

Power

Sector Update

June 10, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Adani Energy Solutions	Hold	1,579	1,452
CESC	BUY	172	216
Coal India	Accumulate	467	515
Indian Energy Exchange	Hold	120	135
JSW Energy	Buy	570	644
NTPC	Buy	356	450
Power Grid Corporation of India	BUY	286	346
Tata Power Company	Hold	399	400

Coal Exchange: Transforming coal price discovery in India

Quick Pointers

- **Coal Exchange Rules notified; exchange-based coal trading to begin.**
- **Positive for Coal India and the sector, as the exchange could improve e-auction price transparency, establish benchmark coal prices.**

The Ministry of Coal has notified the Coal Trading Exchange Rules, 2026, marking a significant step towards the development of an organized, transparent and market-driven coal trading ecosystem in India. The framework seeks to transition coal trading from the current auction-based mechanism towards an exchange-led model, akin to power trading on exchanges such as IEX, enabling transparent price discovery, standardized contracts, independent quality certification, robust clearing and settlement mechanisms, and enhanced market surveillance. The regulations have attracted interest from major exchange operators including NSE, MCX and IEX, while ownership and governance provisions ensure that no single coal producer, trader or consumer can control the platform. We view the development as strategically positive for Coal India and the broader coal sector, as it can deepen market liquidity, improve pricing transparency (particularly for E-auction volume) and create benchmark coal prices for India. Based on our estimates, the initial exchangeable coal market could represent a total addressable market (TAM) of ~46mt, equivalent to transaction value of ~INR 150bn, with substantial scope for expansion as market participation and liquidity improve over time.

Ministry of Coal has issued notification of the Coal Trading Exchange Rules, 2026. The government's new Coal Exchange Rules are intended to move India from the current auction model (MSTC/mjunction) toward an exchange model, similar to how power is traded on IEX

The Coal Trading Exchange Rules, 2026 establish a regulated electronic coal exchange (for coal and Lignite) with transparent price discovery, standardized contracts, independent quality certification, clearing and settlement mechanisms, and market surveillance to prevent manipulation and cartelization.

Three major entities have emerged as potential operators of coal exchanges in India: NSE, which has proposed a National Coal Exchange; MCX, which has received approval to invest in a coal exchange subsidiary; and IEX, which has incorporated Indian Coal Exchange Ltd (ICX) as a wholly owned subsidiary.

Ownership rules are designed to prevent any coal producer, buyer or trader from controlling the exchange: Maximum 5% stake for any member / customer, Maximum 49% aggregate stake for all members / customers combined, Maximum 25% stake for any non-member shareholder after five years.

Governance is modelled on financial exchanges: independent directors must be at least equal to shareholder directors, exchange members/customers cannot sit on the Board, and no single industry participant (including Coal India) can control the exchange. Therefore, the most likely structure is a consortium-led exchange rather than one dominated by a single coal company.

For Coal India, the exchange is strategically positive because it creates a new market-linked sales channel, improves transparency in coal pricing, broadens the buyer base, and can eventually create benchmark coal prices for India.

Though it's little early, but potentially, The exchange can improve Coal India's realizations, but primarily on the market-linked (auction/exchange which is 10% of its volume) portion of sales rather than regulated power-sector FSA volumes. The benefit depends on liquidity, buyer participation, and the share of Coal India coal traded through the exchange. Current rating Accumulate, TP 515 (at 5.5x EV EBITDA, upside to INR556 (at 6x EV/EBITDA)

How the coal exchange will work

The Coal Exchange is expected to introduce a transparent, market-driven mechanism for coal trading, similar to commodity exchanges in other sectors. Buyers and sellers will transact through standardized contracts on an electronic platform, with prices determined through competitive bidding rather than bilateral negotiations. This is likely to improve price discovery, enhance market transparency and create a credible benchmark for coal pricing in India. The exchange could facilitate more efficient allocation of coal resources, improve market liquidity, and reduce information asymmetry across the coal value chain. Over time, exchange-based pricing may also help establish reference prices for different coal grades and delivery locations, supporting better procurement and sales decisions for both producers and consumers.

Operational aspects and Investment implications

The exchange will not only facilitate trading but also manage the entire transaction lifecycle, including contract standardization, trade execution, clearing, settlement, quality verification and delivery oversight. Independent sampling agencies will certify coal quality, while a settlement guarantee mechanism and risk management framework will mitigate counterparty and settlement risks. Market surveillance systems will monitor for manipulation, cartelisation and other unfair practices, thereby enhancing market integrity. The introduction of a regulated exchange could improve transparency in coal pricing, reduce transaction frictions, strengthen payment security and increase confidence among market participants. These developments have the potential to benefit commercial coal miners, logistics providers and large coal consumers by improving market efficiency and enabling more transparent realization of coal prices.

TAM of coal exchange

Based on the FY26 coal market, the proposed Coal Exchange could address a total addressable market (TAM) of approximately 46 million tonnes (mt), translating into a transaction value of around INR 150.5 billion. The opportunity is primarily driven by a portion of domestic coal trade, assuming 10% of captive coal production and part of Coal India's e-auction volumes migrate to the exchange, contributing about 40 mt and INR 89.9 billion of value. In addition, even a modest 2.5% penetration of India's coal imports could add another 6 mt and INR 60.6 billion, with imported coking coal accounting for a disproportionately high value share due to its significantly higher pricing. Over time, as liquidity improves and participation expands beyond the initial assumptions, the exchangeable coal market could become substantially larger than this initial TAM estimate

Exhibit 1 : All India coal consumption

mton		FY26
Domestic Coal dispatch		
- Coal India		744
- SCCL		62
- Captive		214
All India production	A	1,020
Coal Import		
- Coking		66
- Non Coking		180
Total	B	246
India coal consumption	A + B	1,266

Source: Company, PL

Exhibit 2 : Coal Exchange Market

mton	Share	m t	Assumed Coal Rate, Rs/t	Total Rs mn
Domestic Coal dispatch				
- Coal India sell 10% sale in e-auction	2.5%	19	2250	41,854
- SCCL	0.0%	0		
- Captive	10.0%	21	2250	48,062
All India production	A	40		89,916
Coal Import				
- Coking	2.5%	2	16560	27,461
- Non Coking	2.5%	5	7360	33,127
Total	B	6		60,588
Coal Exchange TAM mt	A + B	46	Coal Exchange TAM Rs mn	1,50,504

Source: Company, PL

Exhibit 3 : Coal India Snapshot

INR mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	9,00,260	10,97,135	13,82,519	14,23,240	16,91,774	16,84,003	17,47,950	18,11,506
Change yoy, %	-6.3%	21.9%	26.0%	2.9%	18.9%	-0.5%	3.8%	3.6%
EBITDA	1,96,156	2,48,748	3,73,854	4,79,715	4,72,050	4,12,420	4,73,830	5,03,499
EBITDA Margin %	21.8%	22.7%	27.0%	33.7%	27.9%	24.5%	27.1%	27.8%
PAT	1,27,022	1,73,784	2,81,249	3,73,691	3,54,497	3,10,706	3,46,713	3,58,522
Change yoy, %	-23.9%	36.8%	61.8%	32.9%	-5.1%	-12.4%	11.6%	3.4%
PAT Margin %	14.1%	15.8%	20.3%	26.3%	21.0%	18.5%	19.8%	19.8%
Net debt/ equity (x)	-0.3	-0.6	-0.6	-0.3	-0.2	-0.3	-0.3	-0.3
Capex	1,07,173	1,20,232	1,42,140	1,63,800	1,38,428	1,20,921	1,74,063	2,01,000
CFO	1,05,924	4,10,875	3,57,340	1,81,031	3,02,369	4,32,146	2,45,049	2,55,261
CFO/ EBITDA	0.5	1.7	1.0	0.4	0.6	1.0	0.5	0.5
ROE	37.0	43.6	54.1	52.1	38.4	29.6	27.2	24.9
- Asset Turn	0.6	0.6	0.7	0.7	0.7	0.6	0.6	0.6
- PAT Margin	14.1	15.8	20.3	26.3	21.0	19.4	19.8	19.8
- Leverage	4.5	4.3	3.7	3.0	2.6	2.5	2.3	2.2
PER	22.6	16.5	10.2	7.7	8.1	8.8	8.3	8.0
EV/EBITDA	14.0	10.5	6.7	5.5	5.5	6.0	5.2	4.9

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Adani Energy Solutions	Hold	1452	1412
2	Ahluwalia Contracts (India)	BUY	929	764
3	Ashoka Buildcon	Buy	152	123
4	CESC	BUY	216	185
5	Coal India	Accumulate	515	481
6	Dilip Buildcon	Accumulate	520	472
7	H.G. Infra Engineering	Accumulate	670	584
8	Indian Energy Exchange	Hold	135	123
9	IRCON International	Hold	136	143
10	JSW Energy	Buy	644	557
11	KNR Constructions	HOLD	119	129
12	NCC	BUY	195	161
13	NTPC	Buy	450	389
14	PNC Infratech	BUY	253	209
15	Power Grid Corporation of India	BUY	346	297
16	PSP Projects	BUY	956	787
17	Rail Vikas Nigam	Sell	165	260
18	RITES	BUY	275	204
19	Tata Power Company	Hold	400	418

PL's Recommendation Nomenclature (Absolute Performance)

BUY	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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