Mahanadi Coalfields Limited

Mining · Thermal (Non-Coking) Coal · Coal India Subsidiary

India's largest single coal miner, digging cheap, low-grade coal from open pits in Odisha and selling it, mostly at a price set by its parent, to power stations across 16 states.

Anchor book: Wed 18 Nov 2026 · Opens: Thu 19 Nov · Closes: Mon 23 Nov · Expected listing: Fri 27 Nov 2026 · BSE and NSE

RATING	INVESTMENT HORIZON	PRICE BAND
NEUTRAL	**No action recommended**	**₹129 – ₹136** Lot 110 shares · minimum application ₹14,960 at cap

We rate the Mahanadi Coalfields IPO NEUTRAL. The business is genuinely excellent: India's lowest-cost coal, a cash cost of about ₹816 a tonne against an average selling price of ₹1,417 (RHP p.218, p.479), no debt, and a habit of paying out close to four-fifths of profit as dividend. Against that, three facts hold the rating at neutral. Profit is drifting down, not up: operating EBITDA (profit from mining before interest, tax and depreciation, leaving out interest income) fell from ₹14,681 crore in FY24 to ₹12,735 crore in FY26 (RHP p.124). The selling price is not the company's to set, because 82% of sales value moves at a price Coal India notifies (RHP p.479). And the market-linked part of the business, e-auctions, is weakening: the premium buyers pay over the notified price fell from ₹802 to ₹275 a tonne in two years (RHP p.200).

What the price asks. At ₹136 the company is valued at ₹90,010 crore. That is 8.4 times FY26 reported earnings, against 8.05 times for Coal India, its listed parent, on 11 November 2026 (RHP p.123). Strip out ₹1,859 crore of one-time income from FY26 and the multiple is 9.7 times, a 20% premium to a parent that already owns this business and whose FY26 dividend of ₹26.50 a share yields about 6.5% at that price. At four times book value against Coal India's 2.1 times, the price is full rather than cheap. It is not expensive either, which is why this is not an AVOID.

What this rating is not. It is not a call that the business is weak; it is a call that the price leaves no margin for the risks the RHP itself discloses. Those include a ₹31,228 crore estimate, made by Coal India's own legal department, of a possible Odisha mineral-tax liability that the accounts do not quantify (RHP p.55), and a board with no independent directors (RHP p.41–42). What would move us: a listing price near ₹115, or two quarters showing e-auction premia and margin recovering, would take us to SUBSCRIBE. A quantified Odisha tax demand, or a wage settlement without a price increase, would take us to AVOID.

> **Who this suits.** Coal India shareholders who want a second, more concentrated holding in the group's lowest-cost mine, and who can live with flat earnings for a high dividend. It does not suit investors seeking earnings growth, or anyone applying mainly for a quick listing gain on a ₹9,001 crore issue.

1. ISSUE SNAPSHOT

Parameter	Detail	Parameter	Detail
Issue size (at cap)	₹9,000.97 cr gross; ₹8,981.12 cr net of employee discount	**Price band**	**₹129 – ₹136**
Fresh issue	Nil (0%)	**Face value**	₹2
Offer for sale	66,18,36,300 shares (100%)	**Lot size / minimum**	110 shares / ₹14,960
Selling shareholder	Coal India Ltd (average cost ₹0.26/share)	**Retail maximum**	13 lots (1,430 shares) / ₹1,94,480
Net offer allocation	QIB ≤50% · NII ≥15% · Retail ≥35%	**Employee reservation**	3,30,91,815 shares; ₹6/share discount
Anchor portion	Up to 16,87,68,257 shares	**Shareholder reservation**	6,61,83,630 shares for Coal India shareholders
Book running lead managers	SBI Capital Markets, Axis Capital, BOB Capital Markets, IDBI Capital, IIFL Capital	**Registrar**	KFin Technologies
Statutory auditor	Kadmawala & Co. (CAG-appointed); no qualification, emphasis of matter present	**Monitoring agency**	Not applicable (no fresh issue)
Credit rating	None required or obtained for the offer	**Listing**	BSE, NSE (NSE designated)
Market cap at cap	**₹90,010 cr**	**Market cap at floor**	₹85,377 cr
P/E at cap (FY26 reported / clean)	**8.4x / 9.7x**	**EV/operating EBITDA (FY26)**	5.7x
Price to book (Sep-26 NAV ₹33.84)	4.0x	**Post-issue EPS (FY26, no dilution)**	₹16.13
Promoter holding pre / post	100% / 90%	**Shares pledged**	Nil

Source: RHP cover page, p.101–102, p.121–125, p.570; price band, lot size and employee discount per the price band announcement of 16 November 2026. Market cap = 661.84 crore shares × price. Clean EPS and EV are Krijuna calculations shown in Section 9.

Issue timetable

Event	Date
Anchor bidding	**Wednesday, 18 November 2026**
Issue opens	**Thursday, 19 November 2026**
Issue closes	**Monday, 23 November 2026**
Basis of allotment	**Wednesday, 25 November 2026**
Refunds and credit of shares	**Thursday, 26 November 2026**
Listing	**Friday, 27 November 2026**

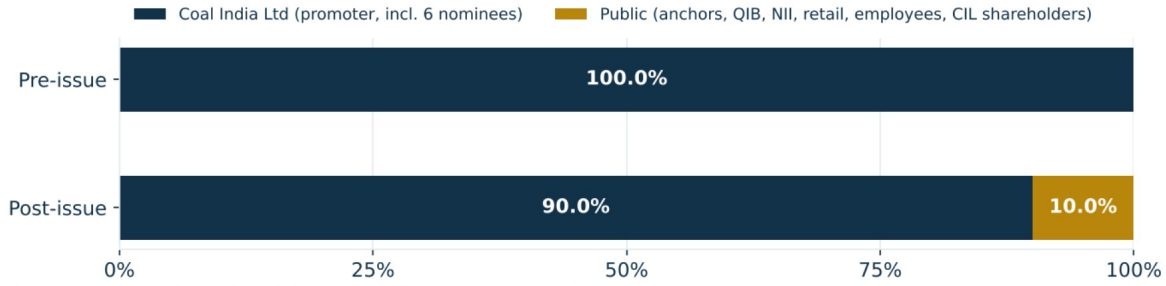
Source: RHP cover page; post-issue dates as per the issue timetable announced with the price band (tentative).

2. SHAREHOLDING PATTERN

Shareholder	Pre-issue shares	Pre-issue %	Post-issue %
Coal India Ltd (promoter, with six nominee holders)	661,83,63,000	100.00%	90.00%
President of India via Ministry of Coal (promoter, through Coal India)	—	—	—
Public (anchors, QIBs, NIIs, retail, employees, Coal India shareholders)	—	—	10.00%
Total	**661,83,63,000**	**100.00%**	**100.00%**

Source: RHP cover page, p.105, p.112–115. Share count is identical pre and post issue because no new shares are issued; post-issue percentages are indicative pending the basis of allotment. Coal India is the only seller. Its holding up to 20% of post-issue capital is locked in for 18 months and the excess for six months from allotment (RHP p.110–111).

A pure sale by the parent: Coal India's stake drops to 90%, no new shares are issued, control does not change



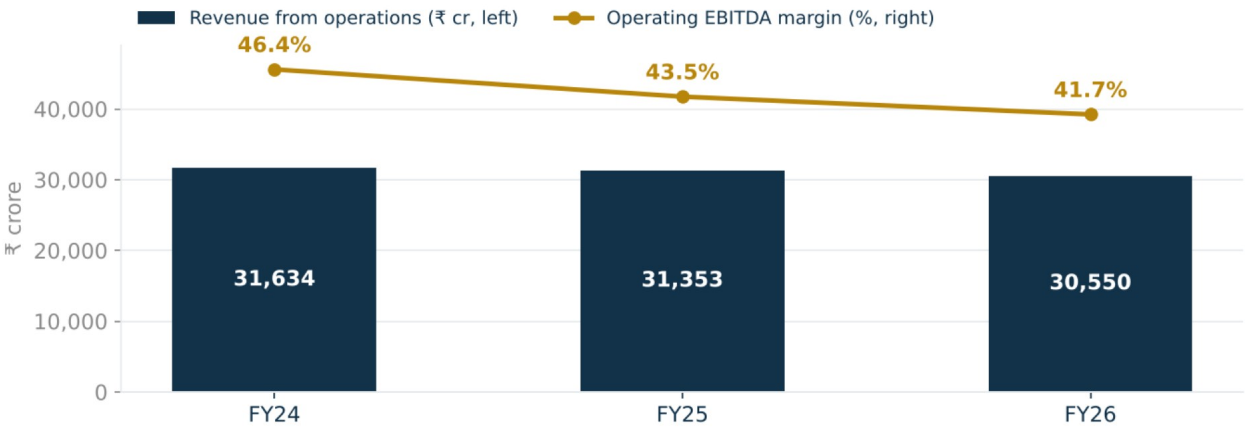
Source: RHP cover page, p.105, p.570; 661.84 cr shares outstanding pre and post

3. KEY FINANCIALS AT A GLANCE

₹ crore	FY24	FY25	FY26	H1 FY27
Revenue from operations	31,634	31,353	**30,550**	16,093
Operating EBITDA margin	46.4%	43.6%	**41.7%**	40.1%
Profit after tax	11,842	10,825	**10,698**	4,881
Diluted EPS (₹)	17.89	16.35	**16.13**	7.37*
Return on net worth	80.6%	62.8%	**53.8%**	22.3%*
Debt to equity	0.00	0.00	**0.00**	0.00

*Source: RHP p.88–89, p.124. *Not annualised; the first half of each year is seasonally weak because the monsoon slows mining.*

Revenue slipped 3.4% in two years while operating EBITDA margin fell 4.7 points to 41.7%



Source: RHP p.124, p.484–485 (restated consolidated)

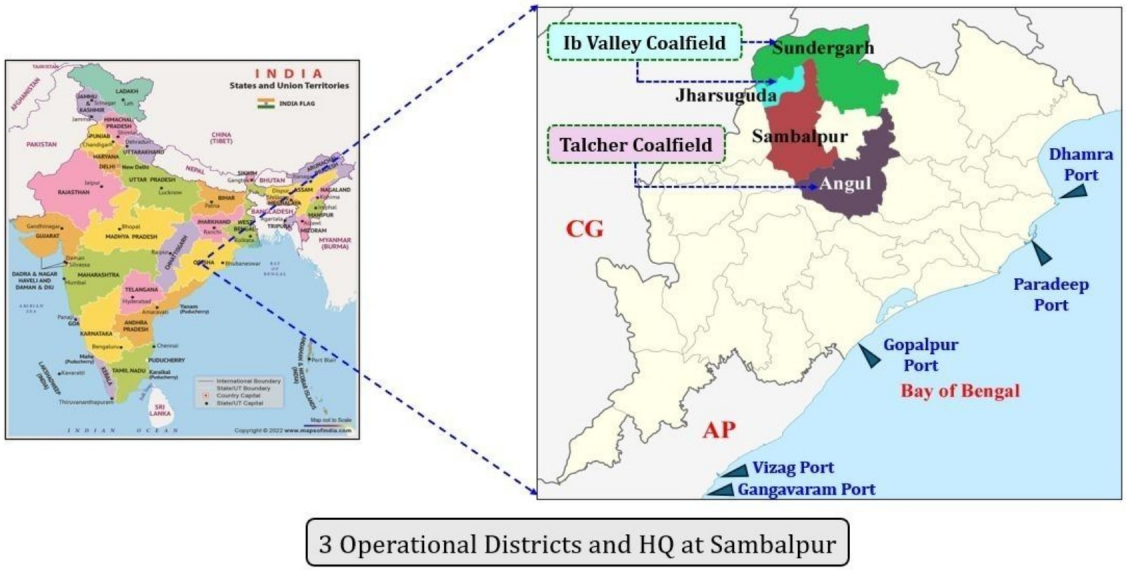
4. COMPANY OVERVIEW

Mahanadi Coalfields Limited (MCL) was carved out of South Eastern Coalfields in April 1992 and is headquartered at Burla, Sambalpur, in Odisha (RHP p.226). It is a wholly owned subsidiary of Coal India Limited, which is itself controlled by the Government of India. MCL mines in two coalfields: Talcher, in Angul district, and Ib Valley, in Jharsuguda and Sundargarh. Together they cover about 335 square kilometres of land (RHP p.226).

In FY26 it produced 218.31 million tonnes (MT) of coal. That is 21.0% of all coal mined in India and 28.4% of Coal India's output, making MCL the largest single coal producer in the country (RHP p.225–226). It runs 17 mines, 14 open pits and 3 underground, with 20,526 employees and 27,113 contract workers (RHP p.227, p.265, p.483). Its coal reaches customers in 16 states by rail, by road and through five ports on the Bay of Bengal (RHP p.229).

The single fact that explains this company is geology. Talcher and Ib Valley hold thick coal seams lying close to the surface. MCL removes only 1.5 cubic metres of rock and soil for every tonne of coal, against 2.58 for the Coal India group (RHP p.215). Think of it as digging potatoes from soft topsoil rather than through clay: less earth moved per unit harvested, so each unit is cheaper. That is why MCL's cash cost is ₹816 a tonne while sister companies such as Eastern Coalfields spend ₹3,622 (RHP p.218).

> **Two different "Coal Indias".** Coal India Limited is both the company selling you these shares and the body that sets the price at which MCL sells most of its coal. It also charges MCL an "apex" service fee of about ₹20 a tonne (₹437 crore in FY26) and a ₹6 a tonne rehabilitation levy (₹126 crore) that it can change at its sole discretion (RHP p.480–481).



Where the coal comes from and how it leaves: the Ib Valley and Talcher coalfields in western-central Odisha, and the five ports (Dhamra, Paradip, Gopalpur, Vizag, Gangavaram) that carry it to coastal power stations. Source: RHP p.227

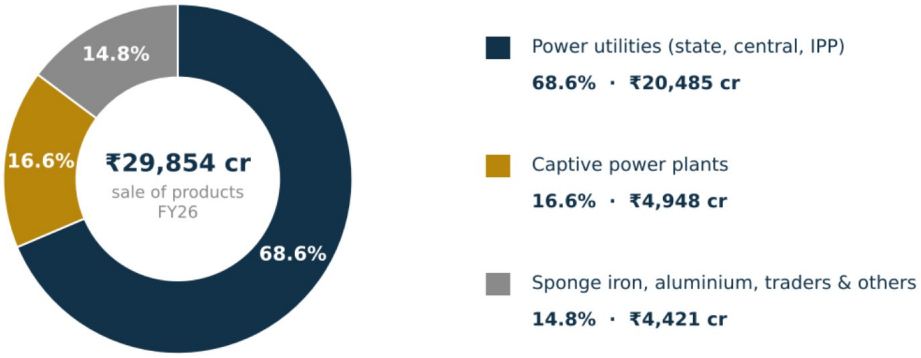
5. BUSINESS SEGMENTS AND PRODUCTS

Segment	What it is, in one line	FY26 sale of products (₹ cr)	%
Raw non-coking coal	Crushed coal sold as mined, mostly to burn in power stations	29,081	97.4%
Washed coal	Coal cleaned of some ash in a washery for efficient plants	770	2.6%
Washery rejects	Leftover low-grade material from washing	3	0.0%
Total sale of products		**29,854**	**100%**

Source: RHP p.21, p.228. Revenue from operations of ₹30,550 crore also includes other operating revenue such as railway-line income and the stripping-provision reversal described in Section 8.

MCL is a one-product business, so the useful split is not by product but by who buys and how they pay.

Seven of every ten rupees come from power utilities; 82% of sales value is at a price Coal India notifies



Source: RHP p.476, p.479

Thermal coal sold under long-term contracts (82% of sales value). The product is black rock crushed to fist size or smaller, low in heat and high in ash: mostly grades G10 to G14 on India's 17-grade scale, where G1 is the best (RHP p.43). Its job is simple. A power station grinds it to powder and burns it to boil water, and the steam spins a turbine. If supply fails, the plant trips and a state's grid loses power within days, which is why utilities sign fuel supply agreements (FSAs) running for years. Under these contracts MCL sells at Coal India's notified price, which has not changed in the period reviewed (RHP p.200). Average FSA realisation still slid from ₹1,438 to ₹1,354 a tonne between FY24 and FY26 as more low-grade coal entered the mix (RHP p.479). The RHP does not explain the fall; with the notified price unchanged, a shift toward lower grades is the likely cause. Volume grew from 168.08 MT to 181.04 MT. This is the stable, unglamorous core: dependable volume, no pricing power.

E-auction and other sales (18% of sales value). The same coal, sold online to whoever bids highest above a floor price. Traders, sponge iron makers, aluminium smelters and power stations short of contracted supply buy here. This is MCL's only window to market pricing, and it carried the profit in FY24: ₹2,273 a tonne, ₹835 more than an FSA tonne. By FY26 it fetched ₹1,797, only ₹443 more, and volume fell from 30.95 MT to 29.70 MT (RHP p.479). The H1 FY27 rate recovered to ₹1,774 against ₹1,630 a year earlier, as power demand surged.

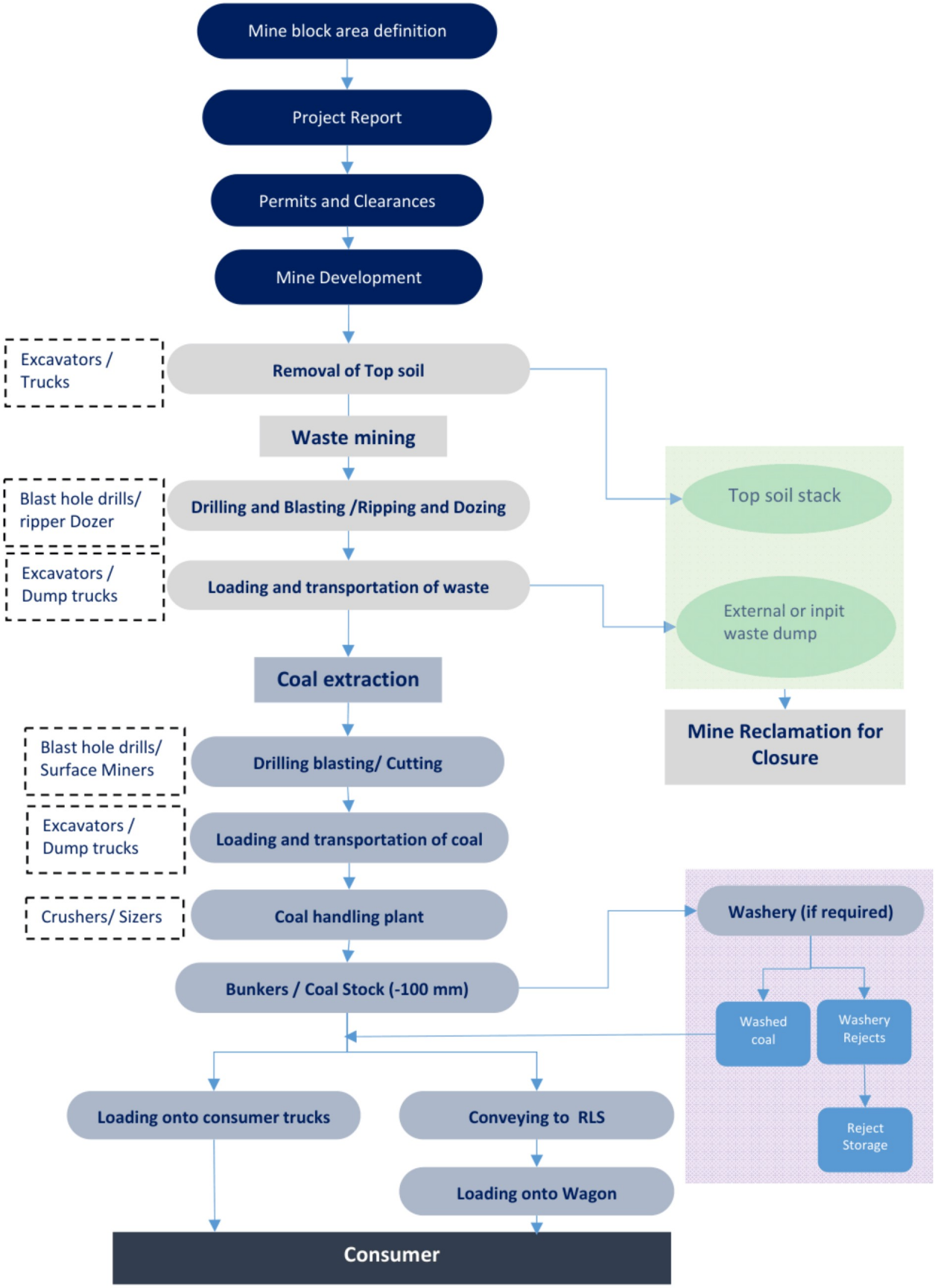
What "notified price" means. Coal India publishes a price list for each of the 17 grades and updates it rarely; every FSA customer pays that list price plus fixed charges for loading and transport. As of April 2025, the list ran from about ₹3,560 a tonne for G2 coal to ₹457 for G17 (RHP p.160). MCL's grades sit in the lower-middle of that range. The price is a policy instrument as much as a commercial one: cheaper coal means cheaper electricity for state utilities.

Washed coal (2.6%). The 10 MTPA Ib Valley washery, run by a contractor since April 2024, washes coal in a heavy liquid so that stone sinks and coal floats. The output still carries 33–34% ash (RHP p.43, p.231). It is a small, early-stage line.

How the money is made

Almost all demand is recurring. A power station burns coal every hour of every day, so MCL's customers reorder continuously rather than buying once. Power utilities took 73.9% of FY26 dispatch volume, captive power plants at factories 15.0%, and sponge iron, aluminium and traders the rest (RHP p.476). The top customer, NTPC among the names disclosed, provided 14.6% of revenue; the top ten 55.9% (RHP p.27). Government-owned utilities alone provided 44.8% (RHP p.24). All ten largest customers buy under FSAs.

Getting paid is the soft spot. Receivable days rose from 22 to 41 between FY24 and FY26 (RHP p.124). Andhra Pradesh Power Generation Corporation owes ₹1,930 crore, half of all receivables, and the RHP itself describes the payments as delayed (RHP p.24, p.36). No provision has been made against it.



How an open-pit mine works: strip the topsoil and waste rock, cut the coal (at MCL, 99.4% by blast-free surface miners), crush it, then load it onto trucks or into rail wagons through silos. Source: RHP p.247

The physical shape of the company

Facility	What it does	FY26 output / use	Status
14 opencast mines	Surface coal extraction	217.99 MT; 72.3% of normative capacity	Operating; Lakhanpur (28.6 MT), Bhubaneswari (26.5 MT), Ananta (24.0 MT), Siarmal (22.4 MT) largest
3 underground mines	Tunnel mining	0.32 MT; 14.2% utilisation	Loss-making: ₹586 cr loss before tax in FY26
Ib Valley washery	Reduces ash	3.38 MT washed coal dispatched	10 MTPA; two more (27 MTPA) planned
First-mile connectivity (silos, conveyors, rapid loading)	Moves coal mine-to-wagon without trucks	96 MTPA; 23% of dispatch	Expanding

Source: RHP p.48, p.197, p.203, p.477–478, p.483.

MCL owns 22 of the 74 surface miners it uses and hires the rest. Outsourced coal and overburden work cost ₹4,042 crore in FY26, 59% of all contract spend, and the top ten contractors took 60% of that spend (RHP p.226, p.481, p.526). Rail now carries 65.3% of dispatch, up from 58.7% in FY24 (RHP p.229). Utilisation is not the constraint: 11 projects under way carry 274 MTPA of rated capacity (RHP p.198). Demand and land acquisition are.

Customer profile

	FY24	FY25	FY26
Largest customer, % of revenue	12.1%	14.6%	**14.6%**
Top 5 customers	38.4%	41.4%	**41.1%**
Top 10 customers	53.3%	55.7%	**55.9%**
Government-owned utilities	41.9%	47.5%	**44.8%**
FSA share of sale of products	77.5%	80.2%	**82.1%**

Source: RHP p.24, p.26–27, p.479.

6. INVESTMENT RATIONALE: THE CASE FOR, AND ITS LIMITS

1 **India's lowest-cost coal, and a real geological moat.**

₹816/t
cash cost, FY26

MCL's cash cost per tonne in FY26 was ₹816, against ₹1,330 at Northern Coalfields, the next cheapest, and ₹1,448 at South Eastern Coalfields (RHP p.218). Output per man-shift was 30.3 tonnes against 12.7 for the Coal India group (RHP p.216). A competitor cannot copy shallow, thick seams; it would need a comparable block, and Talcher and Ib Valley are already allocated. This is a genuine barrier. Its limit: being cheapest protects volume in a downturn, but it does not let MCL charge more.

2 **A balance sheet with no debt and a large cash pile.**

₹20,292 cr
cash, bank balances and liquid investments, Sep-26

Borrowings are ₹2.8 crore against net worth of ₹22,400 crore (RHP p.86–87). Even after a ₹3,300 crore dividend paid to Coal India in October 2026, about ₹16,992 crore remains, roughly 19% of the market value at cap (RHP p.307). Head start, not moat: the cash belongs to shareholders only as fast as the board, appointed by the Ministry of Coal, chooses to distribute it.

3 **A dividend habit backed by government policy.**

78.5%
FY26 payout

MCL declared ₹8,400 crore for FY26, ₹12.69 a share, a 9.3% yield at ₹136 (RHP p.307). Public sector rules require at least 30% of profit or 4% of net worth, whichever is higher (RHP p.74). The caveat is timing: ₹5,150 crore, ₹7.78 a share, of FY27's dividends has already gone to Coal India before listing (RHP p.307). If FY27's total merely matches FY26, about ₹4.91 a share is left for new holders this year.

4 **Forty-five years of audited reserves.**

9,840 MT
JORC-audited reserves

An independent audit by DMT Consulting under the Australian JORC code puts reserves at 9,840 MT, about 45 years at FY26 output, within a resource base of 40.3 billion tonnes (RHP p.225, p.230). Real, but long-dated: reserve life matters less than what each tonne earns, and demand is projected to plateau after FY36.

5 **A near-term demand tailwind.**

+10.2%
power demand, H1 FY27

India's electricity demand grew 10.2% in the first half of FY27, and power-station coal stocks fell to about six days of use against a norm of 19–20 days in early October (ICRA, October 2026). This is why MCL's e-auction price recovered in H1 FY27. It is cyclical, not structural, and it did not reach FSA prices.

7. INDUSTRY OVERVIEW AND OUTLOOK

India consumed about 1,443 MT of coal in FY26, up from 843 MT a decade earlier (CRISIL Intelligence, RHP p.166–167). Coal still generates about 70% of India's electricity from about 43% of installed capacity, because solar and wind run only 15–22% of the time and cannot yet carry the evening peak (RHP p.166). CRISIL projects demand of 1,495 MT by FY31 and non-coking coal demand of 1,564 MT by FY36, after which it expects a slow decline as renewables and storage mature (RHP p.21, p.167).

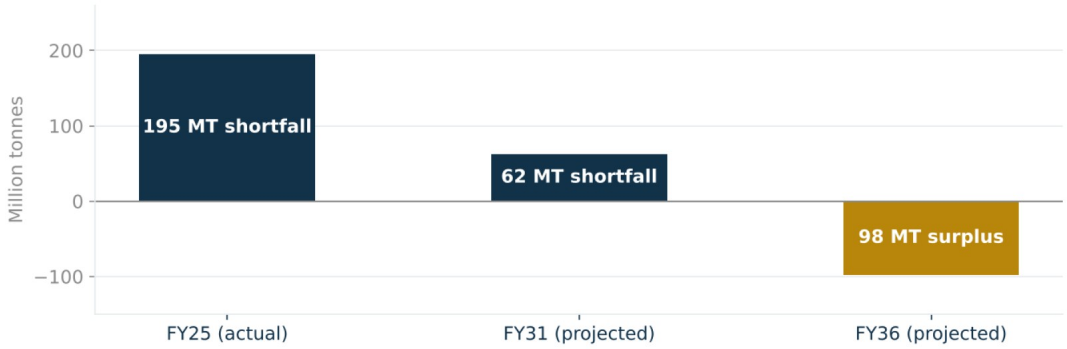
The market is dominated but opening up. Coal India produced 73.8% of national output in FY26 (RHP p.229). Captive and commercial mines, auctioned to private and state companies since 2015, raised their share from 10.9% in FY22 to 20.2% in FY26 (RHP p.159), with about 378 MTPA of capacity already auctioned (RHP p.157). Several of MCL's own customers have won such blocks, which means some of today's buyers become tomorrow's competitors (RHP p.204).

Indicator	FY25	FY26	Change
India coal production incl. lignite (bn tonnes)	1.09	**1.08**	(1.0%)
Coal imported by power plants (MT)	62.5	**45.4**	(27.4%)
MCL e-auction premium over notified price (₹/t)	405	**275**	(32.1%)
Captive + commercial share of production	—	**20.2%**	from 10.9% in FY22

Source: RHP p.159, p.166, p.200 (CRISIL Intelligence; Central Electricity Authority).

Policy backdrop. From 22 September 2025, GST on coal rose from 5% to 18% and the ₹400 a tonne compensation cess was abolished. The change left MCL's recognised revenue unchanged but let it use up a ₹2,976 crore pile of stuck input-tax credit, which flattered cash flow over the following year (RHP p.478–479). Of larger consequence is the Supreme Court's July 2024 ruling in *Mineral Area Development Authority vs SAIL*, which allowed states to tax mineral-bearing land retrospectively from April 2005, payable over 12 years from April 2026. Odisha's own 2005 levy, the ORISED Act, was struck down by the Orissa High Court and Odisha's appeal sits before the Supreme Court (RHP p.55–56). This is a headwind of unknown size.

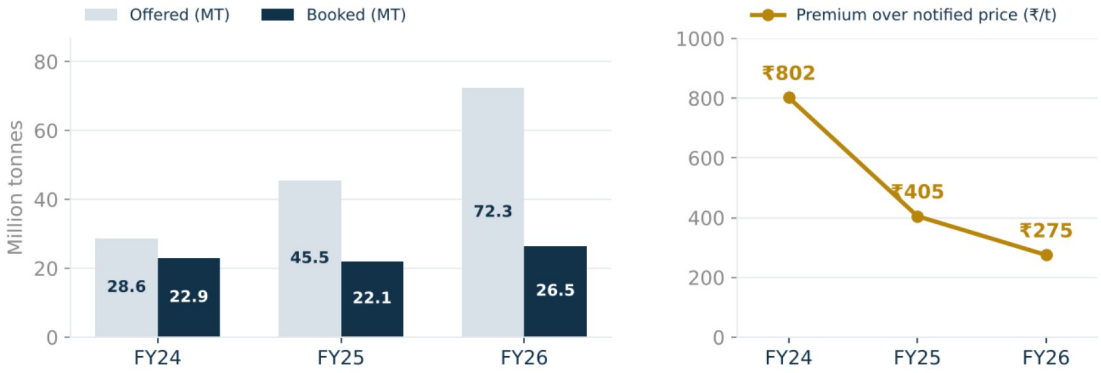
CRISIL sees India's coal shortfall shrinking from 195 MT to 62 MT by FY31 and turning into a surplus by FY36



Source: CRISIL Intelligence industry report, as reproduced in RHP p.174 (levelised at G10 grade)

The domestic signal. Watch Ministry of Coal monthly dispatch against Grid-India power demand. In FY26 power demand grew under 1% and MCL's buyers took only 37% of the e-auction coal offered (RHP p.200). In H1 FY27 demand grew 10.2% and coal stocks fell to six days (ICRA). Coal India's output rose 19.3% in October 2026 and offtake 9.2% for April–October (company filings via PTI). Translated: the e-auction premium is a direct read of this gap, and every ₹100 a tonne on 30 MT of auction coal is about ₹300 crore of revenue.

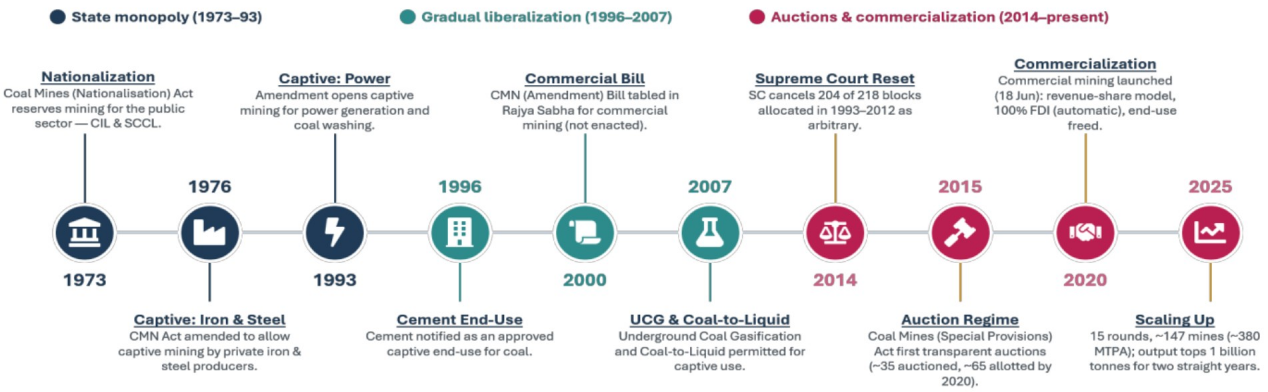
MCL put 2.5x more coal up for e-auction in FY26 than in FY24; buyers took only 37% of it and the premium fell 66%



Source: RHP p.200 (CRISIL Intelligence, from MCL annual reports)

> **The counterweight.** CRISIL's own figures show India's import substitution is largely done, captive mines are scaling up, and supply is projected to overtake demand by FY36. An industry moving toward surplus does not raise prices for a seller that cannot set them.

Verdict: neutral. Volume growth in low single digits is plausible; price growth depends on policy and on the auction market, not on MCL.



Fifty years of coal policy, from nationalisation in 1973 to commercial mining in 2020: why a state monopoly now faces private competition. Source: RHP p.157

8. FINANCIAL PERFORMANCE

₹ crore	FY24	FY25	FY26	2-yr CAGR
Revenue from operations	31,634	31,353	**30,550**	(1.7%)
Growth	—	(0.9%)	(2.6%)	
Other income	1,956	1,676	**3,350**	
Operating EBITDA	14,681	13,655	**12,735**	(6.9%)
Operating EBITDA margin	46.4%	43.6%	**41.7%**	
EBITDA (incl. other income)	16,637	15,331	**16,085**	
Depreciation & amortisation	979	1,098	**1,632**	
Finance costs	68	71	**91**	
Profit before tax	15,590	14,162	**14,361**	
Tax	3,748	3,336	**3,663**	
Profit after tax	11,842	10,825	**10,698**	(4.9%)
PAT margin (on total income)	35.3%	32.8%	**31.6%**	
PAT attributable to owners	11,841	10,824	**10,678**	
Diluted EPS (₹)	17.89	16.35	**16.13**	(5.0%)

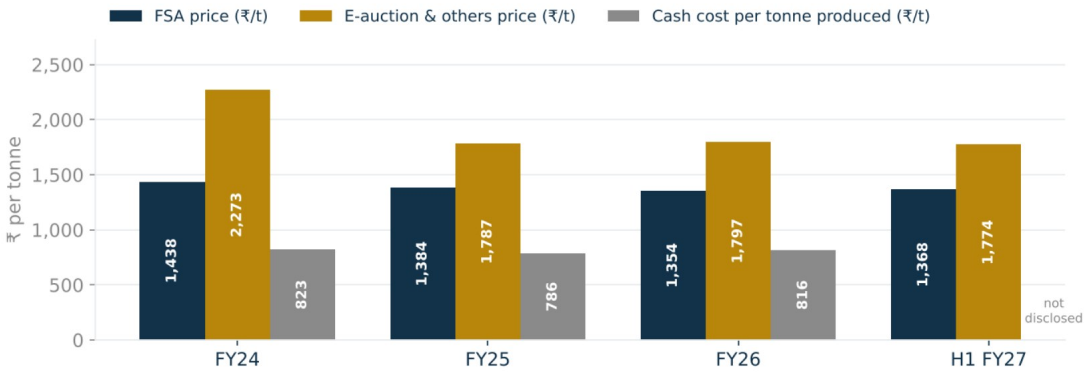
Source: RHP p.88–89, p.124, p.484–485. FY26 includes ₹1,164 crore of interest on income-tax refunds and ₹695 crore of liabilities written back, including a ₹605 crore water-charge provision reversed after writ petitions; the water claim remains a contingent liability (RHP p.47–48).

Volume rose about 6% in two years, yet revenue fell 3.4%, because average realisation dropped 9.7% from ₹1,568 to ₹1,417 a tonne (RHP p.479). Cash cost per tonne stayed near ₹816. Margin therefore fell on price and mix, not on cost, and will only recover if e-auction premia do. Excluding one-time items, FY26 profit before tax fell 10.6% (RHP p.48); our clean FY26 PAT is ₹9,313 crore, EPS ₹14.07.

Two adjustments a reader should make. First, depreciation jumped 49% in FY26 to ₹1,632 crore. Part of this is real, as new silos, conveyors and rail lines entered service, and part is catch-up: ₹77 crore of "unplanned" depreciation for earlier years was charged after the Comptroller and Auditor General objected, and useful lives of some assets were shortened (RHP p.67). Expect depreciation to stay near this level. Second, other income of ₹3,350 crore was 23% of FY26 profit before tax. Remove the one-time tax-refund interest and it is still about ₹2,190 crore, earned on cash that is steadily being paid out as dividends. As the cash pile shrinks, so will this income.

The half-year check. H1 FY27 revenue rose 9.3% to ₹16,093 crore and profit 6.7% to ₹4,881 crore (RHP p.88). Read the detail before cheering. Production fell 9.3% to 87.5 MT while dispatch rose 8.3% to 111.2 MT, because MCL sold down its stockpile: inventory fell from ₹2,239 crore to ₹1,256 crore in six months (RHP p.86, p.124). Cash from operations of ₹8,997 crore was also helped by ₹1,509 crore of GST credit used up in the half (RHP p.479). Neither tailwind can repeat on the same scale. Operating margin slipped to 40.1% from 40.7% a year earlier.

The squeeze in one picture: e-auction price fell 21% since FY24 while cash cost per tonne held near ₹816



Source: RHP p.479 (prices); cost = total expenses less finance cost and D&A, ÷ production, Krijuna calc. from RHP p.88, p.124

₹ crore	FY24	FY25	FY26	Comment
Net worth	16,120	18,343	**21,371**	Grows despite ~80% payout
Total borrowings	4	3	**3**	Effectively nil
Lease liabilities	2	3	**3**	
Cash, bank balances, current investments	14,116	12,593	**16,088**	₹20,292 cr by Sep-26
Net debt	(14,110)	(12,587)	**(16,082)**	Net cash
Property, plant & equipment	13,779	16,364	**18,520**	Plus ₹3,712 cr work in progress
Inventories	1,279	1,880	**2,239**	₹1,256 cr by Sep-26
Trade receivables	2,160	2,676	**3,744**	Up 73% in two years
Trade payables	1,571	1,853	**2,002**	
Total assets	50,688	53,591	**55,358**	

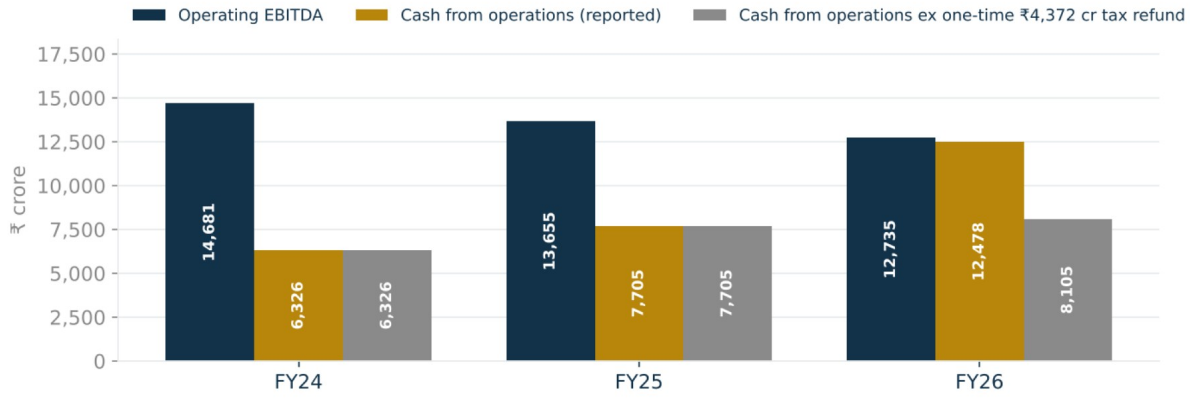
Source: RHP p.86–87, p.122, p.486. Non-current provisions of ₹18,280 crore include a ₹16,845 crore stripping-activity provision (Mar-26), an accounting reserve rather than borrowed money.

The balance sheet is strong and simple. Two items need watching: receivables, driven by Andhra Pradesh's state generator, and a stripping-activity provision whose release policy the company itself says does not follow Ind AS 37 (RHP p.482).

₹ crore	FY24	FY25	FY26	Comment
Cash from operations	6,326	7,705	**12,478**	FY26 includes ₹4,372 cr old tax refunds
Capital expenditure (PPE paid)	(3,122)	(1,936)	**(2,211)**	KPI capex ₹2,930 cr in FY26
Free cash flow	3,204	5,769	**10,266**	
Cash from investing	3,437	2,117	**(5,068)**	Deposits drawn down, then rebuilt
Cash from financing	(9,002)	(8,601)	**(7,651)**	Almost entirely dividends to Coal India

Source: RHP p.46–47, p.90–91, p.124.

Strip out FY26's one-time tax refund and cash from operations covered only 64% of operating EBITDA



Source: RHP p.90, p.46–47, p.484–485; FY26 ex-refund = ₹12,478 cr less ₹4,372 cr refund received

Cash from operations covered only 43% of operating EBITDA in FY24 and 56% in FY25. The gap is explained, not hidden: about ₹4,000 crore of tax a year was paid while ₹3,617 crore of refunds sat with the tax department (RHP p.68), and receivables grew. Still, dividends of ₹9,000 crore in FY24 and ₹8,600 crore in FY25 exceeded free cash flow of ₹3,204 crore and ₹5,769 crore; bank deposits made up the difference (RHP p.91). That cannot repeat indefinitely.

	FY24	FY25	FY26	Direction
Return on net worth	80.6%	62.8%	**53.8%**	Falling
Return on average capital employed	107.0%	83.2%	**73.3%**	Falling
Debt to equity	0.00	0.00	**0.00**	Flat
Receivable days (RHP basis)	22	28	**41**	Worsening
Inventory days	15	22	**27**	Worsening; reversed in H1 FY27
Payable days	18	22	**24**	Stable
Fixed asset turnover	2.3x	1.9x	**1.6x**	Falling as capex outruns revenue
Operating EBITDA per tonne dispatched (₹)	738	649	**604**	Falling

Source: RHP p.124; days and turnover are Krijuna calculations on year-end balances from RHP p.86–88.

Returns are falling from extraordinary to merely excellent, because profit is shrinking while equity keeps growing. Operating EBITDA per tonne, the clearest measure of what MCL earns from each tonne it digs, is down 18% in two years.

9. PEER COMPARISON AND VALUATION

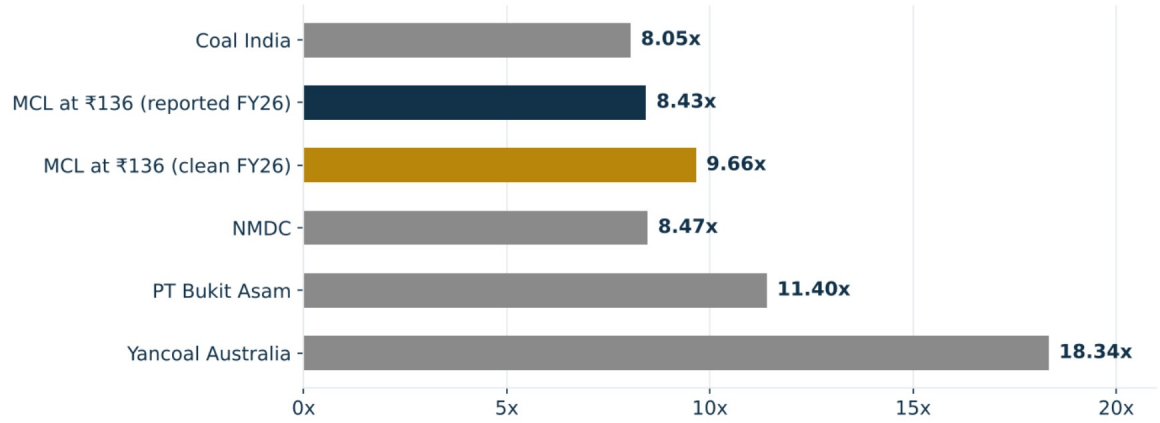
Company	Revenue (₹ cr)	PAT margin	RoNW	Debt	P/E	P/B	Comparable on / not on
MCL at ₹136	**30,550**	**31.6%**	**53.8%**	**Nil**	**8.4x (9.7x clean)**	**4.2x**	—
Coal India	1,68,400	17.3%	27.8%	Low	8.05x	2.1x	Same price regime; owns MCL and loss-making units
NMDC	32,071	22.1%	23.4%	Low	8.47x	1.9x	PSU miner, iron ore not coal
Bharat Coking Coal	13,645	0.9%	2.1%	—	n.m.	2.5x	Sister company; coking coal, high cost
PT Bukit Asam (Indonesia)	22,890	6.9%	13.0%	—	11.40x	1.5x	State coal miner; market-priced exports
Yancoal Australia	35,815	7.3%	4.8%	—	18.34x	0.9x	Market-priced exports; earnings at cyclical low
Peer average (RHP)					**11.57x**		

Source: RHP p.123 (prices as on 11 November 2026; foreign peers on calendar 2025 earnings) and p.210–211 (PAT margins, FY26 for Indian peers, CY25 for foreign). MCL P/B on March 2026 NAV of ₹32.29 for like-for-like comparison.

The maths. Market cap = 661.84 crore shares × ₹136 = ₹90,010 crore. P/E = ₹136 ÷ ₹16.13 = 8.4x; at the floor of ₹129, 8.0x. Clean EPS = (₹10,698 crore − ₹1,859 crore × (1 − 25.5% tax)) ÷ 661.84 crore shares = ₹14.07, giving 9.7x. Enterprise value = ₹90,010 crore − ₹16,992 crore net cash after the October dividend + ₹5 crore debt and leases = ₹73,023 crore, or 5.7x FY26 operating EBITDA. Price to book is 4.0x on September 2026 NAV of ₹33.84, and 4.7x if that NAV is reduced by the ₹4.99 a share paid out in October. There is no fresh issue, so no pro-forma adjustment applies.

Where it sits. MCL earns roughly twice Coal India's return on equity and nearly double its margin, so some premium on book value is deserved. Two things cap it. Coal India's own price already includes MCL, which supplied about 28% of group output, alongside weaker subsidiaries; buying MCL directly concentrates the best asset but loses the diversification. And MCL's earnings are falling while the foreign peers' high multiples reflect cyclically depressed profits, not growth. The international comparison is directional only.

At the cap price MCL is priced in line with its parent on reported profit, and 20% above it on clean profit



Source: RHP p.123 (peer prices as on 11 Nov 2026; foreign peers CY25 EPS); MCL clean EPS ₹14.07 is Krijuna's calculation from RHP p.47–48

The dividend lens. Many buyers will judge MCL as an income stock, so test it that way. At ₹136, FY26's ₹12.69 a share is a 9.3% yield, against about 6.5% on Coal India. That gap looks generous until three facts are added: MCL's payout of 78.5% is already far above Coal India's, so there is little room to raise it; the dividend has been flat in rupees for three years (₹8,600, ₹8,750 and ₹8,400 crore) while profit fell; and FY27's distribution has been largely pre-empted by the seller. An investor buying for income is paying a fair price for a high but non-growing coupon, with the coupon partly spent this year.

Why neither direction has an edge. At 8.4x reported earnings and a 9% trailing dividend yield, MCL is not expensive for a debt-free business. At 9.7x clean earnings, with profit declining about 5% a year, a price set by the seller and unquantified tax exposure, it is not cheap either. Our break-even for SUBSCRIBE is about ₹113, which is clean FY26 EPS of ₹14.07 at Coal India's 8.05x.

10. OBJECTS OF THE ISSUE

Object	₹ crore	% of issue	Deployment
Offer for sale proceeds to Coal India Ltd	9,001 (8,981 net of employee discount)	100%	On allotment
Fresh issue to MCL	Nil	0%	—
Total	**9,001**	**100%**	

Source: RHP cover page, p.73, p.570.

Of every rupee you pay, zero paise reach Mahanadi Coalfields; all of it goes to Coal India, which acquired these shares at an average cost of ₹0.26 each after bonus issues and the split (RHP p.54, p.105). Offer expenses are borne by the seller. There is no growth capex, no debt repayment and no monitoring agency, because there is nothing to monitor. MCL funds its own capex from internal cash: ₹2,930 crore in FY26 (RHP p.124).

This is not unusual for a government disinvestment, and it is not a red flag in itself. It does change the question you are answering. You are not funding expansion; you are buying a 10% slice of an existing cash stream from its controlling owner, at a price that owner chose. The owner has also already taken ₹5,150 crore of FY27 dividends, ₹7.78 a share, out of the company before the sale (RHP p.307). With Coal India's stake at 90%, further sales are possible once the six-month lock-in on its holding above 20% ends.

11. PROMOTERS AND MANAGEMENT

Name	Role	Background
Uday Anantrao Kaole, 59	Chairman-cum-Managing Director since Dec 2023	Mining engineer (Nagpur University), 39 years at Coal India, BCCL, WCL, SECL; superannuates 31 January 2027
Nirmal Kumar Singh, 57	Director (Finance) and CFO since 5 October 2026	B.Com (Hons); Coal India group finance; term to August 2029
Rekha Pandey, 54	Director (HR) since 23 October 2026	Five-year term
Sanjay Kumar Jha, 59	Director (Technical) since March 2025	35+ years in coal mining, MCL and Central Coalfields; superannuates September 2027
Sanjeev Kumar Kassi, 56	Part-time Director, Ministry of Coal nominee	Also on the board of Singareni Collieries
Mukesh Choudhary, 55	Part-time Director, Coal India nominee	Also on boards of Coal India and BCCL
Board composition	6 directors: 4 executive, 2 government nominees, **0 independent**, 1 woman (executive)	SEBI exemption from board-composition rules valid only until listing

Source: RHP p.41–42, p.51, p.284–286.

The promoter is the Government of India, through Coal India. Coal India has listed two subsidiaries this year. Bharat Coking Coal listed in January 2026 at ₹45 against a ₹23 issue price after 147 times subscription, but traded at ₹31.84 on 11 November (RHP p.123; NSE data). Central Mine Planning listed in March 2026 at a 7% discount. The group's record with minority shareholders is a steady dividend record at Coal India itself, not capital growth.

Promoter behaviour around this issue is the substance here. The CFO and HR director joined within six weeks of the RHP; the chairman retires about two months after listing; and every director is appointed and paid on terms set by the Ministry of Coal, so the nomination committee can only note them (RHP p.42). Four of six directors have never served on a listed board (RHP p.51). The company must appoint independent directors after listing, but that power sits with the Ministry, which has not filled the posts before (RHP p.66–67).

> **Pedigree is not a backstop.** Government ownership makes default unlikely and dividends reliable. It also means pricing, payouts, wages and board seats are decided in Delhi for policy reasons, and minority holders with 10% have no vote that changes them.

12. KEY RISKS

1. **An unquantified Odisha mineral-tax liability.** Coal India's legal department estimated MCL's possible liability at ₹31,228 crore, 35% of the market value at cap and 1.4 times net worth (RHP p.55). The accounts call the impact "not ascertainable" and do not include it in the ₹12,513 crore of contingent liabilities (RHP p.24–25); the Comptroller and Auditor General flagged this as deficient disclosure. The Supreme Court appeal on the ORISED Act is pending.

2. **Price is set by the seller, for policy reasons.** 82% of sales value moves at Coal India's notified price, which stayed unchanged while realisation fell 9.7% (RHP p.200, p.479). A government that wants cheap power has little reason to raise it.

3 **A wage agreement is due with no price increase attached.** The last wage pact raised pay 19% (RHP p.483). The new one, effective retrospectively from 1 July 2026, has not been negotiated, and the committee that will negotiate it had not been formed as of recent reports (IndianPSU). Employee cost is already 15.5% of revenue (RHP p.483).

4 **A forensic audit report that has not been adopted.** A forensic audit of coal sales realisation for 2008–2019, dated 31 May 2023, reported loss to MCL through manipulated entries. The auditors note it has not been placed before the board, and management has asked the forensic auditor to revise it (RHP p.68, p.71).

5 **Accounting that flatters profit at the margin.** The stripping-activity provision, ₹16,773 crore at September 2026, is released into revenue under a policy the company says is not as per Ind AS 37 (RHP p.482). Releases and related credits added about ₹1,037 crore to FY26 profit before tax, 7% of it (RHP p.88, p.482). A FY24 policy change added ₹656 crore (RHP p.69).

6 **Receivables concentrated on one state utility.** Andhra Pradesh's state generator owes ₹1,930 crore, 51% of receivables, with no credit-loss provision (RHP p.36).

7 **Tax disputes and an uninsured asset base.** Direct-tax disputes total ₹8,082 crore in 42 cases (RHP p.534). Contingent income-tax claims rose from ₹4,996 crore to ₹8,075 crore in six months (RHP p.24). Except for heavy vehicles, the company does not insure its plant, stores or coal stock against fire or theft (RHP p.67).

8 **Licence to operate is current but stretched.** Twelve of 17 mines await renewal of groundwater clearance, one since December 2022, though no penalty has been imposed (RHP p.542–543). Land compensation disputes include a ₹1,504 crore balance deposit order (RHP p.531).

9 **Structural demand risk after FY36, and a large overhang now.** CRISIL projects coal demand to peak around FY36 (RHP p.21). Nearer term, Coal India's 90% holding is a standing supply of stock.

13. OUTLOOK AND RECOMMENDATION

Mahanadi Coalfields is the best mine in the best-known coal group in India, with costs no rival can match and a balance sheet that pays for itself. If you owned it at book value, you would keep it. The issue is that you are not being offered it at book value. You are being offered it at four times book, by its controlling shareholder, after that shareholder has taken most of this year's dividend, while profit is falling about 5% a year and price is set by policy.

Over a full cycle, MCL should keep producing 200–230 MT and paying out most of what it earns. That supports a steady income holding. It does not support a re-rating, because the levers that would lift earnings, a notified-price increase or a durable rise in auction premia, are outside its control. The near-term demand spike helps the next two quarters; the industry's shift toward surplus works against the next five years.

For the listing window, the parent trades at 8.05x and the sister company that listed in January now trades well below its listing price. A ₹9,001 crore issue needs broad demand to list well. We see no clear pricing gap for the market to close.

RECOMMENDATION: NEUTRAL

For the long-term investor already holding Coal India, MCL adds concentration, not diversification; buying it after listing near ₹115 would be the more attractive entry. For the listing-gains investor, the valuation leaves little room; apply only within the Coal India shareholder quota and only an amount you are content to hold.

14. WHAT TO MONITOR AFTER LISTING

What to watch	The number that confirms or denies it
E-auction premium	Q3 and Q4 FY27 premium above ₹400/t (FY26: ₹275/t), from Coal India e-auction disclosures
Wage settlement (NCWA-XII)	Final increase below 19%, or paired with a notified-price revision; employee cost below 16% of revenue in FY27
ORISED / Odisha mineral tax	Supreme Court ruling, or any quantified demand from Odisha; above ₹5,000 crore moves us to AVOID
Receivables	Andhra Pradesh generator dues back below ₹1,000 crore and receivable days below 30 by March 2027 (Sep-26: ₹1,930 crore; FY26: 41 days)
Governance	Appointment of at least six independent directors within six months of listing; adoption of the 2023 forensic audit report

Questions we would put to management: what part of FY26's ₹816 cost per tonne is wage-linked and exposed to NCWA-XII; when the forensic audit will go to the board; and what dividend payout the board intends for FY28.

No target price appears in this note; the rating is a subscription call only. All company figures are sourced from the Mahanadi Coalfields Limited Red Herring Prospectus dated 13 November 2026, with page references given. Industry figures are sourced from CRISIL Intelligence (as reproduced in the RHP), the Central Electricity Authority, ICRA (October 2026), Coal India's monthly production filings and Coal India's FY26 dividend announcements, as attributed. Price band, lot size and employee discount are from the price band announcement of 16 November 2026. Grey-market premia are unofficial, unregulated and excluded from this note.

15. DISCLOSURES

Disclaimer

About the Research Analyst

Krijuna Research and Analytics (hereinafter referred to as the "Research Analyst" or "RA") is a registered SEBI Research Analyst under the SEBI (Research Analysts) Regulations, 2014, having Registration No. INH000014881. Below are the brief details:

Research Analyst Name	Krijuna Research and Analytics
Proprietor Name	Mr. Hemant Bajaj
SEBI Registration Number	INH000014881
BSE Enlistment Number	6019
Address	8001 8th Floor World Trade Center, Near Udhna Darwaja Ring Road Surat, Surat, Gujarat, 395002
Email ID	krijuna01@gmail.com
Contact No.	9723693911

History, present business and background: The Research Analyst is engaged in offering research recommendation to the clients in the Indian Securities Market. Its scope of services is restricted to providing the independent research services and is in no way involve in offering any Investment Advice, Portfolio Management or any other ancillary services. The Research Analyst does not offer any execution or distribution services.

Terms and conditions of Research Services: The Research Services will be limited to providing independent research and shall not be involved in any portfolio allocation services, execution services or distribution services.

Disciplinary history: No penalties / directions have been issued by SEBI under the SEBI Act or Regulations made there under against the Research Analyst relating to Research Analyst services. There are no pending material litigations or legal proceedings, findings of inspections or investigations for which action has been taken or initiated by any regulatory authority against the Research Analyst.

Details of its associates: The details of associates shall be provided as and when required.

Disclosure regarding ownership and material conflicts of interest

- The Research Analyst or its associates or relatives do not have financial interest in the subject Company.
- The Research Analyst or its associates or relatives do not have actual/beneficial ownership of one per cent or more securities of the subject Company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
- The Research Analyst or its associates or relatives do not have any other material conflict of interest at the time of publication of the research report or at the time of public appearance.

Disclosure regarding receipt of compensation

- The Research Analyst or its associates have not received compensation from the subject Company in the past twelve months.
- The Research Analyst or its associates have not managed or co-managed public offering of securities for the subject Company in the past twelve months.
- The Research Analyst or its associates have not received any compensation for investment banking or merchant banking or brokerage services from the subject Company in the past twelve months.
- The Research Analyst or its associates have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months.
- The Research Analyst or its associates have not received any compensation or other benefits from the subject Company or third party in connection with the research report.

Disclosure regarding receipt of compensation (for the purpose of public appearance)

- Whether it or its associates have received any compensation from the subject company in the past twelve months — No.
- Whether the subject company is or was a client during twelve months preceding the date of distribution of the research report and the types of services provided — No.

General disclosure

- The Research Analyst has not served as an officer, director or employee of the subject Company.
- The Research Analyst has not been engaged in market making activity for the subject Company.
- The Research Analyst is not using any Artificial Intelligence (AI) tool in research services.

Additional disclosures

- Trading/investing in Stock Market involves considerable risk. Investment in equity shares, futures, options and commodities has its own risks. You may lose part or all the initial investment because stock market investments are subject to market risk. It is not ideal for all types of investors to invest in stock market.
- Registration granted by SEBI, enlistment of Research Analyst (RA) with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.
- The research recommendation and/or report provided is based on information & analysis which is believed to be accurate. This information is provided to enable you to make your own investment decisions and should not be construed as investment advice.
- The Research Analyst do not offer any product/service with assured/guaranteed returns. The anticipatory moves mentioned are purely subject to technical studies and does not take into consideration sudden currency/market volatility and data events. The Research Analyst cannot be held responsible for the accuracy of the research recommendation and/or report.
- The Research Analyst do not give any kind of profit commitments. Investment in stock or commodity markets is subject to market risk, though best attempts are made for predicting markets, but no surety of return or accuracy of any kind is guaranteed. Clients are advised to consider all the advice as just an opinion and make investment decision on their own.
- In case of clients seeking advice on any specific positions already made by the client, the Research Analyst will be able to suggest best possible action considering the view on the security or product. Such suggestion under any circumstances shall be considered as an opinion (not advice) and the Research Analyst advise client to consider the opinion and not consultancy to make his/her final decision. The Research Analyst is not liable for any losses whatsoever client may incur in accepting the opinions.
- Client is also advised to trade only if research recommendation and/or report suit his/her current risk appetite and risk bearing capacity, all the research recommendation and/or report shall be considered as a view or opinion, and client shall on his/her discretion decide actual trades.
- The Research Analyst shall not be held responsible for any decisions taken based on the research recommendation, reports, or any related information.
- The Research Analyst does not provide merchant banking, investment banking, investment adviser, or brokerage services.
- The Research Analyst has never been suspended or barred from doing business by SEBI or any other authority, nor has SEBI ever cancelled our certificate of registration.
- The Research Analyst has never been in any partnership with any third-party intermediaries for execution or distribution services. As a result, we receive no compensation for execution or distribution services.

Krijuna Research and Analytics

8001 8th Floor World Trade Center, Near Udhna Darwaja Ring Road Surat, Surat, Gujarat, 395002

krijuna01@gmail.com · 9723693911 · SEBI RA Registration No. INH000014881 · BSE Enlistment No. 6019