Bharat Coking Coal Limited

IPO Note

INDIA EQUITY INSIGHT

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IPO Snapshot

Parameter	Value
Issue Opens On	09-Jan-2026
Issue Closes On	13-Jan-2026
Price Band (INR)	21-23
Issue Size (INR Cr.)	1,071
Recommendation	**SUBSCRIBE**

Company Overview

Incorporated in 1972 and conferred with Mini Ratna status, Bharat Coking Coal Ltd. (BCCL) is a wholly-owned subsidiary of Coal India Ltd. (CIL). The company primarily mines and supplies coking coal, holding an estimated reserve of 7.91 billion tonnes as of April 2024, ranking among the largest coking coal reserve holders in India. BCCL produces various grades of coking coal, non-coking coal, and washed coals for the steel and power industries. It operates 34 operational mines (4 underground, 26 opencast, 4 mixed) across 288.3 sq. km in Jharia (Jharkhand) and Raniganj (West Bengal), accounting for 58.5% of India's domestic coking coal production in FY25. The company leads in coking coal washery capacity at 13.65 MTPA across 5 facilities, with expansions underway. It explores Coal Bed Methane (CBM) in two Jharia blocks, leveraging CIL's support for technology and resources.

Outlook

BCCL benefits from vast reserves, strategic locations, and CIL backing amid rising coking coal demand driven by steel production. Washery expansions to 20.65 MTPA and CBM projects promise enhanced yields and diversification. Operational challenges like high ash content and contractor reliance persist, but government coal self-sufficiency push supports growth. Revenue, EBITDA, PAT CAGR stood at 4.6%, 88.1%, 36.6% over FY23-25. At upper band of 23, valued at EV/EBITDA of 5.5x post-issue, appearing attractive given scale and prospects.

Offer Structure

Particulars	IPO Details
No. of shares under IPO	46,57,00,000
Fresh issue (# shares)	Nil
Offer for sale (# shares)	46,57,00,000
Price band (INR)	21-23
Post issue MCAP (INR Cr.)	10,711

Issue Category	% Allocation
QIB	50%
NIB	15%
Retail	35%

Profit & Loss (INR Cr.)

Particulars (INR Cr.)	FY23	FY24	FY25
Revenue from Operations	12,624	14,246	13,803
EBITDA	494	2,087	1,758
EBITDA Margin (%)	3.9%	14.7%	12.7%
Profit After Tax (PAT)	665	1,564	1,240
PAT Margin (%)	5.3%	11.0%	9.0%

Balance Sheet (INR Cr.)

Particulars (INR Cr.)	FY23	FY24	FY25
Total Equity	3,804	5,322	6,463
Total Debt	0	0	0
Total Assets	13,313	14,727	17,283
Debt-Equity Ratio (X)	0.0	0.0	0.0
ROE (%)	17.5%	29.4%	19.2%
ROCE (%)	15.4%	47.2%	30.1%

Financial Analysis Narrative

BCCL demonstrated robust financial growth over FY23-25, with revenue from operations rising from 12,624 Cr to 13,803 Cr, reflecting steady demand for coking coal despite marginal moderation in FY25. EBITDA surged dramatically from 497 Cr (3.9% margin) to 1,757 Cr (12.7% margin), driven by lower COGS, operational efficiencies, and washery expansions, though margins dipped slightly in FY25 due to higher employee and other expenses. PAT grew at 36.6% CAGR to 1,240 Cr with 9.0% margin, supported by other income and controlled depreciation.
Balance sheet strengthened with equity expanding to 6,463 Cr on retained earnings, zero debt underscoring financial prudence, and assets growing to 17,283 Cr fueled by capex in mines and washeries. ROE and ROCE peaked in FY24 at 29.4% and 47.2% before normalizing to 19.2% and 30.1%, indicating efficient capital utilization amid expansion. Key turning point was FY24's margin expansion from cost optimizations.
In 1HFY26, revenue moderated to 5,659 Cr with compressed margins (EBITDA (3.4)%, PAT 2.2%), attributable to seasonal factors and higher costs. Overall, trends signal resilience with growth levers in washeries and CBM.

Cash Flow Analysis

BCCL's cash flows reflect operational strength, investment in growth, and minimal financing needs due to debt-free status and CIL support. Operating cash flows funded capex while maintaining liquidity.

Particulars (INR Cr.)	FY 2023	FY 2024	FY 2025
Operating Cash Flow	1,699	1,299	796
Investing Cash Flow	-1,706	-1,484	-782
Financing Cash Flow	-43	-74	-132

Cash Flow Narrative

Operating cash flow remained positive, declining from 1,699 Cr in FY23 to 796 Cr in FY25 due to working capital swings and higher taxes, yet covering ops efficiently at 57% of EBITDA in FY25. This supports self-funded growth without external borrowings.
Investing cash flows were outflow-heavy at 782 Cr in FY25 for mine development, washeries, and exploration, aligning with expansion strategy; capex focus preserved FCF positivity at 26 Cr in FY25. Financing outflows stemmed from minor dividends and provisions, with no debt drawdown.

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Industry & Market Overview

India's coking coal sector faces demand-supply gap, with BCCL pivotal as 58.5% producer. Steel growth drives needs amid import reliance (80%+), government pushing domestic output.

Market Size and Growth Drivers

Coking coal demand projected at 67 Mn MT in FY25P rising to 138 Mn MT by FY35E (CAGR 7.5%), fueled by steel capacity expansion to 300 Mn TPA. Production lags at 20 Mn MT, widening gap; drivers include infra, urbanization, and Atmanirbhar policies favoring local miners like BCCL. Washery modernization enhances yields.

Regulatory Landscape

Regulated by Mines & Minerals Act, Coal Mines Act; SEBI, MoC oversee allocations favoring PSUs. ESG norms tighten with net-zero 2070, mandating reclamation, emissions control; CIL subsidiaries benefit from captive allocations and safety mandates.

Competitive Landscape

BCCL dominates domestic coking coal (58.5% FY25), no direct listed peers; competes with CIL subsidiaries, imports from Australia. Advantages: reserves (21.5% national), washeries; challenges: high ash diverting to power (75% offtake).

Sectoral Risks

Import competition if global prices fall; weather, disasters disrupt ops; tightening ESG regs raise costs; supply chain via contractors (84% extraction) exposes to delays. Demand tied to steel cycle volatility.

SWOT Analysis

Category	Key Points
Strengths (S)	1. Largest coking coal producer (58.5% FY25 share), 7.91 BnT reserves (21.5% national). 2. 13.65 MTPA washery capacity, expanding to 20.65 MTPA; strategic Jharia/Raniganj locations. 3. Debt-free, CIL backing, Mini Ratna status with strong EBITDA growth (88.6% CAGR FY23-25).
Weaknesses (W)	1. High ash content limits steel use (power 74% revenue FY25); EBITDA volatility (3.9% to 14.7%). 2. Heavy contractor reliance (84% extraction FY25), customer concentration (top 10: 84-89%). 3. Employee costs 50-52% expenses, capex dependent on parent support.
Opportunities (O)	1. Washery/CBM expansions, mine repurposing; demand CAGR 7.5% to FY35E. 2. Coal self-sufficiency push, steel capex; MDO/WDO models for idle assets. 3. CBM blocks (25,000 MCM reserves), solar monetization.
Threats (T)	1. Import parity pricing, global price drops favoring cheaper imports. 2. Technology upgradation (eg. Electric Arc Furnace) can reduce demand. 3. Operational risks (weather, strikes), PSU customer policy changes, ESG Risks.

Strategic Moat

BCCL's moat stems from unmatched reserves, geographic monopoly in prime coalfields, and CIL's ecosystem providing tech/funding edge over privates. Washery leadership and production scale deter entrants amid regulatory barriers; diversification into CBM/Solar fortifies resilience against coal transition risks.

Objects of the Issue

The issue is entirely an Offer for Sale (OFS) of 46.57 Cr shares by promoter Coal India Ltd., with no fresh issue. Proceeds go to selling shareholder (CIL); aims to achieve broad ownership, enhance liquidity, and PSU disinvestment goals. No specific objects for BCCL, but supports CIL's capital recycling for pan-India expansions. Employee reservation (2.33 Cr shares) aids retention.

Risk Factors

Key risks include import competition, operational dependencies, and regulatory shifts impacting coking coal viability.

1. **Import parity pricing**: Declining import prices or higher effective BCCL pricing may shift customers to imports; high ash diverts coal to power, limiting steel use.
2. **Contractor dependency**: 84% extraction by third-parties exposes to cost fluctuations, service quality, litigations/delays.
3. **Customer concentration**: Top 10 (84-89% revenue), mostly PSUs vulnerable to budget/policy changes.
4. **CIL reliance**: Dependent on parent for finance/tech/HR; CMPDIL for planning/surveys.
5. **Operational/Regulatory**: Weather/disasters, labor issues (50% employee costs), ESG tightening (net-zero, emissions).

Promoter & Management

Promoter Details (narrative)

Promoter Coal India Ltd. (100% pre-issue, 90% post) is world's largest coal producer (74% India FY25 share), providing strategic/technical backing. OFS of 46.57 Cr shares by CIL for disinvestment. No pledging.

Management Team

Led by experienced PSU executives with mining expertise; leverages CIL's talent pool for ops/tech. Key focus on washery modernization, CBM; no specific names highlighted, but robust governance under Mini Ratna.

Legal/Governance Issues

Outstanding litigations noted (contractor/regulatory), but no material impacts; compliant with SEBI/SEBI LODR post-listing. No major governance red flags; CIL oversight ensures transparency.

Related Party Transactions

Transactions primarily with CIL/CMPDIL for services, allocations, funding; arm's length. FY25: Significant with parent for tech/HR, but proportionate to scale. Post-issue, to continue under PSL norms; no adverse terms noted, enhancing synergies.

Peer Comparison & Valuation

Peer Comparison Table

Company	Revenue (Cr)	P/E	EPS ()	RoE (%)	PAT Margin (%)
Bharat Coking Coal Limited	**13,803**	**8.6**	**2.7**	**19.2%**	**9.0%**
No listed peers	–	–	–	–	–

Valuation Analysis

The company has no direct listed peers; At 23 upper band, post-issue MCAP of 10,711 Cr, P/E 8.6x FY25 EPS 2.7, PB 1.7x, EV/EBITDA 5.5x, compelling given 88.6% EBITDA CAGR.
Low EV/Sales of 0.7x reflects regulated pricing but growth from washeries/CBM justifies premium. Debt-free, 19% ROE supports sustainability; listing unlocks value via liquidity.
There is potential re-rating on production ramp-up.

Final Recommendation

Positives include dominant 58.5% market share, vast reserves, washery expansions, debt-free balance sheet, and CIL parentage amid steel-driven demand (7.5% CAGR). Strong historical growth (EBITDA 88% CAGR), healthy cash flows, and attractive valuation at 5.5x EV/EBITDA position BCCL for value unlocking.
Concerns: Margin volatility, import risks, contractor/customer concentration, high ash, ESG headwinds. 1HFY26 slowdown flags cyclicality, but mitigated by PSU buffers.
Verdict: SUBSCRIBE for long-term portfolio; offers defensive yield (0.4% DY) with growth upside in domestic coal push. Target post-listing stability at 1.5-2x gains potential.

Red Flags

While fundamentally sound, certain aspects warrant caution

- High ash content diverts coking coal to power (74% FY25 offtake), limiting premium steel pricing.
- Contractor reliance (84% extraction) risks delays/costs from litigations/service issues.
- Top 10 customers 84-89% revenue, PSU-heavy exposing to policy/budget shifts.
- EBITDA/PAT margin swings (3.9% to 14.7% EBITDA); 1HFY26 compression.
- ESG/regulatory tightening amid net-zero, potential capex burdens.

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