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16th Nov 2026

IPO NOTE

COMPANY NAME: MAHANADI COALFIELDS LTD

Coal India's largest and lowest-cost subsidiary — digs thermal coal from opencast mines in Odisha and sells it mostly to power plants; Coal India is selling 10% of it

DETAILS OF THE ISSUE

100% OFFER FOR SALE — NO FRESH ISSUE
All ~₹9,001 cr goes to Coal India (seller); MCL receives nothing

Platform / method	**Mainboard · book-built**
Price band (face ₹2)	**₹129 – ₹136**
Issue size (at ₹136)	**₹9,001 cr · 66.18 cr sh**
— Fresh issue	**Nil (0%)**
— Offer for sale	**₹9,001 cr (100%)**
Quota: staff · CIL holders	**3.31 · 6.62 cr sh**
Net offer: QIB / NII / retail	**50% / 15% / 35%**
Lot · minimum application	**110 sh · ₹14,960**
Anchor · open → close	**18 · 19 → 23-Nov-26**
Allotment · listing	**25 · 27-Nov-2026**
Lead managers	**SBICAPS, Axis, BOBCAPS, IDBI Capital, IIFL**
Registrar	**KFin Technologies**
Post-issue market cap	**₹90,010 cr at ₹136**
Our fair value	**₹115 (range ₹103–147)**
P/E at ₹136 (FY26)	**8.4x · 9.7x clean**
P/BV (Sep-26 NAV)	**4.0x**

WHAT THE COMPANY ACTUALLY DOES — IN PLAIN WORDS

Mahanadi Coalfields (MCL) mines **thermal coal** (coal burnt to make electricity) in the Talcher and Ib Valley coalfields of Odisha. It produced **218.3 million tonnes (MT) in FY26 — 21% of all coal mined in India** and 28.4% of Coal India's output. Almost all of it (99.85%, FY26) comes from **opencast mines** (huge open pits, cheaper than underground mining), and its audited reserves of 9,840 MT last about 45 years at the FY26 rate. Its 51 mining projects (40 completed, 11 under way) have a sanctioned capacity of 352.8 MT a year (Mar-26), far above current output, so volume is limited by demand and land, not by mine capacity.

Power plants bought 85% of what it sold in FY26 (NTPC, state power companies of Andhra Pradesh, Tamil Nadu and Maharashtra, Adani Power, Vedanta, Jindal). The top 10 customers gave 56% of FY26 revenue and government-owned utilities 45%. Most coal is sold under **fuel supply agreements** (FSAs — long-term contracts) at a **"notified price"** fixed by Coal India, not by MCL. Customers buy from MCL because it is close to coastal and eastern plants, ships mainly by rail (with port links for coastal shipping to southern plants), and is the cheapest large source of Indian coal. Coal India owns 100% today and will own 90% after the issue; the Government of India controls Coal India.

PRODUCT PORTFOLIO (SHARE OF FY26 REVENUE OF ₹30,550 CR)

Coal under long-term FSAs
80.3%
₹24,516 cr, 181.0 MT in FY26 at ₹1,354/t (FY24: ₹1,438/t). Stable volume, but the price is set for MCL and fell with poorer coal grades.

E-auction & others
17.5%
₹5,339 cr, 29.7 MT in FY26 at ₹1,797/t (FY24: ₹2,273/t). Buyers bid above the notified price — the **high-margin** part, and it is **shrinking**.

Services & other
2.3%
₹695 cr in FY26: railway-line income and a stripping-provision reversal (an accounting entry, not cash sales).

Each e-auction tonne earned ₹443 more than an FSA tonne in FY26 (₹835 more in FY24), so the shift away from e-auctions explains most of the fall in profit. Shares are of FY26 revenue from operations; per-tonne rates from RHP Risk Factor 18. In Apr–Sep FY27 the e-auction rate recovered to ₹1,774/t (Apr–Sep FY26: ₹1,630/t) while the FSA rate held at ₹1,368/t, which is why half-year revenue rose 9.3%.

THE ONE THING THAT EXPLAINS THIS COMPANY — INDIA'S CHEAPEST COAL, SOLD AT A PRICE IT DOES NOT SET

What it is. MCL's cost of production was **₹816 per tonne in FY26**, against ₹1,448 for SECL and ₹3,623 for ECL (sister companies, CRISIL report in the RHP), because it mines thick seams close to the surface with little waste rock (1.50 cubic metres of waste per tonne, FY26). Average sales were ~₹1,417 a tonne (FY26); that ~₹600 gap across 211 MT is the business — **operating EBITDA** (profit before depreciation, excluding other income) of ₹12,735 cr, a 41.7% margin, with ₹3 cr of debt (Sep-26).

What the three-year trend really says. Volume rose — coal shipped went from 199.0 MT (FY24) to 211.4 MT (FY26) — yet revenue fell from ₹31,634 cr to ₹30,550 cr and operating EBITDA fell 13% (₹14,681 cr → ₹12,735 cr). E-auction prices dropped 21% and FSA prices 6% (FY24 → FY26). Reported FY26 profit of ₹10,698 cr also hides ₹1,859 cr of one-off income before tax: ₹1,164 cr interest on tax refunds and ₹695 cr of old liabilities written back, including a ₹605 cr water-charge provision reversed after the company went to court, though the claim is still a contingent liability (Sep-26). Stripping these out, **FY26 profit was about ₹9,307 cr (EPS ₹14.1), down 13% on FY25**. Cash conversion is good: operating cash flow was ₹12,478 cr in FY26 (117% of profit), helped by ₹2,663 cr of GST input credit used up between Sep-2025 and Sep-2026 after GST on coal rose to 18%.

The catch. The price lever belongs to the seller. Coal India — the company selling you these shares — fixes the notified price for 82% of MCL's coal sales (FY26) and also charges MCL a service fee of ₹20 a tonne (₹437 cr in FY26). Prices are kept low for power-sector policy reasons, and CRISIL (in the RHP) expects India's coal shortfall to shrink from 195 MT (FY25) to 62 MT by FY31 and turn into a surplus by FY36, which pushes the e-auction premium down further. In addition, ₹3,300 cr of cash (₹4.99 a share) was paid to Coal India as a dividend after 1-Oct-2026, before IPO investors come in.

What would break it. A freeze in the notified price while wages rise under the new coal wage agreement (NCWA-XII, due from 1-Jul-2026; the last one raised wages 19%); faster output from privately run commercial mines (about 378 MT a year of capacity already auctioned, per the RHP); or quicker growth of solar and wind power reducing coal demand after FY31.

PROS & CONS OF THIS ISSUE

Key Positives	Key Concerns
Lowest-cost coal producer in India. Cost of ₹816/t (FY26) is the lowest in the Coal India group; operating EBITDA margin 41.7% (FY26) — highest among Indian coal peers per the RHP.	**Profit declining for two years.** Profit fell from ₹11,842 cr (FY24, reported) to ~₹9,307 cr (FY26, excluding one-offs); coal production fell 9.3% in Apr–Sep FY27 (87.5 MT vs 96.5 MT).
High and regular dividends. Paid 73–81% of profit as dividend in FY24–FY26; at ₹136, our FY28E dividend of ~₹11 a share is a yield (dividend ÷ price) of about 8%.	**Most of FY27's dividend already paid to Coal India.** ₹5,150 cr (₹7.78 a share) declared for Apr–Oct 2026 went to Coal India; new holders likely receive only ~₹3 a share for FY27.
Debt-free, cash-rich balance sheet. About ₹16,990 cr of cash and deposits after the Oct-2026 dividend (19% of the ₹90,010 cr market cap); RoNW (profit on shareholders' money) 53.8% in FY26.	**Valuation above our fair value and its parent.** 9.7x clean FY26 earnings versus 8.05x for Coal India (as on 11-Nov-2026); P/BV 4.0x versus 2.1x for Coal India.
Long reserve life and steady demand. 45 years of reserves (FY26 rate); CRISIL expects Indian coal demand to grow about 3.7% a year to 1,495 MT by FY31.	**Prices set by the selling shareholder.** 82% of sales at a price fixed by Coal India; e-auction realisation down from ₹2,273/t (FY24) to ₹1,797/t (FY26).
Government and Coal India support. Linked customers under long-term FSAs; rail and port links in place; shareholder quota of 6.62 cr shares for Coal India investors.	**Large tax disputes and future share sales.** Direct-tax demands of ₹8,082 cr in 42 cases (76% of FY26 profit); the government has approved Coal India cutting its stake to 75%, so up to 15% more may be sold.

WHERE YOUR MONEY ACTUALLY GOES — THE OBJECTS OF THE ISSUE

Use of money	₹ cr	% of issue	Our read — does this help you as a future shareholder?
Offer for sale — to Coal India	9,001	100%	None reaches MCL. Coal India (average cost ₹0.26 a share) keeps the proceeds and pays the offer expenses. Press reports of ₹8,981 cr appear to be net of the employee discount.
Fresh issue — to the company	Nil	0%	No new money; MCL funds its capex (₹2,930 cr in FY26) from its own cash. You buy an existing stake, not growth.
Total — 100% offer for sale	**9,001**	**100%**	The case rests only on MCL's earnings and dividends at this price.

FINANCIALS & OUR INDEPENDENT FORECAST (₹ CR UNLESS STATED)

Year	FY24	FY25	FY26	FY27E*	FY28E*
Revenue from operations	31,634	31,353	30,550	32,156	33,120
Revenue growth	—	–0.9%	–2.6%	+5.3%	+3.0%
Operating EBITDA	14,681	13,655	12,735	13,023	13,248
Operating EBITDA margin	46.4%	43.6%	41.7%	40.5%	40.0%
PAT (reported)	11,842	10,825	10,698	9,739	9,758
PAT margin (on revenue)	37.4%	34.5%	35.0%	30.3%	29.5%
EPS ₹ (post-issue; no dilution)	17.89	16.35	16.13	14.7	14.7
EPS ₹ excluding one-offs	—	~16.2	~14.1	14.7	14.7
RoNW (on average net worth)	80.6%	62.8%	53.8%	~43%	~39%
Debt-to-equity	0.00	0.00	0.00	0.00	0.00
Operating cash flow	6,326	7,705	12,478	~12,000	~11,000
Dividend declared (% of PAT)	73%	81%	79%	~75%	~75%
Receivable days (on revenue)	25	31	45	~40	~40
Inventory days (on revenue)	15	22	27	~15	~18
Payable days (on revenue)	18	22	24	~23	~23

Restated consolidated figures, ₹ cr (RHP reports in ₹ million; converted ÷10). *Our independent estimate, not company guidance. Apr–Sep FY27 (6M): revenue ₹16,093 cr (+9.3% YoY), PAT ₹4,881 cr (+6.7%), EPS ₹7.37. FY26 one-offs: ₹1,859 cr before tax (RHP MD&A); FY24 one-offs are not split out in the RHP. Day counts are year-end balances ÷ revenue × 365, so they differ slightly from the RHP KPI table.

PEER COMPARISON

Coal India is the closest marker, but it owns MCL and adds higher-cost subsidiaries; NMDC mines iron ore, and the foreign miners sell at market prices. BCCL, a sister company, was down about 29% from its listing-day price as on 16-Nov-2026 (Reuters, via Business Standard).

As on 11-Nov-2026 (RHP)	Mcap	P/E FY26	P/BV	RoNW FY26	Revenue FY26
MCL (at ₹136)	₹90,010 cr	8.4x (9.7x clean)	4.2x	53.8%	₹30,550 cr
Coal India	₹2,50,390 cr	8.05x	2.1x	27.8%	₹1,68,400 cr
NMDC	₹63,040 cr	8.47x	1.9x	23.4%	₹32,071 cr
Bharat Coking Coal	₹14,830 cr	n.m.	2.5x	2.1%	₹13,645 cr
PT Bukit Asam (Indonesia)	—	11.40x (CY25)	1.5x	13.0%	₹22,890 cr

P/E, P/BV and RoNW from the RHP peer table (prices 11-Nov-2026; P/BV = price ÷ RHP NAV). MCL P/BV uses its Mar-26 NAV of ₹32.29 for a like-for-like comparison. Market caps are our calculation from price × shares outstanding. n.m. = not meaningful.

FORECAST RATIONALE — HOW WE GOT TO FY27E AND FY28E

1. Starting point. FY26 revenue of ₹30,550 cr, but clean FY26 profit of ~₹9,307 cr (EPS ₹14.1), because ₹1,859 cr of one-off pre-tax income (₹1,391 cr after tax at 25.2%) lifts the reported ₹10,698 cr. Apr–Sep FY27 profit of ₹4,881 cr carries only ₹107 cr of write-backs, so it is a cleaner guide.

2. FY27E revenue +5.3%. Apr–Sep FY27 revenue rose 9.3% only because MCL sold more coal (111.2 MT) than it mined (87.5 MT), cutting inventory from ₹2,239 cr (Mar-26) to ₹1,256 cr (Sep-26). That cannot repeat: with stock now low, Oct–Mar sales must come from fresh output. We assume Oct–Mar revenue grows 1.5% on Oct–Mar FY26 (₹15,825 cr → ₹16,063 cr), giving ₹32,156 cr. The firmer e-auction rate in Apr–Sep FY27 (₹1,774/t) supports this, but we do not extrapolate it.

3. FY28E revenue +3.0%. Volume a little below CRISIL's ~3.7% a year demand growth, as private mines add supply; notified price and e-auction premium held flat. On ~₹1,420 a tonne, ₹964 cr of extra revenue needs about 6.8 MT more coal — well within the 274 MT a year of rated capacity in ongoing projects (Mar-26).

4. Margins. Operating EBITDA margin fell every year (46.4% FY24 → 41.7% FY26; 40.1% Apr–Sep FY27). We use 40.5% (FY27E) and 40.0% (FY28E) for the new wage agreement (NCWA-XII, back-dated to 1-Jul-2026; covers 18,752 of 20,526 staff). Each 1-point change in margin moves PAT by about ₹240 cr (FY27E). Depreciation rises to ₹1,700–1,800 cr after ₹4,018 cr of assets were added in FY26. Other income falls to ~₹1,850 cr (FY27E) and ~₹1,750 cr (FY28E) as cash is paid out; tax 25.5%. PAT ₹9,739 cr (FY27E) and ₹9,758 cr (FY28E): EPS ₹14.7 in both years.

5. Fair value ₹115. A mature, debt-free business with flat earnings, so we value earnings and dividends; no DCF, because cash flows hang on a government-set price. *P/E:* Coal India (8.05x) and NMDC (8.47x) trade at 8.0–8.5x FY26 earnings (11-Nov-2026). MCL's lower cost and higher returns earn a premium, offset by falling profit, prices set by its seller and the risk of more Coal India selling: **8.5x FY27E EPS ₹14.7 = ₹125** (bear 7x = ₹103; bull 10x = ₹147). *Book value:* RoNW ~40%, cost of equity 12%, growth 2% → fair P/BV 3.8x on Sep-26 NAV less the Oct-26 dividend (₹28.85) = ₹110. *Dividends:* ~₹11 (FY28E) growing 1%, discounted at 12% = ₹101. Weighted 50/25/25 = **₹115**; ₹136 is 18% above it and only the bull case supports it.

6. Left out; how conservative; what breaks it. Not counted: a notified-price rise (each 1% on FSA coal adds ~₹245 cr of revenue at FY26 volumes), 37.6 MT a year of projects under approval, firmer e-auctions. FY28E EPS is 4% above clean FY26 and 18% below FY24's reported ₹17.89, so we assume no return to FY24 profit. Our FY27E PAT is 9% below reported FY26 but 5% above clean FY26. Risks to it: lower e-auction prices, a wage deal above our provision, or losses in ₹8,082 cr of tax disputes.

PROMOTER HOLDING & SHAREHOLDING AFTER THE IPO

Shareholding	Pre-issue	Post-issue
Promoter: Coal India (incl. 6 nominees)	100.00%	**90.00%**
Public — pre-IPO investors & anchors	—	up to 2.55%
Public — new IPO investors	—	7.45% or more
Total shares outstanding	661.84 cr	661.84 cr
Dilution from fresh issue	—	Nil (OFS only)
Promoter shares pledged	Nil	Nil
Free float tradable on listing day	—	~7.5% (10% less anchor lock-in)

- **Control does not change.** Coal India keeps 90%; the President of India (Ministry of Coal), which controls Coal India, is co-promoter. Both appoint directors, so minority holders have little say on prices, dividends or capex.
- **Promoter cost vs your price.** Coal India's average cost is ₹0.26 a share (split-adjusted) against ₹136. Only change before the issue: a split from ₹1,000 to ₹2 face value (Aug-2026), no bonus. Coal India took ₹5,150 cr of dividends for Apr–Oct 2026 before listing, and all promoter shares are free of any pledge.
- **Lock-in dates (allotment ~26-Nov-2026).** Anchors: half free ~26-Dec-2026, rest ~24-Feb-2027. Coal India's stake above 20% (70% of MCL) free ~26-May-2027; its 20% locked to ~26-May-2028. The government has approved a cut to 75%, so up to 15% more may be sold after May-2027.
- **Anchors.** Book on 18-Nov-2026 (after this note) for up to 16.9 cr shares, 40% reserved for mutual funds, insurers and pension funds — check the list before applying.

INDUSTRY — HOW IT IS EXPECTED TO PERFORM

SIZE (INDIA, FY26)
1,443 MT demand
coal demand per CEA; output 1.08 bn tonnes incl. lignite (cited in the RHP)

GROWTH (CRISIL)
~3.7% a year
levelised demand to 1,495 MT by FY31; power plants 698 → 843 MT (FY25 → FY31)

STRUCTURE
Coal India ~71%
768 MT of India's output (FY26); power takes ~72% of dispatches; MCL alone 21%

Outlook. Coal made about 70% of India's electricity in FY26 from 43% of capacity (CEA), as solar and wind do not run round the clock; CRISIL expects demand to rise until about FY36, then flatten. For MCL that means steady volumes but **weaker prices**: power-plant imports fell 27% to 45.4 MT in FY26 and the domestic shortfall is shrinking as new mines open, which has squeezed its e-auction premium since FY24. **Who it competes with:** sister Coal India companies (SECL, NCL, CCL) and Singareni for linkage customers, captive and commercial mines, and imported coal at coastal plants. MCL is at the low-cost end and supplies 16 states (FY26), so it is the last to lose volume in a downturn — but it cannot raise prices in a boom, because Coal India sets them.

Investors may consider subscribing if

Seeking regular dividend income. MCL is debt-free and paid out 73–81% of profit in FY24–FY26; our FY28E dividend of about ₹11 a share is a yield of roughly 8% at ₹136, though new holders will likely get only about ₹3 a share for FY27.

Long-term holding with comfort on coal-policy risk. Suitable for investors holding three years or more who accept flat profit near ₹9,700 cr (FY27E–FY28E) and prices set by Coal India, in return for India's lowest cost (₹816/t, FY26) and 45 years of reserves.

Eligible for the shareholder quota. Coal India shareholders can bid up to ₹2 lakh in a reserved 6.62 cr shares as well as the retail portion. Listing-day gains look modest rather than likely; check exchange subscription figures on 23-Nov-2026.

Investors may consider avoiding if

Seeking a discount to fair value. At ₹136 the issue is about 18% above our fair value of ₹115 and above Coal India on clean earnings (9.7x vs 8.05x FY26, as on 11-Nov-2026); only our bull case (₹147) supports the cap price.

Expecting earnings growth. Profit fell from ₹11,842 cr (FY24, reported) to about ₹9,307 cr (FY26, excluding one-offs), production fell 9.3% in Apr–Sep FY27, and our FY28E EPS of ₹14.7 is 18% below FY24.

Applying only for listing-day gains. Little price room against the listed parent, a large ₹9,001 cr issue, sister company BCCL ~29% below its listing-day price (16-Nov-2026) and possible further Coal India selling after May-2027 argue against a short-term trade.

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   Note:
   - 2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.
   - 2.2. The fee limit does not include statutory charges.
   - 2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgment and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,

    Step 1: the client should first contact the RA using the details on its website or following contact details: (RA to provide details as per 'Grievance Redressal / Escalation Matrix')

    Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in

    Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at https://smartodr.in
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.

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