

Coal Update: June 2020

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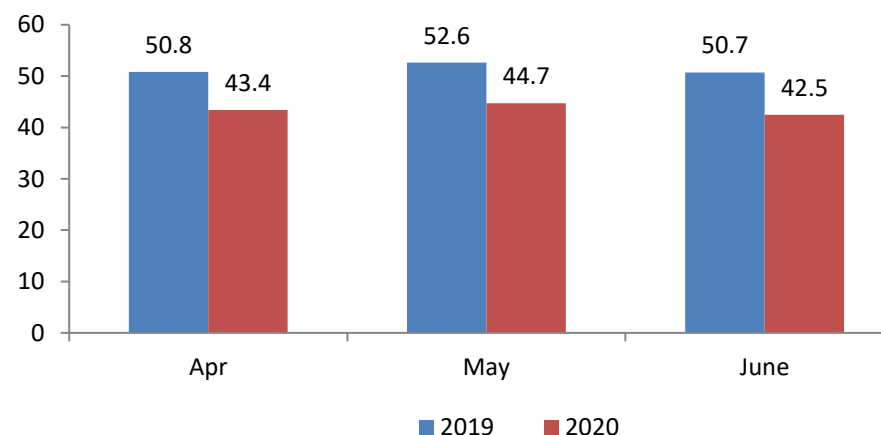
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Coal production falls 4.9% sequentially in June 2020

India's coal production fell by 4.9% in June 2020 compared with May 2020 after having reported marginal growth in May 2020 on a m-o-m basis. Compared with June 2019, coal production was lower by 16.2%. Renewed lockdown measures in several parts of country to contain surging cases of coronavirus continued to weigh on demand for coal. Higher inventory of coal and lower off take by end-user industries resulted in fall in coal production.

Chart 1: Trend in coal production in FY21 (million tonnes)



Source: Ministry of Coal

Table 1: Coal scenario and performance of end-user industries

	Apr-June FY20	Apr-June FY21	y-o-y change
Domestic coal output (mt)	154.0	130.5	-15.3%
Coal off take/ despatches (mt)	170.3	129.1	-24.2%
Coal-based thermal power generation (Mln KWH)	266,602.0	198,297.0	-25.6%
Crude Steel ('000 tonnes)	27,877.0	16,288.0	-41.6%

Source: CEA, Ministry of Coal, JPC

Coal-based thermal power generation falls

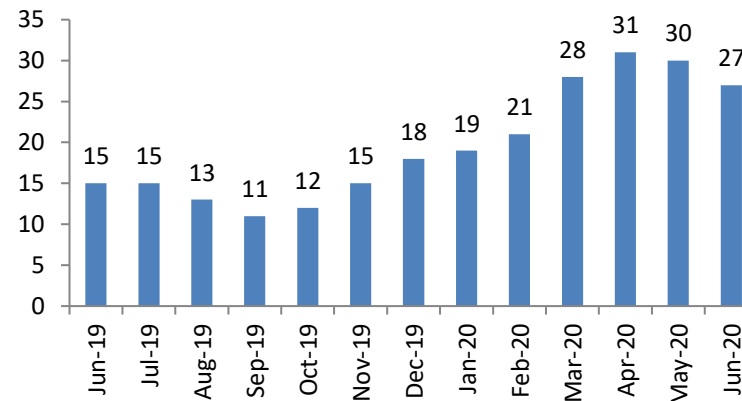
Almost 70% of total coal produced in India is consumed by the Power sector. Coal-based thermal power generation (India's primary source of energy) fell by 20.5% in June 2020 vs June 2019. Coal based thermal power generation fell sequentially as well by 0.2% while hydro power generation grew by 20.7%. Off take of coal improved by 4.5% in June 2020 compared with May 2020 but fell by 18% on a y-o-y basis.

Inventory of coal remains high

Inventory of coal with thermal power plants continues to remain high at 47,163 thousand tonnes in June 2020 which is sufficient to last 27 days.

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Chart 2: Inventory of coal with power plants (days inventory)




Concluding remarks:

Coal production generally remains weak in the September quarter due to monsoon season which impacts production. Demand from thermal power plants will continue to remain weak in the short-term given high inventory levels and lower plant load factors on account of subdued demand from industrial and commercial segments and gradual ramp-up in economic activity post Covid-19 lockdown.

Coking coal imports are also expected to come down amid expectation of fall in crude steel production in FY21.

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