

# Coal Imports for Blending Hit 8-Year Low in FY22

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## Domestic Production Jumps

Driven by the increased demand for energy and electricity amid the post-pandemic opening of the economy, domestic coal production reached 777 MT in FY22, an 8.6% growth against the production of 716 MT in FY21. For the first two months of FY23, coal production has hit 138 MT, a 31.6% rise over the corresponding period in FY22, which was impacted by the Covid -19 induced lockdowns.

**Table 1: Coal Production**

Producer	Production (MT) up to May		Growth % FY22/FY21
	FY23	FY22	
CIL	108.2	84.0	28.8
SCCL	11.4	10.3	10.3
Captives	18.4	10.6	73.9
<b>Total</b>	<b>138.0</b>	<b>104.9</b>	<b>31.6</b>

Source: Ministry of Coal, CareEdge Research Note: CIL- Coal India Limited, SCCL- Singareni Collieries Company Limited

Coal India Limited's (CIL) contribution to the total coal production fell to 78% in the first two months of FY23 against 80% in FY22, while SCCL's share declined from 9.8% to 8.2%. However, the share of Captives grew to 13.4% from 10%. This changing mix of the source of domestic coal production – in favour of Captives – is on account of consistent initiatives by the Ministry of Coal to increase domestic coal production and to promote private participation. Presently, 106 coal blocks have been allocated and mine opening permissions have been received for 47 coal blocks. This is expected to increase to 60 coal blocks during FY23. These measures are likely to significantly ramp up domestic production, driven by Captives, thereby reducing the country's import dependence on coal.

## Sectoral Coal Supplies

**Table 2: Coal Despatch up to May FY23, FY22**

Sectors	Despatch up to May		Growth (%) (FY23 vs. FY22)
	FY 23	FY 22	
Power	127.8	107.0	19.5
CPP*	5.4	7.9	-31.6
Others**	16.3	17.8	-8.7
<b>Total</b>	<b>149.5</b>	<b>132.7</b>	<b>12.7</b>

Source: Ministry of Coal, CareEdge Research

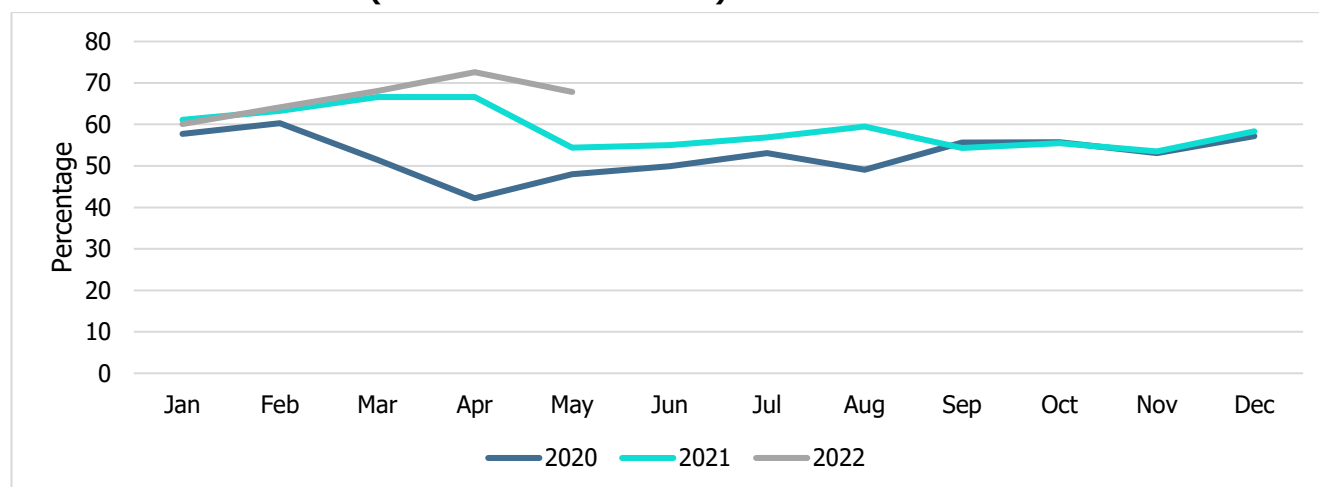
\*CPP- Captive power plants. \*\*Others – cement, steel, sponge iron, fertilizers, textiles, chemicals, paper & pulp, and other basic metals

The share of coal despatch to the power sector increased significantly by around 19% during the two-month period April–May 2022 as compared to the same period in FY22. The share of coal despatch to power and CPP reached to around 133.2 MT i.e. around 89% of the total coal despatch as against nearly 87% in FY22.

The increased supply to the power sector was majorly on account of increased demand for electricity during April–May 2022 due to the summer season. The share of coal despatch to 'others' also declined while volumes saw degrowth by around 8.7% on a base of 17.8 MT during FY22 to 16.3 during FY23 (for the two-month period).

## Plant Load Factor

Chart 1: Plant Load Factor (Coal-based Power Plants)



Source: Central Electricity Authority (CEA), CMIE, CareEdge Research, Data is provisional

PLF (Plant Load Factor) or capacity utilisation is the proportion of electricity generation in comparison to overall installed capacity. As of April 2022, the PLFs of coal-based power plants were at an all-time high of 72.6 since April 2020, before declining to 67.8 as of May 2022. The PLFs of coal-based power plants had improved majorly on account of increased supply by domestic coal producers to keep up with the rising demand for electricity.

## Power Generation

Table 3: Source-wise Power Generation

Source- (MU)	Up to May		Growth % (April to May)
	FY23	FY22	FY23 vs FY22
Coal	2,08,022	1,78,192	16.7%
Lignite	6,741	6,070	11.0%
Hydro	24,331	20,038	21.4%
Nuclear	6,943	7,221	-3.8%
Gas, Naptha & Diesel	5,380	7,210	-25.4%
RES (Wind, Solar, Biomass & Others)	34,413	26,165	31.5%
<b>Total</b>	<b>2,85,830</b>	<b>2,44,896</b>	<b>16.7%</b>

Source: CEA, CareEdge Research, Data is provisional

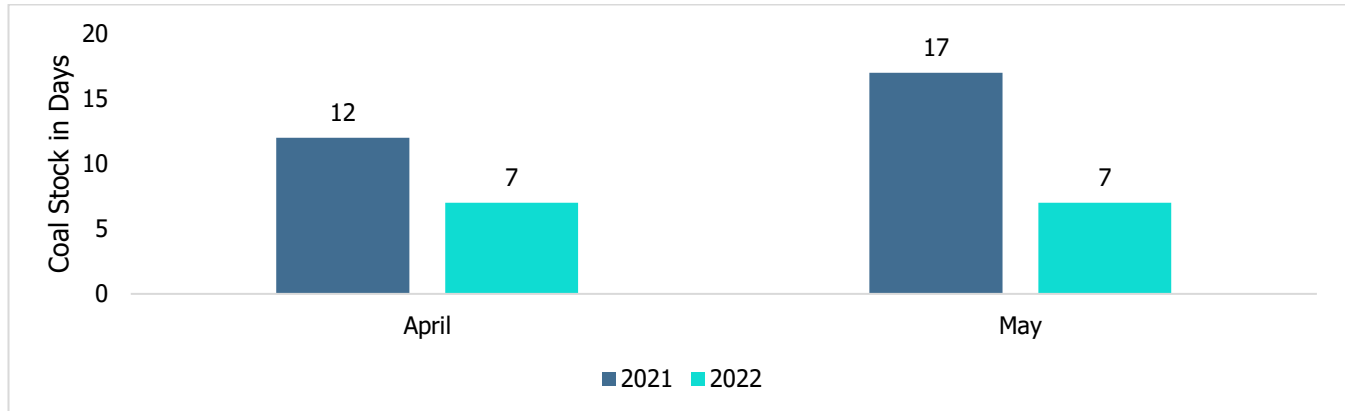
\*MU- Figures in Million Units

In May 2022, the energy requirement in the country was 136,355 MU whereas, the energy supply was 135,788 MU. All India, the energy deficit (energy not supplied) reduced from 1.2% of the total energy supplied in April 2022 to 0.4% of the total energy supplied in May 2022. The coal-based power generation grew 16.7% y-o-y to reach 208,022 MU during the first two months of FY23, indicating increased use of coal for power generation.

During the first two months of FY23, RES (Wind, Solar & Others) based power generation reached 34,413 MU, indicating a 31.5% growth over the same period in FY22. RES (Wind, Solar & Others) was the second-largest contributor in power generation in April-May 2022.

The growth of RES (Wind, Solar & Others) based power generation is an indicator that India is transitioning towards green sources for power generation to meet its increasing power demand. In the medium term, the reliance on RES for power generation is expected to increase, while coal is likely to remain the major contributor.

**Chart 2: Coal Stock at Non-pithead Power Plants**



Source: Central Electricity Authority (CEA), CareEdge Research

Note: Data is provisional

Coal stocks remain at lower than normative stock levels and this shortage is impacting the operations and profitability of power plants. As per CEA data, the pithead power plants have around 88% of their normative stock available, while non-pithead plants (non-pit head plants are power plants where the coal mines are more than 1,500 km away) have only around 32% of their normative stock available as on June 26, 2022. As of June 26, the coal stock at non-pithead power plants is at critical level and is available for around 8 days for these plants.

### Coal Imports Decline

As of April 2022, the total coal imports saw a decline of around 7.3% (for the month of April 2022 compared to April 2021). This is in continuation with the decrease in imports of coal for blending by the domestic coal-based power plants which had dropped to 8.1MT in the FY22 -- the lowest in the last eight years. The imports have reduced mainly because of increased coal production and supply from domestic players.

**Table 4: Total Coal Imports**

Type of Coal	Apr-22	Apr-21	Growth (%) Y-o-Y
Non-Coking	13.4	15.3	-12.9
Coking	4.7	4.7	-0.6
Others*	2.6	2.2	16.7
<b>Total</b>	<b>20.6</b>	<b>22.3</b>	<b>-7.3</b>

Source: Ministry of Coal, CareEdge Research

Note: \*Anthracite, PCI Coal, Pet Coal, Met Coke

As of April 2022, non-power sectors such as cement, DRI (sponge-iron) and others saw y-o-y decline in coal imports whereas, the steel sector saw an uptick in coal imports. Steel Authority of India Limited (SAIL) and other steel manufacturing units are mainly importing coking coal to manage their requirement for coal. Also, coal-based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and coal traders are importing non-coking coal to meet their coal requirements.

CIL, India's largest coal producer has sufficient coal supplies at its mines, still, from the future perspective, it has agreed to import coal for the power sector consumers who are interested in buying coal. It has floated a short-

term tender of 2.4MT imported coal for supply within 3 months as well as two long-term imported coal supply tenders of 6MT each for supply over a period of 1 year.

### Non-power Sector

Key non-power sectors such as cement, steel, and sponge irons (direct reduced iron) are impacted by lower coal supplies as the supply to the power sector has increased significantly to meet the increased electricity demand.

**Table 5: Non-Coking Coal Supply to Cement Sector**

Items (MT)	Apr-22	Apr-21	Growth (%) Y-o-Y
Cement Production	32.8	27.9	17.6
Domestic Coal Supply	0.7	0.6	9.5
Coal Import	0.8	2.3	-64.2

Source: Ministry of Coal, CareEdge Research

**Table 6: Non-Coking Coal Supply to DRI (Sponge Iron) Sectors**

Items (MT)	Apr-22	Apr-21	Growth (%) Y-o-Y
DRI Production	3.5	3.3	6.1
Domestic Coal Supply	0.6	0.7	-8.5
Coal Import	0.0	0.1	-80.0

Source: Ministry of Coal, CareEdge Research

**Table 7: Coking Coal Supply to Steel Sector**

Items (MT)	Apr-22	Apr-21	Growth (%) Y-o-Y
Hot Metal Production	6.7	6.3	5.4
Domestic Coal Supply	0.7	0.5	36.2
Coal Import	4.0	3.6	11.6

Source: Ministry of Coal, CareEdge Research

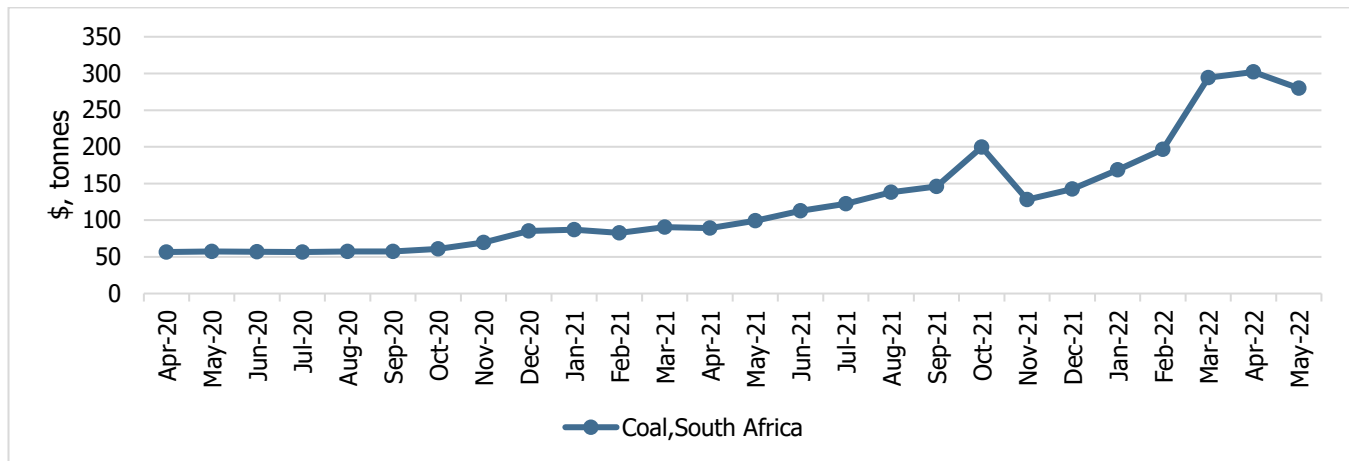
**Table 8: Supply to Other Sectors**

Source of Supply (MT)	Apr-22	Apr-21	Growth (%) Y-o-Y
Domestic Supply	6.2	8.1	-23.8
Import	9.0	9.3	-4.1
Total	15.2	17.5	-13.3

Source: Ministry of Coal, CareEdge Research

### International Coal Prices

Coal prices of South African thermal coal, a global benchmark, have been on an upward trajectory since December 2021 and the geopolitical tensions between Russia-Ukraine had pushed up the international coal prices. The global benchmark had crossed its all-time high price of around USD 200 per tonne (which was seen in October 2021) and peaked to around USD 300 per tonne in April 2022. In May 2022, the global benchmark coal prices declined to USD 280 per tonne. The prices are registering a declining trend for the first time since November 2021 in May 2022.

**Figure 1: Prices in South Africa (USD/tonne)**

Source: World Bank, CareEdge Research

### Outlook

The coal industry in FY22 witnessed many interruptions due to demand-supply mismatches, rake shortages and high international coal prices. Additionally, there was a sharp increase in power demand in the last few months as the country witnessed a heat wave in most parts, which led to domestic coal production not keeping pace with the demand from power plants. However, measures are being taken by the government to resolve these issues. As per the Ministry of Coal, the rake supply from CIL to the power sector has increased by 25% in the current year (till 16th June 2022) as compared to the same period of last year.

The first two months of FY23 witnessed a growth of around 31% over the same period during the previous year, this was mainly because of the initiatives taken by the government to ramp up the domestic coal production. However, it is observed that during the monsoon period i.e. between June to September, the coal production decreases as compared to other months during the year. Even in FY23, it is expected that the monsoon will lead to coal production.

CareEdge expects the coal production in FY23 to reach 230MT for the four months (June–September 2022) and is likely to cross 350MT for the half-year FY23. However, the y-o-y growth is likely to be around 15%-18% 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.

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