

## Commodities

# Gearing up for monsoon, Coal PSUs and Railways ramp up supply in Q1FY23

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The demand for coal has increased substantially due to the economy opening up and improved power consumption.

Coal mining PSUs and Indian Railways have ramped up supply of the crucial commodity during the April-June quarter, a key period for stocking the dry fuel before monsoon disrupts movement.

According to the latest provisional numbers from the Coal Ministry, mining PSUs such as Coal India (CIL) and Singareni Collieries Company (SCCL) ramped up coal despatch to the power sector by 22.42 per cent on a Y-o-Y basis in Q1FY23. For Power and non-Power Sector (NPC), despatches were up cumulatively. Supplies to key non-Power Sector (NPS) industries like Steel and Cement too were higher in Q1FY23 on an annual basis by 35.23 per cent and 6.64 per cent, respectively. However, the despatch to another key consuming industry, Sponge Iron was down marginally by 0.8 per cent during the same period. A senior government official said that higher demand for energy and electricity amid the post-pandemic opening of the economy has boosted domestic coal production and supply.

## Power demand

Analysts expect coal demand to be high because of higher thermal power demand, low average coal inventory at power plants at ten days, and elevated international coal prices.

Brokerage ICICI Securities said the pan-India power demand touched new highs during Q1FY23 boosting thermal PLFs and power purchase by Discoms, although high international coal and gas prices led to continued elevated exchange power prices.

All-India power demand was up 18.6 per cent Y-o-Y during the quarter and the peak demand at 216 gigawatts (GW) was 6.3 per cent higher Y-o-Y.

Daily peak power demand for Q1FY23 averaged 196 GW (vs 187GW in Q4 FY22). Thermal PLF averaged 70 per cent in Q1 FY23, leading to a 10.7 per cent Y-o-Y increase in CIL's off-take to 178 million tonnes (MT).

## Coal output

CareEdge in a June 1 report, said it expects coal production in FY23 to reach 230 MT for the four months (June–September 2022) and is likely to cross 350 MT for the half-year FY23.

“However, the y-o-y growth is likely to be around 15-18 per cent in the first half of FY23. The growth in coal production is likely to be at a slower pace in the coming months due to lower coal production in the monsoon. This is because the monsoon season holds the likelihood of coal mines being flooded in certain regions, which hampers coal production and transportation of the same to power stations,” it added.

## Coal import

For FY23, India is expected to import around 60 million tonnes (MT) of coal for blending at power plants, while for June, the in-bound shipments are likely to be in the range of 4.8-5 mt.

Power Minister R K Singh told *BusinessLine* on June 26 that for April-June 2022, power plants blended around 7 mt of imported coal. Besides, imported stocks of around 2.5-3 mt are available with NTPC, DVC and some states.

India’s coal imports, after hitting a peak of 248 mt in FY20, declined continuously in the next two years to 215 mt in FY21 and 209 mt in FY22, despite a steep rise in the actual demand from 956 mt in FY20 to 1,027 mt in FY22 (906 mt in FY21).

Decline in coal imports has been due to the power sector, which reduced its imports from 45 mt in FY21 to 27 mt in FY22, a decline of almost 40 per cent.

Coking coal import in FY22 was 57 mt, a growth of 11.65 per cent Y-o-Y.

As per ICICI Securities, international coal prices remained elevated in Q1FY23.

Australian and South African thermal coal prices were over \$300 per tonne for the quarter, while Indonesian coal prices neared \$200 a tonne, impacting importers.