GST overhaul boosts CIL's push to replace expensive imports

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THE GOVERNMENT'S MOVE to revise the consumption tax structure comes at a perfect time for state miner Coal India, which is battling plateauing demand and bloated inventories.

The Kolkata-based company sees replacing imports as a way to boost its sales and help the government save foreign exchange spent on overseas cargoes. The need has been especially pronounced this year, as the miner faced poor demand due to unseasonal rains during the usually scorching summer, causing a decline in electricity use.

Growing competition from other miners and expanding renewables fleet have further added to its challenges.

The tax changes "will make Coal India more competitive and better prepared to substitute imports," said Rupesh Sankhe, senior vice president for research at Elara Capital India.

The government announced major changes in the tax system to shore up local demand and counter challenges from high tariffs set by the US, India's top export market. The changes — including raising the GST on coal to 18% from 5% but dropping a special levy of 400 rupees ($4.5) per ton — will be effective from September 22.

Coal India sold the fuel at an average price of ₹1,670 a tonne in the quarter through June. The 13 percentage-point hike in GST would mean an additional ₹217 in tax on the fuel. But with the fixed levy scrapped, coal users will end up paying about ₹180 less per tonne.

India imported 243.6 million tonne of coal in the year through March 2025, about a quarter of its total consumption.

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