

Coal India's profits may fall 9% post wage negotiation

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Kolkata, 28 August

Coal India's expenses are likely to shoot up by ₹5,500-6,000 crore every year after the company agree to a 20 per cent wage hike, apart from other benefits. This in turn, is likely to pull down its projected profitability by a minimum of nine per cent.

Analysts projected a ₹11,000-13,000 crore net profit for Coal India for the whole year. However, after the wage revision the net profit has been downgraded to ₹9,000-10,000 crore. Trade union sources, who participated in the four-day negotiation process in New Delhi, said that other benefits, such as hiking the contribution towards pension by 5.84 per cent and creating a post-retirement medical benefit corpus fund of ₹1,700 crore, would increase its expenses.

"According to estimates, Coal India would have provisioned ₹4,500 crore for wage negotiation against the union's last demand of ₹5,600 crore. Since the provisioning was done, the difference is to the extent of ₹1,000 crore. I think the company will be able to post profitability, although, it would decline considerably," Rupesh Sankhe, research analyst with Reliance Securities told *Business Standard*.

In the last wage revision, five years ago, the firm was estimated to have conceded to a ₹5,000-crore wage hike.

Coal India officials said that though the firm's profitability was under stress, coal price realisations from fuel supply agreements and e-auctions were expected to rise in the second half of FY18. In turn, it would help the company to maintain its margins and add further to the top line. In the 10th National Coal Wage Agreement, the company's senior management had vied to contain the wage hike between 10 per cent and 12 per cent citing stress on profitability.