



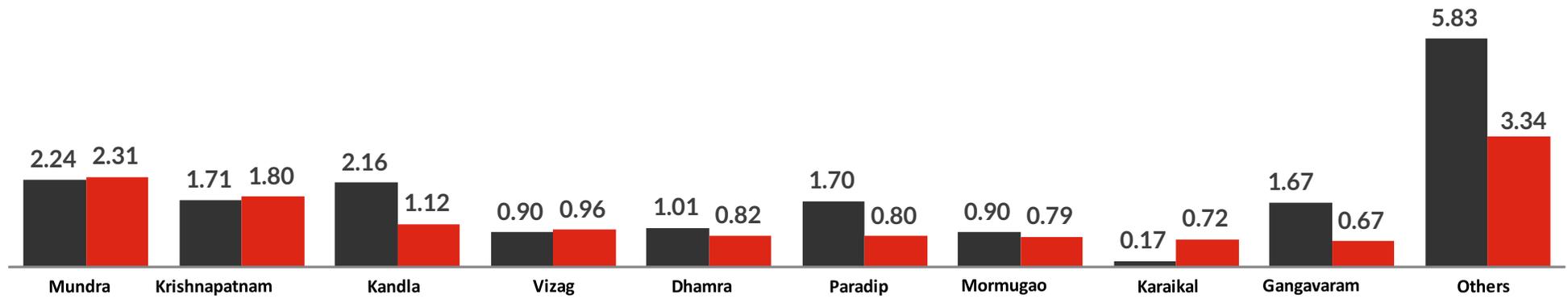
COAL

MONTHLY REVIEW **JUNE' 20**

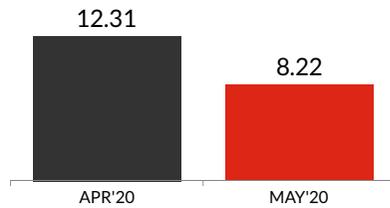
INDIAN COAL IMPORT

(Qty MnT)

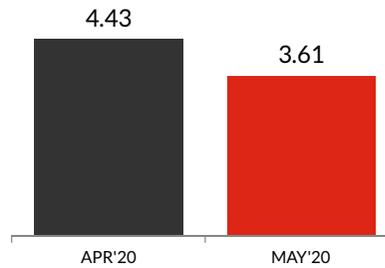
■ APR'20 ■ MAY'20



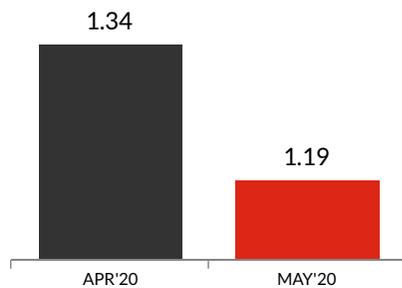
NON COKING COAL



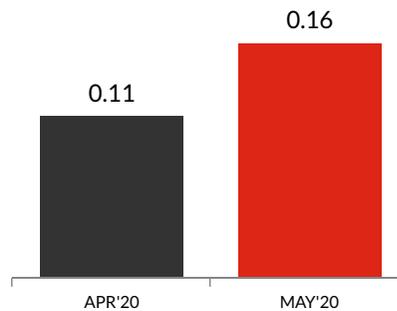
COKING COAL



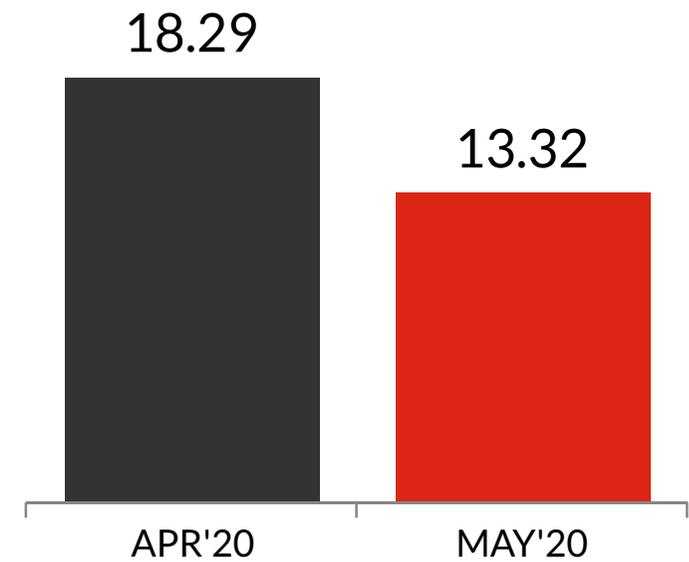
PET COKE



MET COKE



TOTAL COAL IMPORT



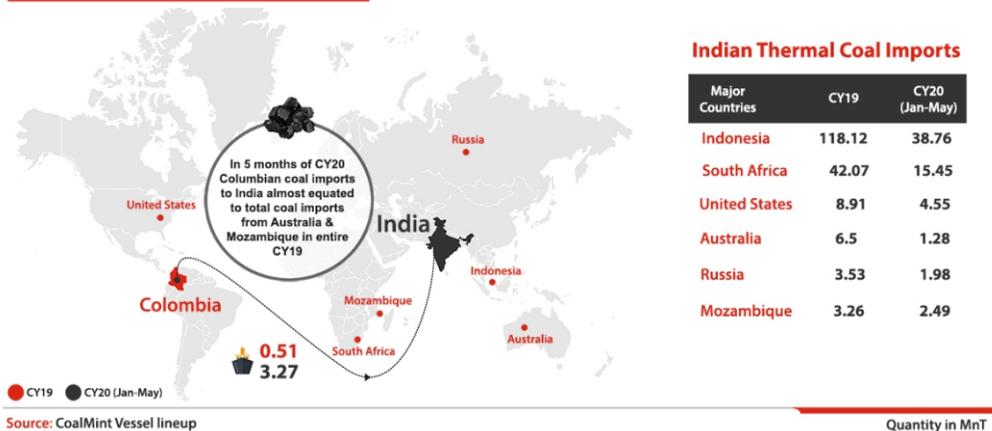
COKING COAL MAJOR RECEIVERS		QUANTITY (MT)	
RECEIVER	MAY'20	APR'20	M-O-M CHANGES
SAIL	941860	1199853	-22%
VIZAG	309015	321347	-4%
HALDIA	291637	341860	-15%
DHAMRA	246208	274750	-10%
PARADIP	60000	171896	-65%
GANGAVARAM	35000	90000	-61%
TATA STEEL	838152	766081	9%
DHAMRA	507037	385250	32%
PARADIP	271830	288890	-6%
HALDIA	59285	91941	-36%
JSW STEEL	749448	1039671	-28%
MORMUGAO	462613	687150	-33%
JAIGARH	286835	352521	-19%
VEDANTA	172385	79987	116%
MORMUGAO	172385	79987	116%
JINDAL STEEL & POWER	170697	280647	-39%
PARADIP	170697	206897	-17%
VIZAG	-	73750	N/A
JINDAL SAW	164994	-	N/A
MUNDRA	164994	-	N/A
BENGAL ENERGY	95134	-	N/A
PARADIP	95134	-	N/A
JAYASWAL NECO	79540	-	N/A
VIZAG	79540	-	N/A
RINL	79474	214400	-63%
GANGAVARAM	79474	214400	-63%
OTHERS	321047	849633	-62%
Grand Total	3612731	4430272	-18%

NON COKING COAL MAJOR RECEIVERS		QUANTITY (MT)	
RECEIVER	MAY'20	APR'20	M-o-M
COASTAL GUJARAT POWER	1414454	504078	181%
MUNDRA	1414454	504078	181%
IL & FS TAMILNADU POWER	593008	71100	734%
KARAIKAL	593008	71100	734%
ADANI ENTERPRISES	545124	2026741	-73%
KANDLA	327174	397505	-18%
PARADIP	71800	199981	-64%
DAHEJ	71150	99000	-28%
MORMUGAO	45000	71700	-37%
HALDIA	30000	1258555	-98%
SEMB CORP GAYATHRI POWER	486592	528268	-8%
KRISHNAPATNAM	486592	528268	-8%
ADANI POWER	449350	1046384	-57%
MUNDRA	449350	1046384	-57%
TRIDENT CHEMPHAR	442620	56265	687%
KRISHNAPATNAM	382520	56265	580%
VIZAG	60100	-	N/A
JSW ENERGY	347210	165000	110%
JAIGARH	163150	165000	-1%
MORMUGAO	107892	-	N/A
KARAIKAL	76168	-	N/A
VR COMMODITIES	340730	-	N/A
TUTICORIN	169480	-	N/A
VIZAG	117650	-	N/A
KARAIKAL	53600	-	N/A
NAYARA ENERGY	327830	165000	99%
SALAYA	327830	165000	99%
OTHERS	3271086	7750801	-58%
GRAND TOTAL	8218004	12313637	-33%

INTERNATIONAL

Colombian coal powering its way into India amid COVID-19 crisis

Increasing Presence of Columbian Coal in India



COVID-19 crisis has led to changes in trade dynamics of various commodities and one such notable switch observed is in case of Colombian thermal coal entering India especially since Mar'20.

The vessel line-up data with CoalMint reveals that starting March till the first week of June about 2.33 mn t thermal coal from Colombia has entered India with the majority coming in

western ports of Mundra and Kandla. During same period last year, the presence of Colombian thermal coal in the Indian market was negligible.

Further analysis shows that the power sector was the main buyer of Colombian coal with a percentage share of 63% in total imports followed by the traders.

Why is Colombian coal coming to India?

Colombia's key coal destination is Turkey and the country's power demand has fallen considerably in last few months due halting of industrial activities amid COVID-19 led lockdown.

Turkey is focusing more on renewables for electricity generation, as about 66% of its electricity had been generated from renewables in the first five months of 2020, up by 4% y-o-y basis.

Moreover, Turkish power plants have an option to buy coal from Russia, which is conveniently located to promptly deliver supplies from Black Sea or Baltic ports. In past few months, Russian coal has become quite competitive in terms of prices due to lackluster global demand and a fall in freight rates.

Colombia's other long-term coal trading partners, which include Brazil, Mexico, South Korea, U.S., and a number of European

countries also observed a drop in average coal imports in the last 3-4 months due to reduced power demand. Moreover, countries in Europe and South Korea are intentionally

focusing on lesser coal usage for electricity generation as a part of environmental concerns.

Who is buying Colombian coal in India?

As can be seen in vessel line-up data, power plants in the west coast opted for the majority of Colombian thermal coal imports for the period mentioned above.

India usually imports its coal requirements for the power sector from Indonesia. However, Colombian coal is also considered to be

suitable for power generation given its low-ash content. Usually, Colombian coal competes with high-CV Australian coal in the Asia-Pacific region. Now amid the significant fall (about 43%) in freight rates for capsized vessels between Colombia and India in last three months, buying Colombian coal had become an attractive option for buyers in India.

Outlook

With U.S. and Europe discouraging coal usage and Asia becoming the key coal export destination, there are chances that India may see Colombian coal imports at regular intervals.

As traditionally the longer voyage times have made Colombian exports into Asia undesirable, a key factor that can contribute to deciding the fate of Colombian coal in India is the freight rates.

Also, Turkey has removed its lockdown restrictions and industries are scaling up their operations. With this power demand in the country would increase and so does their coal requirement. Resulting which Colombian sellers will once again focus on Turkey.

Apart from this, with the Indian government working on import substitution of coal to promote domestic coal use, the outlook for imported coal looks a bit hazy at present.

Australian coking coal prices recover modestly despite concerns over China's import restrictions

Australian premium low-volatile (PLV) hard coking coal (HCC) prices have staged a modest recovery over the past month, on the back of renewed bookings concluded at higher levels amid sustained buying interest in China.

CoalMint assessed the FOB Australia price for PLV HCC up by \$2.17 per tonne (t) month on month, and HCC 64 Mid Vol up by \$2.85/t over the same period.

Chinese demand constrained by stringent import restrictions

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 normalised production rates and steelmakers are earning margins, leading to a resurgence in demand for metallurgical coke, and in turn for coking coal.

But many buyers have been reluctant to procure seaborne cargoes in light of stringent port-clearance policies in China. Several buyers were heard to consider the higher cost incurred for procuring seaborne coals due to longer waiting time at the ports.

Most market participants are uncertain as to whether the import restrictions for coking coal would tighten further and are finding customs clearance procedures time- and money-consuming.

PRICE ASSESSMENTS

Coking Coal

Latest offers for the Premium HCC grade are assessed at around \$116.00/t FOB Australia, while offers for the 64 Mid Vol HCC grade are assessed at around \$93.85/t FOB Australia.

Buying interests from Chinese end-users have also been constrained by limited import quotas, which may possibly hinder the revival of demand for seaborne coking coal.

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.

For Indian buyers, these offers amount to \$128.10/t and \$105.95/t respectively on CNF India basis.

Pulverized Coal Injection (PCI) & Semi Soft Coking Coal

	FOB Australia	CNF China	CNF India
Low Vol PCI	69.85	81.00	81.95
Mid Tier PCI	67.35	78.50	79.45
Semi Soft	85.60	69.75	70.70

N.B.: All prices are in US Dollar per tonne (\$/t).

Indonesia: Govt lowers domestic market obligation for coal miners in 2020

The Indonesian Ministry of Energy and Mineral Resources has reduced this year's domestic market obligation (DMO) target for coal producers in response to lower consumption by the country's power houses due to the ongoing Covid-19 pandemic.

The revised coal DMO volume projection for this year is set at 140.8 million tonnes (mn t), down from the initial target of 155 mn t. Last year, realised DMO volume was 138.41 mn t.

Muhammad Wafid, director of mineral and coal development program at the ministry stated that coal demand for power generation is expected to drop drastically.

"Before Covid-19, the coal DMO target for power generation was 108.9 mn t, but now the coal DMO demand projection for the power sector is revised to 87.5 mn t", he said.

As per the government's coal DMO policy,

coal miners operating in the country are obliged to allocate at least 25 percent of their annual output for domestic market. The government has targeted the country's coal production to reach 550 mn t this year.

The power plant sector is the single largest coal consumer in Indonesia. There are other industries that consume coal such as smelter, cement clinker, and pulp and paper industries.

"There is increasing demand from processing and refining industry", Wafid added.

Executive director of the Indonesia Coal Mining Association (ICMA) Hendra Sinadia previously estimated that domestic coal consumption would only reach 100 mn t this year, much lower than the government's target of 155 mn t in line with declining power consumption.

Australia: BHP moves closer to exit thermal coal business

BHP exiting its thermal coal business



Source: CoalMint

Last year, mining major BHP had signalled its exit from thermal coal business and its increased focus on minerals for use in green technologies, to reposition itself for a lower-carbon world.

Now taking a step forward in this direction, the company has appointed U.S. investment

bank JP Morgan to sell its Australian thermal coal mine.

The sale of the mine is expected to be completed by the end of this year and speculations are rife that Australia's Whitehaven Coal Ltd and India's Adani Enterprises would express interest in the purchase of the BHP's South Wales mine.

Details of coal asset being sold

BHP possesses Mount Arthur open-cut thermal coal mine in the Hunter Valley region of New South Wales, Australia. The site produces coal for domestic and international customers in the energy sector.

In FY19 (Jun'18 - Jul'19), raw coal processed at the mine's coal handling plant for export

market stood at 17 mn t whereas 2 mn t was supplied to the nearby power station.

Thermal coal accounts for only 3% of the company's portfolio that includes Mt Arthur thermal coal mine as well as the Cerrejon project in Colombia.

BHP's efforts to minimize stake in thermal coal

BHP's thermal coal output (in terms of ownership stake) stood at 27 mn t during the last fiscal year ended Jun'19, down 6% from a year earlier; whereas the company expects a downtrend of more than 13% in the current fiscal ending this June.

A few years back BHP also owned coal mines in South Africa and North America. It produced 73.49 mn t of thermal coal in the year ended Jun'14 - nearly three times the production volume in the year ended Jun'19.

The rising opposition

The current business scenario is increasingly turning hostile towards coal use, with financial investors shunning coal, as it produces relatively higher carbon dioxide emissions than natural gas and other energy sources.

In line with these adverse trends, extractors around the world are getting out of coal.

British-Australian rival Rio Tinto finished offloading coal mines in Aug'18. Another mining giant, Anglo American is considering to spinoff or sell its South African coal operations within the next two or three years. Glencore, which had been purchasing coal mines from large competitors, is already limiting its thermal coal output and now BHP is also set to join the exodus.

DOMESTIC

India: Four CIL subsidiaries to invest on mechanized transport

To bring in improved efficiency in coal transport and computer aided loading, Coal India Limited (CIL) on a mission mode has identified 14 additional projects, under Phase II, for its 'first mile connectivity' (FMC) initiative.

Four subsidiaries of CIL together will infuse a tentative capital of over INR 3,400 crore in these projects that have a combined capacity of 100.5 mn t p.a. (million tonne per annum).

Under Phase I, the state owned maharatna coal miner had earlier zeroed in on 35 projects, each having four mn t p.a. capacity and above, from six of its subsidiaries with a capital of INR 12,300 crore. Their combined project capacity is 406 mn t p.a. The 49 projects under both the phases will have a total of 506.5 mn t p.a. capacity.

FMC is the transportation of coal from pitheads to despatch points. This move aims to replace the existing road transport between the two points and switch over to a seamless mechanized coal transport through conveyor belts which is a covered system for movement of coal reducing the dust pollution. It will also have the added benefit of computer aided loading of railway wagons.

As a corollary, CIL will set up Coal Handling Plants (CHPs) with Silos having Rapid Loading Systems, which will have benefits like crushing, sizing of coal, quicker and better quality coal loading with the advantage of precise pre-weighed quantity of coal being loaded. CHP/Silo loading will be a big shot in the arm for CIL in furthering its quality supply of coal.

"This will be a tipping point in our coal transportation in the first mile. The multiple advantages include easing the load on road networks, saving on diesel costs, cleaner environment and stoppage of possible pilferage. Another advantage is quicker computer aided loading of wagons" said a senior executive of the company.

Of the 14 Phase II projects, Central Coalfields Limited (CCL) accounts for five projects with 62.5 mn t p.a. capacity. Mahanadi Coalfields Limited (MCL) with a solitary project has 20 mn t p.a. capacity. Eastern Coalfields Limited (ECL) has seven projects and South Eastern Coalfields Limited (SECL) 1 project have capacities of 14 mn t p.a. and 4 mn t p.a. respectively. Tenders for these different projects will be floated beginning August this year till the next two years.

Since coal will be loaded directly into the wagons from silos it eliminates manual loading through pay loaders which is generally prone to overloading or under loading of wagons. Susceptibility of extraneous material being loaded through pay loaders leading to

quality issues is another concern.

"Improved computer aided loading time will bring down the wagon idling. Wagon cycle time will be reduced by a few hours increasing wagon availability. It is a win-win situation for the company, railways and the consumer" said the stated official.

CIL already transports 151 mn t p.a. of coal through mechanized system and loads through CHP/Silos from 19 projects. Now it would be enhanced to 557 mn t p.a. by 2023-24 through phase I projects. Phase II projects will start contributing once the formalities of finalization are over.

Of the 35 Phase I projects, 2 projects, one each in SECL and MCL with a combined capacity of 26 mn t p.a. are already operational since February and April of this year. Seven projects of 91 mn t p.a. are under construction of which four are expected to get completed in this financial year. While tenders have already been floated for eight projects having 76 mn t p.a. capacity, tenders for the remaining 18 projects will be issued on a fast track mode before 30 Sep'20.

SECL concludes two auctions for extended coal supplies

South Eastern Coalfields Ltd (SECL), the largest coal producing subsidiary of CIL, has recently concluded exclusive and special forward auctions for specific consumers, that allow a little longer validity for coal lifting than the traditional spot auction.

In order to deal with excess coal stock at its mines, the company has substantially raised the coal volume offered via auction route.

Evidently, the total quantity of 15.38 mn t put across these two auctions in the first quarter of FY21 (Apr-Jun'20) has already surpassed the combined quantity of 15.33 mn t that was offered during FY20 (Apr'19-Mar'20).

However, dull market conditions have failed to bring out any drastic improvement in the outcome of these auctions, which received sluggish response among buyers. Detailed result of the auctions has been elaborated below.

1) Special forward auction

The auction specially dedicated to power producers was held on 22 Jun'20 offering 3,446,190 t coal for three months period (Jun-Aug'20).

It is pertinent to note that offered quantity was rolled over from the previous term, after no bids were received in the auction held on 22 May'20. Further to facilitate coal movement via these auctions, the company

resorted to road-mode of dispatch, with bulk of 3,894 t coal carried in a single rake. But, no major recovery was seen in the buying activity as only 6% of the material was booked. In other words, out of 885 rakes put forward in the auction, only 51 rakes were procured by the buyers at the reserve price of INR 955/t set for the power sector.

Location	Grade	Quantity Offered	Quantity Booked	Reserve Price	Bid Price
Junadih Siding	G11	1,499,190	77,880	955	955
New Kusmunda Siding	G11	1,947,000	120,714		

Quantity in t
Prices in INR/t

2) Exclusive auction

The auction specially marked for non-power sector, garnered comparatively better response than the one conducted for power sector.

Coal quantity of 1,654,950 t was offered for sale conducted on 20 Jun'20 for three months period, which took into account the residual

quantity from the previous term. Incidentally, same grade of coal from the respective railway sidings was offered in the auction, wherein 23% of the material was booked at the base price of INR 1145/t set for non-power sector.

Location	Grade	Quantity Offered	Quantity Booked	Reserve Price	Bid Price
Junadih Siding	G11	876,150	198,594	1145	1145
New Kusmunda Siding		778,800	186,912		

Quantity in t
Prices in INR/t

India: Govt opens door to 41 blocks for commercial coal mining

Beginning a new era in coal sector, Government of India has launched the auction process for commercial mining in an event held today, that which was graced by the presence of Prime Minister Mr. Narendra Modi via video conferencing.

Directing the nominated authority to carry out the auction process, the Coal ministry has identified a preliminary list of 41 coal blocks to be put up for sale.

State-wise share indicates that 11 of them are from Madhya Pradesh, nine from each state including Jharkhand, Chhattisgarh and Odisha, while, remaining three are from Maharashtra. (Detailed list can be seen here).

Highlighting the various reforms that have been adopted for commercial mining to encourage higher participation, Mr. M Nagaraju, Joint Secretary and Nominated Authority, Ministry of Coal, stated that the offered blocks in the current round of auction

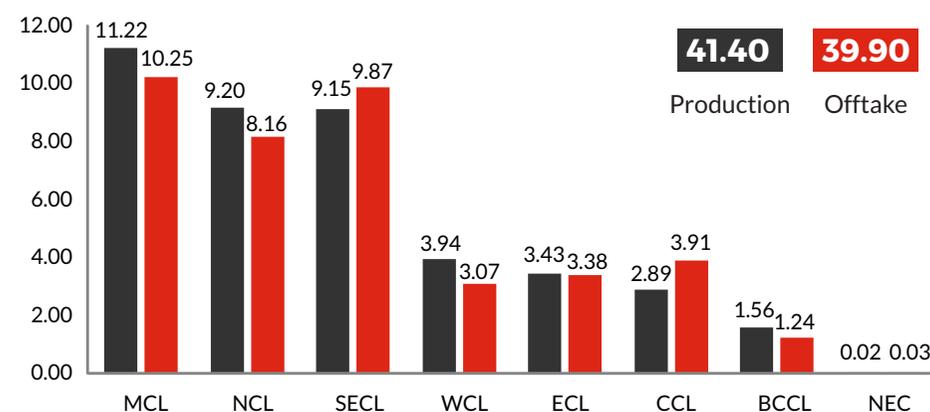
are small, medium and large mines, whose peak rated capacity ranges from 0.15 to 40 mn t per annum.

Besides, providing intrinsic details of the statutory clearance which would ease the initial hurdles, it was underlined that out of the 41 mines:

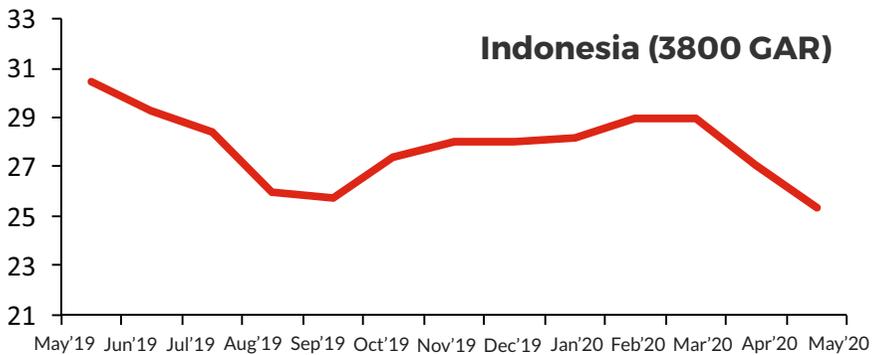
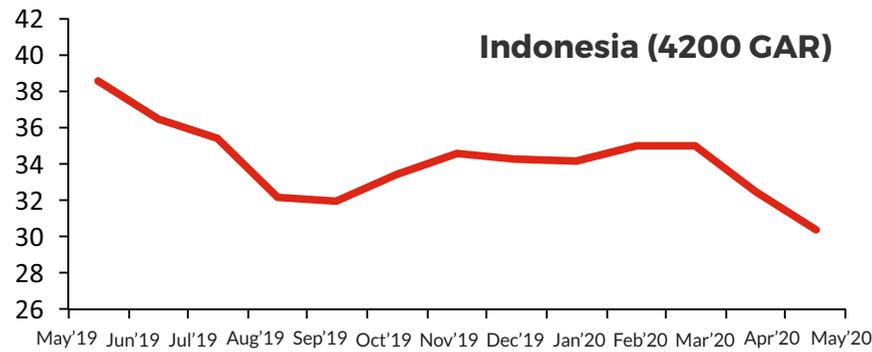
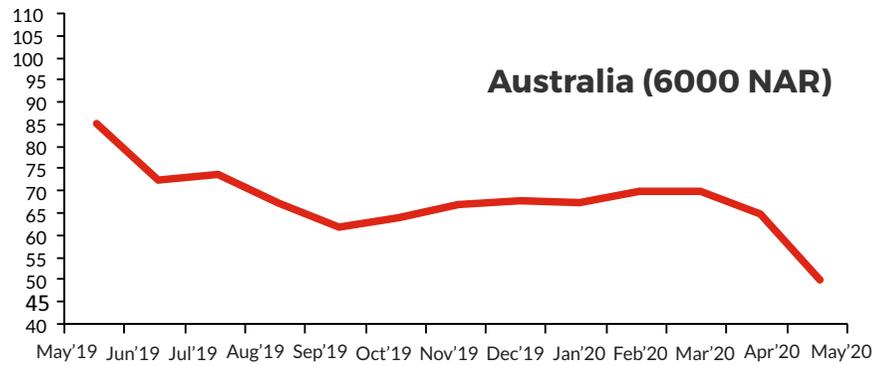
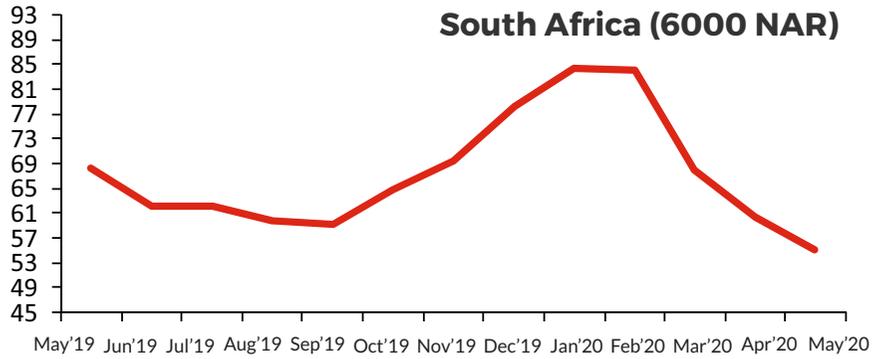
- ▣ 30 have complete Geological reports
- ▣ 29 have mine plan in place
- ▣ 12 have completed land acquisition
- ▣ 07 have environment clearances
- ▣ 07 have forest clearances
- ▣ 06 have mining leases

Collectively, the geological reserve of these blocks is reported to be 16.97 bn t (Billion Tonnes), with an estimated annual production of 225 mn t.

CIL Performance in May 2020



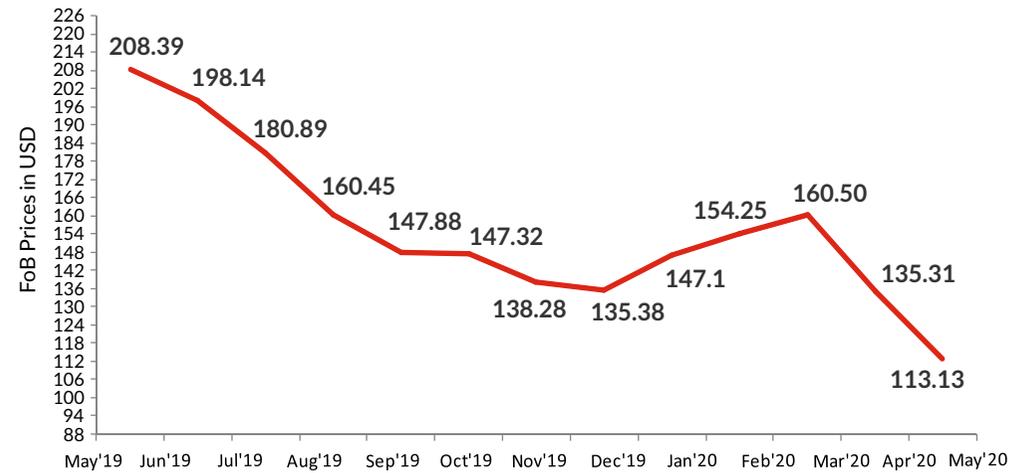
International Non-Coking Coal FOB Prices (Average)



International Non - Coking Coal Average Prices (CFR India)

Country/Grade	May'20	Apr'20	Mar'20
Australia 6000 NAR	63.0	78.00	83.00
South Africa RB2	50.1	55.3	63.0
Indonesia 4200 GAR	40.4	42.5	45.0
Indonesia 3800 GAR	35.4	37.1	39.0

Australian Premium HCC Monthly Average Price





Australian Coking Coal Prices

What Happened

Australian coking coal prices resumed their downtrend towards the latter part of last month post a two-week pause, on lower offers due to weak physical demand seen in the Asian spot market.

What May Happen

Seaborne coking coal prices would recover with import demand from India and countries in Europe gradually rising in line with easing lockdown restrictions.

Indonesian Coal Prices

What Happened

Indonesian thermal coal export prices remained at low levels during last month, owing to a lack of fresh tenders from Chinese utilities, coupled with weak Indian demand.

What may Happen

Prices are likely to stay sluggish in June on weak Chinese and Indian buying sentiment as the monsoon approaches.

South African Coal Prices

What Happened

South African thermal coal prices surged in May due to gradual pick up in industrial activities and power demand globally amid easing of lockdown restrictions.

What May Happen

South African thermal coal prices would pick up further amid increased trade from India and other Asian countries.

COAL Monthly REVIEW [Jun 2020]

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