

## Coal update: December 2020

**Contact:**

**Madan Sabnavis**

Chief Economist

madan.sabnavis@careratings.com

+91-22- 6837 4433

**Author**

**Rashmi Rawat**

Deputy Manager

Rashmi.rawat@careratings.com

+91-22-6837 4405

**Mradul Mishra (Media Contact)**

mradul.mishra@careratings.com

+91-22-6754 3573

Aggregate coal production from the two commercial coal miners in India (CIL & SCCL) stood at 64 million tonnes (mt) in December 2020, 0.4% higher compared with December 2019 and 13.1% higher compared with November 2020. This was the fifth consecutive month when coal production recorded y-o-y growth. However, the growth in coal production during Aug to November 2020 (up 9.9% y-o-y) came over a low base as coal production had declined by 14% during the same period of 2019 compared with the corresponding period in 2018. The growth in coal production in December 2020 came over a high base of 5.9% growth in December 2019.

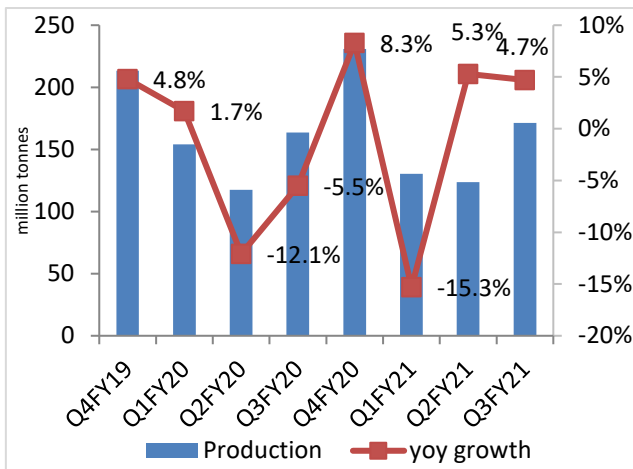
Demand for coal returned to y-o-y growth in September 2020 with the unlocking of the economy, after declining in each of the months during April to August 2020. Imports which had remained subdued due to higher domestic availability of coal and lower demand from end-user industries also increased by 15.7% y-o-y to 21.4 mt in October 2020. This was the highest level of coal imported in eight months.

### Coal production

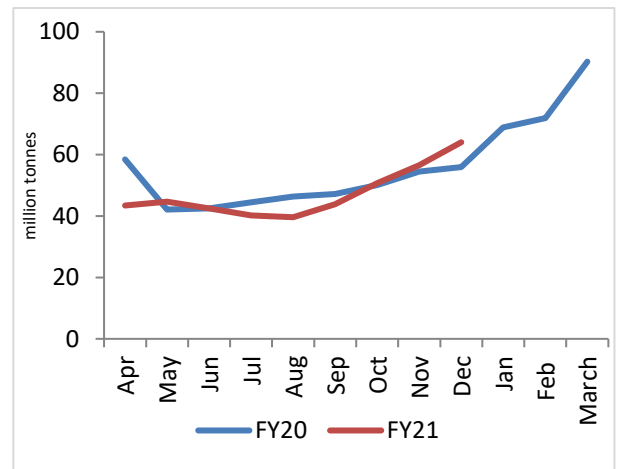
Aggregate coal production by the two commercial coal miners (CIL and SCCL) recovered in Q2FY20 growing by 5.3% y-o-y and continued to register y-o-y growth in Q3FY20 as well, up 4.7% as compared with December 2019. However, this growth in production came over lower base as coal production had declined in Q2 and Q3FY20 by 12.1% and 5.5%, respectively. Production was impacted during the corresponding quarters in FY20 due to prolonged rains which had caused heavy flooding's at the coal mines. Besides, Centres decision to commercialise coal mining also saw resistance from labours of existing coal mining companies which had caused production loss of around 20 days in FY20. Cumulative coal production for the period April-December 2020 (CIL and SCCL) were down by 2.2% as compared to the corresponding period in 2019.

**Disclaimer:** This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

**Chart 1: Quarterly trend in coal production**



**Chart 2: Monthly trend in coal production**

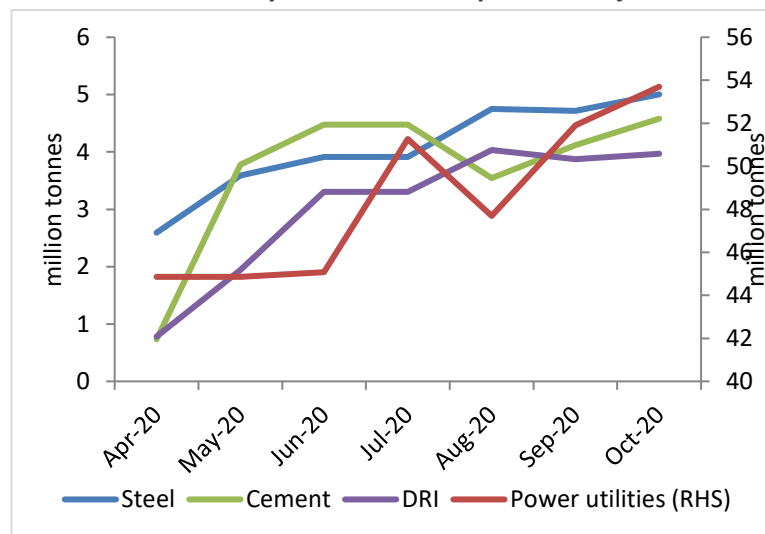


Source: Ministry of Coal, note: Production by CIL and SCCL

Coal production by the captive miners remained at the same level of 34.5 million tonnes during April-November 2020 compared with the corresponding period of the previous year.

**Pick-up in demand from end-user industries:**

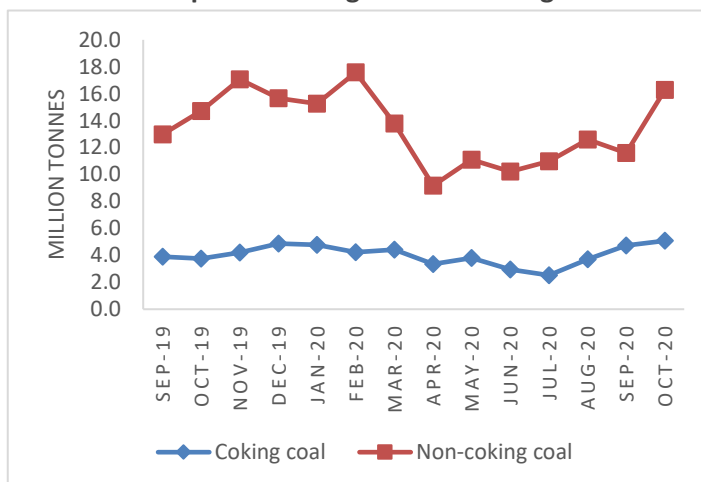
**Chart 3: Summary of Coal Consumption in Major Sectors**



With the unlocking of the economy, demand for coal returned to y-o-y growth in September 2020 after declining over April-August 2020. Coal consumption grew by 7.8% y-o-y in September 2020 and a further 8.6% in October 2020. While demand for coal from the power utilities that consume 80% of total coal produced as well as steel and cement sector, with a share of 7% each, improved y-o-y in October 2020, demand from DRI sector (6%) continued to fall.

## Import of coal

Chart 4: Import of coking and non-coking coal



Lower domestic demand due to lockdown measures had also led to a sharp 20-50% y-o-y fall in coal imports during March-July 2020. However the quantum of fall reduced to just 2-3% y-o-y in August and September 2020. In October 2020, coal imports rose by 15.7% y-o-y. India imported 21.4 million tonnes of coal in October 2020, highest in 8 months. Import of coking coal grew by 35% y-o-y to 5.1 million tonnes and non-coking coal by 10.7% to 16.3 million tonnes.

Import of coking coal reached the highest level at 5.1 million tonnes in October 2020, since June 2019. On a y-o-y basis, coking coal imports were up 35% in October 2020 due to strong demand from the steel sector which has seen one of the fastest recoveries. Crude steel production stood at 9.2 million tonnes in November 2020 up from 8.9 million tonnes in November 2019 and 9.1 million tonnes in October 2020.

Power is the largest coal consuming industry as 80% of India's power generation is coal-based. After contracting for six consecutive months during March to August 2020, coal-based thermal power generation reported 10% y-o-y growth in September 2020 and a further 14.6% growth in November 2020. However, power generation slowed down in November 2020 and grew by just 4.6% due to early onset of winter in the North and supply disruption of coal in Punjab state due to farmer's agitation.

### Outlook:

With the unlocking of the economy gathering pace, business and commercial activity is expected to be higher in the remainder of the financial year. This would result in higher power demand and generation on y-o-y basis and consequently lead to higher demand for coal.

Coal output in FY21 is expected to fall due to fall in power generation, steel and cement production given the sharp fall in industrial and commercial activity during the year due to the Covid-19 Pandemic. However we do expect a recovery in the coming year due to a pick-up in power demand as industry gets back towards normalcy. Also the major consumers of coal such as steel would be growing at a faster rate and hence there will be improved performance. This can be expected to accelerate from May onwards. The major stumbling block here can be labour reverse migration where the sector was affected sharply in 2020.

### CORPORATE OFFICE: CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022; CIN: L67190MH1993PLC071691  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com  
Website: www.careratings.com

Follow us on  /company/CARE Ratings  
 /company/CARE Ratings