



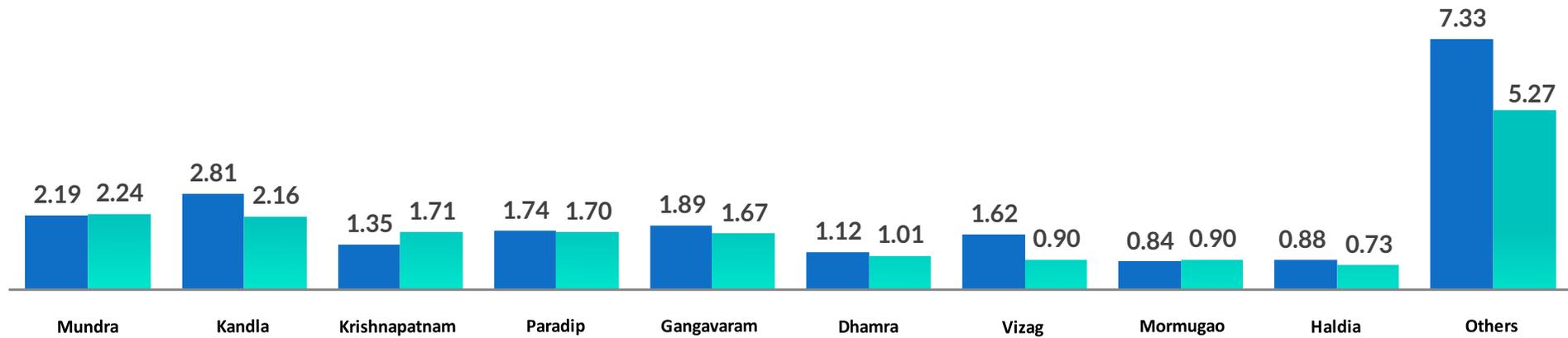
COAL

MONTHLY REVIEW MAY' 20

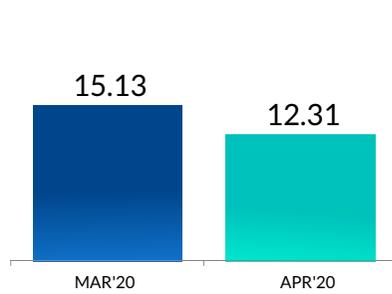
INDIAN COAL IMPORT

(Qty MnT)

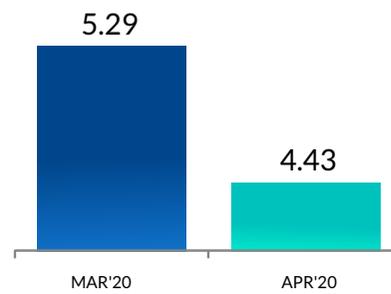
MAR'20 APR'20



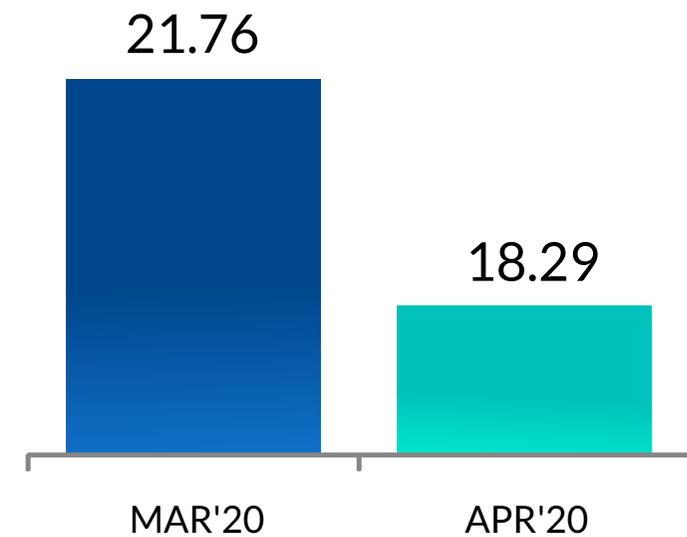
NON COKING COAL



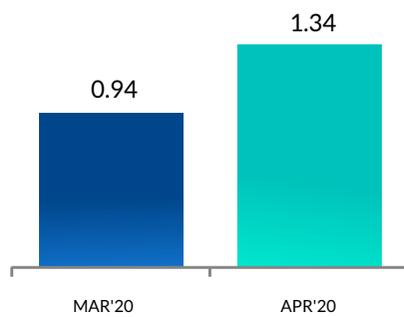
COKING COAL



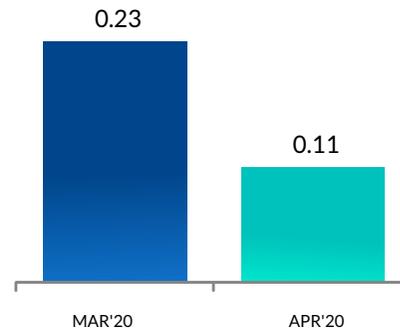
TOTAL COAL IMPORT



PET COKE



MET COKE



COKING COAL MAJOR RECEIVERS		QUANTITY (MT)	
RECEIVER	APR'20	MAR'20	M-O-M CHANGES
SAIL	1199853	1568834	-24%
HALDIA	341860	470452	-27%
VIZAG	321347	432711	-26%
DHAMRA	274750	294920	-7%
PARADIP	171896	370751	-54%
GANGAVARAM	90000	-	N/A
JSW STEEL	1039671	1253536	-17%
MORMUGAO	687150	671564	2%
JAIGARH	352521	438972	-20%
KRISHNAPATNAM	-	88000	N/A
KARAIKAL	-	55000	N/A
TATA STEEL	766081	844444	-9%
DHAMRA	385250	504540	-24%
PARADIP	288890	155510	86%
HALDIA	91941	85394	8%
VIZAG	-	99000	N/A
JINDAL STEEL & POWER	280647	379113	-26%
PARADIP	206897	186360	11%
VIZAG	73750	117753	-37%
GANGAVARAM	-	75000	N/A
RINL	214400	387073	-45%
GANGAVARAM	214400	387073	-45%
RAWMET COMMODITY	189603	77900	143%
PARADIP	101662	77900	31%
KRISHNAPATNAM	87941	-	N/A
ARCELORMITTAL NIPPON STEEL	161150	-	N/A
HAZIRA	88000	-	N/A
MAGDALLA	73150	-	N/A
ELECTROSTEEL	80088	71500	12%
DHAMRA	80088	-	N/A
VIZAG	-	71500	N/A
VEDANTA	79987	-	N/A
MORMUGAO	79987	-	N/A
OTHERS	418792	707697	-41%
Grand Total	4430272	5290097	-16%

NON COKING COAL MAJOR RECEIVERS		QUANTITY (MT)	
RECEIVER	APR'20	MAR'20	M-o-M
ADANI ENTERPRISES	2026741	3034718	-33%
MUNDRA	552903	494002	12%
KANDLA	397505	576542	-31%
NAVLAKHI	277010	450890	-39%
HAZIRA	262110	375125	-30%
OTHERS	537213	1138159	-53%
ADANI POWER	1046384	885458	18%
MUNDRA	1046384	830458	26%
DHANU	-	55000	N/A
SWISS SINGAPORE	803202	640367	25%
GANGAVARAM	334275	161260	107%
KANDLA	242892	314514	-23%
KRISHNAPATNAM	164996	144093	15%
DHARAMTAR	53800	-	N/A
OTHERS	7239	20500	-65%
AGARWAL COAL	630617	1013536	-38%
DHARAMTAR	179090	40000	348%
KANDLA	116097	56500	105%
TUTICORIN	108130	208600	-48%
NAVLAKHI	56000	236761	-76%
OTHERS	171300	471675	-64%
SEMB CORP GAYATHRI POWER	528268	585259	-10%
KRISHNAPATNAM	528268	585259	-10%
COASTAL GUJARAT POWER	504078	329023	53%
MUNDRA	504078	329023	53%
INDIA COKE & POWER	397942	-	N/A
KRISHNAPATNAM	162442	-	N/A
GANGAVARAM	162000	-	N/A
TUTICORIN	73500	-	N/A
TANGEDCO	354200	150555	135%
ENNORE	296500	150555	97%
TUTICORIN	57700	-	N/A
MOHIT MINERALS	310900	228223	36%
KANDLA	168300	57670	192%
REVDANDA	85500	95053	-10%
NAVLAKHI	57100	-	N/A
MAGDALLA	-	75500	N/A
OTHERS	5711305	8267107	-31%
GRAND TOTAL	12313637	15134246	-19%

INTERNATIONAL

Australian Coking Coal: Prices inch up on Chinese bookings

Australian hard coking coal (HCC) prices have staged a modest recovery over the past two weeks with bookings for the premium low-volatile (PLV) grade concluded at higher levels amid sustained buying interest in China.

CoalMint assessed the FOB Australia price for PLV HCC up by US\$ 4.25 per tonne (t) week-on-week, and HCC 64 Mid Vol up by US\$ 2.10/t over the same period.

The Chinese steel market has made a quick recovery after the 76-day lockdown following the Covid-19 viral outbreak. Steel inventories are gradually exhausting with normalized production rates and steelmakers are earning margins, leading to a resurgence in demand for metallurgical coke, and in turn for coking coal.

Meanwhile, a negative signal for market sentiment was observed in the midst of news

of China's National Development and Reform Commission discouraging Australian thermal coal imports.

Alongside deepening worries about tightening port policies, Chinese buyers were heard to await more details as to if the NDRC's stance would include metallurgical coal imports as well.

Several other buyers were heard to also consider the higher cost incurred for procuring seaborne coals due to longer waiting time at the ports.

However, healthy steel sales and production levels suggest that China-delivered prices for seaborne coking coal are well expected to remain at current levels for a while, but if steel mill profits continue to be relatively low, the current price levels of coking coal cannot be supported.

PRICE ASSESSMENTS

Coking Coal

Latest offers for the Premium HCC grade are assessed at around US\$ 118.25/t FOB Australia, while offers for the 64 Mid Vol HCC grade are presently assessed at around US\$ 91.25/t FOB Australia.

For Indian buyers, the above offers amount to US\$ 127.45/t and US\$ 100.45/t respectively on CNF India basis.

Pulverized Coal Injection (PCI) & Semi Soft Coking Coal

	FOB Australia	CNF China	CNF India
Low Vol PCI	68.00	76.25	77.20
Mid Tier PCI	64.75	73.00	73.95
Semi Soft	62.75	71.00	71.95

N.B.: All prices are in USD/MT

Is China pulling Strings on Coal Imports from Australia?

Australia, which is the world's most-China dependent developed economy, has raised Beijing's ire by calling for an investigation into the origins of the pandemic. Subsequently China has started imposing restriction on various imports from Australia under the pretext of safeguarding domestic industry and one such commodity which is under the scanner is coal. Coal is Australia's second biggest export earner and demand from China accounts for 3.7% of Australian GDP.

According to market sources, China's NDRC (National Development Reform Commission) has recently told five of its major state- power utilities not to buy imported coal from Australia.

Moreover, speculation is rife in the market that China will restrict coal imports from Australia with effect from 1 Jul'20 or at the very least buyers could face major delays in customs clearance, amid growing diplomatic tension between the two countries.

Import curb fear fuels frenetic buying

Amid this ongoing ruckus, the Chinese coal bookings from Australia have surged in the past few weeks, amid expectations that bookings made prior to any official announcement will be accepted. According to the vessel line up data with CoalMint, in the time span of one month, the country's coal imports from Australia has surged by 14% from 1.91 MnT to 2.17 MnT.

Additionally, one of the reasons that Chinese are stocking up Australian coal is that the latter is cheaper against domestic coal.

The 5500 kcal/kg of thermal coal from Australia to China is available at USD 50/MT (RMB 355/MT as on date), CIF basis against USD 485-490/MT, FoB Qinhuangdao.

Another apparent reason for surge in imports is that imported coal is set to turn costlier from 1 July as port surcharge and port handling fee in China will be levied again. The same was lowered by 20% for three months (1 Mar-30 Jun) in order to ease logistics concerns during pandemic.

CoalMint's Expectation

The strict measures by the Chinese government to curb imports amid escalating political tensions with Australia and in an effort to protect domestic industry, Chinese buyers are likely to divert their Thermal Coal requirements for power generation towards

Russia and Indonesia. It is also worth remembering – China's state-backed coal transportation and distribution association (CCTD) had also recently requested the authorities to restrict Australian Coking Coal imports to safeguard domestic producers.

Glencore lowers Australian Thermal Coal's Contract Price for Japan's Tohoku Electric

The contract price between global miner, Glencore and Japan's Tohoku Electric Power which serves as an industry benchmark for supplies of seaborne thermal coal in Asia has been set as USD 68.75/MT till Mar'21.

This is down by 27% against the last year's contract price of USD 94.75/MT. The price set is lowest since 2016.

Glencore has two annual benchmark supply contracts with Japanese utilities, typically negotiated by Tohoku Electric (country's 4th largest electric-utility firm in terms of revenues), one for April through March and the other for October through September that takes account for later market conditions.

Japanese utilities, which buy about 40% of Australia's thermal coal exports, have a relationship with Glencore and its predecessors since over 30 years.

The two sides typically fix the annual price for thermal coal supplies in the early year. These

prices are then published by media and used by utilities in Thailand, Taiwan and Malaysia for their own contracts.

In case the contract price between Glencore and Tohoku is not finalised, which actually happened in 2018, the Japanese power utilities need to find another reference price for their annual supplies or they buy from the spot market.

However, finding another benchmark is difficult because the coal market is more opaque than other commodities such as crude oil, where exchanges readily publish futures prices.

Due to the ongoing pandemic, the Australian thermal coal prices have touched two-year lows at USD 53/MT in last week of April.

Newcastle port's high-calorie thermal coal is mainly exported to Japan, South Korea and China. Last year, Japan's imported about 111 MnT of thermal coal which accounted for nearly 70% of Australian coal exports.

Bid parameter:

(a) Bidders would be required to bid for a percentage share of revenue payable to the government.

(b) Floor price fixed at 4% of the revenue share.

(c) Bids accepted in multiples of 1% of the revenue share till the percentage (%) of revenue share is up to 10% and thereafter bids would be incremented in multiples of 0.5%.

Auction process:

The auction would be conducted on an electronic platform through a two stage process:

(a) Technical Bid in which the bidders are required to provide details regarding compliance with the eligibility conditions;

(b) Financial Bid comprising of: (i) the Initial

Price Offer (IPO); and (ii) the Final Price Offer (FPO).

First round involves opening of IPO and ranking them on the basis of descending order for determination of the qualified bidders. Thereafter, the competent bidders eligible to participate in next round would submit their FPO.

Determination of preferred bidder

The applicable floor price for subsequent round would be the highest IPO received in the first round. Then, the participant that

submits the highest FPO would be declared as the preferred bidder.

Payments involved in operating the coal mine

Monthly payment

The successful bidder has to make monthly payments with respect to the coal produced from the mine on the basis of the FPO (% revenue share quoted) and total revenue.

of coal produced during the month and (iii) price of relevant grade(s) of coal.

The revenue share for this purpose would be determined as product of: (i) FPO (ii) quantity

Illustration: Assuming that the winning bidder has quoted a revenue share of 10%, the monthly revenue share payable to the government would be estimated in the following manner:

Grade of Coal	Monthly Coal Production (x)	Coal Price (y)	Total Revenue, z (x*y)	Monthly Revenue Share (10% of z)
G11	0.5	1145	57.25	5.73
G12	0.7	1063	74.41	7.44
G13	0.6	980	58.8	5.88

*Production in MnT | Coal Price in INR/MT | Revenue in INR Crore
Royalty and other taxes under applicable laws shall be payable additionally.*

DOMESTIC

India: Lowdown on Government's Commercial Coal Mining Reforms

Taking a paradigm shift in the approach from being oriented to maximum revenue from coal to making maximum coal available in the market at the earliest, Finance Minister has introduced structural reforms in the proposed commercial mining.

Most important being the transition from old regime of rupee per tonne auction to a more specific revenue share methodology. In order to discuss the new reform, CoalMint has prepared a snippet of the modalities involved in the transformation.

Earlier, the successful bidder had to make monthly payments for the extracted coal on

the basis of FPO pursuant to which the mine was secured.

Upfront Amount

The amount levied at 0.25% of the value of estimated geological reserves of the coal mine has to be paid in four equal instalments.

coal mine, and (ii) applicable price based on coal index.

Value of estimated resources determined as per the product of (i) mineral resources in the

However, actual payment would be finalized based on above calculation or as per ceiling mentioned below, whichever is lower:-

Geological Reserve of Mine (inMnT)	Upper Ceiling of Upfront Amount (in INR Crore)
Up to 200	100
Above 200	500

Additional Benefits

In order to attract participation, the government has also relaxed some of the norms that were present in the previous version.

would be auctioned.

(a) Terminating end-user restriction: Earlier, only consumers with end-use ownership could bid. Now, any party can bid and sell coal in open market.

(c) It also permits commercial exploitation of the CBM (Coal Bed Methane) present in the mining lease area.

(b) Exploration-cum-production regime: Against earlier provision of fully explored coal blocks, now even partially explored blocks

(d) Provision of Incentive: The successful bidder would be incentivized by way of offering rebates in revenue share in events of early production of coal than the scheduled program and the total quantity of coal consumed or sold or both for gasification or liquefaction on an annual basis.

Conclusion

Aimed at increasing the utilization of coal blocks, the latest reforms would assist in discovering market prices for the blocks and

mitigate avoidable delay in its development. The measures are expected to raise participation in the coal auctions, which have not fetched satisfactory result in recent times.

Coal Ministry Frames Methodology for National Coal Index

In order to have a dedicated mechanism for domestic coal prices and compare it with international standards, Ministry of Coal has decided to develop a national coal index.

prices from various sources in the country.

This index would be released bimonthly and would involve assessment of the domestic

The ministry has approved the SOP (Standard Operating Procedure) that elaborates on the index's methodology. Besides, the duties of the functionaries along with the timeline of index launch, has also been mentioned.

Responsibility of data collection and compiling of index:

Division of work

1. Coal Controllers' Organisation (CCO) is made responsible for data collection pertaining to prices and compilation of the the index.

3. Following this, the CCO would prepare a detailed technical note on the price movements with respect to each source, and send it to the coal ministry for approval.

2. The statistical validation of data as per the Indian Statistical Institute's given methodology has to be ensured along with the approval of Coal Ministry by 25th day of the month of publishing period.

4. The exercise of data compilation for coal index will be undertaken every second month in which the index is to be published.

The Coal Ministry's role

The ministry would scrutinize the detailed technical note sent by CCO. The Coal Secretary would then finalise the proposed

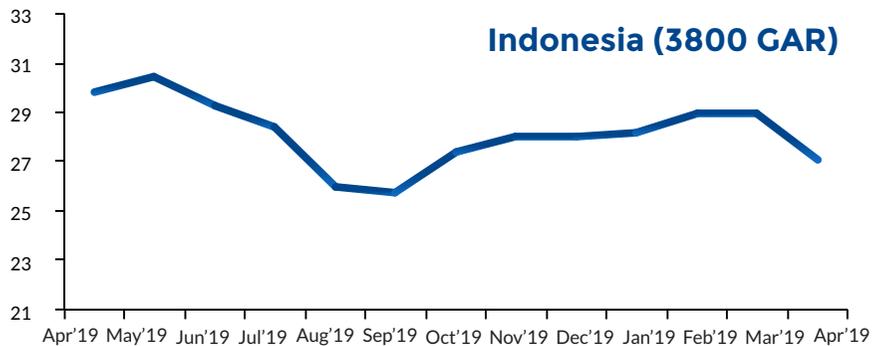
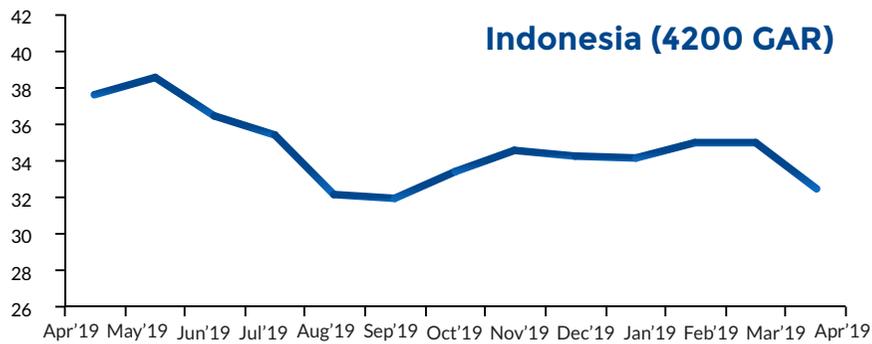
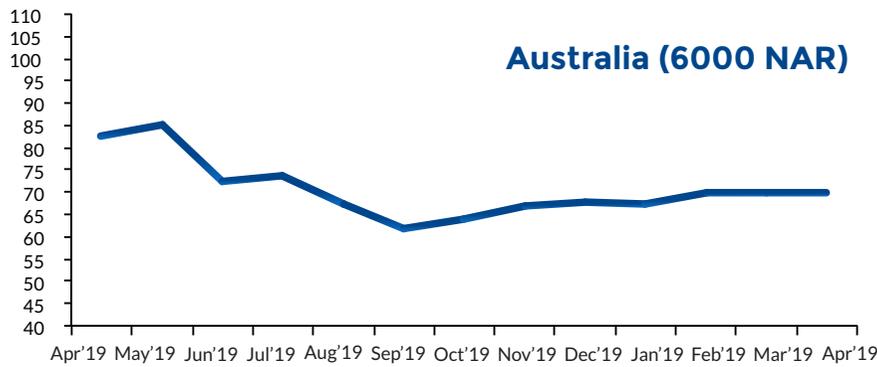
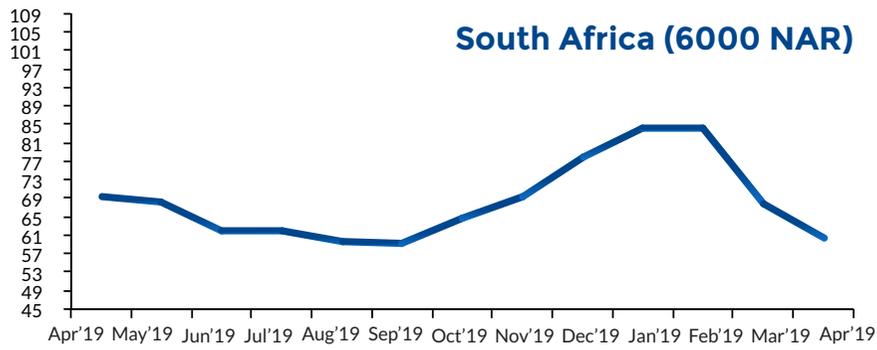
index latest by the 29th day and release it on the last day of the month of publishing period.

Advantage

The proposed index is likely to link the domestic prices with imported coal in order to arrive at a benchmark. The ministry has urged

the authorities to adhere to the procedures and take immediate actions to initiate coal indexing.

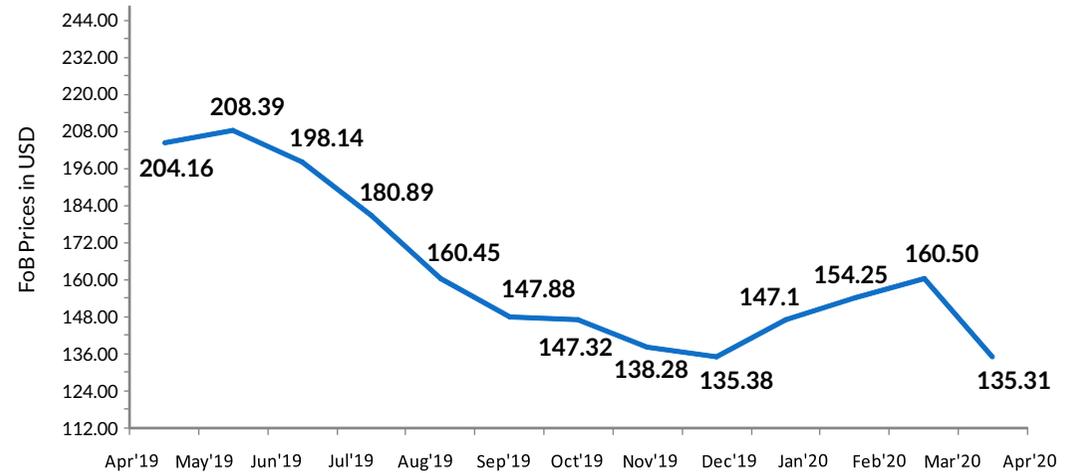
International Non-Coking Coal FOB Prices (Average)



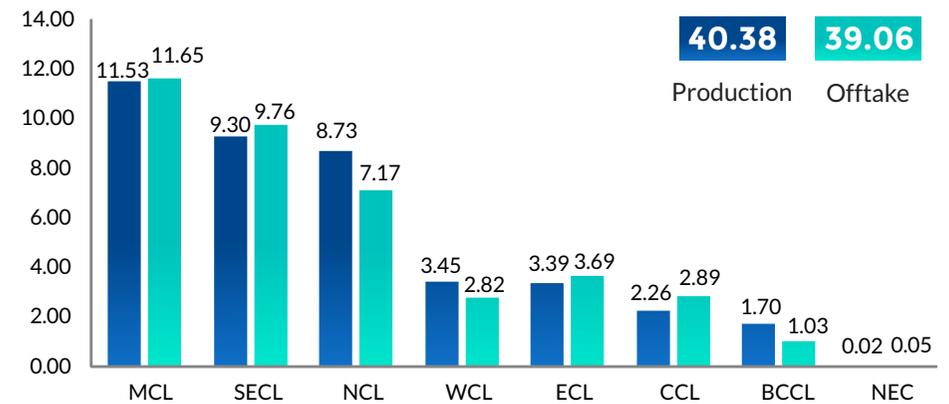
International Non - Coking Coal Average Prices (CFR India)

Country/Grade		Apr'20	Mar'20	Feb'20
Australia 6000 NAR	↔	83.0	83.00	83.00
South Africa RB2	▲	55.3	63.0	76.6
Indonesia 4200 GAR	▼	42.5	45.0	45.0
Indonesia 3800 GAR	▲	37.1	39.0	39.0

Australian Premium HCC Monthly Average Price



CIL Performance in April 2020





Australian Coking Coal Prices

What Happened

Australian coking coal prices saw further downward movement during the past month, with prices across all categories hitting multi-month lows, as subdued demand outlook persisted globally amid the worsening Covid-19 viral outbreak.

What May Happen

Australian coking coal producers are hopeful that plans for easing lockdown restrictions in certain countries point to the possibility of spot demand returning as early as by the end of May.

Indonesian Coal Prices

What Happened

Indonesian low-calorific value thermal coal prices have dropped to record low levels over the last month, as the coronavirus pandemic weakened demand for seaborne thermal coal in Asia.

What may Happen

Although China's seaborne imports are holding up for now, India's coal imports from Indonesia may fall, with the country's government actively discouraging imports.

South African Coal Prices

What Happened

South African thermal coal prices touched a new low with RB2 (5500kcal/kg) offers being heard at USD 43-45/MT, FoB RBCT port basis. The price plunge was majorly due to demand curbs by key importers like India amid ongoing COVID-19 outbreak.

What May Happen

With easing of lockdown restrictions in many countries, South African thermal coal prices may get some support. However, a major rise is unlikely given limited demand and restricted trade.

COAL Monthly REVIEW [May 2020]

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