not reducing, but at the same time I would not say that receivables have diluted. Now after Diwali we are thinking of putting pressure in the state government and I have already taken up the issue all the chief secretary. I think from now onwards the situation typical growth.

Moderator: We have next question from Mr. Vineet Maloo from Birla Sun Life Mutual Fund. Please go ahead.

Vineet Maloo: Sir on this topic of receivables only you mentioned that since there are dues from state government entities so there is no chance of bad debt, just wanted to understand sir I mean is there any state level guarantee or something like that or is there any security from this entities, bank guarantee etcetera I mean are these completely unsecured?

Pramod Agrawal: Means there is no guarantee as such we do not have any bank guarantee or anything against this, but another states in general have not faced till now in the country in paying their dues. So these are the dues against the state because those are the state entities and I do not know of an example but the state has faced in honoring its dues as of now. So I am quite that we will get the money.

Vineet Maloo: So, sir what you are saying is these amounts outstanding because they are dues from state or state government entities. There is no chance of any loss out there?

Pramod Agrawal: That is right.

Vineet Maloo: And which should also mean there is no chance of indirect loss of value by Coal India providing any sorts of rebates or wave off any part of these receivables or any future receivable?

Pramod Agrawal: I do not think we will provide any one of those things.

Vineet Maloo: Sir what we are concerned about is you know for example lot of time state government has pressure lot of power coming etcetera to bring down or give a discount or settle the amount etcetera as well or provide discount in future purchases that is effectively a loss only in the outstanding receivables?

Pramod Agrawal: I do not think they are going to put that pressure on Coal India and we will not accept that means state governments are continuously paying whatever dues are there basically the dues increased during March to June and thereafter it has remained almost constant means there is no likelihood of we negotiating with them or reducing the thing and in case there is some problem then there are other mechanism like NTPC has done so those things can be resorted to, but then I do not think that situation is likely to come.

Vineet Maloo: Sir my last point on this just wanted your clarification and I understand appreciate during difficult times sometime you need to support the customers that is perfectly valid reason, just wanted a clarification sir I mean if the amounts are not realized and after sometimes also then what are the reports available to us and is there a procedure that only after such and such time only we can resort to those recourse etcetera, if you can provide some clarity on these sites?

Pramod Agrawal: First recourse is we can stop the coal supply to them and that itself is a great recourse and no state will like to shutdown their thermal power stations. As of now there is no state government that is the most important recourse we can take.

Vineet Maloo: So that is one but I presume in normal course of things we will do that, but I am saying just for recovery point of view you highlighted some NTPC has done something so if you can throw some light on that will be useful?

Pramod Agrawal: I am saying that situation is unlikely to come state government are facing problems of liquidity, but after June or July they have been paying all over what was current due and then second thing we can regulate the supply of the coal the third thing we can approach the Central government to help us. Fourth thing is there is a mechanism called AMRCD alternate mechanism for resolution of commercial disputes so all these things can be resorted to and then problems can be solved. So I am not forcing any bad debt issue in this cases.

Moderator: We have next question from Mr. Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir just a follow up on the policy that you have approached it looks like that you have almost paid 90% of your first half profits, so I am sure this will not be the full year dividend you will be paying more as profits continue the couple of quarters in this year?

Pramod Agrawal:We have paid based on whatever are in the first two quarters of this year. I foresee that in third quarter our profitability should be higher than what it was last year and secondly even higher than what we saw in Q1 and Q2 and in case nothing wrong happens I am quite sure that in January, February after the third quarter results are available we will be in position to make some more dividend. Last time when this concall was conducted and I had assured my investors that we will try to maintain at least what we have paid last year and today also I feel that we will try to maximum the returns to the investors and try to maintain at least that level which we achieved last year may be after the third quarter, may be after the fourth quarter and then we are trying to make this dividend payment not once in a year event we have been at least paid twice a year, but this time perhaps it can be more than that.

Rahul Modi: Sir there was some news reports in the morning suggesting that Coal India has been asked or may be NMDC to take over Hindustan Copper anything of this being thought about?

Pramod Agrawal:I do not know about NMDC, but as far as Coal India is concerned we have not heard of it, we have never been asked about that and nothing is under discussion I do not know where this rumor has come from.

Moderator: We have next question from Mr. Abhinav Bhandari from Nippon India Mutual Fund. Please go ahead.

Abhinav Bhandari: Just wanting to understand on this premium on the e-auction volume so how is the situation now in October, November and what would be the outlook for second half?

Pramod Agrawal:See our production has increased significantly, but the time of premium that we were getting last year I do not foresee that type of premium we may get, but on the whole till October end we got 10% premium and in October itself 13% premium was achieved, but whatever premium loss is taking place is being more than compensated by the amount of quantity being booked under this last year till October end only 31 million ton of the quantity was booked and in this year already we have booked 59 million ton. 59 million ton just to compare with the last year in the whole year 59 million ton was booked. So we increased the quantity whatever incremental growth we get in e-auction is a substantial help in increasing our profitability substantially. So I think in e-auction in per se this year we will earn much more than what we did last year.

Abhinav Bhandari: In terms of volume guidance on e-auction if I remember in one of the earlier calls you mentioned that you will be eying closer to 80 to 100 million tons for the full year is that understanding correct?

Pramod Agrawal:I think we should be able to surpass we have already achieved 60 million tons by 5 months are left and these months are of better activity. So I am quite hopeful that we will be going beyond 100 million ton.

Abhinav Bhandari: Sir the other question was on the CAPEX so how much we have done for the first half and any change in outlook for the second half versus the earlier guidance of 10,000 odd crore?

Pramod Agrawal: We had indicated that we will be doing 10% whole in the sense that [19:53] our machines etcetera departmental work and we require to invest in the mechanized evacuation system. We have already done Rs. 5,000 crore I think this target is Rs. 10,000 crore and we just crossing it in that range or may be 1,000 crore extra, but not beyond that. This CAPEX requirement is essential to ensure that pollution in the area is minimized and our production from departmental machineries etcetera is maximized so that departmental outlook means efficiency of departmental machines can increase significantly. So we are working on guarded manner and if the demand increases we should be in the position to supply to the nation the coal requirement.

Moderator: We have next question from Mr. Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: I have couple of questions the first one is on FSA realization itself so FSA realization if I compare it with the last quarter it was up by around 4% now I wanted to understand what led to this improvement in realization was it higher proportion of linkage coal or great improvement and how much of it is sustainable that is the first question?

Satyendra Nath Tiwari: This is Director Marketing Coal India, and you were wanting to see about FSA realizations. Basically, this FSA realization also includes dispatches through linkage options. Linkage option itself has component of premium so the portion of non regulated sector of Coal which has been dispatched becomes part of selling price and as I told you enhance linkage options will have that component on that premium part of it. So FSA regulated sector plus linkage option of NRS sector this has given us additional things which you are talking about.

Amit Dixit: Sir just a follow up is it possible to let us know what is the mix of regulated and nonregulated and how did it changed quarter-on-quarter?

Satyendra Nath Tiwari: That I have to work out and give it to you, but you can very well understand in terms of we have NRS linkage auction for 100 million tons around and how much of it has worked out for this quarter that I have to work.

Amit Dixit: The second question is on the overburden removal so while higher overburden removal is always welcome I mean it kind of prepare your mind for higher production, but for subcontracting expenses also shoot up YoY, is it the direct result of higher overburden removal and will we see a contracting expenses coming down I mean going ahead as the focus goes on production?

Satyendra Nath Tiwari: Contracting expenditure is directly proportional to how much excavation we do whether it is excavation of the coal or excavation of the soil or what we call overburden. In case of our production excavation of overburden or coal increase then the contracting expenditure will definitely increase and looking forward I am quite sure that our overburden removal plus coal both will increase and hence thus the contracting expenditures will increase, but this results in greater profitability to the company because we get more salable coal and one must understand that last four, five years OB removal has been less than what is desirable. Unless the mines geometrics are good the productivity gets suffers a lot. If you compare NCL the Northern Coalfield Limited with other subsidiaries you will see that during the rainy season also Northern Coalfields is in position to produce coal and it is the volatility in production month by month is very less. This is just because they have maintained the geometric of their coal mines. If we do in other mines other areas also then it results in more production at the time we need. Secondly if the overburden are kept at the proper slope then the mixing of the overburden soil with the coal does not take place and it results in a better quality of coal as well. So it is desirable that we should do the desired amount of overburden removals.

Amit Dixit: We saw a very good increase in NCL both offtake as well as in production terms, can you let us know what went right for NCL this time because last year this subsidiary was struggling quite a bit?

Satyendra Nath Tiwari: I would give credit to the person who has retired now who was the CMD he expect a good profit etcetera, but since last year there were some problem related to industrial relations those things did not happen this year and we are thankful to the state government to help us whenever the situation warranted they have always been understanding with us in case any law and order problem or industrial relation can happen and secondly NCL has introduced lot of mechanized coal production. In NCL instead of blasting and using shovel and dumper method for the coal production most of the coal major mines are now being produced by the surface miner because of that the quality of NCL also has improved. I think the potential NCL is much

higher than this and in coming years you may see SECL and NCL confirmative a large if I look at contributing lot in growth of coal production.

Moderator: We have next question from Ms. Sonaal Kohli from Bowhead Investment Advisors. Please go ahead.

Sonaal Kohli: I would like to know what will be the dividend policy going forward like certain percentage of profits or certain percentage of profit minus CAPEX I am not referring to FY21 let us say from a medium term, long term perspective let us say from FY22 the kind of dividend value of giving this year would it be send it to next year or it could be substantially higher?

Pramod Agrawal; It would be difficult for me to say what will be the dividend this year, but as I mentioned earlier that even in this difficult circumstance when the profitability has reduced because of COVID situation we will maintain at least what we give last year. In coming forward whatever CAPEX see CAPEX are funded to two, three mechanism one is growth whatever cash is generated from depreciation then another slope is OB removal then there is some component of the cash is generated and there are circumstances in which CAPEX and investment one has to take low. So all these three things and on other side whatever profit is generated minus CAPEX plus all those things we will try to give a large portion of that as dividend and in coming years I foresee that with increased coal production our profitability will substantially increase because whatever incremental coal we produce give us a huge profits and with that our dividend should increase, but how the economy develops in next year. In fact, I am quite hopeful that India will grow about 7% to 8% next year in that coal demand will also increase substantial and we will be in a much better financial position.

Sonaal Kohli: Sir will I be completely out of whack in thinking that Rs. 18, Rs. 20 dividends could be a possibility in FY22?

Pramod Agrawal: To my mind it is quite probable, but then giving any sort of commitment will be difficult.

Sonaal Kohli: And sir there is any plans for any buy anytime in the future, any constraints you have faced and any ways you can overcome those constraints?

Pramod Agrawal: See buyback is one option of giving money to the investors, but what is the policy today is that in case we will do buyback that tax component will be in the range of 45% to 46%. So, this is something which is not in favor for the investors nor in the favor of the company and hence as of today we are not thinking of buyback, but in coming months I cannot say anything. Actually, Coal India structure in which subsidiaries are the money and they pass on to the headquarters at which level the buyback happens. It is a very inefficient method buyback becomes a very inefficient method, but if we see certain advantage to stabilize the market, we can go for it.

Sonaal Kohli: Sir have you represented or planning to represent because the government to look into this matter and treated similar to dividends?

Pramod Agrawal: We have already requested that.

Moderator: We have next question from Mr. Vishal Chandak from Emkay Global. Please go ahead.

Vishal Chandak: Sir my first question is with respect to demand we have always said that India will grow it 7% to 8% and hence there would be ample demand for coal, but in reality when we actually tie down with how much coal will come from which particular mine that is fairly easy to plan, but how will the market turn let us say for example if we have planned incremental coal from Eastern side and the demand is significantly higher from a place where mining expansion

has not been planned or a demand has not been forecasted properly, so how do we tend to match the demand?

Pramod Agarwal: If I understand your question correctly means you are asking that the production might increase in one area and the demand might increase in another.

Vishal Chandak: Not only that part but also we might end up producing, but do we have a sense have we tied up with any of the power plant as to they would definitely be doing an expansion and taking the coal or it is just one part of the supply that we are addressing?

Pramod Agarwal: See first part area wise so our coal is produced in the country. A small portion is produced in central part that is Western Coalfield Limited and there is a huge demand from Western Coalfield Limited and if you see the growth profile of Western Coalfield then you will see that ensure an increase of 10% PF for last three, four years and this year again they are seeing I am quite hopeful that they will show a growth of about 10%. Therefore coal price is slightly higher, but the demand of the consumption may be as nearby so there is a demand and that company is doing well that is the only thing, but in most of the countries except for few peripheral areas of the South India Coal is still the lowest price coal in the country and biggest coal producer in the world. At this point in time we are 120 million tons of coal which is pretty substitutable, and we have tried to substitute and we are getting good results. So in blending that was required for the power plant, import except for few plants of the Tamil Nadu etcetera they have stopped importing. Similarly, we are able to supply coal then there is a huge demand if you see this e-auction etcetera this demand is there because we were not in a position to supply coal earlier. So the demand is existing in the economy we have to supply I am not quite sure what will happen after 800 million ton of production, but as of today when we are at 600 million ton there is a demand of about 150, 160 million ton extra which Coal India can meet. So till the time we will achieve that there is no dearth of demand for us.

Vishal Chandak: Sir my next question was with respect to the coal gasification project if I recollect you had in your previous calls highlighted that about 50 to 100 million ton is what you are looking at from a long term perspective and that would be the part of your billion ton of coal consumption targets, so are we in a position to probably offset that 5,200 million tons for coal gasification by FY24?

Pramod Agarwal: FY24 we have not it was FY30 I think for 50 to 100 million ton that was for the whole country as such. So if you say that coal gasification will contribute a significant portion of one billion ton I will think that was exactly what we would have said, but maybe we would have that was not the point that we are trying to make earlier even. What we are seeing today we have issued global tender for Dankuni Coal project. We have given these feasibility studies for three more projects of coal gasification and these three projects the feasibility report was supposed to come in November, but by December they will be there and thereafter we will put to tender. So even if we put on fast track not much of this coal will be used for coal gasification by FY24 or something like that. Talcher fertilizer plant is based on coal gasification and there the technology will get tested. Government is likely to give warranty for that for offtake of urea produced through this unit. So if we are successful in these three or four efforts that we are making and if we see that in a year or two that something will be beneficial for us then we will take a bigger program and just to inform that all these three projects and Dankuni projects which we have proposed we are proposing on BOOM model. So that the technological risk is not taken by the Coal and to that extent the risk is being guarded.

Vishal Chandak: Lastly if I may squeeze small question sir for the last two quarters as the OBR has been higher than the general provisioning and then we have seen a negative OBR, so how should we see this trend going forward should we see normalization to return in rest of the quarters or the current pace of negative OBR positioning in this P&L will continue for a while?

Pramod Agarwal: I think we should continue with this otherwise increasing the coal production will become difficult. We had reached a situation in certain mines where almost vertical cliff were being we have reached to the vertical cliff level those things are not something which are desirable from the safety point of view or from the good quality production point of view. So from that point of view whatever we are doing and I personally will try that this level of OB removal is maintained in coming months.

Moderator: We have next question from Mr. Nitin Mangal from Jefferies India. Please go ahead.

Nitin Mangal: Could you provide some update on the contingent liabilities around the income tax and the environmental issues and also some details on this demand on land from the state of Jharkhand?

Pramod Agarwal: State of Jharkhand we have I think we have achieved some breakthrough and now we are on the same pitch till now we were not paying anything from the state government land which we felt that is not proper and the state government also has agreed that exorbitant demand that they were making on this count are something not desirable. So they have formed a committee we have even now our honorable minister met the honorable minister met the honorable CM and it was resolved to a great extent and I think that whatever dues are required are not so huge, but the calculations are being made. It has been agreed that whatever lands we get suggestion of and for which no compensation has been paid will be made. So these are not likely to be very high and the contingent liability on that account will get resolved in coming years completely. About income tax the contingent liability is there, we have paid some amount as advance also. We have paid advance of about Rs. 14,000 to Rs. 15,000 crore, but many of the contingent liability that has created and many of these cases we have got orders in our favor, but the department has gone against us. I am hopeful that a few cases will be decided in coming few months and then the contingent liability should get diluted, but when the court will decide the case and when we will get the final order are different things to make any comment on. About environmental clearances basically I would say that these issues are pending and this get discussed at highest levels. These liabilities have been said by the central government and as of now nothing much can be said about that, but then any impact likelihood of any impact coming on Coal India are very remote.

Nitin Mangal: And just a follow up on the Jharkhand state issue so there was a very big gap between what the state had raised as a demand versus I believe what your opinion on, is there any sense of where that micro might eventually settle?

Pramod Agarwal: We have already paid Rs. 600 to Rs. 700 crore to Jharkhand on this account and even if the total land that we have get in position I would not be able to give you correct sense, but that amount will not be much higher than another 400, 500 crore, but it will be wrong on my part to give any figure without confirming things, but the state was demanding and we were saying that nothing is payable both the situations are wrong.

Nitin Mangal: But the demand for something like those that 26,000 crore is completely that quantum?

Pramod Agarwal: This is not even 2,500 crore to my mind then it will be wrong on my part to indicate any figure.

Moderator: We have next question from Mr. Pulkit Patni from Goldman Sachs

Pulkit Patni: Sir my question is on e-auction realization in offtake so clearly what we have seen in the previous quarter is as the premium vanished we saw the offtake was very good and now should it be fair for us to assume that clearly given that our production numbers have been pretty decent that our focus even or the medium term would be that we ensure more offtake happening from e-auction side rather than really focus on a bigger premium coming through that road and

given that we have spoken about massive import substitution as a country we want to do, how should we look at this from a longer term perspective comprising on premium works, but the volume should continue to stay robust, is that the right way to look at things?

Pramod Agarwal: I would say that the right thing should be maximize the profitability not profitability in terms of per ton productions, but profitability on the overall thing like if we do much more this e-auction than the quantity will increase though there will be some reduction in the premium but the quantity increase will be substantial and overall profitability or overall profit from e-auction will increase substantially. See we should try to maximize our production and maximize our profit per ton from that. Whatever incremental production we do this has a lot of profit as I said means if our realization is in the range of 1,400 or 1,350 per ton extra production cost is just Rs. 400 to Rs. 500. So whatever we get is just a profit and NRF spillover we supply we get another 20% extra. So with that amount of profits it is even if we double our e-auction our profit from that will increase substantially. So that should be our target and we are working on that.

Pulkit Patni: Second my question is could you talk about the timelines of wage renegotiation when do things start and when should we expect that to hit the P&L exactly which quarter?

Pramod Agarwal: The wage is required be signed by July 21 by April; May the negotiation will start.

Moderator: We have next question from Mr. Kamlesh Bagmar from Prabhudas Lilladher

Kamlesh Bagmar: Sir just on the question side like we have seen provisions in this particular quarter so it has been highest in last 8 odd quarters, so what pertains to these provisions?

Pramod Agarwal: Which provision that 399-crore provisioning or what?

Kamlesh Bagmar: Yes.

Pramod Agarwal: Actually there are some disputed amounts of SECL with NTPC on first mile transportation that issue for future has been resolved, but that matter has been referred to AMRCD and that matter since it was three year old things and our accounting policy says that any amount which is due for more than three years should be provided for so because of that it has been provided, but that issue for future has been resolved that needs to go to AMRCD and we are expecting some decision on that.

Kamlesh Bagmar: And sir on the CAPEX side can we see this 10,000 crore CAPEX plan for next couple of years or it will further shoot up from 10,000 crore levels or it has more or less stabilized at 10,000 crore.

Pramod Agarwal: See it depends how the production increase and what is the demand if we have to achieve 700, 800 in next two years then CAPEX requirement will be there. In case the demand is not there then the CAPEX requirement also be not there. So the CAPEX is quite linked to the production level. I am quite hopeful that in coming years the demand will be there and so next year perhaps we may reach 700 level or something more than that in that case will have to invest something more may be Rs. 12,000, 13,000 crore.

Kamlesh Bagmar: And lastly sir on these railways lines so we do comment that we have commissioned two of the railway lines or the phases of the railway line Tori-Shivpuri and Jharsuguda, but what is the actual loading we are doing those two railway lines?

Pramod Agarwal: Both of these lines are overloaded that much I can say I do not have exact figure. Tori-Shivpuri my Director Marketing is saying is that loading about 12 to 14 rakes per day and in discussions we came to know that the returns are very high on this whatever investments we have made, but exact figure I would not be right now able to say may be Company Secretary

will contact you and give the details. Again there is a demand now for Tori-Shivpuri it should be made three lines if the capacity should further increase and third line can be laid and in case of Jharsuguda line it is working at its capacity level and there is a demand that the double line should be laid means these investments are really good for evacuation of coals.

Kamlesh Bagmar: Sir just one clarification on the e-auction now the policy is that there would not be any low price mechanism. Subsidiaries are empowered to put their own low price on whatever they want to keep at, is this the new policy now effective from November or 10% premium over the notified price would be the low price?

Pramod Agarwal: See what we have decided now is not something new it was existing whatever situation was existing before the COVID period that has been restored they are now earlier also they were free depending on the situations some of the subsidies have started maximum 20%, some of the subsidiaries have started 10%. So that completely depends on the demand existing there and the production they can do.

Moderator: We take next question from Mr. Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir couple of questions are you confident of moving ahead of what we have done in terms of production and offtake last year confident of achieving that?

Pramod Agarwal: I am quite confident that we will surpass that easily. In production terms we are already 1.3% higher and I am quite confident that we will increase this production level substantially in the coming month and offtake again we are slightly behind that is about 2.3% behind the last year corresponding period till now and I am quite confident that by November end we will enter into the positive terrain and thereafter we will increase our offtake. There is no question of remaining at the level of last year.

Rahul Modi: Sir how is the demand of coal from power has it picked up over the last couple of months or it is primarily more of NRS that is off-taking the coal?

Pramod Agarwal: We talk about NRS more because NRS gives us more profit and that has really picked up well, but on the power demand side also if you see in September it raise of coal based power for about 9.5% and that was in September. In October again it increase by 14.6%. So there has been huge demand increase in power coal based power increase in last two, three months last two months actually.

Rahul Modi: Sir one question I had what we have seen is that in terms of SECL our offtake is still lower on a YoY basis however most of the power plants are actually operating at quite high levels. So SECL has been a bit of a laggard you expect this to improve in the second half?

Pramod Agarwal: See SECL has been laggard in the sense it is around 2.86 million ton behind what they did last year, but 2.86 in the first three month is not something very significant. SECL in last two months have been showing offtake growth last month they showed a growth of about 26% in September they showed a growth of about 25% this month again they are showing a growth of about 18% and I am quite hopeful that SECL will increase its offtake considerably in coming week time also. There were some problems, there were some issues which have been resolved and now their production also is increasing and I am quite hopeful that in coming few weeks you will see substantial increase in their offtake.

Rahul Modi: Sir just last one question I had on receivables again sir you are confident that at least we will be if not the same levels of what we saw in FY20, but almost at same levels of receivables, can we achieve that by year end March?

Pramod Agarwal: Last year March we were at the same level of 15,000 and I would not say that I am sure of this, but we will try to achieve that level or may be about 16,000 levels or may be

even less how the liquidity of state government improve once they take the loan etcetera also it will depend, but then I am quite hopeful that we will be below that level what was at March 20.

Moderator: We have next question from Mr. Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Sir two quick questions one is we have seen very strong production in offtake growth so far and given that the OB removal is running significantly ahead of production, how should we look at FY22 because historically in last four, five years we have seen Coal India struggling to give consistent growth because of various issues, so are we likely to see double digit growth in FY22 based on how demand is planning out, how your production is tying up?

Pramod Agarwal: I am quite sure that we will be able to do it because there are lot of opportunities for Coal India to increase the production. Even if we increase our production from Gevra, Dipka and Kusunda that will be a huge plus and most of the time in last year things were not ready, but this year we have ensured that all the contracts are in place. We have contracted out almost 1.25 times of our requirement. So that if the situation arises when the demand is there, we can increase our production immediately. We have remained who we are. So by removing small amount of soil the coal production can be increased. If you see our loading data this year at this point we are doing about 1.8 million ton daily. This was never done earlier means in the month of October or November this type of offtake has never taken place. So I am quite hopeful that in coming years FY22 situation will be much better and with the growth in economy demand will be there and we should be able to show a double digit growth and that is our target.

Rakesh Vyas: The second question is on linkage auction so last few months we have not seen any new branch coming up, any thoughts around how should we plan for linkage auctions for non regulated sector going forward?

Pramod Agarwal: See there are two ways of making the demand of non regulated sector, but it is doing continuous auction spot auction and exclusive auction which we are doing and there is no shortage of coal to any consumer, but doing linkage auction at this point is not advisable so we are waiting for the right opportune time to do it.

Rakesh Vyas: Sir very interesting chart that we have shown in your presentation around the peak demand during the day so if you can just highlight as to what essentially we are saying is that the peak demand actually comes up after or during evening and which is even the solar is not available, so can you just throw some light on that part?

Pramod Agarwal: Exactly that is the point we wanted to make that everybody is talking about that the renewable energy or the solar energy will replace the coal production, replace the coal-based energy in the country. This is what we are showing that the peak demand is there then the solar energy is not there and hence the requirement of coal-based energy for coming many years will be there. If you would have seen one or two tables which we have associated with even if the country grows at the rate of 6% by 2030 the demand for the coal will be about 1.25 billion ton and if it will get about 8% perhaps it will be higher and that too is we must understand that in India per capita consumption is about one third of the world average even the coal consumption for the capita in energy term is one third of the world average. So all the things these parameters will improve and hence I am quite sure that for coming one or two decade there is no situation in which the coal demand will decrease in the country may be the percentage of the energy produced from the coal that percentage may reduce, but in absolute terms there will be a huge increase in coming years.

Moderator: We have next question from Mr. Abhineet Anand from SBI Capital. Please go ahead.

Abhineet Anand: Sir just wanted to know this you said that this 150 million ton demand looks very clear, can you highlight or can you break up between two how much is it power and how is it non regulated part as per you?

Pramod Agarwal: See about 20 million ton is imported for blending which is easily replaceable by us. Now that if we take in Indian coal equivalent that will be about 30 million ton it is 22 million to so it will be about 30 million tons. Another 60 million ton is imported for NRS sector which is not very high grade coal. So this coal again can be replaced and if this coal is replaced that will be about 70, 80 million ton. Besides that there are many other coal imports like this cement sector and sponge iron etcetera who are importing the coal, but if we can produce more than for thermal energy we can give slightly lower grade coal and this high grade whatever is produced in the country G8 or G7 type which is also 50, 60 million ton in our country that can be transferred to this cement industry or sponge iron industry and that also can be replaced. So all this are easily add up to 150 million tons.

Abhineet Anand: My second question is although you did mention that Coal India in India is like among the cheapest, but if you can highlight over the next three, five years what can the company do to still make coal cheaper because you did mention solar it does not happen at peak, but let us assume the storage comes in a big way which takes away the peak parts up to certain extent so coal is to competitive in that sense so I am saying five years hence wage revisions cannot be avoided, but in other cases how do you bring down the cost of production, any thoughts on that?

Pramod Agarwal: See our primary expenditure is manpower cost which is still 50% if but our manpower is decreasing by at the rate of 5% every year. If you see last year also from October last to this year last about more than 15,000 people means there has been reduction of more than 15,000 in our manpower cost and hence if you see in H1 the cost of manpower has reduced by 1%. I do not say that 1% is a significant amount, but keeping all the inflation in the economy, keeping the natural wage increase etcetera even if we keep it constant that is a big achievement. So first part is that we are working for reducing the manpower. Second thing is we are going for NDA we have already tender for 5 mines we have identified 15 mines so which we will producing about 160 million ton after 4, 5 year down the line and that cost of the production will be very less compared to what we are doing and there the requirement of capital expenditure from our side will also be less so to that extent our cost will be less. We are investing in evacuation process that will reduce our transportation cost. We spent about Rs. 3,000 crore every year on coal for that evacuation thing also so that will get reduced. So although since we are working on how to reduce our electricity bill, how to economize on diesel. So all these things I personally feel in coming four, five years if inflation factor is taken into account our coal price will definitely at least not increase if inflation in the real term.

Moderator: Due to time constraint we are closing the call now. I would now like to hand the conference over to Mr. Jinit Mehta for the closing comments. Over to you, sir.

Jinit Mehta: Thank you. We sincerely thank Mr. Pramod Agrawal and his team for giving us an opportunity to host this call and sharing their insights. We also thank everyone who participated in today's call. Thank you and stay safe. Good bye.

Management: Thank you Mr. Mehta for organizing this and stay safe and Happy Diwali.

Moderator: Ladies and gentlemen this concludes your conference call for today. We thank you for your participation and for using iJunxionConference Service. You may now disconnect your lines and have a great evening ahead. Thank you.