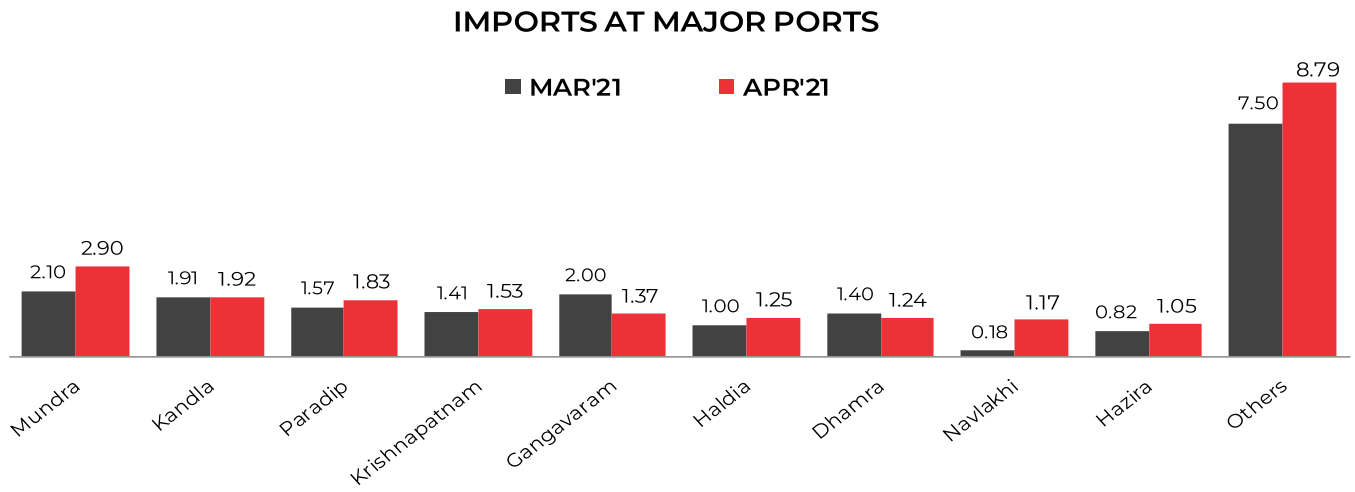
CoalMint®

COAL

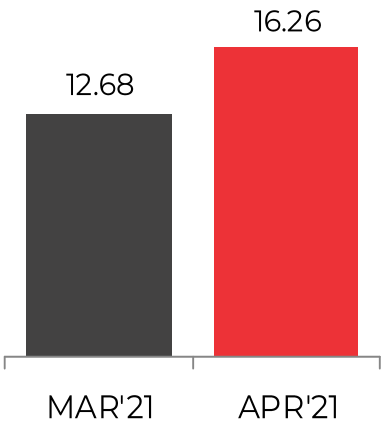
Monthly Review MAY'21

www.coalmint.com

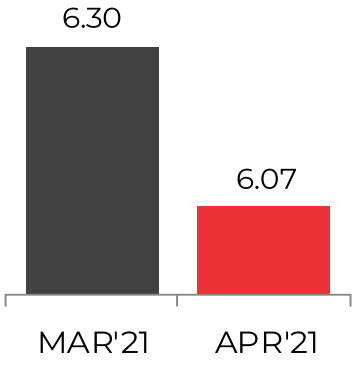
Indian Coal Import (Qty MnT)



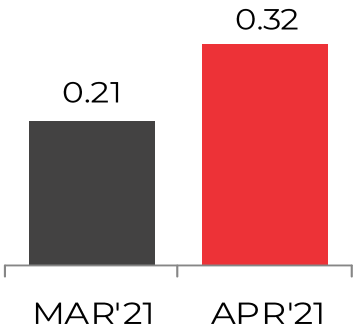
NON COKING COAL



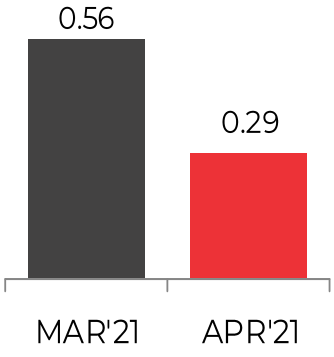
COKING COAL



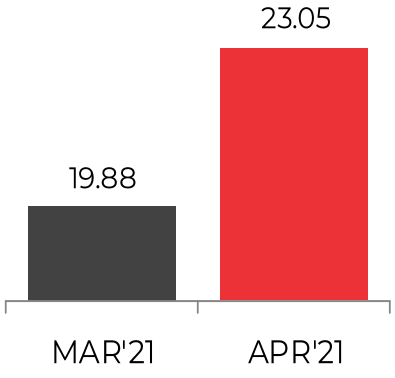
MET COKE



PET COKE



TOTAL COAL IMPORT



Copyright © 2021 CoalMint

COKING COAL MAJOR RECEIVERS			QUANTITY (MT)
RECEIVER	**APR'21**	**MAR'21**	**M-O-M CHANGES**
SAIL	**1718987**	**933937**	**84%**
HALDIA	677801	336215	102%
DHAMRA	384521	180216	113%
VIZAG	336346	328506	2%
PARADIP	229101	44000	421%
GANGAVARAM	91218	45000	103%
TATA STEEL	**1149922**	**1386368**	**-17%**
DHAMRA	617288	852529	-28%
PARADIP	346056	437769	-21%
HALDIA	186578	96070	94%
JSW STEEL	**1017938**	**1462864**	**-30%**
KRISHNAPATNAM	340770	160613	112%
MORMUGAO	331630	742996	-55%
JAIGARH	260330	473095	-45%
ENNORE	85208	86160	-1%
RINL	**481544**	**477815**	**1%**
GANGAVARAM	481544	477815	1%
JINDAL STEEL & POWER	**433320**	**302885**	**43%**
PARADIP	433320	222646	95%
DHAMRA	-	80239	N/A
ARCELORMITTAL NIPPON STEEL	**158409**	**-**	**N/A**
HAZIRA	80000	-	N/A
PARADIP	78409	-	N/A
RAWMET COMMODITY	**132408**	**107000**	**24%**
PARADIP	101108	77788	30%
HALDIA	31300	29212	7%
BENGAL ENERGY	**101441**	**186297**	**-46%**
DHAMRA	79743	159297	-50%
PARADIP	21698	-	N/A
ENNORE	-	27000	N/A
BHUSHAN STEEL	**86839**	**10000**	**768%**
PARADIP	86839	10000	768%
OTHERS	**793535**	**1430100**	**-45%**
GRAND TOTAL	**6074343**	**6297266**	**-4%**

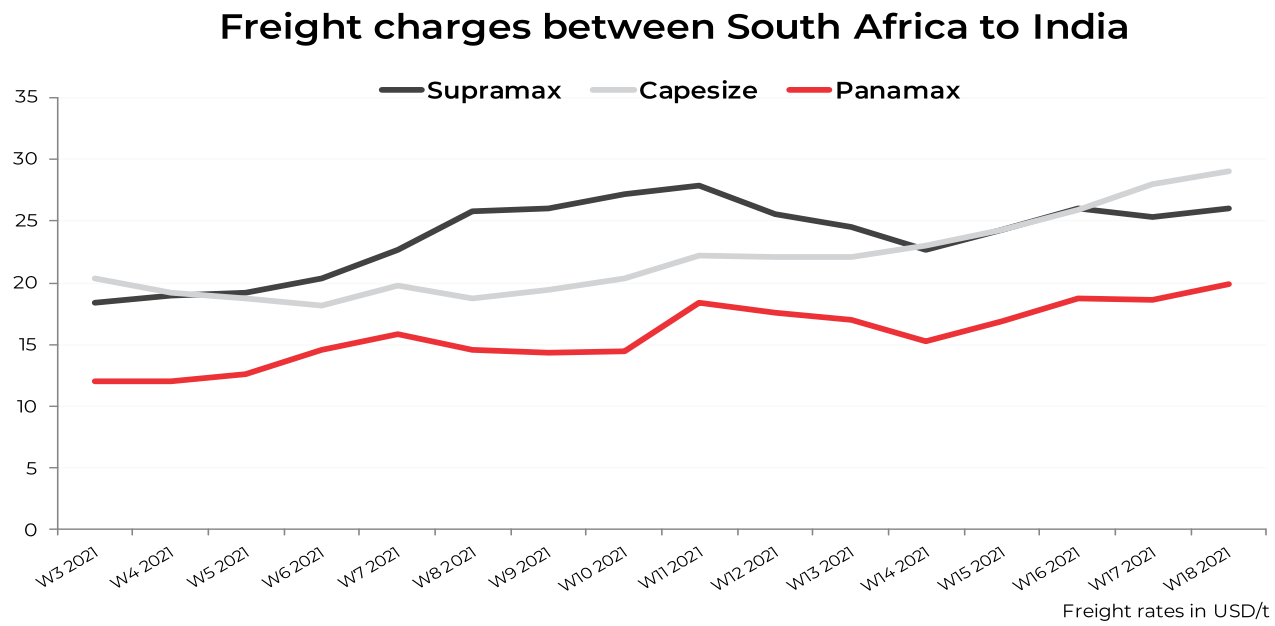
Copyright © 2021 CoalMint

NON COKING COAL MAJOR RECEIVERS			QUANTITY (MT)
RECEIVER	APR'21	MAR'21	M-O-M CHANGES
ADANI ENTERPRISES	**2625544**	**1562815**	**68%**
KRISHNAPATNAM	477468	164105	191%
MUNDRA	473680	165000	187%
HAZIRA	465925	439216	6%
DAHEJ	320609	222820	44%
OTHERS	887862	571674	55%
ADANI POWER	**1630507**	**1371699**	**19%**
MUNDRA	1509964	1371699	10%
JAIGARH	120543	-	N/A
AGARWAL COAL	**1228020**	**732214**	**68%**
NAVLAKHI	373145	179200	108%
DHARAMTAR	211856	56250	277%
MAGDALLA	149852	80925	85%
KANDLA	112240	58079	93%
OTHERS	380927	357760	6%
ULTRATECH CEMENT	**960495**	**415954**	**131%**
ENNORE	295765	-	N/A
KANDLA	250544	-	N/A
PIPAVA	229186	107655	113%
GANGAVARAM	130000	252099	-48%
JAKHAU	55000	56200	-2%
SWISS SINGAPORE	**672187**	**810140**	**-17%**
KANDLA	597878	565271	6%
DHARAMTAR	60500	67357	-10%
PORBANDAR	13809	-	N/A
GANGAVARAM	-	160332	N/A
MANGALORE	-	17180	N/A
COASTAL GUJARAT POWER	**537806**	**322606**	**67%**
MUNDRA	537806	322606	67%
IL & FS TAMILNADU POWER	**526739**	**313900**	**68%**
KARAIKAL	526739	313900	68%
SHRI CEMENT	**455162**	**238280**	**91%**
MUNDRA	329665	238280	38%
GANGAVARAM	125497	-	N/A
SEMB CORP GAYATHRI POWER	**447385**	**582418**	**-23%**
KRISHNAPATNAM	447385	582418	-23%
OTHERS	**7141389**	**6331658**	**13%**
GRAND TOTAL	**16225234**	**12681684**	**28%**

Copyright © 2021 CoalMint

INTERNATIONAL

How rising freights and thermal coal prices are impacting Indian sponge iron sector



Indian sponge iron units, especially located in the industrial clusters of Odisha, Chhattisgarh and Maharashtra prefer blending South African coal with the domestic variant in the ratio of 70:30 (70% imported, 30% domestic), given the high-calorific value (CV) , low volatile-matter (VM) and low ash content in the former.

However, increasing dry bulk freight rates and the rising API4 index, that have gone up by 120% (for capsize vessels) and 16% respectively between Jan-May'21 due to supply disruptions from Transnet, a South African transport company, have adversely impacted the functioning and profitability of sponge units in India.

The spread between the FoB and CNF prices of the South African RB2 5,500 NAR grade coming to India has widened by 50% in the first five months of 2021 (CY'21) from $14/tonne (t) in Jan'21 to $21/t in May'21.

CoalMint's market survey indicates that due to the above factors, the blending ratio (imported versus domestic) for the independent units (with no backward or forward integration) has changed from the preferred 70:30 to 50:50 or even 60:40 (60% domestic, and 40% imported), which is negatively impacting their yield per tonne as high-CV domestic coal is not available in desired quantities.

In the case of larger units which prefer using coal in the 70:30 ratio (imported: domestic) to maintain their yields are incurring losses.

Copyright © 2021 CoalMint

Factors adding to the woes of sponge iron units

Tepid demand due to the ongoing second-wave of the pandemic in India is making mills operate at reduced capacities alongside oxygen shortage with the same being diverted for medical use.

Rising iron ore and pellet prices NMDC's iron ore fines prices increased by 36% between Jan and May'21 whereas pellet prices in the Chhattisgarh market rose by 33% during the above-mentioned period.

Surge in vessel freight rates and rising indices have kept majority of the importers at bay even as South African thermal coal stocks at the Haldia and Paradip port are heard to be sold out.

What led to the freights surge?

The demand-supply mismatch that resulted in reduced availability of vessels exerted pressure on freight rates.

As manufacturing activities gained momentum globally post-2020, several countries, especially China, the US and Europe, stepped up commodity buying to rebuild stockpiles. With rising consumer demand, trading activity in key commodities like iron ore, coal, grains, etc. gained strength.

However, lockdown restrictions in some parts of the world due to Covid-19 led to shipment delays, increased waiting period, and implementation of strict quarantine protocols. These factors are consequently leading to disruption in vessels availability and supply chain issues.

Outlook

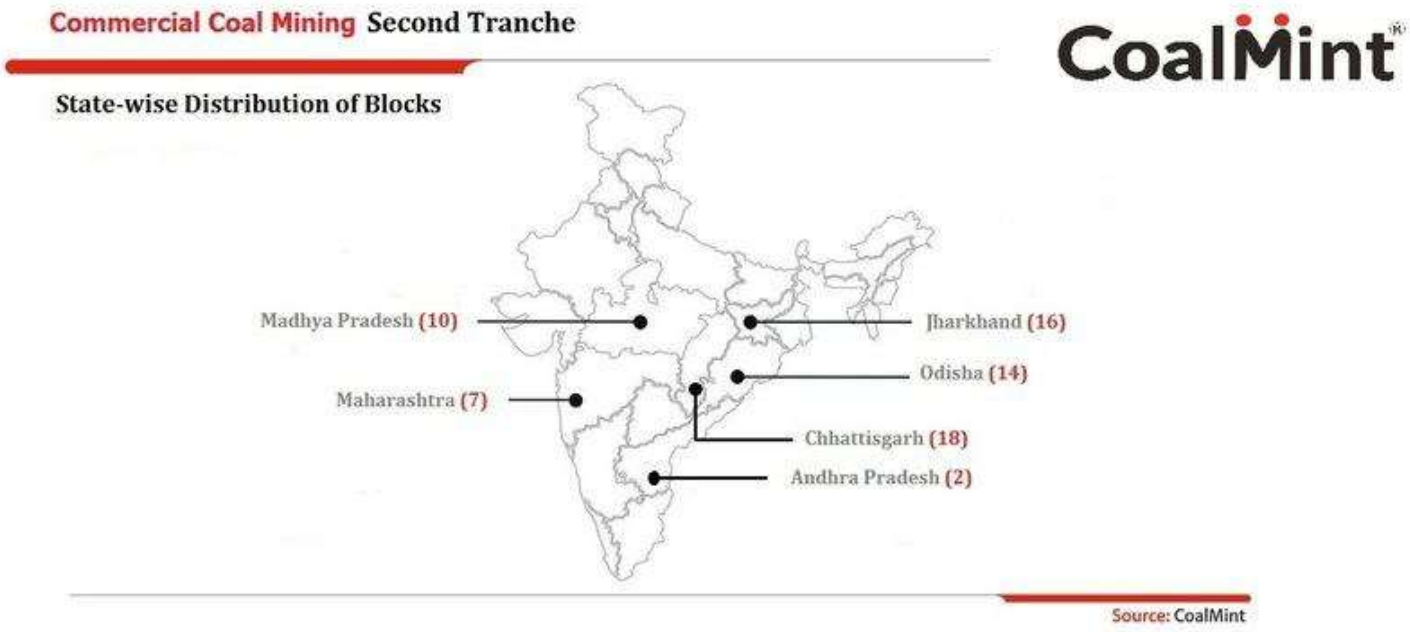
Since last week, capsize vessel freights, especially from South Africa and Australia to India; have seen a downward correction of 30%, bringing some respite for Indian importers. However, its impact on landed cost of imports would be seen in June's landing material.

With the API4 index continuing its rally, reduced availability of domestic coal before the upcoming rainy season and expected easing up of restrictions from 1 June'21 across various states, Indian sponge iron mills would be left with no option but to book imported South African coal, despite its high costs and ultimately pass on the same to end-users.

Copyright © 2021 CoalMint

DOMESTIC

Second tranche of commercial coal mines' auctions receive overwhelming response



The second tranche of commercial coal mines' auctions in India has succeeded in grabbing the attention of prospective bidders as majority of the offered blocks have already been earmarked for the final round of sale.

Reflecting an overwhelming response to the auction process, tender documents of around 50 blocks have been sold while several others are in the process of being purchased by the bidders, a press release from the government informed on Tuesday.

Learning from past experiences, the nominated authority had taken extra care while selecting the coal blocks for auction by excluding the ones which might be susceptible to state resistance with regard to environmental clearances.

It is pertinent to note that a total of 67 blocks have been offered for the second round, which is the highest number of blocks on offer in a particular tranche after commencement of the auction regime since 2014.

Covid-restrictions forced re-scheduling of auction timeline

Despite the tremendous start to the sales process, the nominated authority has brought about a change in the timeline for the auctions due to lock-down restrictions.

As per the earlier schedule, the due date for bid submission was 27 May '21, after which the technical bids were supposed to be opened a day later. However, in order to enable interested parties to travel to mine locations for inspection, the bid submission date has been shifted to 24 June '21.

Copyright © 2021 CoalMint

Nevertheless, the nominated authority has shown eagerness to complete the auction process before the end of Aug '21. Accordingly, the period for electronic auction has been cut short which was earlier a month-long affair in the previous schedule.

Revised time-line for auction

- Last date for site visit request: 11 June '21
- Last date for registration: 22 June '21
- Last date for sale of tender document: 23 June '21
- Bid due date: 24 June '21
- Opening of technical bids: 25 June '21
- Examination of technical bids: 28 June '21-21 Jul '21
- Conduct of electronic auction: 26 Jul '21-11 Aug '21
- Selection of successful bidder: 16 Aug '21

CIL engages 2 new external agencies for coal sampling

Coal India Ltd (CIL) has involved two more third-party agencies in order to provide a holistic quality determination and monitoring system for its coal supplies.

In addition to the already empanelled Central Institute of Mining and Fuel Research (CIMFR) and Quality Council of India (QCI), the coal behemoth has taken up the services of SGS India and COTECNA Inspection India for sampling and analysis-related work.

These agencies have been handed contracts initially for one year which would be expanded up to another two years.

Benefits:

Introduction of additional independent agencies for quality check will help minimise disputes arising between CIL and coal consumers regarding grade slippage.

The cost of sampling at the new facilities is nominal compared to that carried out in CIFMR and QCI. At the same time, these facilities deliver sample results at a much faster time-interval, which comes with a provision of penal clause in case of delay.

Moreover, providing further assurance in terms of quality control, the process of monitoring has been accorded to both CIL and coal consumers.

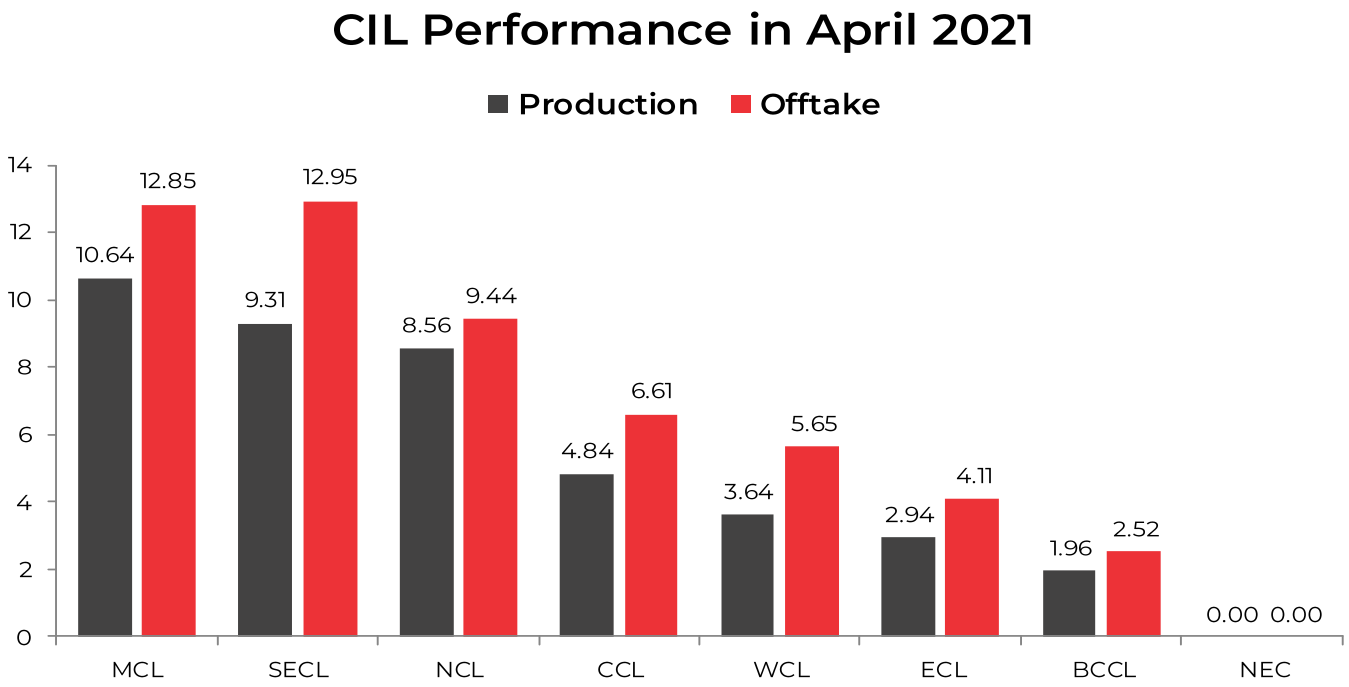
Copyright © 2021 CoalMint

Detailed comparison of parameters pertaining to sampling process among the agencies has been tabulated below.

Term	CIFRM	QCI	New Facilities
Sampling rate	INR 8.8/t	INR 7.1/t	INR 1.98/t
Monitoring	JS, Apex and Executive Committee	No Committee	CIL and coal consumers
Timeline for analysis	18 workings days	10 workings days	7 workings days
Referee sample analysis	15 workings days	15 workings days	7 workings days

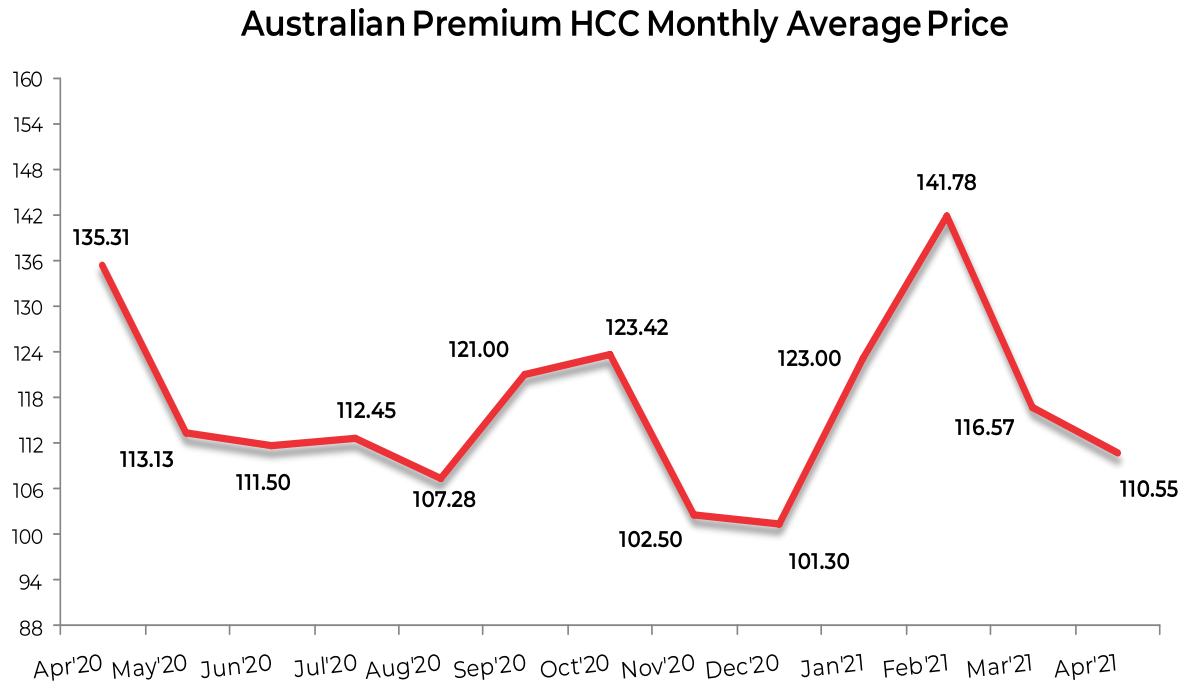
During FY '21, CIL had carried out quality check-ups via sampling of 467 million tonnes (mn t) of coal, which was 80% of the total dispatch volume recorded in the period.

In the long run, the company has set a target of covering 100% of coal dispatches under third party sampling in order to lower pollution levels and increase operating efficiency of thermal power plants.



Copyright © 2021 CoalMint

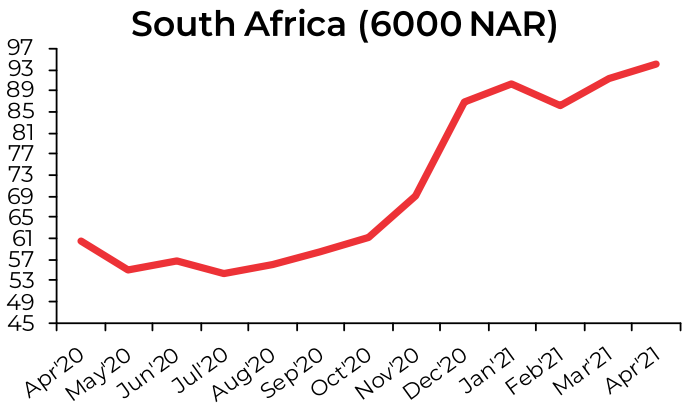
International Non-Coking Coal Average Prices (CFR India)			
Country/Grade	**Apr'21**	**Mar'21**	**Feb'21**
South Africa 6000 NAR	115.2	112.09	101.96
South Africa 5500 NAR	91.4	91.0	81.9
Indonesia 4200 GAR	66.9	55.5	51.1
Indonesia 3600 GAR	50.4	44.0	40.7

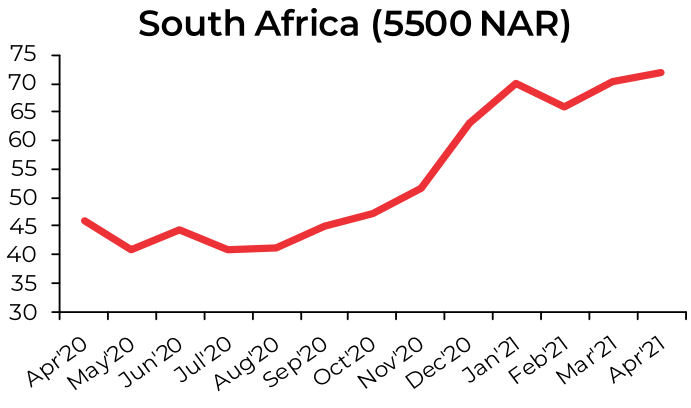


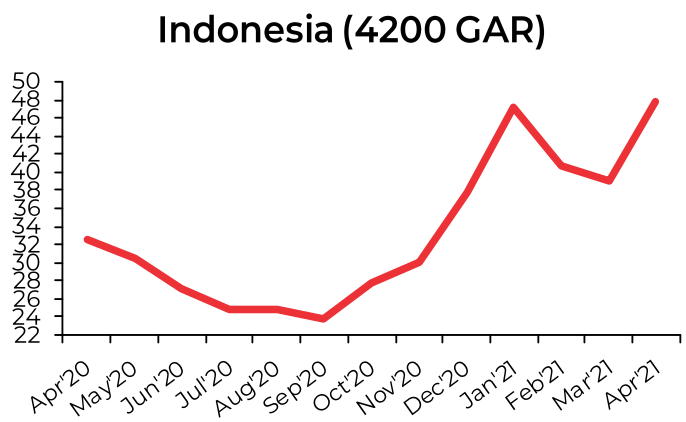
Prices in USD/t on FoB basis.

Copyright © 2021 CoalMint

International Non-Coking Coal FOB Prices (Average)







Coal Market Scan

What Happened

- Australian coking coal prices rose by over 40% in May'21, on higher bids and fresh bookings concluded in the Asian markets, excluding China.
- Indonesian and South African RB1 thermal coal prices rose 17% and 15% in May'21 amid increased demand from China, Pakistan, and Vietnam.

What may Happen

- Indian demand outlook for spot buying of imported coking coal is presently modest with buyers awaiting price clarity.
- Both Indonesian and South African thermal coal prices are expected to rise further in Jun'21 amid higher demand during warmer summer months and potential demand pick-up from India post-Covid 2nd wave.

Copyright © 2021 CoalMint

Disclaimer

CoalMint has taken due care and caution in compilation of content. Information is just for reference not intended for trading purpose or to address your particular requirement. The content includes facts, views, and opinions are of individuals and not that of the CoalMint management. We and our content licensors do not guarantee or warrant the accuracy, completeness or timeliness of, or otherwise endorse these views, and opinions. CoalMint and its affiliates, or their employees, directors or agents shall not be liable or responsible for any loss or costs or any action whatsoever arising out of use or relying on the spot prices disseminated.