India’s FY2019 thermal coal imports up 14%

By Rakesh Dubey

India’s thermal coal imports rose 14% on the year in its financial year 2018-19 to 174.52 mt, from 152.88 mt in 2017-18, according to provisional port, shipping and customs data.

While the rise in 2018-19 imports was driven by industrial buyers who received less domestic supplies as government continued to prioritize supply to state-owned power plants, imports by power plants also rebounded for the first time in three years.

Despite receiving priority supplies, imports by power plants increased on year to 61.66 mt in 2018-19, up 9% from 56.41 mt in financial year 2017-18.

The country’s total imports were up for the second consecutive year. The slight increase in 2017-18 thermal imports from 150.39 in 2016-17 came after two consecutive years of decline due to improved domestic availability and government restrictions on imports by state-owned power plants. Thermal imports had peaked in 2014-15 at around 171 mt.

Domestic availability also appeared ample in the two years from 2015 as the ability of distribution companies (Discoms) to purchase electricity was hampered due to their debt-ridden condition.

But while demand for electricity from discoms improved as the Government launched the ambitious Ujjwal Discom Assurance Yojayan (UDAY) in late 2015 to improve their financial standing, the momentum seemed to ebb in last few months as some utilities are again starting to face financial woes.

Should this persist it has potential to curtail Indian imports going forward, especially in view of continued firmness in international prices.

Imports in 2018-19 could have been at least 4-5 mt higher, to around 178-179 mt, had a few coastal power plants that use only imported coal not stopped generation and a few others not curtailed generation around tariff and poor financial conditions.

The country’s thermal coal imports in March are provisionally estimated to be 16.70 mt, up 23% on the month, from 13.60 mt and up 17% on the year, from 14.33 mt in March 2018.

March imports were up as consumers started building up stocks ahead of monsoon months of June-September.

Coking coal, including PCI, imports in 2018-19 are provisionally estimated at 59.21 mt, up 7% on the year, from 55.59 mt. For March, coking coal imports are estimated at 4.39 mt, down 18% on the year, from 5.38 mt and down 4% on the month, from 4.55 mt in February.

India’s total imports of thermal coal, coking coal, met coke and pet coke is provisionally estimated to be 250.66 mt in 2018-19, up from 225.59 mt in 2017-18. The total imports stood at 216.04 mt in 2016-17 and at 227.74 mt in 2015-16.

Near-term buying soft

Meanwhile, overall Indian demand for imported thermal coal from non-power sector consumers has softened over the past month because of increased domestic availability.

As reported previously, an order by National Green Tribunal in early March restraining usage of coal in gasifiers of ceramic units in Gujarat’s Morbi area is estimated to have impacted imports of around 4 mt/y of predominantly Indonesian coal.

With the state-owned power sector also back to the import market, the increased domestic availability is enabling Coal India (CIL) to start fulfilling outstanding commitments going as far back as two years.

“Some cement and steel plants got CIL supplies in April that were originally due back in May 2017 but could not be supplied back then due to less availability of coal as well as rail cars,” a cement company official said.

The backfilling is also possible as coal stocks with power plants, that reached a record low of 9.43 mt on 25 October 2018, have since risen continuously to around 32.02 mt, on 23 April, an increase of 240% in the last 181 days.

As a result, at least some power plants, that until recently
were keenly competing for CIL supplies, are now curtailing their intake to manage growing inventories.

These plants that were getting supplies of 4-5 rail cars/d in March-end have now started taking deliveries of only 2-3 cars/d as their inventories build up. Also, generators are wary of tying up working capital.

Better availability of domestic coal has also provided leverage to industrial buyers who are looking for bargains in the imported market.

*IHS Markit* understands some big Indian buyers were anticipating US NAPP coal offers to come down to around $81-83/t CFR India towards end of April against offers of $92-94/t CFR on 12 April.

In a first, an Indian cement maker is believed to have struck a long-term contract to buy 2.4 mt of US NAPP coal in calendar year 2019 at a discount of 20% to API4 index, priced on the day of loading. While the deal was understood to have been done late last year, when prices were high, the buyer appears to be on the money now, given spot offers are well above the index-discounted prices.

It is understood the seller of US NAPP coal has hedged on the API4 index to mitigate the impact of any losses.

Offers for US Gulf Coast petcoke are expected to decline to $85/t CFR against actual offers of around $90/t in view of better availability of domestic petcoke as well as imports.

### Indian power plant imports (mt)

<table>
<thead>
<tr>
<th></th>
<th>2018-19</th>
<th>2017-18</th>
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<tbody>
<tr>
<td>April</td>
<td>3.73</td>
<td>4.8</td>
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<tr>
<td>May</td>
<td>4.91</td>
<td>5.33</td>
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<tr>
<td>June</td>
<td>4.44</td>
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<td>July</td>
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<td>August</td>
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<tr>
<td>September</td>
<td>4.87</td>
<td>5.17</td>
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<tr>
<td>October</td>
<td>6.61</td>
<td>5.24</td>
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<tr>
<td>November</td>
<td>5.15</td>
<td>5.16</td>
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<tr>
<td>December</td>
<td>5.54</td>
<td>4.83</td>
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<tr>
<td>January</td>
<td>5.52</td>
<td>4.34</td>
</tr>
<tr>
<td>February</td>
<td>5.15</td>
<td>4.06</td>
</tr>
<tr>
<td>March</td>
<td>6.35</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61.66</strong></td>
<td><strong>56.41</strong></td>
</tr>
</tbody>
</table>

Source: CEA/IHS Markit

### Coal stocks at Indian power plants (mt)

<table>
<thead>
<tr>
<th>Type of Plants</th>
<th>2018-19</th>
<th>2017-18</th>
<th>2016-17</th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
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<tbody>
<tr>
<td>Domestic coal- based plants</td>
<td>21.37</td>
<td>17.04</td>
<td>19.87</td>
<td>37.21</td>
<td>48.97</td>
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<td>for Blending</td>
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<tr>
<td>Imported coal- based coastal</td>
<td>40.29</td>
<td>39.37</td>
<td>46.3</td>
<td>43.5</td>
<td>42.32</td>
</tr>
<tr>
<td>plants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61.66</strong></td>
<td><strong>56.41</strong></td>
<td><strong>66.17</strong></td>
<td><strong>80.72</strong></td>
<td><strong>91.29</strong></td>
</tr>
</tbody>
</table>

Source: CEA/IHS Markit
Indian cement maker buys 0.5 mt Colombian coal

After a gap of almost a year and half, Colombian coal has once again found its way into India, with a cement maker last week contracting to procure 0.50 mt of coal through a European trader.

The last cargo from the South American country came to India around 14-18 months ago when JSW Energy procured a few vessels for use at its Ratnagiri plant.

The latest contract is for loading of one cape vessel each month beginning June for use at the cement maker’s captive power plant.

The contracted price is $70/t cfr Kandla port, basis 6,000 kc NAR.

This compares with current offers of US Gulf Coast petcoke at $88-90/t cfr India, basis 7,500 kc NAR and US NAPP coal offers of $82-84/t CFR India, basis 6,900 kc NAR.

The Colombian deal is at a discount to the current offers of US NAPP and petcoke.

Besides the discount, Colombian coal comes with much lesser sulfur and chlorine content.

US NAPP comes with sulfur of around 4% as against less than 1% sulfur in Colombian coal. The chlorine content in Colombian coal is also much lower than that of US NAPP.

At the beginning of April the cement maker purchased one cape vessel of 5,500 kc NAR Australian thermal coal at $54/t FOB for its Middle East based plant.

The cement maker was looking to finalise two cape vessels of 5,500 kc NAR Australian coal for its Indian plants but shelved the plan as it finally decided to buy Colombian coal.

The latest deal is likely to encourage other consumers in India to look at Colombian cargo and will provide leverage while negotiating for other origin coals.

India's 2018-19 coal production up 8%, lignite slips 5%

India’s coal production in the country’s financial year 2018-19 rose 8% on year driven by higher production from Coal India Ltd (CIL) and captive mines, according to provisional data compiled by Ministry of Coal.

The country’s total coal production in the year stood at 730.29 mt, up from 675.40 mt.

CIL produced 606.90 mt, up 7% from 567.40 mt. This includes about 4.96 mt produced in 2018-19 by two captive mines – Gare Palma IV/1 and Gare Palma IV/2&3. The exact break-up of these two mines in 2017-18 is not available.

CIL has been appointed custodian of these two private captive mines from April 2015 and their production figures are included in CIL’s figures when it reports output numbers separately.

Production by Singareni Collieries Company Ltd (SCCL) rose 4% on year to 64.42 mt, from 62.01 mt.

CIL's April-March production was up 4% on year at 64.41 mt, from 62.01 mt and dispatches were up 5% on the year at 67.67 mt.

Elsewhere, Singareni Collieries Company Ltd (SCCL), another state-run miner, registered 12% year on year decline in March production, at 6.47 mt, but its dispatches grew fractionally to 6.38 mt.

Coal India achieves nearly 80 mt in March

Coal India Ltd (CIL) achieved nearly 80.00 mt of production in March for the first time – hitting 79.2 mt – up more than 21.00 mt on February.

March is the last month of the Indian financial year and CIL usually ramps up in the month to meet its annual target and to take advantage of usually favourable weather.

Last March was also a monthly output record at the time. However, at 72.28 mt, it was nearly 7 mt below the latest milestone.

The output in March was up 36% from 58.05 mt in February. The strong result brought CIL's output for the 12 months to 606.90 mt from 567.40 mt, up 10% on the year.

However, CIL still fell 23 mt short of its full year target of 630 mt. In 2017-18 too, CIL’s output of 567.40 mt was 33 mt off target of 600 mt.

CIL’s ability to cut short the deficit can be attributed to better production rates of 1.66 mt/d in 2018-19, from 1.55 mt/d in the previous year.

Better rail car availability in the year also aided production and dispatches which rose 5% on year to 608.10 mt, from 580.30 mt.

March dispatches of 59.60 mt were up 8% on year, from 55.30 mt and 16% on the month, from 51.45 mt.

The sharp jump in March production raised the miner’s pithead stock to 54.32 mt as of 31 March, from 34.72 mt on 28 February, but down a trickle from 55.49 mt as on 31 March 2018.

Elsewhere, Singareni Collieries Company Ltd (SCCL), another state-run miner, registered 12% year on year decline in March production, at 6.47 mt, but its dispatches grew fractionally to 6.38 mt.

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