

While coal supply improves in October 2021, shortage lingers

11 November 2021 | Industry Research Outlook

The overall coal production during October 2021 has significantly increased by 28.2% to 63.8 million tonnes (MT) as compared with October 2019 (non-Covid year) and by 14.7% compared with October 2020 (Covid year). Coal production also showed significant improvement on a month-on-month (m-o-m) basis, and was up by 23.4% as the monsoon season receded leading to a pick-up in mining activities.

During the month, Coal India Ltd. (CIL) produced 49.8 MT of coal, up 26.4% compared with October 2019. Singareni Collieries Company Limited (SCCL) produced 5.3 MT of coal, 4.7% higher compared with October 2019. Captive coal production jumped by 63.8%.

Table 1: Coal production in October 2021 (Provisional)

Production	Million Tonnes (MT)	y-o-y growth (%)	m-o-m growth (%)	% growth (Oct 2021 vs. Oct 2019)
CIL	49.8	6.4%	22.4%	26.4%
SCCL	5.3	35.9%	17.8%	4.7%
Captives	8.7	77.6%	33.8%	63.8%
Grand Total	63.8	14.7%	23.4%	28.2%

Source: Ministry of Coal

On a cumulative basis, India's coal production increased by 12.2% during April 2021 to October 2021 period as compared with the corresponding period of the last year (2020) and 7.8% compared with the same period of 2019. Coal India Ltd (CIL) produced 299.6 MT of coal during April 2021 to October 2021 which is 45% of the annual production target of 670 MT for the full year FY 2022 (refers to financial year ending March 31, 2022).

Table 2: Coal production during April to October 2021 (Provisional)

Production	April 2021 to October 2021	April 2020 to October 2020	April 2019 to October 2019	Growth (2021 vs. 2020)	Growth (2021 vs. 2019)
CIL	299.6	282.8	283.2	5.9%	5.8%
SCCL	35.3	22.0	35.6	60.5%	-0.9%
Captives	44.7	33.3	33.1	34.2%	34.8%
Grand Total	379.5	338.1	351.9	12.2%	7.8%

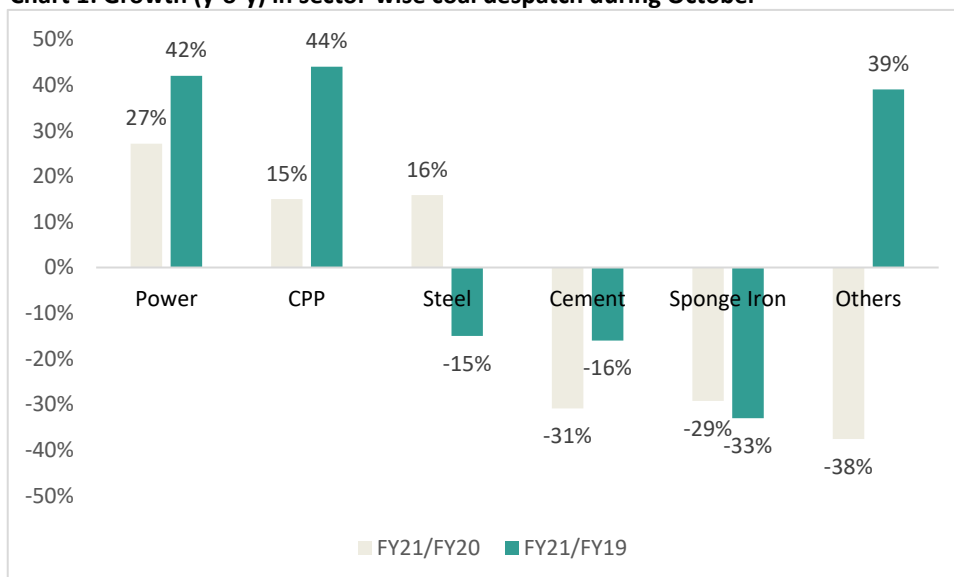
Source: Ministry of Coal

Despatch of Coal:

The overall coal despatch has been 70.4 MT in the month of October 2021 as compared with 59.9 MT and 50.5 MT in October 2020 and October 2019, respectively.

While despatch of coal to power sector and captive power plants (CPP) increased by 42% and 44%, respectively, during October 2021 when compared with October 2019, it fell sharply for other sectors like cement, steel, sponge iron as collieries prioritised fuel supply to coal-starved power plants to ensure uninterrupted electricity supply. Coal despatch to other sectors including fertilizers, textile, chemicals etc increased by 39% compared with October 2019 but fell by 38% y-o-y.

Chart 1: Growth (y-o-y) in sector-wise coal despatch during October



Source: Ministry of Coal, Note 1- CPP- Captive power plants. Note 2 - Others include – fertilizers, textiles, chemicals, paper & pulp and other basic metals.

Import/export:

Power demand has increased from August 2021 onwards as the country recovered from the second wave of the Covid-19 pandemic. Coal-based power generation in the month of Oct 2021 has been 80,185 MU in comparison to 75,691 MU in Sept 2021, registering a growth of 5.9% m-o-m. On a y-o-y basis, coal-based power generation grew by 17.7% in the month of Oct 2021 in comparison to Oct 2019 and 16.1% than the power generated in Oct 2021. Coal's share in India's electricity generation jumped to 70.6% in October from an average of 66.5% in September due to increase in natural gas price and uneven rainfall impacting hydro power generation.

While power demand grew, the coal-based power plants (in India) could not stock up on the coal inventory ahead of the monsoon season due to sharp increase in the international coal prices as well as freight rates. In the first five months of the financial year 2021-22 i.e. up to August 2021, the country's total coal import dropped 12% to 94.2 MT compared with 107 MT imported in the corresponding period of FY20, on account of a substantial reduction in the import of non-coking coal that is used in power generation.

The import of non-coking coal (all varieties put together) has reduced to 70.9 MT from 84.4 MT during the corresponding months of FY 2019-20, representing a decline of about 16.1%. The reduction of imports of low calorific value (low GCV) of non-coking coal which is mainly used in power sector is even more significant. During April 2021 to August 2021, the imports of such grades of coal have decreased by about 47% to 15.2 MT from 28.7 MT during the same period of FY 2019-20.

In August 2021, total coal and coke and imports at 14.6 million tonnes are down by 14% over Aug 2020 imports of 17 MT and down by 6% m-o-m at 16.1 MT in July 2021.

Coal stocks at power plants:

Coal stocks at power plants have marginally improved with the average daily stock at 135 coal fired thermal power plants increasing to six days as on 1st November 2021, as against around four days seen in mid-October 2021. However, this is still significantly lower than the 22 days of fuel stocks prescribed by the Central Electricity Authority (CEA).

71 power plants in the country with total installed capacity of 84,511 MW have total coal stocks of less than 6 days (Critical level) as on 1st November 2021.

Table 1: Available coal stocks with power plants as on 1st November 2021

Stock in Days (Critical/Super Critical)	Number of Plants	Capacity (MW)
0 day	2	1140
1 day	12	12430
2 days	10	15840
3 days	17	23182
4 days	13	13079
5 days	17	18840
6 days	5	6170
7 days	1	1980
8 days	0	0
TOTAL	77	92661

Source: Central Electricity Authority (CEA)

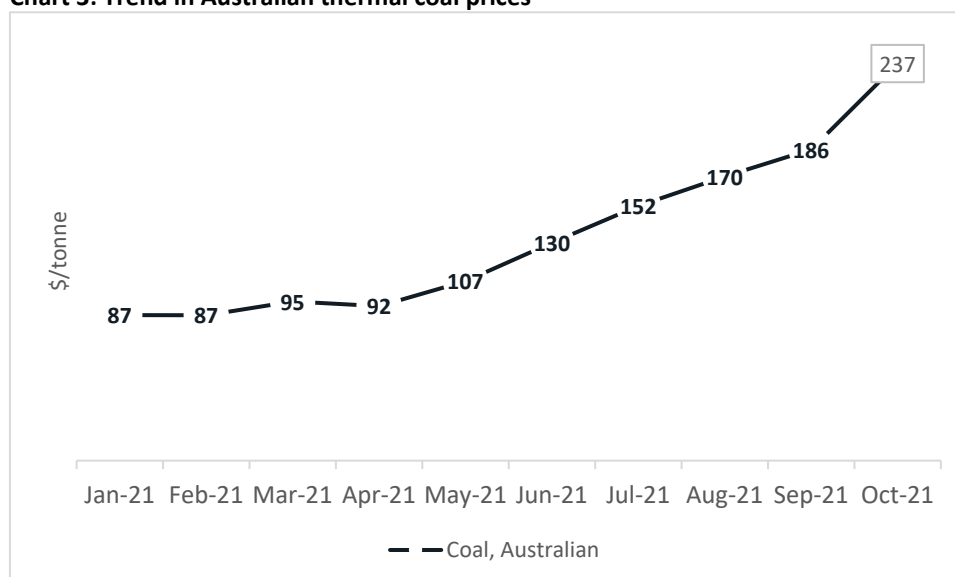
Prices:

Seaborne thermal coal prices in Asia climbed to fresh record highs in October 2021 due to coal shortages in top importers China and India.

Australian thermal coal price, a global benchmark, jumped to \$237 a tonne in October 2021, a 28% increase over the previous month.

Similar to India, coal stockpiles in China are also at critically low levels whereas demand is at all-time high which is driving global prices higher as China is importing coal at very high prices to meet its growing domestic demand driven by increased economic activity post-pandemic.

Global electricity demand rebounded with industrial growth from the post-pandemic boom. However, coal supply hasn't kept pace with demand after last year's pandemic slump. Global coal production fell by about 5% in 2020 from 2019. Global coal supplies have fallen in 2021 as well as major producers Colombia and Indonesia have struggled with heavy rain, while some mines have closed because of the pandemic.

Chart 3: Trend in Australian thermal coal prices

Source: World Bank

Outlook:

While domestic demand for coal from power sector picked up from August 2021 onwards as the business and economic activities have revived as the country unlocks from the second wave of Covid-19 pandemic inflicted lock-downs, supply from coal mines have been interrupted due to extended monsoons.

However, India's coal production is expected to pick up going forward as monsoon recedes. Demand for coal, on the other hand, is expected to be higher than supply as rising international coal prices will likely keep tab on imports into the country.

In order to achieve the annual production target and to meet the rising demand situation, the domestic coal companies, including CIL and SCCL will have to significantly ramp up the production from October 2021.

Contact:

Rashmi Rawat
Natasha Trikha
Mradul Mishra

Lead Analyst
Analyst
Media Relations

Rashmi.rawat@careratings.com
Natsha.trikha@careratings.com
Mradul.Mishra@careratings.com

+91-22- 6837 4400
+91-22- 6837 4400
+91-22- 6754 3573

Disclaimer: This report is prepared by CARE Ratings Limited. 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

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road,
Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel.: +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect:

