Coal: Domestic production continues to ramp-up, albeit shortage lingers

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CareEdge RESEARCH

Coal production during the quarter ended December 2021

The coal stock in power plants has significantly increased to 18.5 Million Tonnes (MT) as on December 5, 2021 from lows of 7.2 MT as on October 8, 2021. The total coal production for the third quarter (Q3) of FY22 (refers to financial year from April 1, 2021 to March 31, 2022) stood at 206.5 MT, exhibiting an increase of 8.8% over the same period in FY21. This was a significant increase of 13.8% (in Q3 of FY22) as compared to 181.3 MT produced in Q3 of FY20. Despite Covid-19 pandemic led lower economic growth in FY21, the production in Q3 of FY21 grew at 4.6% compared to the production in Q3 of FY20.

Table 1: Coal production in Q3 for FY22, FY21, and FY20

Production (in MT)	Q3 FY22	Q3 FY21	Q3 FY20	Growth % (Q3 FY22 vs. Q3 FY21)	Growth % (Q3 FY21 vs. Q3 FY20)	Growth % (Q3 FY22 vs. Q3 FY20)
CIL	163.8	156.8	147.4	4.5%	6.4%	11.1%
SCCL	16.6	14.5	16.2	14.5%	-10.5%	2.0%
Captives	26.1	18.5	17.7	40.9%	4.6%	47.5%
Grand Total	**206.5**	**189.8**	**181.3**	**8.8%**	**4.7%**	**13.8%**

Source: Ministry of Coal, CareEdge Research, Q3 FY2022 data is provisional

Coal India Limited (CIL) produced around 80% of the total coal produced in Q3 FY22 (CIL's share has generally been around 80% through the years). Contribution in coal production by captive mines has significantly increased over last 3 years from around 9.7% in Q3 FY20 to around 12.6% in Q3 FY22, albeit their share is still low.

With overall high growth in coal production, the growth in coal production by captive mines has increased significantly by 47.5% as compared to Q3 FY2020 from around 17.7 MT to around 26.1 MT. During the same period, CIL's coal production grew in line with the overall industry growth at around 11.1%.

Table 2: Coal production month wise for Q3 FY22 and Q3 FY20

Production (in MT)	Q3 FY22				Q3 FY20			
	October	November	December	Grand Total	October	November	December	Grand Total
CIL	49.8	53.8	60.2	163.8	39.4	50.0	58.0	147.4
SCCL	5.3	5.6	5.7	16.6	5.1	5.4	5.7	16.2
Captives	8.7	8.4	8.9	26.1	5.3	6.0	6.3	17.7
Grand Total	**63.8**	**67.8**	**74.8**	**206.5**	**49.8**	**61.5**	**70.1**	**181.3**

Source: Ministry of Coal, CareEdge Research, Q3 FY2022 data is provisional

Coal production during the nine months ended December 2021

India's coal production has shown cumulative growth of 10.6% during April 2021 to December 2021 period as compared to the corresponding period of the previous year (2020) and 8.7% compared to the same period of 2019. While in Q3 FY21 coal production increased, for the 9M period (from April 2020 to December 2020) of FY21, there was a degrowth in coal production by 1.7% as compared to the same period for FY20 (this year did not have any Covid-19 pandemic impact). This degrowth in coal production was on account of lower economic growth due to the Covid-19 pandemic led lockdowns in the country. The economic activity and the consequent demand for coal had declined in the initial months of FY21 and with the easing of restrictions in a phased manner, eventually the coal production ramped up in the later months.

Table 3: Coal production April - December (9M)

Production (in MT)	9M FY22	9M FY21	9M FY20	Growth (9M FY22 vs. 9M FY21)	Growth (9M FY21 vs. 9M FY20)	Growth (9M FY22 vs. 9M FY20)
CIL	413.6	392.8	388.4	5.3%	1.1%	6.5%
SCCL	46.5	32.7	46.7	42.5%	-30.1%	-0.4%
Captives	62.2	47.0	45.5	32.4%	3.3%	36.7%
Grand Total	**522.3**	**472.4**	**480.6**	**10.6%**	**-1.7%**	**8.7%**

Source: Ministry of Coal, CareEdge Research, Q3 FY2022 data is provisional

Coal despatch during the period

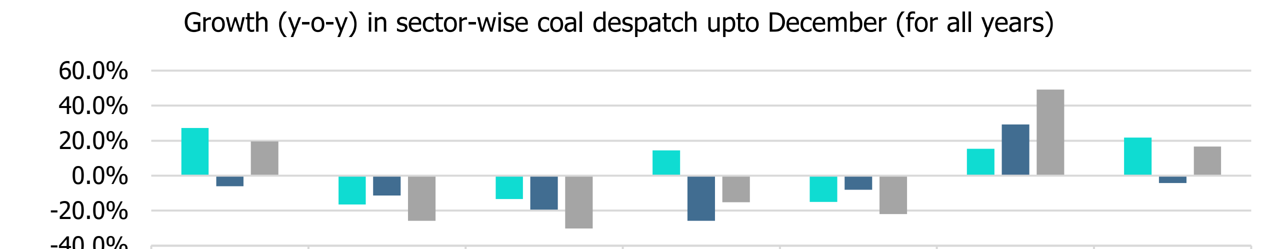
The overall coal despatch stood at 216.6 MT in the quarter ended December 21. The power sector accounted for 84.6% of the total despatches for Q3 FY22. The despatch to the power sector increased by 25.3% in Q3 FY22 as compared to Q3 FY21 as collieries prioritised fuel supply to coal-starved power plants to ensure uninterrupted electricity supply to meet the increased power demand of the country. The power demand in the country has increased since August 2021 as the economic activity in the country ramped up with increased vaccination and complete opening-up of businesses (post the second wave of the Covid-19 pandemic that hit in April 2021). This also led to supplies to other sectors like cement, sponge iron, and other sectors which include fertilizers, textile, chemicals, etc being significantly hit.

Table 4: Coal Despatch in Quarter 3 of FY22, FY21 and FY20

Sectors	Q3 FY22 (MT)	Q3 FY21 (MT)	Q3 FY20 (MT)	Growth % (Q3 FY22 vs. Q3 FY21)	Growth % (Q3 FY21 vs. Q3 FY20)	Growth % (Q3 FY22 vs. Q3 FY20)
Power	183.3	146.3	142.7	25.3%	2.5%	28.4%
CPP	11.8	12.6	13.3	-6.3%	-5.5%	-11.4%
Steel	2.1	2.0	2.6	8.7%	-24.9%	-18.4%
Cement	1.7	1.9	1.9	-12.2%	-0.5%	-12.6%
Sponge Iron	1.9	2.3	2.3	-19.6%	-1.3%	-20.6%
Others	15.8	21.2	11.7	-25.4%	82.0%	35.7%
Total	**216.6**	**186.2**	**174.5**	**16.3%**	**6.7%**	**24.1%**

Source: Ministry of Coal, CareEdge Research, Q3 FY2022 data is provisional

Figure 1: Growth in Sector-wise coal despatch for Q3 FY22, Q3 FY21, and Q3 FY20



	Power	CPP	Steel	Cement	Sponge Iron	Others	Total
FY22/FY21	27.3%	-16.4%	-13.4%	14.4%	-15.1%	15.4%	21.8%
FY21/FY20	-6.1%	-11.3%	-19.3%	-25.8%	-8.1%	29.2%	-4.2%
FY22/FY20	19.6%	-25.8%	-30.1%	-15.1%	-21.9%	49.1%	16.7%

FY22/FY21 FY21/FY20 FY22/FY20

Source: Ministry of Coal, CareEdge Research, Note 1- CPP- Captive power plants. Note 2 - Others include – fertilizers, textiles, chemicals, paper & pulp, and other basic metals. This is comparison of 9 months for all the three years.

Table 5: Coal Despatch April to December (9 Months)

Sectors	9Months (April to December) (in MT)			9Months (April to December) Growth (%)		
	FY22	FY21	FY20	FY22 vs. FY21	FY21 vs. FY20	FY22 vs. FY20
Power	490.0	384.9	409.7	27.3%	-6.1%	19.6%
CPP	28.4	33.9	38.3	-16.4%	-11.3%	-25.8%
Steel	5.6	6.4	8.0	-13.4%	-19.3%	-30.1%
Cement	5.2	4.6	6.2	14.4%	-25.8%	-15.1%
Sponge Iron	5.7	6.7	7.3	-15.1%	-8.1%	-21.9%
Others	59.5	51.6	39.9	15.4%	29.2%	49.1%
Total	**594.4**	**488.1**	**509.3**	**21.8%**	**-4.2%**	**16.7%**

Source: Ministry of Coal, CareEdge Research, Q3 FY2022 data is provisional

Coal Stocks at power plants

As of January 1, 2022, as per CEA data, while the pithead power plants have 68% of their normative stock available, non-pithead plants (non-pit head plants are power plants where the coal mines are more than 1,500 kms away) have only 33% of their normative stock available. This is lower than normal stock levels indicating shortage in stock inventory at most power plants.

Table 6: Plants as per Pithead/Non-pithead as on 1st January 2022

Mode	No. of Plants	Capacity (MW)	Daily Requirement (MT)	Total Stock (MT)	Normative Stock (MT)	% of Actual Stock vs. Normative Stock
Pithead	18	39,222	0.5	6.0	8.7	68%
Non-Pithead	162	163,442	2.2	17.5	53.1	33%
Total	**180**	**202,664**	**2.7**	**23.5**	**61.8**	**38%**

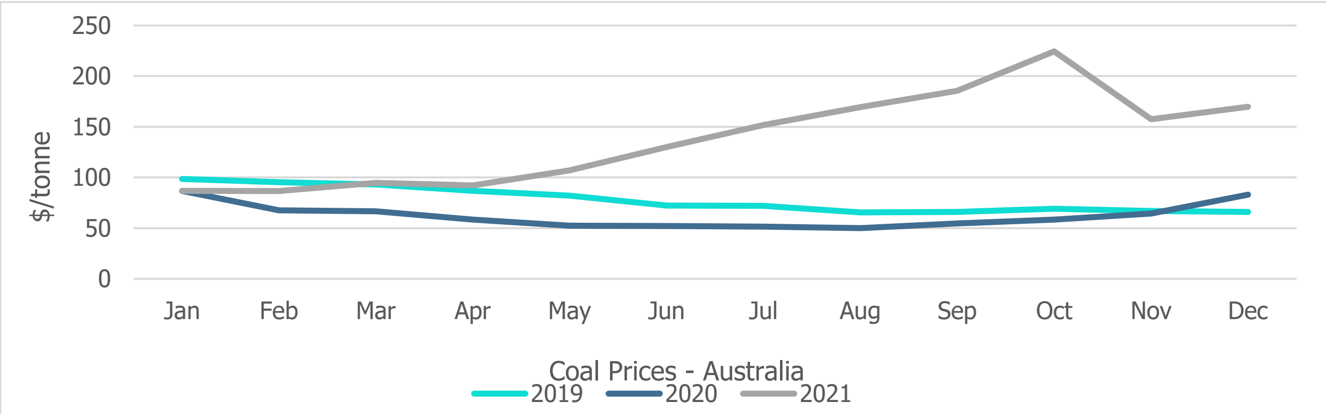
Source: Central Electricity Authority (CEA), CareEdge Research

The Government has introduced new norms that will help the power plants to keep adequate coal stock. The power plants located at pit-heads will be required to keep coal stock for 12 to 17 days, (depending on the month of the year), as against 15 days at present. Whereas, the non-pithead power plants will have to keep 20-26 days of stocks, compared with 20-30 days now. This norm has been introduced to avoid a repeat of the recent crisis in October 2021, when a significant capacity of generating station had to be shut down due to low coal stocks.

Coal Prices

Post June 2020, the coal prices were at an all-time low which was impacted by the Covid-19 pandemic and China's cut down on import of coal from Australia. Australian thermal coal prices, a global benchmark, dipped to USD 50.1 per MT in August 2020. Eventually, the prices started rising again from April 2021 onwards and in October 2021, seaborne thermal coal prices in Asia peaked to a new record high of USD 224.5 per MT due to coal shortages in top importer countries like China and India. In November 2021, the global benchmark decreased by 29.8% to USD 157.5 per MT vs. October 2021 and rose back to USD 169.7 per MT in December 2021.

Figure 2: Prices of Coal in Australia ($/tonne)



Source: World Bank, CareEdge Research

Outlook:

The year 2021 witnessed an imbalance in the demand-supply of coal on account of disruptions in the supply chain and low imports across economies due to increased international coal prices. This imbalance is likely to continue on account of continued high international coal prices. However, with the onset of winters, the coal demand is likely to stabilise on account of declining demand for power over the next few months and partial restrictions in economic activity across the country on account of the third wave of the Covid-19 pandemic (Omicron). For the quarter ending March 2022, CIL is planning to ramp up production by over eight per cent to 220-225 MT.

Over the medium term, CIL aims to maintain a steady supply of coal to power plants to avoid a disproportionate demand-despatch scenario, and also reduce the requirement of coal imports in the substitutable category. With the continued high dependence on imported coal, to achieve the country's demand for coal, the domestic coal production will have to significantly ramp up. Increased production is expected in future on account of increased production from CIL as well as captive coal blocks.

On the other hand, the Government is continuing to take measures to ramp up power generation from green sources (like solar, wind) to meet the medium to long-term power demand. The transition to green sources will also help India to meet its climate change targets and switching to the green sources will also help India to curb its expected growth in emissions from its dependency on fossil fuels, and begin the shift to a net zero economy. The share of power sector in India's annual coal demand is expected to reduce over time aided by the falling costs of power from renewable energy sources particularly solar. India's enhanced 2030 targets and continued efforts towards energy efficiency could lead to coal consumption for power sector to fall through 2030.

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