Coal India – a legend in their own lunchtime

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A *brief* history: The entire Indian coal industry of over 1,000 mines was nationalized in 1973. A new state-owned enterprise named **Coal India** emerged as the largest industry participant. It listed on the Indian Stock Exchange in 2010. Here are verbatim quotes taken from their own publicly available timeline (emphasis added):

"*Coal India Limited bagged a prestigious first ever international award in Geneva on 7 March 2011. It was stated that Coal India represents success for India in the Business world*"

"*Coal India made it to the 30-stock Sensex, on 8 August 2011, globally considered to be the barometer of the Indian economy, in short span of nine months since its listing on 4 November 2010. **No other company has made it to the index in such a short time**. And then Coal India's raise to the top came in just seven trading sessions since its entry to SENSEX. **This is considered to be a remarkable accomplishment***"

"*On 17 August 2011, Coal India emerged as the Most Valued Company in the country in terms of Market Capitalization - **the pinnacle of success every business entity dreams of and aspires for**. The company's value stood at a **whopping** Rs.2,51,296 Crores. What made the achievement all the more significant was that a public sector company could attain such lofty heights*"

"*Coal India for the first time had surpassed the **magical** figure of Rs. 1 Lakh Crores in Gross Sales recording Gross Sales of Rs. 1,08,150.03 Crores during 2015-16*"

Sometimes the raw material we are provided with is just so good that nothing further really needs to be said about it.

The publicly available audited financial results indeed provide evidence of success, with sales and earnings per share doubling in the past 10 years while also delivering a high average return on equity of 35%.

However, their apparent financial success, which is (hopefully) independently verified, has not translated to share price performance, with the share price declining by a substantial 65% in the past 10 years.

The combination of promotional word choices with a share price persistently heading in the opposite direction to the apparent fundamentals provide us with two important clues. Coal India is either a huge investment opportunity or smoke & mirrors. We chose to steer clear for now.

Our work continues...

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