

Coal Production Set to Reach 850-900 MT by End of FY23

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Synopsis

- India's coal production reached a new milestone of 698 Million Tonne (MT) during YTD FY23 (April- January 2023), a 16% y-o-y growth, driven by a 15.2% y-o-y increase in production by Coal India Limited (CIL). The power sector continued to be the largest consumer of domestic coal, accounting for the total despatches of 609 MT during YTD FY23, an increase of 10.5% y-o-y.
- Total coal imports surged by 25.6% y-o-y to 191.82 MT during April-December 2022 with non-coking coal driving the imports.
- International coal prices of major global benchmarks have started cooling off in the past few months due to softening of global demand.
- Under the sixth tranche of commercial coal mines auction under the "Coal Mines (Special Provisions) Act 2015 and Mines & Minerals (Development & Regulation) Act 1957", 141 coal/lignite mines have been offered for sale. A total number of 96 bids were received under two tranches of auctions – the sixth and second attempt fifth tranche. Till date, 48 coal mines have been allocated under the first five tranches.
- "CareEdge Research maintains its coal production estimate of 850–900 MT by the end of this fiscal year driven by Coal India Limited's expected ramp-up in production to achieve the Ministry of Coal's target to produce 1 billion tonnes by FY26 and 1.5 billion tonnes by FY30. Despatches to the power sector are likely to inch up further as demand from coal-based power plants remains high. While the imports have increased compared to last year, the government's initiatives to increase domestic production would lower dependence on imported coal in the medium-long term. The international coal prices are expected to remain moderate in the near-medium term due to soft global demand," Tanvi Shah, Director, CareEdge Advisory & Research, said.

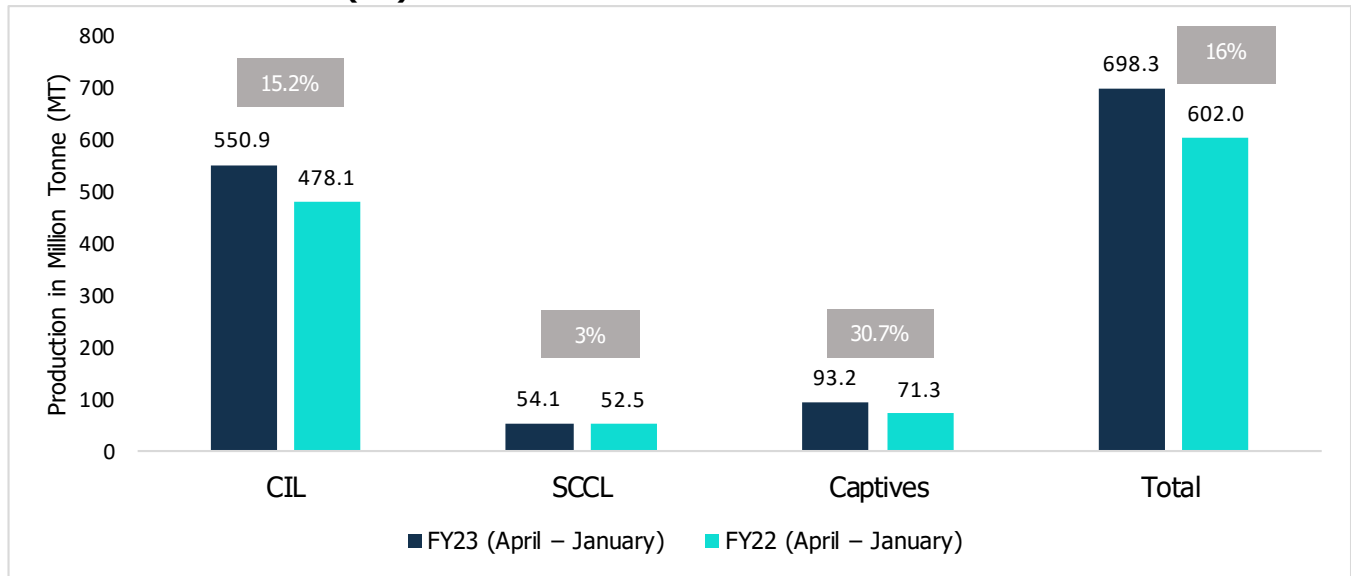
Production crossed 698 MT during YTD FY23

Domestic coal production crossed 698 million tonne (MT) during YTD FY23 (April–January), registering 16% y-o-y growth over the same period in FY22. CIL continued to be the largest producer of coal accounting for 79% of the total production during YTD FY23. CIL's production grew by 15.2% y-o-y to 551 MT during this period.

Coal production from captive mines increased by 30.7% y-o-y in YTD FY23 and contributed 13.4% to the total coal production during this period, vs. 11.8% during the same period in FY22. Steady growth in captive coal production was led by the government's support and allowing the sale of up to 50% of the annual production from existing operational captive coal mines in the open market. Ministry of Coal (MOC) has also requested MoEF&CC¹ to allow coal mines with current environmental clearance to increase production up to 40% without any more assessments and single portal approvals. The production from Singareni Collieries Company Limited (SCCL) remained relatively flat y-o-y.

¹ MoEF&CC- Ministry of Environment, Forest and Climate Change

Chart 1: Coal Production (MT)

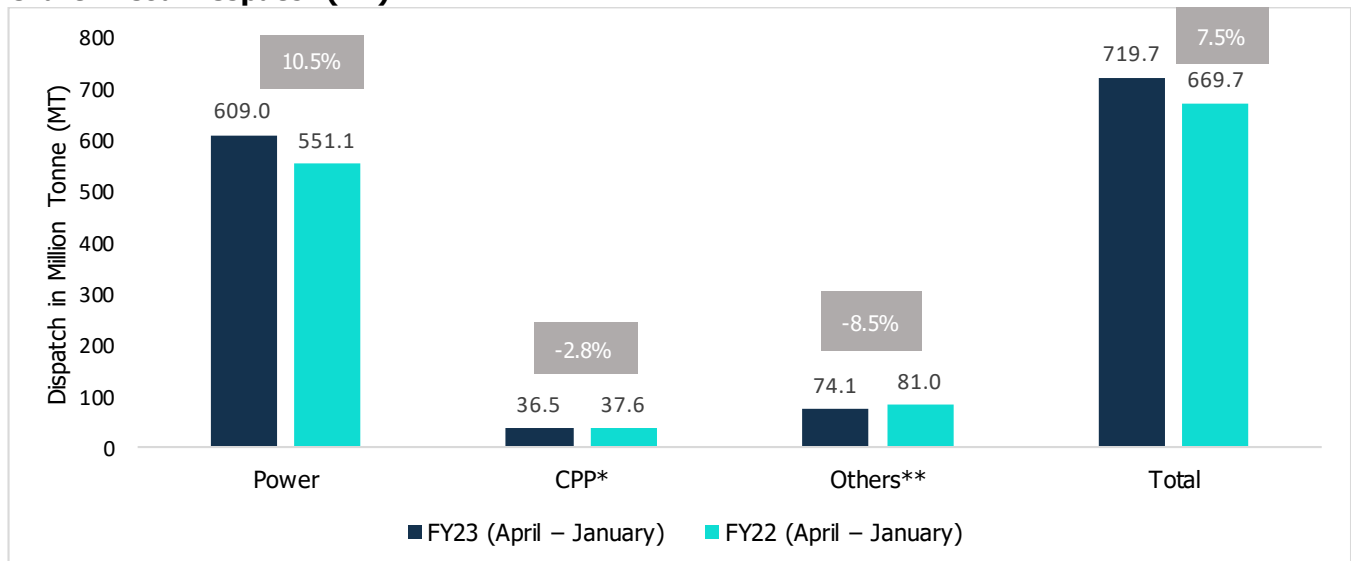


Sources: Ministry of Coal, CareEdge Research Note: CIL- Coal India Limited, SCCL- Singareni Collieries Company Limited

Coal Despatches to Power Sector Grew by 10.5% y-o-y

Total coal despatch to different sectors during YTD FY23 increased by around 7.5% y-o-y, supported by higher production and improved rail connectivity for all major mines. The aggregate coal despatch to the power sector during this period was 609 MT, an increase of 10.5% y-o-y. The despatches remained flattish for captive power plants and declined for other sectors. Power sectors contributed 84% of the total coal despatches during YTD FY23 as against 82% during the same period in FY22.

Chart 2: Coal Despatch (MT)



Source: Ministry of Coal, CareEdge Research

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

Overall, rakes available to the power sector during YTD FY23 increased by 7.2% y-o-y. The Ministry of Coal will be adding 19 First Mile Connectivity (FMC) Projects by FY26-27 to the existing 55 projects with an additional capacity

to transport of 330 MT. These projects are being undertaken by the Ministry of Coal to develop National Coal Logistic Plan to strengthen rail networks from pitheads to dispatch points and overall rail networks for coalfields.

Table 1: CIL’s Rake Supply towards Power Sector (Average Number of Rakes Per Day)

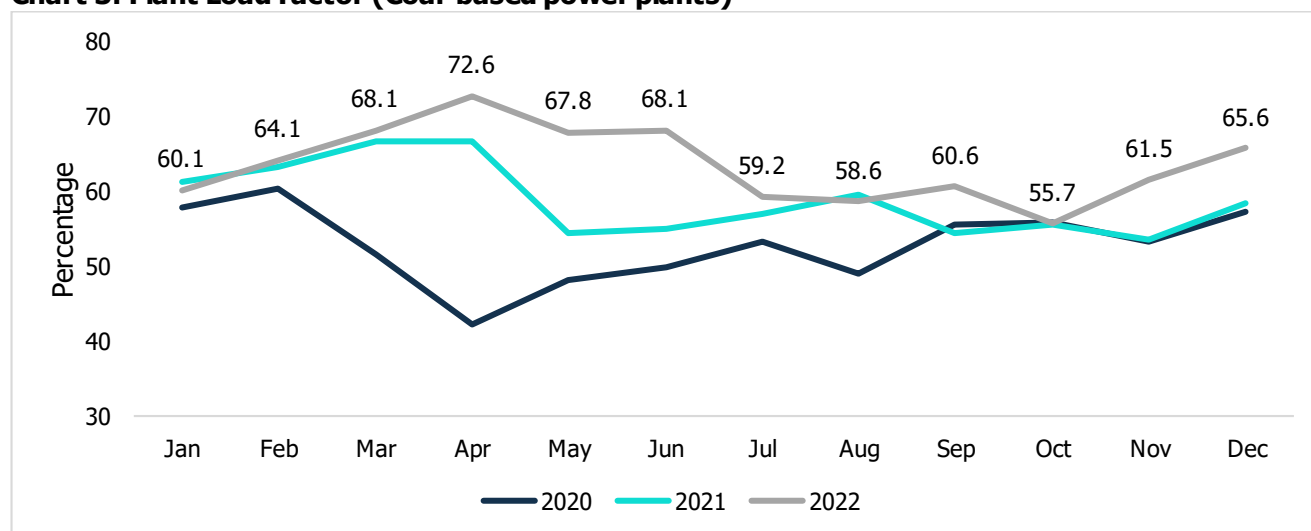
Average Loading in	FY23	FY22	Growth % (FY23 vs. FY22)
April	261	243	7.2
May	274	245	12.1
June	278	222	25.2
July	248	211	17.9
August	233	211	10.3
September	232	221	5.0
October	238	255	-6.7
November	266	248	7.2
December	285	289	-1.4
January	290	285	1.5
Total (Apr- Jan)	2605	2429	7.2

Sources: Ministry of Coal, CareEdge Research; Note: Data are Provisional

Energy Requirement and Plant Load Factor for Coal-based Power Plants

The overall energy requirement in the country has increased to 12,64,083 MU during YTD FY23 from 1,142,263 MU during the same period in FY22. Coal-based power generation has accounted for more than 65% of total power generated in the past years. The PLF² of coal-based power plants improved to 63.23% in FY23 (up to December) from 57.23% in FY22 YTD, primarily due to a ramp-up in domestic coal supply to meet the high demand for coal-based power plants.

Chart 3: Plant Load Factor (Coal-based power plants)



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

As of January 31, 2023, the coal stock at non-pithead power plants has improved to 11 days from around 7 days in April 2022. As per CEA, pithead power plants have around 107% of their normative stock available as of January 31, 2023, while non-pithead plants³ have only around 46% of their normative stock available.

² PLF or capacity utilisation is the proportion of electricity generated compared to overall installed capacity

³ Non-pit head plants are power plants where the coal mines are more than 1,500 km away

Coal Imports increased, led by non-coking coal

Coal imports have increased by 25.6% y-o-y to 192 MT as of YTD FY23(April- December) . Non-coking coal, mainly used in power generation, accounted for 66% of the total coal imports. Over 70% of the non-coking coal is imported from Indonesia and South Africa while coking coal is majorly imported from Australia

Table 2: Total Coal Imports (MT)

Type of Coal	April-December		Growth (%) Y-o-Y
	FY23	FY22	
Non-Coking	126.89	96.42	31.6
Coking	41.35	39.04	5.9
Others*	23.57	17.24	36.7
Total	191.82	152.70	25.6

Sources: Ministry of Coal, CareEdge Research

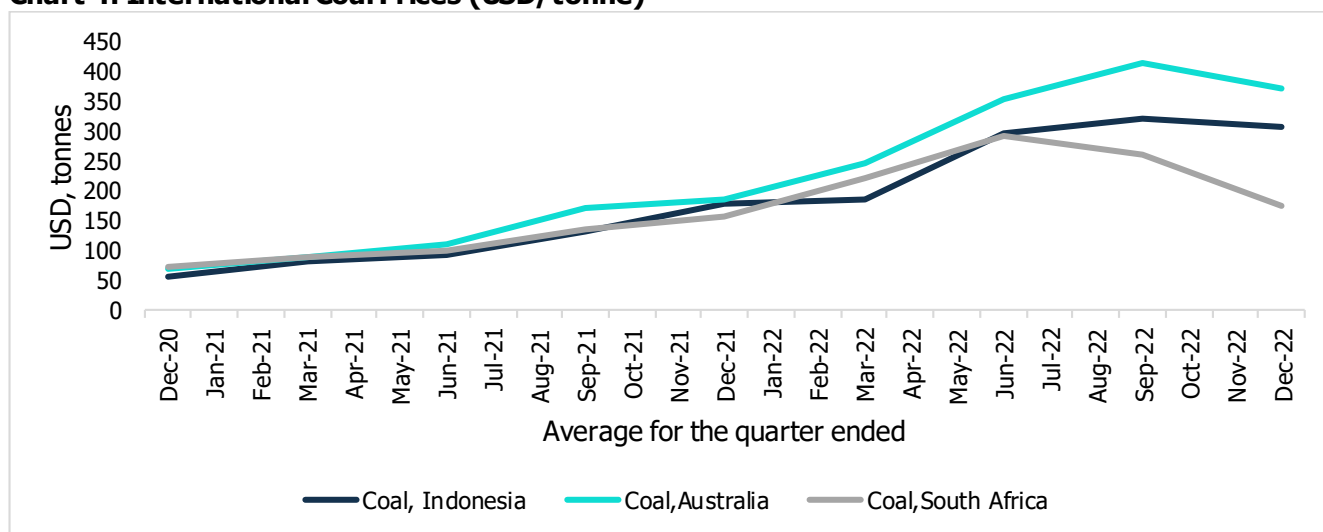
Note: * indicates that others include Anthracite, PCI Coal, Pet Coal, Met Coke

In January 2023, the power ministry directed the thermal power plants to import coal to achieve imported to domestic coal blending at the rate of 6% for the remaining period of the current fiscal and H1FY24. The move is targeted to reduce the coal shortfall anticipated during the summer months. However, to reduce dependence on imported coal over the medium-long term, the Government has taken various initiatives including auctioning of coal blocks for commercial mining, FDI under the automatic route, expansion of existing mines, the opening of new mines under CIL and development of evacuation infrastructure.

International coal prices eased

Global coal prices have been on an upward trajectory since November 2021 due to the geopolitical tensions between Russia and Ukraine. For the quarter ending September 2022, the Australian, Indonesian and South African coal prices surged by a staggering 144%, 142% and 139% y-o-y, respectively, after which the prices started to decline due to soft global demand. CareEdge Research expects coal prices to gradually cool off in the near-medium term.

Chart 4: International Coal Prices (USD/tonne)



Source: World Bank, CMIE, CareEdge Research

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