

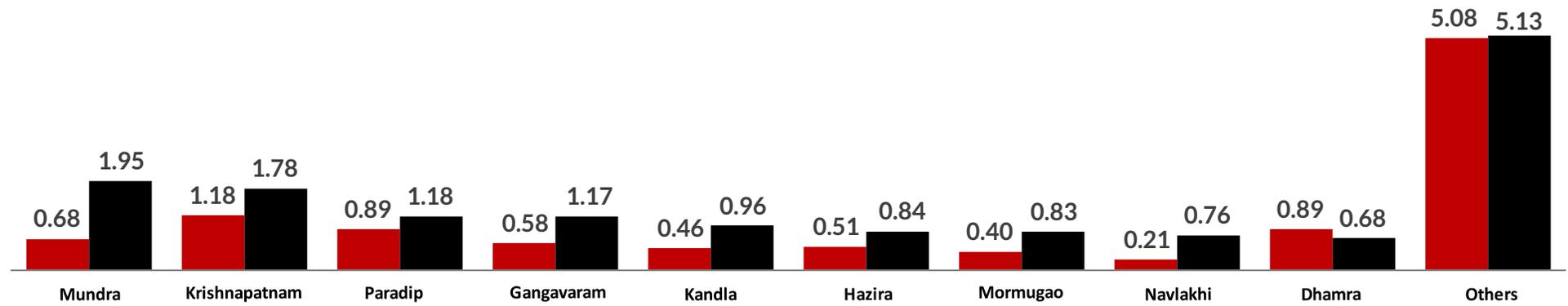
COAL

MONTHLY REVIEW AUGUST' 20

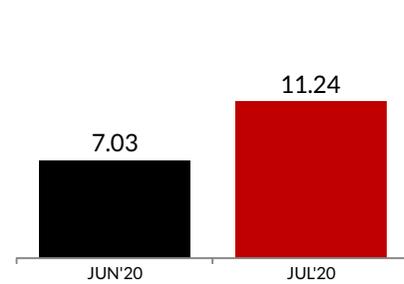
INDIAN COAL IMPORT

(Qty MnT)

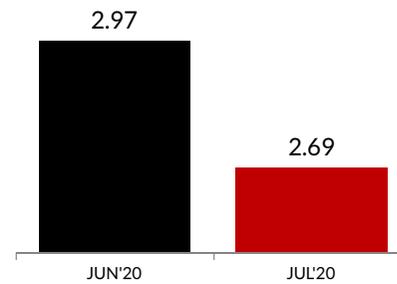
■ JUN'20 ■ JUL'20



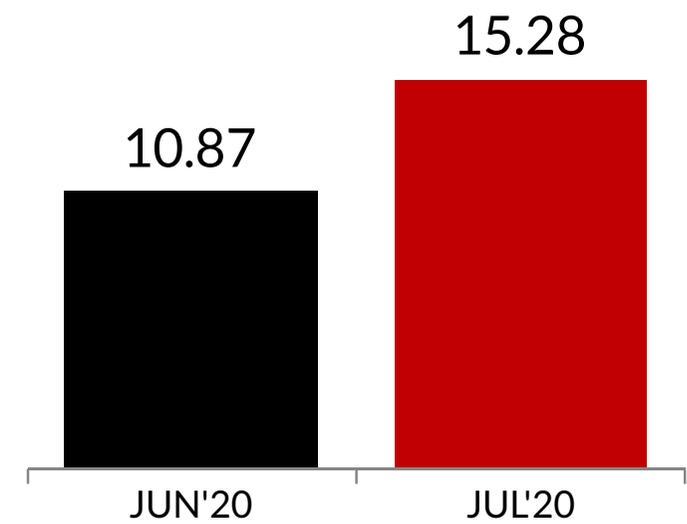
NON COKING COAL



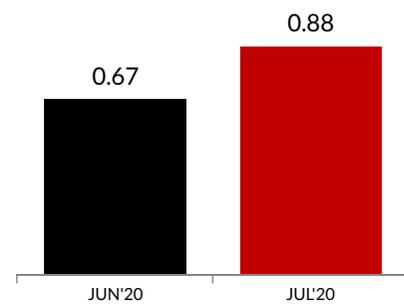
COKING COAL



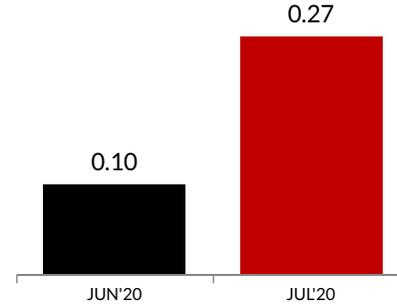
TOTAL COAL IMPORT



PET COKE



MET COKE



COKING COAL MAJOR RECEIVERS		QUANTITY (MT)	
RECEIVER	JUL'20	JUN'20	M-O-M CHANGES
JSW STEEL	1013769	768366	32%
MORMUGAO	592704	166721	256%
JAIGARH	260300	336150	-23%
KRISHNAPATNAM	160765	265495	-39%
TATA STEEL	529838	314714	68%
DHAMRA	320983	122844	161%
PARADIP	174290	159120	10%
HALDIA	34565	32750	6%
JINDAL STEEL & POWER	274459	298700	-8%
PARADIP	235726	220900	7%
GOPALPUR	38733	-	N/A
VIZAG	-	77800	N/A
RINL	236650	78980	200%
GANGAVARAM	236650	78980	200%
BHUSHAN STEEL	100823	-	N/A
VIZAG	79823	-	N/A
PARADIP	21000	-	N/A
SAIL	96000	952085	-90%
VIZAG	50000	146400	-66%
DHAMRA	46000	274510	-83%
PARADIP	-	111381	N/A
GANGAVARAM	-	87320	N/A
HALDIA	-	332474	N/A
TRAFIGURA	80354	72772	10%
DHAMRA	80354	-	N/A
PARADIP	-	39000	N/A
KRISHNAPATNAM	-	33772	N/A
KREMER GENERAL TRADING	72565	-	N/A
KANDLA	72565	-	N/A
VEDANTA	60000	59432	1%
VIZAG	60000	-	N/A
MORMUGAO	-	59432	N/A
OTHERS	224182	422904	-47%
Grand Total	2688640	2967953	-9%

NON COKING COAL MAJOR RECEIVERS		QUANTITY (MT)	
RECEIVER	JUL'20	JUN'20	M-o-M
ADANI ENTERPRISES	1599799	386075	314%
HAZIRA	608129	73000	733%
DAHEJ	363002	86575	319%
DHAMRA	159138	-	N/A
GANGAVARAM	159138	71500	123%
OTHERS	310392	155000	100%
COASTAL GUJARAT POWER	850849	326475	161%
MUNDRA	850849	326475	161%
ADANI POWER	796002	237135	236%
MUNDRA	796002	237135	236%
SEMB CORP GAYATHRI POWER	599636	457066	31%
KRISHNAPATNAM	599636	457066	31%
AGARWAL COAL	548883	703367	-22%
NAVLAKHI	287483	89200	222%
TUTICORIN	124250	117300	6%
VIZAG	53350	80200	-33%
GANGAVARAM	46000	-	N/A
OTHERS	37800	416667	-91%
SWISS SINGAPORE	534112	-	N/A
KRISHNAPATNAM	310021	-	N/A
KANDLA	135591	-	N/A
NAVLAKHI	88500	-	N/A
JSW ENERGY	517413	238130	117%
JAIGARH	231000	165000	40%
MORMUGAO	197572	-	N/A
KARAIKAL	68841	-	N/A
ENNORE	20000	73130	-73%
INDIA COKE & POWER	305332	76285	300%
TUTICORIN	132032	76285	73%
KRISHNAPATNAM	60500	-	N/A
KANDLA	56700	-	N/A
ENNORE	56100	-	N/A
TANGEDCO	267643	152853	75%
ENNORE	151853	152853	-1%
TUTICORIN	115790	-	N/A
OTHERS	5224790	4453338	17%
GRAND TOTAL	11244459	7030724	60%

INTERNATIONAL

Australian Coking Coal: Premium HCC price goes up on ex-China demand

Australian premium low-volatile (PLV) hard coking coal (HCC) price has increased marginally during the latter half of the week, with fresh bookings done on FOB basis, but medium-volatile HCC price has edged lower amid subdued demand in China.

An 85,000 t cargo of premium HCC, with September-end laycan, was traded yesterday at \$109/t FOB Australia. Another PLV

Chinese Market Scenario:

Prices for Australian-origin coking coal, delivered into China, have remained relatively flat due to a lack of trading activities.

This is predominantly because Chinese market participants are still faced with stringent regulatory constraints such as limited import quotas and lengthy waiting times for seaborne material to be unloaded at all major coal-handling ports.

Indian Market Scenario:

The Indian market for seaborne coking coal observed an increase in enquiries for spot cargoes, although it is still uncertain as to how soon these enquiries would translate into firm bookings.

Near-term Outlook:

China-based trader sources expect that premium hard coking coal prices would stay at current lower levels until customs policies are changed. Demand is expected to remain sluggish until October, when end-users can utilize next year's import quota.

booking for 75,000 t with September-end laycan was reported on Wednesday at \$102/t FOB Australia.

Seaborne coking coal prices in the FOB market are supported because steel mills in European and East Asian countries such as Japan, South Korea and India are gradually resuming their normalized level of operations, depending upon the prevailing COVID-19 situation and governmental directives.

In fact, several Chinese end-users had been willing to curtail their hard coking coal term contract volumes due to the lack of import quotas. There are also concerns that the issuance of import permits, specifically for Australia-originated commodities, may now take up to 11 days for shipments arriving at Chinese ports.

Demand for imported coking coal is still weaker as compared to same period last year, as there hasn't been any significant improvement in steel product sales; although production cuts have been largely withdrawn across much of the country's steel manufacturing plants.

Indian market participants anticipate seaborne coking coal demand to eventually pick up on restocking needs, as most steel mills have resumed normalized operations and the ongoing monsoon season might end as early as next month.

PRICE ASSESSMENTS

Coking Coal

Latest offers for the Premium HCC grade are assessed at around \$108.25/t FOB Australia, while offers for the 64 Mid Vol HCC grade are assessed at around \$85.90/t FOB Australia.

For Indian buyers, these offers amount to \$122.35/t and \$100.00/t respectively on CNF India basis.

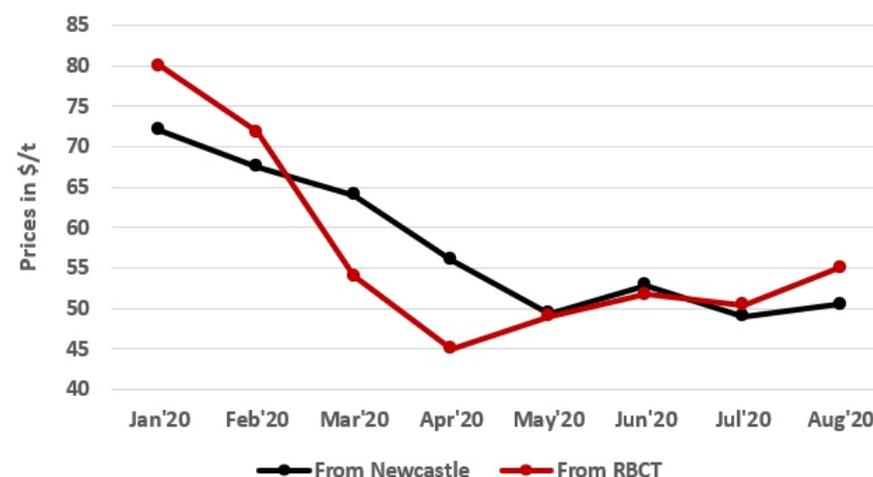
Pulverized Coal Injection (PCI) & Semi Soft Coking Coal

	FOB Australia	CNF China	CNF India
Low Vol PCI	66.15	78.75	80.25
Mid Tier PCI	64.15	76.75	78.25
Semi Soft	60.65	73.25	74.75

N.B.: Prices in US Dollar per tonne (\$/t).

Cost concern prompts Indian buyers to shift from South African to Australian coal

5500 NAR monthly average coal price, CFR India



In conversation with various market participants, CoalMint has learnt that amid increased South African coal prices this month, India coal buyers are looking at procuring Australian coal instead, which can

be used as its alternative to a certain extent.

Our analysis of price data reveals that Australian thermal coal's landed cost to India is lower than that of South African coal.

In case of South African coal, the buyers in India are avoiding direct imports and are rather opting to purchase from resellers that have stock at ports, given the sufficient availability.

"With enough thermal coal stock at port, buyers have got the bargaining power during COVID

times", quoted a sponge manufacturer based in Central India.

The stock and sale offer of South African RB2 grade thermal coal at India's Gangavaram port in east coast has come down by INR 100-300/t this week and is assessed at INR 4,500 – 4,700/t. This excludes cess and GST.

India: 5500 NAR thermal coal price for September shipment

Particulars (per tonne)	South Africa (RBCT)	Australia (Newcastle)
Fob price	\$45-46	\$37-38
Freight	\$13	\$13.5
CFR Price	\$58-59	\$50-51

What is driving Australian coal shipments to India?

CoalMint's vessel line-up data reveals that, Australian thermal coal shipments to India in Aug'20 have surged by 19% m-o-m basis at 0.56 mn t.

The growing tension between China and Australia that started in April this year is one of the key reasons that Chinese coal buyers are hesitant to buy Australian coal. Subsequently, Australian sellers are having to focus on alternate markets like India and Pakistan and also have to offer coal at cheaper rates to fight off competition. China, Japan and South Korea are the three major markets for Australian thermal coal suppliers.

"Coastal power plants in India are opting for Australian coal over South African, the former being cheaper option at present. Although the blending cost of Australian coal is a bit higher as power plants are designed to use South African coal, the cost arbitrage between the two is still making Australian coal a preferred and cheap alternative", quoted a reputed trader based in India.

Market participants believe that Australian suppliers would continue to be a threat to the South African coal market share in the coming months, at least till Sino-Australia diplomatic relations improve.

China aids Pakistan to accelerate development of Thar coal project

Latest reports suggest that about 500 employees of Shanghai Electric Power arrived in Pakistan earlier this month to work on the \$1.9 billion Thar Block-I integrated coal mine and power project located in the country's south-eastern desert region of Tharparkar.

The project is a key component in the \$50

billion China-Pakistan Economic Corridor (CPEC) and involves a 7.8 million tonnes per annum (Mtpa) open-pit thermal coal mine and a 1.3GW ultra-supercritical coal-fired power plant in the Thar region in Sindh province.

Thar coalfield is the 7th biggest coalfield in the world as it stretches over 9,000 square

km, with reserves of approximately 175 billion tonnes of coal.

In 2011, the Thar Block-I coalfield was leased for 30 years to a Chinese company, Sino-Sindh

Resources, that is now a subsidiary of Shanghai Electric.

The adjacent power plant will be equipped with two ultra-supercritical coal-fired units of 660MW capacity each.

Pakistan's increased focus on coal-fired plants

Pakistan urgently needs to develop indigenous energy sources to overcome a crippling 3,000 MW domestic power shortage at peak times and dependence on fuel imports.

Until 2016, Pakistan had just one coal-burning power plant. It now has at least nine and more are in the making. The first target of these plants has been to replace expensive

fuel (oil-based generation facilities) that burdened the nation's economy with heavy costs and pollution.

Industry participants also believe that with relations between China and its main coal supplier, Australia, turning sour, the former may turn towards Pakistan in future to meet its coal import requirements.

South 32 to curtail thermal coal production in South Africa amid mounting losses

The mining major, South 32 has announced production cut at its Wolvekrans collieries in South Africa for three months starting 1 Sep'20.

The company has cited mounting operating losses and negative cash flows triggered by COVID-induced sluggish seaborne demand as the key reasons for the production cut.

The Wolvekrans is one of the largest open-cast coal mine having marketable reserves of 315 mn t of thermal coal. The mine supplies coal to power utility Eskom which would continue however, the production cut is meant only for export market.

The mine processes 6280 kcal/kg NAR thermal coal with VM and ash content of 25%

and sulphur content of 0.48% for export market.

In recently released half-yearly company results, South 32's average realised price from thermal coal exports in CY20 stood at \$55/t against \$69/t in H1 CY19 whereas in case of domestic prices the realised price stood at \$23/t against \$24/t last year.

The company highlighted that its thermal coal export sales declined by 30% y-o-y at 2.18 mnt during Apr-Jun'20 quarter as a result of lower production volumes and the diversion of coal to domestic customers, as export shipments were affected by COVID-19 lockdown, impact to the logistics chain and, end-user demand.

How will this impact Indian market?

South 32 has an average export sale of 2.5 mn t in each quarter over last two years and the

supply curb is likely to make the South African API coal index go up in the upcoming months.

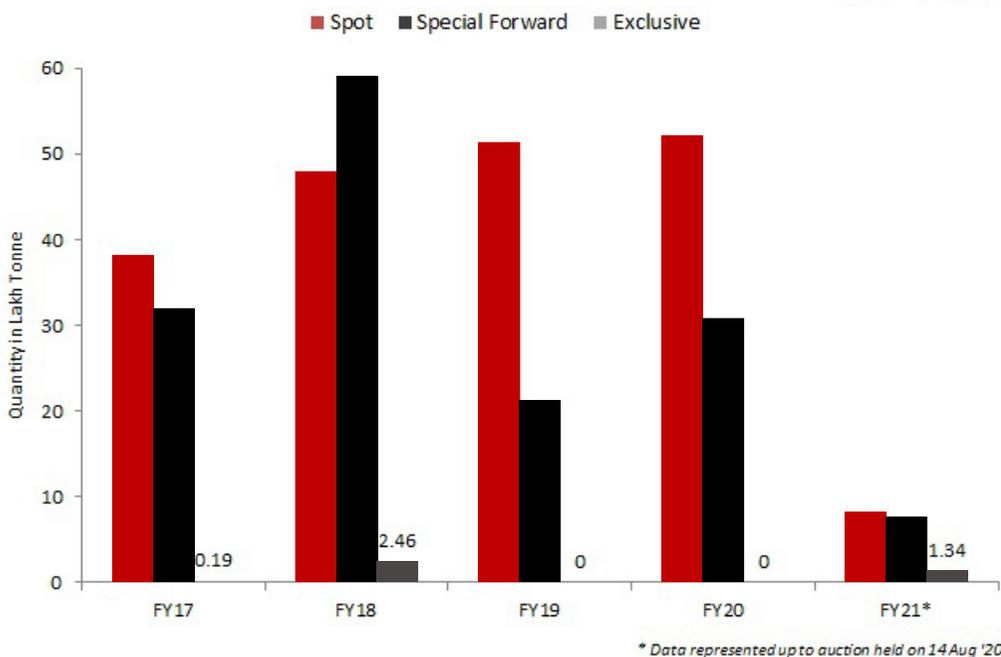
India is one of the key markets for South African thermal coal attributing to around 50% of its total yearly exports. During Jan-Jul'20, the country exported a total of 41.6 mn t of thermal coal and exports to India stood at 19.4 mn t.

As per the industry participants, in case of India, the South African coal is majorly used by sponge iron sector and as sponge iron prices in domestic market is going up due to rising iron ore and pellet prices, the increased imported coal offers would further push the end-product prices despite overall tepid demand.

DOMESTIC

WCL concludes exclusive auction after a gap of 2 years

WCL: Coal Allocation in Various Auctions



Western Coalfields Ltd (WCL), the subsidiary of CIL operating in Maharashtra, has recorded coal sales through exclusive auction for the first time since FY '18.

The auction envisaged specially for the non-power sector was held on 14 Aug '20, where 3,860,000 t coal was offered. However, due to

adverse market condition, only 134,200 t was booked that too at the base price.

The sole lot of coking coal from Tandsi colliery fetched highest bid price of INR 3353/t, from where 11,000 t was sold. In terms of highest allocation, 60% of G10 grade non-coking coal was lifted from Umrer Old siding where the material was offered via rail mode of dispatch.

Source-wise list of collieries fetching bids in the auction is tabulated below:

Colliery	Grade	Quantity Offered	Quantity Booked	Reserve Price	Bid Price
Tandsi UG	WG 4	20,000	11,000	3353	3353
Pouni-II EXP OCM	G8G10	500,000	10,000	2593	2593
Niljai OCM	G8G10	50,000	20,000	2593	2593
Singori OCM	G9G11	200,000	21,200	2225	2225
Umrer Old Siding	G10	100,000	60,000	1924	1924
Mohan Quarry OCM	G9G9	50,000	12,000	1848	1848

Quantity in Metric Tonne (t)
Prices in INR/t

Overall, no bids were seen for three-fourth of the total volume offered in the auction wherein coal from 13 different lots was left unsold.

Majority of the coal sales via auction route by WCL has been carried out through spot and special forward schemes, with exclusive auction being the least preferred mode of allocation. But, with muted demand arising from power sector, CIL together with WCL have shifted their attention towards non-

power sector for liquidating the excess stock.

Notably, out of the eight coal producing subsidiaries, six of them have conducted exclusive auction during Aug '20. In contrast, only two subsidiaries had carried out the auction in the previous month.

With slowdown in industrial activities, these auctions face additional pressure from the decline in global coal prices in order to fetch favorable response from customers.

CIL: Coal dispatch to power sector rises by 6% m-o-m in Jul '20

Coal supplied by state owned CIL to the thermal plants has extended the growth on the monthly basis, as electricity demand recovers in line with the lifting of restriction imposed across the country.

Data provided by Coal Ministry indicates that dispatch to power sector attained highest total for FY '21 as it increased 6% m-o-m to 32.76 mn t in Jul '20 against 30.94 mn t in Jun '20. Besides, decline on y-o-y basis was reduced to 13% compared with 37.8 mn t in

Jul '19, thereby recording its lowest drop in the fiscal.

Coal-fired plants have witnessed uptick in power generation, though the same has failed to reach the pre lock-down levels due to slowdown in industrial activities.

With a gradual reduction in coal stock, there was a considerable recovery in supply during the month supported by power producers' increased sourcing from the auctions.

Notably, coal allocation in CIL's special forward auction earmarked for power sector surged 5-folds to 3.2 mn t in Jul '20 as against

0.64 mn t in Jun '20, at a time when stockpiles had fallen 14% to 40.57 mn t at the end of July.

Measure to raise coal supply:

Coal ministry has approved supply under annual contracted quantity (ACQ) to 100% of the normative requirement for power plants, subsequent to the request made by CIL.

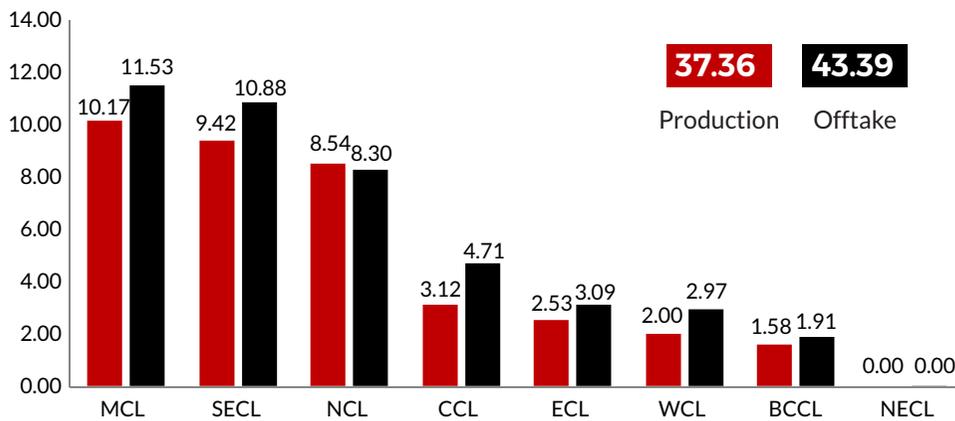
Normative requirement represents coal demand of a thermal power station based on its capacity, heat rate, boiler specifications and coal usage.

Earlier, the supply under ACQ was reduced to 90% for non-coastal power plants and 70% for coastal plants, where the remaining quantity was acquired through imports or from other sources.

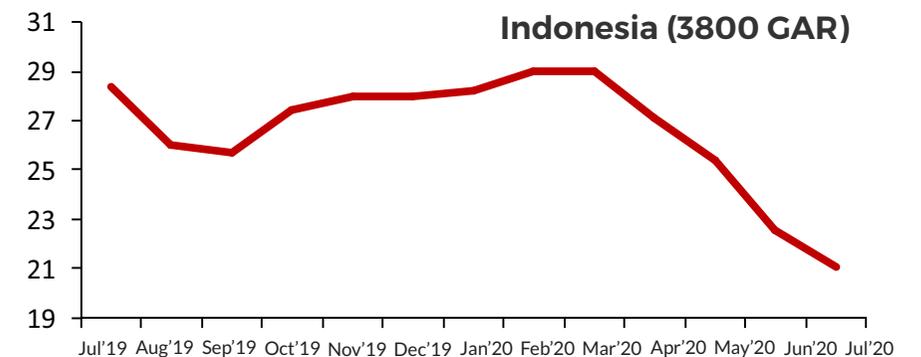
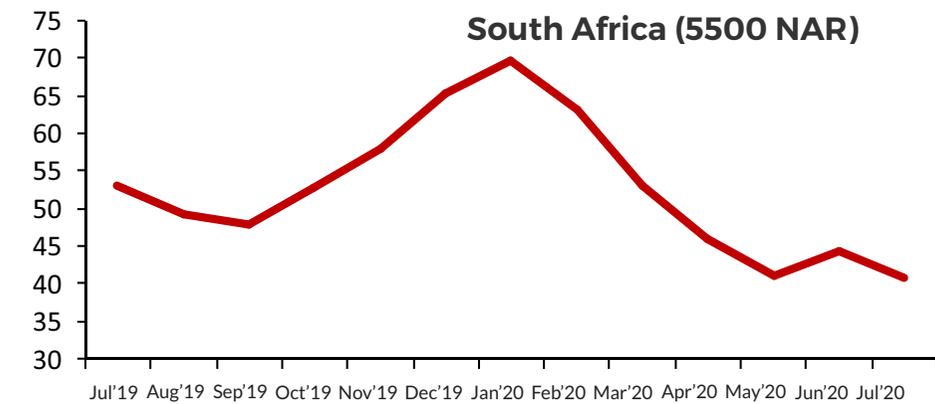
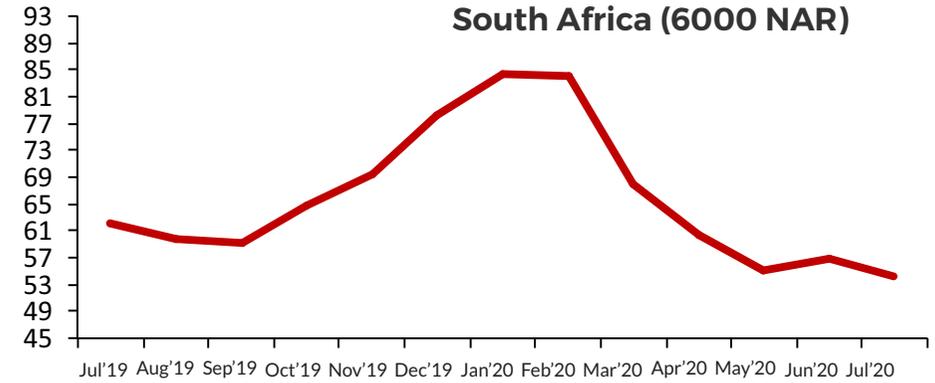
However, with excess stock availability and sluggish demand from non-power sector, CIL had asked to amend the directives in order to raise coal supplies for power sector under this route, which has been duly accepted.

The company has highlighted that around 15 mn t would be committed upon enhancement of ACQ and this also enable it to implement the import substitution by supplying the excess volume without charging additional cost in the form of performance incentive, which has been relaxed to reduce the financial burden of power producers.

CIL Performance in July 2020



International Non-Coking Coal FOB Prices (Average)



International Non - Coking Coal Average Prices (CFR India)

Country/Grade		Jul'20	Jun'20	May'20
South Africa 6000 NAR	▼	66.3	68.0	65.35
South Africa 5500 NAR	▼	52.4	55.0	50.1
Indonesia 4200 GAR	▼	32.0	36.6	40.4
Indonesia 3800 GAR	▼	28.4	32.1	35.4

Australian Premium HCC Monthly Average Price





Australian Coking Coal Prices

What Happened

Australian coking coal prices weakened further as stringent government policies deterred Chinese buying interest, while surplus inventories dented demand from Indian steel mills.

What May Happen

Indian spot demand would gradually emerge in the fourth quarter on the back of restocking needs after the monsoon season ends in September.

Indonesian Coal Prices

What Happened

Indonesian low-calorific value coal prices plunged by 9% in the last one month amid decline in Chinese power utilities procurement activities, coupled with lack-lustre Indian demand.

What may Happen

Indonesian thermal coal export price is unlikely to see any significant uptick in August due to sufficient availability of domestic coal in India and inventory build-up up at Chinese ports.

South African Coal Prices

What Happened

South African thermal coal offers to India plunged by an average of 10% in July amid sluggish demand from Indian sponge iron and cement sectors.

What May Happen

South African thermal coal export offers to India are likely to move up in August against the previous month with gradual pickup in demand from Indian sponge sector and also from Pakistan's power sector.

COAL Monthly REVIEW [Aug 2020]

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