

Coal production rises for 3rd consecutive month

India's coal production continued to increase y-o-y for the third straight month ended October 2020. Coal production grew by 13.7% y-o-y to 50.7 million tonnes in October 2020. During April-October 2020, coal production stood at 304.9 million tonnes (mt) compared to 316 mt in the corresponding period of FY20, down by 3.5%. Coal production was impacted during April-July 2020 due to the Covid-19 induced lockdown which hampered demand from the user industries. During this period coal production fell by 13.6% as compared to the corresponding period in 2019. However, with easing of lockdown restrictions industrial activity picked up and coal production also saw substantial growth from August 2020 onwards. Coal production registered 13.5% growth during Aug-Oct 2020 compared to the corresponding year-ago period.

Power sector is the largest demand driver of coal as 70% of power generation in India is coal-based. Electricity generation fell for six consecutive months during March to August 2020 on a y-o-y basis due to fall in industrial activity. Consequently demand for coal from power sector also declined. However, the declining trend reversed in September 2020 and electricity consumption grew by 6% and generation by 4.4% as compared to September 2019. Also the increased power generation was largely driven by coal based power plants which rose to 7 months high in September while generation from renewable energy sources fell to 10 months low. Coal-based thermal power generation grew by a sharp 9.5% y-o-y in September 2020 which boosted demand for coal. Demand from steel sector also improved as capacity utilisation rate of crude steel which had fallen below 26.5% in April 2020 has now returned to 72.8%, down by just 75.6%.

Despatch of coal to user industries grew by 20.3% to 54.5 mt in October 2020 compared to October 2019.

Table 1: Coal production and despatch (fig in million tonnes)

	Oct-20	y-o-y growth	Apr-Oct 2020	y-o-y growth
Total coal production	50.7	13.7%	304.9	-3.5%
CIL	46.8	18.5%	282.9	0.9%
SCCL	3.9	-23.5%	22.0	-38.2%
Total Despatch	54.5	20.3%	327.6	-6.9%

India's coal import remained low during the first five months on the on-going FY21. However, coal imports rose 11.6% to 19 mt in September 2020 on the back of resumption in demand from thermal power sector and other user industries like steel and cement as well as lower international coal prices.

Benchmark coal prices (Australia) averaged USD 54.6 per mt in October 2020, marginally up as compared to USD 50.1 per mt in September 2020 but 17.1% lower as compared to September 2019.



Coal Update – October 2020

Contact:

Rashmi Rawat
Deputy Manager – Industry Research
rashmi.rawat@careratings.com
+91 22-6837 4405

Mradul Mishra (Media Connect)
mradul.mishra@careratings.com
+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

Follow us on  [/company/CARE Ratings](https://www.linkedin.com/company/CARE-Ratings)
 [/company/CARE Ratings](https://www.youtube.com/company/CARE-Ratings)

CORPORATE OFFICE:
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 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com | www.careratings.com