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Dear Readers,

Of late, supply-side dynamics are not an issue with the nation’s coal miner, Coal India, offering its coal through various e-auctions, SHAKTI being the cherry on the cake.

In fact, the first bidding process under SHAKTI indicated that seemingly all is well on the demand front as well. The total volume of coal booked under the first SHAKTI bids was 27.8 million tons (mt). About 9 mt of coal saw discount bidding of 2 paisa and 9.08 mt saw a discount bidding of 3 paisa. Quite a few major power generators participated in the bids, including Adani Power, GVK Power, and Reliance Power. It is said all the 10 players who participated in the bidding would receive 70-80 percent of their coal demand. CIL estimates reveal that there would be a saving of `125 crore annually to power consumers for 25 years through this supply route.

So far so good. But what about the auctions being held for the non-power sectors? Are there any takers? Take, for instance, the third tranche of auctions held in the last week of August exclusively for the cement sector. As per information available, the response was “lukewarm” while the previous 2 tranches met with very average demand, indeed.

Or, even take the fifth tranche of coal block auctions strictly for the end-use of iron and steel, which had hardly any takers, although 6 Schedule III mines were offered.

Those speaking for the case of coal say the fossil fuel is here to stay despite the fact that renewables have grown sharply by 24.58 percent, albeit on a low base, in 2016-17 against thermal capacity generation growth of 4.70 percent.

But, then, why is demand for coal in India not showing the buoyancy many swear by?

The main culprit seems to be quality. In cement, pet coke is already giving steam coal a run for its money. Let us consider the South African thermal coal of 6,000 NAR. It is priced almost on par with the import price of pet coke. But pet coke having a much higher calorific value is a clear winner, which means more bang for the buck for the cement players.

Where coking coal is concerned, the use of non-linked washeries grade coal in thermal power plants continues unabated, despite requests from the steelmakers to wash that coal to make it suitable for consumption at steel mills.

So, the answer lies in beneficiation. The coal miner has plans to set up 15 washeries by 2017 but looks like the deadline will be breached. Since not much action has been seen in the last so many years, it is unlikely that much will happen in the next 6 months! Neither CIL expedites the projects, nor do the users show willingness to join hands.

The actual loser, probably, is the country!

Happy reading!

(Arindam Bandyopadhyay)

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Demand set to grow 4 percent by calendar-end

Thermal coal prices may end 2017 north of $100/ton

Madhumita Mookerji
Global thermal coal prices seem to be doing a dragon dance over the last one year, heaving up, writhing down and then slithering up once again. Nay, the dragon imagery readily comes to mind essentially because China is the single most important factor, whose demand patterns have a direct impact on thermal and coking coal prices, globally. And, thermal and coking (or metallurgical) coal are perhaps the 2 most important commodities that make the world go round, since, and needless to say, without the basic necessities of electricity generation and steel manufacturing, no nation can be built, no economy can progress, no technology can advance and no society can be sustained.

Let’s take a look at the global thermal price dynamics over the last one year. The market was relatively strong about a year back and had even spurted beyond the $100 per ton mark on the Newcastle index. However, the prices started sliding thereafter, nesting around $70 per ton but did not stay there long enough and started climbing up once again to settle around a wholesome $100 per ton, which indicates that the market is currently in the second wave of the rally.

And, the resurgence in the second wave lies in the fact that global demand is strong once again. In fact, Rodrigo Echeverri Cardozo, Head of Hard Commodities Research, Noble Resources, confided to Coal Insights that never in his 15-year career as an analyst has he seen the signals so clear – that the market is strong. That there is demand from all across, led by big brother China. Yes, China has a lot to do with it!

Cardazo expects calendar 2017 to end with a global growth in thermal coal demand by 40 million tons (mt). Incidentally, the total global thermal coal demand was pegged at 900 mt last calendar with 2015 ending at similar levels, which indicates that 2017 is heading to end with a 4 percent growth in steam coal demand.

And, it is no surprise that China is contributing the lion’s share of at least 25 mt in this additional 40 mt demand pie, though demand from other smaller Asian nations will be buoyant too. South Korea’s demand, for instance, is expected to grow by 9 mt this calendar, while Taiwan will also do a good number at 4 mt growth and Malaysia, 3 mt. There is also likely to be a demand spurt from the Philippines and Vietnam.

However, India is acting as the spoiler in the demand bonhomie. It is a negative market at present and the analysts swear that had it not been for that sliding Indian demand, the overall market for steam coal globally would have actually grown by 50 mt at the end of this calendar.

“India’s share has dropped by 15 mt this year till August, though I feel demand from here would be better in the fourth quarter (Q4) of October–December compared to the same quarter last year, since it is buying a lot of the Indonesian material. In fact, Indian buyers are quite active at present in the Indonesian market,” Cardozo observes, but adds a warning footnote that the calendar will end with a 15 mt drop in total import demand for steam coal by India.

The demand pull from all the Asian nations can be attributed to an increase in coal-fired power generation capacity, though, in China, because of government stimuli there, the country is experiencing a good macro year in almost all the commodities. And analysts stress that when China starts buying coal, it buys at any price! But suffice it to say that winter is round the corner and the dragon does not have enough stocks to fall back on. Hence, it is testing the market for newer supplies, much to the glee of king coal’s producers.

China’s coal imports are up by over 32 mt in January–August, 2017 (for all grades except anthracite). August was the strongest month for imports in 2017. However, the market expects to see a stabilisation in growth, though volumes will remain healthy. Thermal power generation in this country was up 7.9 percent year-on-year, the highest level since 2013.

In 2016, its domestic coal production declined by 12 percent as a result of mandatory production cuts across the country. The policy was successful in saving the domestic coal industry, but created a system in which prices are hard to keep within the government’s intended range, says Cardozo.

John Howland, Managing Director of Coal, IHS Markit, observes that there are 3 primary international coal market drivers going forward: These are:

♦ Chinese regulations: By regulating production, China looks to have a key role in setting thermal prices going forward. (It may be recalled that in April 2016, China’s National Development & Reform Commission had closed mines and reduced mining days to 276).

♦ Indian production: Large growth targets, but if they are not met, then India will likely need to import more, supporting international prices.

♦ Coal-gas competition: Has hurt demand in the United States and United Kingdom, and now somewhat in Europe. With an LNG oversupply developing and coal prices relatively strong, the coal-gas competition represents a downside risk for coal demand.

Supply-side equations

If demand is slated to grow by 40 mt in this calendar, then let us take a peek into the supply side mathematics. Is supply strong enough to support this demand? The answer is an emphatic no! In fact, analysts predict a sure-shot shortfall of 13 mt.

Cardozo of Noble Resources sees a 27 mt tons of growth in supply against a 40 mt growth in demand this year, pointing to the 13 mt deficit. He says this gap can be closed if there is stocking. But the fact is that the consuming fraternity is not exactly flush with stocks, which would impel it to wade...
“India’s share has dropped by 15 mt this year till August, though I feel demand from here would be better in the fourth quarter (Q4) of October-December compared to the same quarter last year, since it is buying a lot of the Indonesian material. In fact, Indian buyers are quite active at present in the Indonesian market,” Cardozo observes, but adds a warning footnote that the calendar will end with a 13 mt drop in total import demand for steam coal by India.

into the seaborne market, looking for fresh material.

In Indonesia’s 500 mt of annual coal production, exports eat away a chunky 380 mt. But, export volumes have grown by a mere 7 percent so far and the domestic market by a slightly thicker 10 percent, which means an additional production growth of a modest 17 mt. This is mainly on account of the incessant rains here.

In fact, supply-side issues are expected to continue plaguing this South East Asian nation. Quality has continued to fall, as high and mid-CV reserves are getting depleted. It will be difficult for Indonesian supply to grow, going forward.

Where South Africa (SA) is concerned, production has been relatively flat year-on-year, with no growth to write home about. In South Africa, in the total production of a little below 300 mt, the domestic market consumes around 200 mt and the balance is exported.

Australia produces over 500 mt of coal per annum of which around 200 mt of met coal is exported and another 200 mt of thermal coal is sent overseas while the balance is for domestic consumption. However, market experts do not see growth in supply from Australia either though injection by the Russians could be higher by 10 mt and suppliers from the United States could also get busy.

Prices

Since price is a function of supply and demand, consumers are eager to see at what price they are likely to grab their material—what rates would balance with the demand-supply ratio. The supply/demand balance for 2017 shows that the market will remain tight as a result of strong seaborne demand volumes and lacklustre supply growth. The sub-80 Newcastle index prices do not balance the thermal coal market in either 2017 or 2018.

But analysts are wary of hazarding a guess. As says Cardozo, “The problem is that if the global thermal coal prices were currently in the $60-70 per ton range, then we could have said these would rise to touch around $100 per ton. But the prices are already at $100 per ton! So, where will these rates go from here? It is difficult to say, where prices will go henceforth but, I feel, they will exceed further for the remainder of this year.”

Another forecaster said but on condition of anonymity: “I expect prices to reach anywhere between $115-120 per ton, on the back of rising demand,” while another said it is difficult to say where prices will rest by the end of the year because one must take into account unforeseen exigencies like floods, storms or socio-political factors.

China

And what is likely to support China’s overseas buying activity is the fact that its own domestic prices for both thermal and metallurgical coal have been heading northward, which doesn’t really make the homegrown material look all that attractive to its players. The Chinese domestic prices are not only going up but are expected to remain at 600 RMB the whole year, averaging 620 RMB, which is quite high. “It may be recalled that these prices last year, when global prices were falling in Q1 of 2016, had touched a low of 300 RMB. But, these have more than doubled to even touch 650 RMB. And, mind you, China’s metallurgical coal prices are doing even better, having doubled to 1,500 RMB!” Cardozo exclaims.

South Africa

Where South Africa is concerned, export prices have fallen substantially this decade but recovered amazingly since. But prices of thermal coal out of South Africa are expected to remain weak in the short term, as per sources. Landed north west Europe prices have recovered to above $95 per ton in the current year from a shade above $40 per ton.
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Prices of the 4,200 GAR, which is a popular grade coming out of Indonesian mines for Indian users, on the North East Asia Thermal (NEAT) Coal Index were beginning to rise after the Chinese New Year and are expected to pick up further in the latter half of the year.

Going forward, Indonesian coal will see domestic consumption going up and exports are expected to drop to 230 mt by 2019 from about 380 mt in 2014, which could impact pricing.

Analysts foresee suppliers from this South East Asian countries increasing their pricing north of $60 per ton on the back of squeezed supplies but are not hazarding a guess on the rates the calendar will close with.

It may be mentioned, there could be supply issues with Indonesia, since the country has experienced a long bouts of rains in the recent past.

**Met coal pricing mechanism**

Metallurgical or coking coal, which is a key input material for steel-making, keeps steel mills in a tizzy, with its prices often pirouetting out of control.

The met coal global pricing mechanism happens through 3 ways:

♦ The quarterly, semi-annual and fixed price contracts between the Japanese steel mills and steel producers. For example, Nippon Steel contracting with producer X for Y grade of coal over a designated period.

♦ Then, there are the spot market fixed price trades between any seller and buyer. For example, trade is executed between end-user/contractor with producer X for Y grade of coal at $/ton price.

♦ Finally, the index-related trades both on term and spot.

Interestingly, this third category is becoming the predominant method of pricing in the world today.

But what is this index and how does it move?

Australia, by virtue of being the largest supplier in the met coal market, determines the index price. Because it is the largest seller, the index is FOB Australia-based.

However, the largest producer of met coal ex-Australia concludes majority of its contracts on the index. When the met coal market is up, China becomes the trend setter, bidding up the index. On the down slope, markets other than China such as India, pay a higher price than the Chinese.

On the market side, China is not really a predominantly large buyer of met coke because of its huge, almost 444 mt, domestic production. In that case, how does it influence the index so much?

Interestingly, when the prices are moving up, the Chinese are the ones who pay the highest price, they grab the coal immediately. And their price determines the index. However, when the Chinese stop buying, and prices go down, the Australians treat China as a clearing ground for their met coal. But since China has domestic met coal production, it will “buy at a price”, not at any price. India, on the other hand, will “buy at any price” – it does not have a choice since it does not have enough domestic met coal. So, where India is concerned, it pays a slightly higher price than China or any other market when the price of the coal stocks comes down. That leaves us with China and Australia dominating the met coal market.
like looking at coal blends to merely get out of the clutches of the Australian-Chinese dominance.

Countries such as Indonesia, the US, Russia, Mozambique and Canada are witnessing an uptick in production of metallurgical coal. While these coals do find buyers in China, a natural geographical diversification towards coals from these regions will allow less reliance on Australian origin coal and ultimately the Chinese influence on prices will reduce, concludes Bhargava.

Coking coal prices are tough to guess. However, R Nagarajan, Executive Director (Services), feels the prices cannot keep on increasing at their current pace. If these come down to $140-150 per ton, then they should be stable, he feels.

“The price must come down to such levels in the fourth quarter of January-March from the current levels of $210 per ton,” he said.

“Global coking coal has moved to increasingly shorter term pricing, ie, from annual to quarterly in 2010 and later, quarterly to an index-based mechanism. Pricing is influenced mostly by the Chinese, whose coking coal imports amounting to 5 percent of their annual requirement are bought on the spot market. These spot pricings largely influence the index,” he adds.

**Fretting over freight rates**

International freight rates to India, which had been scraping the bottom of the barrel around January 2016 have recouped since. The Indonesia-Krishnapatnam (Panamax) rates are hovering around $7 per ton against against a little over $3 per ton in January 2016. Queensland-Vizag (Panamax) rates have recovered to a little above $12 per ton against less than $6 per ton in January last calendar while the Richards Bay-Mundra (Capsize) rates are a little north of $10 per ton against a little above $3 per ton in January 2016.

While the buoyant global demand for coal is likely to keep the rates at positive levels, the restraining factors are structural risks to trade and surplus ship-building capacity.

Freight rates were firm in the year till date due to improved demand-side fundamentals…with market pricing further likely to rise in the fourth quarter of 2017 (4q17).

However, according to John Kearsey, Head of Research, Simpson, Spence & Young, market confidence in 2018-19 is restrained by uncertain trade outlook, this year’s re-acceleration in fleet supply growth, delays in implementation of the International Maritime Organisation (IMO) convention on ballast water management (BWM) and resumption in newbuilding orders.

“A very gradual improvement in underlying fleet utilisation is anticipated over the next 2 years, with bouts of spot rate volatility, ahead of potential market disruption from new IMO rules on low sulphur bunker fuels in 2020,” he added.

**Footnote**

But, as of now, market fundamentals look good and are likely to support the present rally in prices. Thermal and coking coal look set to gather more steam for the rest of the year.

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**Cover Story**

**Coal voyage rates to india**

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When we met around a year back, you were one of the few bullish analysts in the coal market… and your predictions turned out to be true! So, how have the global coal market dynamics changed since then? What is the scenario like with each major coal producing country?

We were in a relatively strong market one year ago. And, we were a lot stronger by November 2016, when global steam coal prices had exceed $100 per ton on the Newcastle index. And the market actually reached a high, then went back down and then when it reached somewhere around $70 per ton, it started going up once more.

Prices are at around $100 per ton again! We are thus in the second wave of this peak-trough. Prices have broadly remained high and the availability of coal has remained relatively tight.

Global demand is growing again – and that is an important pointer – and we actually expect the international coal market to grow by an additional 40 million tons (mt) this year on the demand side. The present volume is 900 mt, thus it would be a 4 percent growth.

Last year, the market was flat – in fact, 2015 and 2016 were similar. Last year, demand was at around 900 mt.

And what factors do you attribute this 4 percent growth to?

First and foremost, it is China. In this additional 40 mt pie, the share of China’s demand will be around 25 mt. But it is not China all the way. There are incremental thermal coal-fired capacities coming up in other Asian countries such as South Korea, Taiwan, Malaysia, the Philippines and many others. On the other hand, supply is expected to grow by around 27 mt, which leaves a deficit of 13 mt this calendar. So, how will this gap be plugged? It will be mainly fed by swing suppliers from the United States and Russia, especially since the former likes the taste of higher pricing and comes into the market only when the rates touch above $80 per ton! But India is proving to be a damper. Had its coal imports not been on a decline, the demand side figure could have been pegged at 50 mt, reveals Rodrigo Echeverri Cardozo, Head of Hard Commodities Research, Noble Resources, to Madhumita Mookerji. Excerpts from a free-wheeling interview:
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Global demand is growing again – and that is an important pointer – and we actually expect the international coal market to grow by an additional 40 million tons (mt) this year on the demand side. The present volume is 900 mt, thus it would be a 4 percent growth. Last year, the market was flat – in fact, 2015 and 2016 were similar. Last year, demand was at around 900 mt.

with a 13 mt drop in total import demand for steam coal by India.

As I said, China’s demand will grow by 25-30 mt. Also, some other Asian nations’ demand is quite strong. Take the instance of South Korea, whose demand, we expect, would grow by about 9 mt this calendar. Taiwan will also do a good number at buying 4 mt growth and Malaysia, 3 mt. We will also see a bit of demand growth from the Philippines and Vietnam.

So India is proving to be a damper?

Yes, India is a negative market. Had it not been for sliding Indian demand, the overall market for steam coal globally would have grown by 50 mt by the end of this calendar.

What do you attribute the additional 25 mt demand in China to?

In China, the regulations in domestic production has changed the balance. I feel, electricity generation, not only coal-based but overall, has been very strong in 2017. In fact, China has been experiencing a very strong macro year in 2017. Steel and industrial production have also been high, the government has injected funds and provided a lot of stimuli. Metals are rallying, iron ore is rallying and the futures markets in China are flying. And China pays the prices. I mean, China is price-sensitive but if its goal is to manufacture steel and the steel market is good, then it doesn’t care what the prices are. China’s domestic coal production has increased since last year but not enough. It is at a huge 3,300 mt and year-on-year supply is up 4 percent but demand is up 7 percent. Of course, this figure is tentative, since it is tough to predict China’s domestic production figures! But, we are entering re-stocking for winter and so China is falling behind in supplies.

China has its own domestic pricing system and the international market tends to follow this. But, Chinese domestic prices are going up. These will remain at 600 RMB the whole year, averaging 620 RMB, which is quite high. Chinese domestic prices last year, when global prices were falling in Q1 of 2016, had touched a low of 300 RMB. These have more than doubled to even touch 650 RMB. And, mind you, China’s metallurgical coal prices are doing even better, having doubled to 1,500 RMB!

Which grades does China usually buy?

China buys a lot of grades. It buys a lot of Indonesian material but never South African, because one, it does not have a free trade agreement with South Africa and two, the SA material is high in fluorine, and this cargo could be rejected. So, most SA suppliers stay away from China. Chinese users have not bought South African cargo in, may be, 3 years!

The Chinese also buy quite a bit of the Russian material.

Where the Australian coal is concerned, the Chinese buy 5,500 NAR, which is high ash, and in Indonesia, they buy coal and lignite of 4,200 GAR, 5,000 GAR which are competitive in China because these can be blended with their domestic coal.

Let us come to the supply side… what sort of injection could happen this fiscal?

Indonesia has grown by 7 mt for exports, which is not a big jump really. The domestic market has grown by 10 mt, which means the home market in Indonesia has grown more than the export market. In the total 500 mt of production in Indonesia, the additional growth is 17 mt. Of this 500 mt, exports are around 380 mt. There has been a lot of rains through the year and this is expected to continue and impact market. Vessel cues are high at the loading ports in Indonesia, at 130 ships, and this congestion is likely to remain.

Where South Africa is concerned, production is relatively flat year-on-year, no growth, really. We do not see any growth in supply from Australia either but Russia’s supply will be higher by 10 mt. The US has exported a lot this year because its market has been buying. You see, when the prices are high, the Americans come into the market to sell. Thus, US coal is more expensive. But, going forward, we see the market buying a lot of US coal.

In SA, the total production is just south of 300 mt of which the domestic market is around 200 mt and the balance is exported. Australia produces over 500 mt of coal per annum of which close to 200 mt of met coal is exported and another 200 mt of thermal coal is for the overseas market and the balance is for domestic consumption.

What sort of factors could impact supply-side dynamics this calendar?

I see a 27 mt tons of growth in supply against a 40 mt growth in demand. So, there will be a 13 mt short fall. That gap can be closed if there is stocking. So, end-users will have to destock by 13 mt globally this calendar in terms of sea-borne coal. But, nobody has such stocks. That is a problem. Thus, the market will have to plug that additional supply from somewhere – it could be from swing suppliers like Russia and the US.

US producers have stepped in to fill in the gap in the market but exports are only supported when Newcastle prices remain above $80/ton for extended periods of time. The US exports are heading to grow by 14 mt in 2017. But these volumes will fall along with prices, if the international market weakens.

So, the demand side is very strong. The issue is with the supply side…

In my analyst’s career of 15 years, for the first time the signals are so clear, that the market is strong. Seldom have I seen a market like this. It is weird because, just a year ago, it was depressed!
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In that case, what do you attribute the turnaround in demand to?
It has a lot to do with China. But it is not just China alone because remember Korea and Taiwan also have a big number. But, overall, one reason is that there is new coal-fired capacity in north east Asia apart from China. There is new thermal capacity in Korea, Vietnam, Malaysia, Taiwan, the Philippines. So, around 15 mt tons of that additional demand I spoke of will come from these geographies and, as I mentioned, that balance 25 mt will come from China!

What sort of prices do you expect the calendar to end with and in the next calendar?
The problem is that if the global thermal coal prices were currently in the $60-70 per ton range, then we could have said these would rise to touch around $100 per ton.

But the prices are already at $100 per ton! So, where will these rates go? It is difficult to say, where prices will go henceforth but, I feel, they will exceed further for the remainder of this year.

Where 2018 is concerned, prices are going to be north of $80 per ton on average. The way I calculated this figure is thus: I take three price levels of $60 per ton, $80 per ton and $100 per ton and calculate the supply available at those levels. I say that demand will continue to increase next year, but growth will be less but assuming that demand growth in China will be flat next year... But this country will continue to take in over 200 mt of coal next year... including met coal.

At $60 per ton, I see that the market falls short – there is not enough supply. At $80 per ton, we are still short on supply. But at $100 per ton, the market balances with enough supply.

So, supply can grow in 2018 only if prices remain at levels above $80/ton and the 2018 market balances when Newcastle is approximately $90/ton.

So, on the supply side, I see prices ranging between $80-100 per ton in 2018.

On the demand side, I do not see the hefty 40 mt growth in demand as seen this year. But, I still do see a strong growth next year... may be another 10 mt, taking it to 50 mt.

And, I think, a lot of this extra 10 mt is going to come from the US. And that means this coal will be available at a high price, because, as I mentioned earlier, the US suppliers enter the market only when they know they will get a high price, at over $80 per ton Newcastle. They do this because the logistics are expensive.

These prices are given theoretically speaking. But then who knows about unforeseen factors like rains, storms, strikes etc which could inject volatility into pricing.

What trends do you expect to emanate from Indonesia and South Africa particularly in 2018?
Well, I do not expect anything new from South Africa. Exports have remained flat at around 70 mt for many years.

Indonesia... it’s debatable. The domestic market here is strong and growing. So, you will see a lot of growth in the domestic market here next year. Which means, this country will need to produce more to feed its domestic demand and export the surplus beyond the domestic demand. So, may be, Indonesia will have to increase its production by 15 mt next year to meet domestic and export needs. But that is a tall order!

If Indonesia’s domestic demand growth is met and it can export the surplus, it won’t sell at $60 per ton. It needs a strong price. But I do feel exports from Indonesia will naturally decline because its current mining footprint will struggle to expand, going forward. Production volumes will be under pressure. That is why, Indonesia will really need to have a price incentive.

Can you elaborate further on the Indonesian pricing next year?
Well, if we get into the technicalities of pricing, there is a difference between 4,200 GAR and 5,000 GAR prices. I do think the discounts from the Indonesian suppliers next year will tighten. The current discounts for 5,000 GAR is normally 7-9 percent. That margin could get squeezed.

So, the Indonesian suppliers could leverage on the discounts squeeze?
Yes, but, may be, the Newcastle prices will go up and then the lower discounts. So, there will be 2 bumps to negotiate. But this is rather speculative...

What could be India’s buying pattern next year?
I think Indian buyers would go for low grade Indonesian coal in the 4,200 and 5,000 GAR categories. Imports are likely to stabilise based on the following factors.

The 2 drivers of growth – South Eastern Coalfields (SECL) and Mahanadi Coalfields (MCL) will grow at 6.4 percent and 5.6 percent respectively. But they might fall behind their ambitious target by 100-130 mt.

Eastern Coalfields (ECL), Northern Coalfields (NCL), Western Coalfields (WCL) and Central Coalfields (CCL) will also contribute 85 mt of growth.

Production from captive coal blocks will reach 80-100 mt by 2020, and 120-150 mt by 2030. But these will all come amidst economic, social and logistical constrains.
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China leverages its domestic met coal production to control prices

India dances to Dragon, Aussie met coal beats!

There is no denying the fact that Indian buyers of coking or metallurgical (met) coal are at the mercy of China and Australia. They not only dance to the dragon's tune but also to the Aussie beat!

Although China is not a very heavy importer of met coal from Australia – its volumes were at a modest 60 million tons (mt) in 2016 and is estimated to touch 56 mt in 2017 against India's 51 mt in 2016 (an estimated 52 mt in 2017) and Japan's 53 mt in 2016 (likely to remain flat in 2017), it can still influence Australian coking coal prices.

But how?

This is primarily on account of two key reasons, according to Sandeep Bhargava, Director, Avani Resources. Speaking at the 11th Indian Coal Markets Conference, which was organised by mjunction services limited in Kolkata recently, Bhargava said: “One reason is that the Chinese domestic met coal production, which, last year, was at 440 mt, is huge. If the dragon decides to increase its met coal production and reduce its imports, prices will crash and vice versa. Second is the Mongolian factor. This is a land-locked country, with one outlet, and that is China! Mongolian coal imports into China, over the border, have increased and is playing a significant role in capping Chinese interest in buying seaborne met coal.”

The importance of being China

There is no denying China's growth in the thermal coal industry, and the dominant role it plays in the steel industry and necessarily in the metallurgical coal industry. It is also a fact that China today dominates, by and large, all commodities across the globe – copper, iron ore, coal – and influences all prices.

Australia, on the other hand, currently controls 60-65 percent of the global seaborne met coal market, making it a major and influential player.

But do buyers outside China have any options? Or are they merely stuck watching China and Australia tango with each other? “Because we are talking about China, we agree, by and large, that it is unpredictable. No one really knows very much about Chinese policies,” Bhargava observes.

“But when China starts buying, the world goes crazy. Everyone makes money. The prices shoot up. The problem is, one fine day, China stops buying. That is when you see volatility,” Bhargava explains.

There is no doubt about the scale of China – the dragon stands for size, strength, wealth…

As per the Mckinsey 2016 China Consumer Report, China has seen the largest migration in human history, with 300 million people moving to cities and another 350 million more on the way. The country’s manufacturing base has increased more than 18-fold in the past 30 years and is worth $2.2 trillion in annual value. An additional 200 million people will enter the middle class category by 2026, joining 300 million who have done so in the past 30 years. The country has more than $15 trillion in bank deposits, growing by $2 trillion a year.

Why will China continue to play a dominant role in all the commodities used in the steel industry? Because, over 49 percent of the world's met coal production (around 1,074 mt) is consumed by China. India is 2nd on the list, with 10 percent consumption.

Chinese buying patterns

Needless to say, met coal has been the single most volatile commodity in the past one and half years.

In January 2016, coal seemed to have no future. The President of the United States had declared a war on coal. Old coal-based plants were being retired in many countries. Thermal coal prices from South Africa were dwindling in the $40 per ton range, while...
PRODUCT RANGE

- JAW CRUSHERS
- HAMMER CRUSHERS
- CENTRIFUGAL SLURRY PUMPS
- HYDROCYLONES
- BALL MILLS
- AGITATORS
- THICKNERS
- SPIRALS
- VIBRATOR SCREENS
- KNIFE EDGE VALVES
- FLOTATION CELLS
- SAND WASHING SYSTEMS

JAW CRUSHER
HAMMER CRUSHER
BALL MILL
DOUBLE DECK VIBRATING SCREEN
HYDROCYCLONE CLUSTER (PU)

HYDRO CYCLONE CLUSTER (HC)
SPIRAL CONCENTRATOR
HIGH RATE THICKNER
FLOTATION CELL
DUAL EXCITATION COLUMN

AGITATOR
CREATIVE EXTRA HEAVY DUTY PUMPS
HEAVY DUTY SLURRY PUMP
HIGH PRESSURE SLURRY PUMP FOR SERIES APPLICATION
FORTH PUMP

VERTICAL PUMP WITH AGITATOR
SAND WASHING SYSTEM
SAND WASHING SYSTEM
HYDROCYLONES
GATE VALVES
prime hard coking coal was at around $70 per ton.
And then came the Chinese policy.
On April 20, 2016, China’s National Development & Reform Commission (NDRC) closed mines and reduced mining days to 276. Immediately, in a knee-jerk reaction, Chinese users dived into the coking coal market and started buying up the material, resulting in its global scarcity. Prices soon went up, touching above $90 per ton.
Even in August 2016, we saw the Chinese users carrying on with their increased imports, driving up prices.
But, interestingly, there was no fundamental change in the steel industry which was consuming all that coking coal! Thus, it was evident that this spike was a result of the Chinese policy in relation to domestic met coal production.
Indian steel mills, at this juncture, faced with an increasing price of coking coal, which went up from $75 per ton to $105 per ton, decided to test the domestic steel market by increasing the price of steel but failed.
“As we move along the price hike, interestingly, now the supply side plays a role. I have already said, it is not just the dragon but the Aussie beat we dance to, too!” indicated Bhargava.
In November 2016, South 32 and Anglo American declared force majeure on 2 major mines and a number of other mines had production issues. Thus, because of the supply issues, prices went up further, hitting $200 per ton plus. Over a period of 9 months, prices had moved from $75 per ton to over $200 per ton!
Then Chinese coke prices started to spike from October 2016 on tight supplies. And, all of this was happening with no increase in the prices of steel! Prime hard coking coal hit a peak of $300 per ton in November 2016.
The steel mills, at this point realised that the upper limit in price was too high. Did they really need to buy at this price? They delayed their purchases and prices corrected themselves initially and started moving down.
“And we had excess supply entering the market. Anglo American and South 32 lifted the force majeure, further pushing the prices down. Now, prices were on the downward curve, hitting $200 per ton. The buyers, seeing prices going down, didn’t want to buy. They were wary of taking a decision because one month later the prices would have gone down further. And that is exactly what happened,” recalls Bhargava.
In March 2017, prices hit $145 per ton FOB Australia and at this point Cyclone Debbie struck Queensland, Australia, causing havoc. All companies declared force majeure. There were no hard coking coal supplies out of Australia. And in one month there was a spike in prices from $140-145 per ton to $280 per ton!
China sells Aussie coal!
“A very interesting development happened at this juncture. If there were supply issues in Australia, China entered the market offering the met coal at $220 per ton. But what coal was this? It was the same material China had imported from Australia earlier, lying in stockpiles! The reason is, the Chinese had an alternative, which was domestic met coal production in China, whose price was lower than the $220 per ton!”

Global met coal trade (in mt)

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<td><strong>SEABORNE METALLURGICAL COAL IMPORTS</strong></td>
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<td>Chinese domestic MET Coal production</td>
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<td>Chinese MET Coal imports from Mongolia</td>
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In the post-Cyclone Debbie period, supply issues receded and prices crashed immediately. So, in a span of 2 months, from $140 per ton, prices touch $280 per ton, and swung back to $140 per ton FOB Australia.
“Then, Chinese steel demand started coming back. Chinese steel companies were making money. And they started buying coking coal. Steel prices started moving up. And this is the phenomenon we have seen from June till date. The international prices of HR coils, which is a fairly good barometer of how the steel industry is doing, moved up from $480 per ton to $560 per ton between June and now. The domestic prices in India moved up from ₹31,000 per ton to ₹35,000 per ton. So, right now, what we are seeing is an increase in the price of met coal which is supported by fundamental reasons,” Bhargava rounded off.
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Steam coal offers move up in September

Steam coal offers from key shippers such as South Africa, Australia and Indonesia rose in September, riding on resurgent demand from Chinese and Indian buyers ahead of the winter months, industry sources said.

Prices of South African coal (6,000 kcal/kg NAR) rose to $91.50 per ton FOB as of September 20, 2017 as against $87.50 per ton FOB on August 31, 2017. Australian coal (6,300 kcal/kg GAR) price quoted at $96 per ton FOB on September 20, 2017 as against $97.50 per ton on August 31, 2017, according to information available with Coal Insights.

Indonesian coal (5,900 kcal/kg GAR) prices surged to $80.50 per ton FOB on September 20, 2017, against $76 per ton on August 31, 2017. Prices of Indonesian coal (5,000 kcal/kg GAR) rose to $66 per ton FOB on September 20, 2017 against $61.25 per ton FOB in August 31, 2017.

The price of thermal coal has mostly been driven primarily by Chinese import demand. Chinese seaborne imports of both types of coal were estimated to be over 150 million tons (mt) in the first eight months of 2017, according to analysts.

Meanwhile, India has seen a sharp drop in seaborne coal imports this year, down to 58.92 mt in the April-August period, a drop of around 11.30 mt over the same period in 2016, according to provisional estimates by Coal Insights. However, in recent weeks, the Indian buyers have been conspicuous in the market as they started restocking for the winter months ahead.

Among other major importers in Asia, there was also a decline in imports by Taiwan, while Asia’s other two major importers, Japan and South Korea, have increased their overseas purchases. Thus, imports by Asia’s top five importers do not justify a steep rally in prices as witnessed over the past few months, the analysts said.

On the supply side, the recent disruptions in Australian and Indonesian mines had a major influence on the market. There have been some supply issues from Australia and Indonesia related to industrial actions and weather events, with exports dropping from both the countries.

According to Coal Insights estimates, imports from Australia to India stood at 1.33 mt in April-August as against 1.76 mt in the same period last year. Imports from Indonesia stood at 26.53 mt in April-August, down from 27.23 mt in the same period last year, while imports from South Africa stood at around 9.47 mt in the first five months of FY18, down from 14.05 mt in same period last year.

According to analysts, the drop of supplies from the world’s top exporters may have more to do with the increase in prices than the strength of Chinese demand.

Meanwhile, the higher prices have helped to make exports to Asia from non-traditional suppliers like USA viable.

India port handling low
India’s 12 major government-owned ports handled 35.12 mt of thermal coal during April-August, an 18.64 percent fall as compared to around 43.17 mt recorded for the corresponding period a year ago, according to the latest data released by the Indian Ports Association.

Paradip port on the east coast handled the highest volume of thermal coal during the period at 10.43 mt, down 14.06 percent from a year ago.
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Coking coal offers fall in September

After a long bout of firmness, seaborne coking coal prices fell in September on low procurement in China, industry sources said.

According to information available with Coal Insights, the premium variety was quoted lower at $206 per ton FOB Australia on September 20, 2017 as against $211 per ton FOB Australia on August 31, 2017. Peak Down prices were quoted at $207 per ton FOB Australia on September 20, 2017 as compared to $212 per ton FOB Australia on August 31.

Offers of seaborne coking coal cargoes to Chinese buyers are falling, and it is difficult to say where they will bottom out, sources say.

A cargo of premium low-vol hard coking coal has been offered below $210 per ton cfr China, sources said. As a result of this lower offer, premium hard coking coal offers fell to $205 per ton. The offer spread for second-tier cargoes to China has also widened.

Chinese end-users of seaborne coking coal have stopped making purchases ahead of measures to cut emissions to be implemented from next month, sources said.

“Some traders are still in the market with the hope that the impact of steel production cuts in China would not be too pronounced and demand will continue to hold in the coming weeks,” a source said. Some traders said they have no need for spot coking coal cargoes, and expect prices for premium cargoes to drop.

Seaborne coking coal sellers are targeting the Indian market where buyers are finally showing an interest in procuring spot cargoes, having sat on the sidelines in the previous months.

“We have some appetite now and are receptive to spot fixed-price offers,” a source in India said.

Another source added that steel markets had been performing “reasonably well and some Indian buyers are keen to conclude spot deals.”

India’s hot metal production up

Overall, hot metal production in August 2017 (5.493 mt) was up by 2.2 percent over July 2017 and was up by 2.8 percent over August 2016. During April-August, 2017, hot metal production was 26.741 million tons, a growth of 1.4 percent over the same period of last year, provisional steel ministry data showed.

This indicates stable demand for coking coal from Indian steel mills, looking for sustained supplies of the steel-making raw material, which is prone to intense volatility in the recent months owing to varied factors like bad weather and disruptive evacuation in Australia.

Met coke import prices surge in Sept

Metallurgical coke import prices surged in the month of September 2017, riding on the steady rise in coking coal prices in the international markets.

Meanwhile, imported met coke prices rose to $384 per ton CFR India on September 20, 2017 as against $350 per ton CFR India on August 31.

The spike in the price of the imported material was backed by the rise in coking coal prices in the international markets as well as an increase in domestic prices in China, sources said.

In fact, the current offers are being quoted at a record high since January this year.

According to sources, domestic met coke prices stood at around ₹22,500 per ton (ex-plant) in the east coast and around ₹29,500 per ton (ex-plant) in the west coast.

Indian ports’ coking coal handling marginally up

India’s 12 major government-owned ports handled 20.51 mt of coking coal during April-August, a 0.51 percent rise as compared to around 20.40 mt recorded for the corresponding period a year ago, according to the latest data released by the Indian Ports Association.

India has to heavily depend on imports of coking coal, as the domestic quality has higher ash content and is not suitable for the steel industry with present technology. The country’s present coking coal production is around 50 mt out of which only 4-5 mt is being used by the steel industry, and the major chunk goes to thermal plants.
India’s coal and coke imports during July 2017 through 31 major and non-major ports are estimated down by 24.21 percent compared to July 2016, according to a compilation by Coal Insights, based on monitoring of vessels’ positions and data received from shipping companies and various sources.

Imports during July 2017 stood at 14.64 million tons (mt) as compared to 19.32 mt imported in July 2016. Of the total imports during July 2017, non-coking coal was at 10.11 mt, lower than 13.51 mt imported in the same month last year. Coking coal imports were recorded at 3.21 mt in July 2017, compared to 3.63 mt recorded for July 2016.

Metallurgical coke imports during the month of July 2017 were at 0.15 mt, against 0.30 mt imported in the same month a year ago. Petroleum coke imports also decreased at 0.90 mt in July 2017 from 1.35 mt in July 2016.

PCI coal imports were at 0.18 mt in July 2017, down from 0.47 mt reported for July 2016. Anthracite coal imports, on the other hand, increased to 0.10 mt in July 2017 from 0.07 mt in the same month last year.

The performance of imports in July was lower in comparison with the previous month, but in line with the subdued trend witnessed in the preceding months. According to data available, imports during July 2017 decreased 19.64 percent as compared to 18.22 mt imported in June 2017.

During April-July 2017, non-coking coal import was at 48.69 mt, which was lower than 57.45 imported in the same period last year. Coking coal imports were at 18.85 mt during April-July 2017, higher than 14.18 mt recorded for the period April-July 2016.

Metallurgical coke imports during April-July 2017 were at 1.14 mt, down against April-July 2016’s import figure of 1.56 mt. Petroleum coke imports also fell to the level of 3.86 mt during April-July 2017, against 5.10 mt recorded for April-July 2016.

PCI coal imports were at 1.25 mt during April-July 2017, lower than 1.62 mt imported during April-July 2016. For April-July 2017, anthracite coal imports were recorded at 0.54 mt, compared to 0.44 mt recorded for the corresponding period last year.

As for the calendar year, total coal and coke imports during January-July 2017 stood at 118.98 mt, down 15.90 percent compared to 141.47 mt imported during January-July 2016.

During January-July 2017, coking coal imports stood at 24.65 mt, while non-coking coal imports were at 82.65 mt. Met coke and pet coke imports for January-July 2017 was at 1.67 mt and 6.84 mt, respectively.

Anthracite and PCI coal imports were recorded at 0.76 mt and 2.42 mt for the period January-July 2017.
Captive production to yield 56 mt of coal for country’s largest power generator

5 NTPC coal mines to become operational in FY18

NTPC Ltd, the largest power generating company in India, is looking to start production at 5 of the 10 allocated captive mines in the current fiscal year (2017-18), which will take its total captive production to 56 million tons (mt), going forward.

Of these, Pakri Barwadih in Jharkhand has already started production, while production at Dulanga is expected to start this year, Kulamani Biswal, Director (Finance), NTPC, said while speaking on the sidelines of 11th Indian Coal Markets Conference organised by mjunction services limited.

Regarding the balance 3 mines, he said that for Kerandari, technical bids have been opened, which will be awarded this year, while those for Chatti-Bariatu and Talaipalli mines will also be awarded in FY17-18.

“Once production starts, these mines will take the annual captive production capacity to 56 mt,” Biswal said. At present, NTPC’s total coal requirement per annum is at 170 mt of which around 150 mt is supplied by Coal India. The power major is currently running at a plant load factor (PLF) of 78 percent against the industry average of about 60 percent.

“This year, captive production will be 3 mt. Going forward, in the next 5-6 years, our coal production will be over 50 mt and equivalent to any subsidiary of Coal India other than Mahanadi Coalfields (MCL) and South Eastern Coalfields (SECL),” Biswal said.

NTPC’s worldwide position is 12th and this year it aims to add another 5,000 MW and similar capacity will be added so far as commercial operation is concerned.

2 plants to retire

The power generator will be retiring 2 of its old plants at Talcher and Singrauli and set up new plants there, said Biswal, adding: “Both these plants were 50 years old and need to be replaced by newer versions. At Talcher, a 1,320 megawatt (MW) plant will come up by 2021, replacing the present 460 MW-capacity unit. At Singrauli, the existing 1,000 MW plant will be retired to make way for a 1,320-MW thermal power project.”

Investment in these two projects would be ₹6-7 crore per MW, including the fuel gas desulphurisation (FGD) cost. Therefore, the combined investment in the plants is likely to be at around ₹15,840 crore, Biswal indicated.

Chhabra plant acquisition

Meanwhile, NTPC is expecting to complete acquisition of the Chhabra thermal power plant from the Rajasthan government in a month or two, Biswal said. “We are taking over Chhabra power plant and going by the regulated depreciated book value subject to approval of the Central Electricity Regulatory Commission. The running plant is of 1,000 MW and 1,320 MW capacity is under construction. The cost of the running plant comes to around ₹4,000 crore,” Biswal said. “The deal is expected to be over in a month or two,” he added.

In January, a tripartite memorandum of understanding (MoU) had been signed between NTPC, Rajasthan Rajya Vidyut Utpadan Nigam Ltd (RRVUN) and Rajasthan Urja Vikas Nigam Ltd (RUVNL) for this transfer.

Under the MoU, 4 units of 250 MW each of the Chhabra plant will be transferred to NTPC in the first phase while the 2 units of 660 MW each would be transferred after commissioning.

He also said the power producer would dismantle the old thermal power plants only after commissioning the new plants.

Power sector growth story

Dwelling on the Indian power sector’s growth story, Biswal dismissed observations that the industry does not have the appetite
This year, captive production will be 3 mt. Going forward, in the next 5-6 years, our coal production will be over 50 mt and equivalent to any subsidiary of Coal India other than Mahanadi Coalfields (MCL) and South Eastern Coalfields (SECL).

to consume coal, drawing up a strong case till 2022. He said that the present installed capacity of 330 GW is slated to go up to a whopping 515 GW by 2022 and generation, from 1,160 BU, to 1,611 in the same period.

He further said the peak load demand is set to increase from the current 153 GW to 235 GW by 2022 while the per capita consumption of power is to rise from the present 1,075 kWh to 3,026 kWh within this same time span. Renewables are slated to grow from the present 57 GW to 175 GW in this period while coal requirements in this time frame will rise from 600 million tons (mt) to 727 mt and transmission capacity from 60 GW to 126 GW. AT&C losses, meanwhile, are likely to come down from the present 22.70 percent to 15 percent by 2019, he said.

And the strong growth drivers for the power sector, on the demand side, were thus:

♦ India’s GDP is expected to grow at ~8 percent over next 5 years;
♦ Growing population, coupled with increasing urbanisation, to boost growth of consumption;
♦ Per capita consumption is still one of the lowest; and
♦ Benefits of UDAY are to yield results by improving financial capability of the discoms, leading to increase in offtake.

On the supply side, the drivers were:
♦ Electricity demand growth at CAGR of ~7 percent;
♦ Increased coal production by coal companies in India to improve feedstock supply;
♦ Financial reforms undertaken by the government such as 5/25 refinancing scheme to boost project viability; and
♦ Falling prices of solar energy.

No coal anorexia
The country’s installed capacity has grown at a CAGR of 6.50 percent from 83,294 GW in 1996 to 319,606 GW in FY17 and to 330 GW at present.

In the last 5 years, the growth has been 10 percent. But the all-India plant load factor has dropped from 75 percent in financial year 2004-05 to 60 percent in FY17. However, NTPC’s PLF is higher by about 17 percent over the country’s average at 78 percent. The lower PLF can be attributed to large capacity additions in the last 5 years, poor health of the distribution companies and renewables inroads. In fact, renewable power has outpaced thermal power growth. Even if the power producers have the capacity to generate they cannot because the discoms cannot buy that power due to their poor financial condition, Biswal said.

Electricity generation in India has shown a modest growth of 5-7 percent year-on-year between financial years 2001-02 and 2016-17. The PLF has gone down due to increase in power generation by 5-6 percent. If we expect a GDP growth of 7-8 percent, power has to grow in tandem, he said.

Coal-based power generation grew at a CAGR of 8 percent from 584,787 BU in FY12 to 910.131 BU in FY17. The PLF in this period has come down from 70 percent to 60 percent. But it doesn’t mean there is no growth in the power sector. There is growth but subdued because of flat capacity additions, low demand due to poor discom health and stressed assets.

Biswal stressed that there is no coal anorexia because in the 81 GW under construction, 77 percent pertains to coal capacity. UDAY will strengthen the demand side management. While SHAKTI will stimulate the supply side. “Under the ‘Make in India’ vision of the government, coal would continue to be India’s major energy supplier as it is abundantly available and economic fuel will drive the economic wheels of the nation,” he signed off.
Coal India production up 16.03% in August y-o-y

Konica Ghosh

Total coal production by Coal India Ltd (CIL) stood at 37.63 million tons (mt) in August 2017, up 16.03 percent as compared to 32.43 mt achieved in August 2016, according to data released by the company. There was also a marginal 2.70 percent increase on a month-on-month basis, compared to 36.64 mt achieved in July 2017.

Altogether, 3 of the 8 mining subsidiaries of CIL suffered a drop in production in August 2017 on a year-on-year basis.

For the period April-August, 2017, total production was 193.10 mt, a 0.88 percent drop as compared to 194.82 mt achieved during the same period last year.

Production during the first 5 months of 2017-18 was about 94 percent of the target of 204.99 mt set for the period under review.

For the month of August 2017, CIL subsidiaries Bharat Coking Coal (BCCL) produced 2.43 mt, Central Coalfields (CCL) produced 3.74 mt and Mahanadi Coalfields produced 9.56 mt showing negative growth of 20.1 percent, 16.2 percent and 3.8 percent respectively.

While CIL subsidiaries Eastern Coalfields (ECL) produced 2.56 mt, Northern Coalfields (NCL) produced 7.53 mt, Western Coalfields (WCL) produced 2.33, South Eastern Coalfields (SECI) produced 9.46 mt and North Eastern Coalfields (NEC) produced 0.02 mt showing positive growth of 0.9 percent, 13.6 percent, 6.6 percent, 2.5 percent and 55.2 percent respectively.

Production during the first 5 months of 2017-18 was about 94 percent of the target of 204.99 mt set for the period under review.

Industry sources said that the miner’s focus on clearing the high stockpile of coal at pitheads may have prompted it to bring down the output growth in the last couple of months.

August offtake up 19.1%

Total offtake of CIL stood at 43.75 mt in August 2017, up 19.14 percent as compared to 36.72 mt achieved in August 2016, according to data released by the company.

On a month-on-month basis, offtake in August 2017 was down by 1.30 percent over 44.33 mt achieved in July 2017.

The total target set for August 2017 was 43.09 mt and the achievement during the month was 102 percent.

During the first 5 months (April-August) of 2017-18, CIL achieved a total offtake of 225.44 mt, about 6.66 percent increase over 211.37 mt achieved during the same period last year.

Total offtake during April-August, 2017 was about 95 percent of the target of 237.32 mt set for the period under review.

Altogether, only 5 out of 8 coal-producing subsidiaries of the company – Central Coalfields (CCL), Western Coalfields (WCL), Northern Coalfields (NCL), South Eastern Coalfields (SECL) and North Eastern Coalfields (NEC) experienced a decline in output during the period.

CIL’s pithead stocks drop to 33.44 mt in mid-Sept

Pithead coal stocks at Coal India Ltd (CIL) mines have dropped significantly to around 33.44 million tons (mt) as of September 14, 2017, according to data available with Coal Insights.

With this, there has been a decline of around 6 mt in the one month from mid-August, the data show.

While there had been a modest decline early into 2017-18, the last couple of months have shown a sharp drop in pithead coal stocks, thanks to higher despatches, CIL sources said.

“There has been higher offerings through various e-auction schemes, including spot and special auctions. Also, higher despatches to the thermal power sector has been reflected in reduced imports,” the sources said.

The lower production during the recent months could be partly attributed to the liquidation of stock, the source said, adding that production growth is expected to resume from the current month.

CIL subsidiary-wise production for August 2017 (in mt)

CIL subsidiary-wise offtake for August 2017 (in mt)
Coal Insights Bureau

After a meagre growth recorded in the first quarter, Singareni Collieries Company Ltd (SCCL) achieved a 7.11 percent growth in coal production in August 2017, compared to the same month last year, according to data released by the company.

Coal production stood at 4.52 million tons (mt) in August 2017, against 4.22 mt achieved in the corresponding month last year, the data show.

On a month-on-month basis, however, there was an increase in production from 4.40 mt achieved in July 2017.

During the first five months (April-August) of 2017-18, total production of raw coal from its 46 mines stood at 23.26 mt, about 4.96 percent increase over 22.16 mt recorded for the same period last year.

The cumulative production till August 2017 is about 94 percent of the target of 24.85 mt set for the period under review.

SCCL had achieved a total production of 61.34 mt in 2016-17 and has fixed a yearly target of 62 mt for the current year.

Despatches up 8%

Coal despatches by SCCL increased by 8.09 percent to 4.81 mt in August 2017, compared to 4.45 mt achieved in the same month last year, according to data released by the company.

On a monthly basis, however, despatches were marginally down from 4.85 mt in July 2017, the data showed.

Altogether, despatches during the first five months (April-August) of 2017-18 stood at 25.25 mt, about 12.37 percent higher than 22.47 mt achieved during the same period last year.

SCCL’s coal production for recent months (in mt)

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>2016</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>4.48</td>
<td>4.44</td>
<td>0.9</td>
</tr>
<tr>
<td>May</td>
<td>5.05</td>
<td>4.91</td>
<td>2.85</td>
</tr>
<tr>
<td>June</td>
<td>4.81</td>
<td>4.76</td>
<td>1.05</td>
</tr>
<tr>
<td>July</td>
<td>4.40</td>
<td>3.83</td>
<td>14.88</td>
</tr>
<tr>
<td>August</td>
<td>4.52</td>
<td>4.22</td>
<td>07.11</td>
</tr>
<tr>
<td>Total (April-July)</td>
<td>23.26</td>
<td>22.16</td>
<td>4.96</td>
</tr>
</tbody>
</table>

Source: SCCL

SCCL’s coal despatches for recent months (in mt)

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>2016</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>5.37</td>
<td>4.64</td>
<td>15.73</td>
</tr>
<tr>
<td>May</td>
<td>5.25</td>
<td>4.92</td>
<td>6.71</td>
</tr>
<tr>
<td>June</td>
<td>4.97</td>
<td>4.48</td>
<td>10.94</td>
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<tr>
<td>July</td>
<td>4.85</td>
<td>3.98</td>
<td>21.86</td>
</tr>
<tr>
<td>August</td>
<td>4.81</td>
<td>4.45</td>
<td>08.09</td>
</tr>
<tr>
<td>Total (April-July)</td>
<td>25.25</td>
<td>22.47</td>
<td>12.37</td>
</tr>
</tbody>
</table>

Source: SCCL

SCCL not to hold linkage auction in FY18

Even as Coal India Ltd (CIL) continues to offer new linkage auctions for the non-regulated sectors, Singareni Collieries Company Ltd (SCCL) has ruled out offering of any new linkages due to “lack of surplus coal” in its kitty.

“We are not going to make any offerings for linkage auctions at least till March 2018. This is because there is no surplus coal right now,” a company source told Coal Insights.

The Telangana based miner has so far held two tranches and a supplementary linkage auction for non-regulated sectors such as cement, sponge iron, captive power and other sectors. Altogether, around 22.6 million tons (mt) of linkage coal was offered, while 8.5 mt of linkages were sold.

The source said that the high demand for coal from the power sector has restricted the miner from going for fresh rounds of linkage auctions this year.

“There is good demand from the power plants. This is mainly due to the emphasis put by the government on reduction of imported material,” he added.

During April-August, 2017, SCCL has clocked a 4.9 percent growth in production and 12.4 percent increase in despatches, riding on the high demand from the power sector.

Total despatches during April-August, 2017 were 96 percent of the target of 26.40 mt set for the period under review.

Despatches have shown an improvement since late 2016 as off-take of coal by power and other user segments picked up since November, company sources said.

In 2016-17, SCCL despatched 60.84 mt of coal from its 46 mines, registering a healthy growth over 58.68 mt achieved a year ago.
Visit us at Hall No.1, Stall B54
RINL tapping newer geographies for coking coal

Rashtriya Ispat Nigam Limited (RINL), a Navaratna public sector enterprise under the Ministry of Steel, is looking at newer geographies like Canada, Russia and Indonesia to meet its future coking coal requirements. Supplies from these countries will comprise 15 to 20 percent of its imported coking coal volumes, going forward.

According to company sources, imports comprise 90 percent of its coking coal needs, while the remaining component is met from domestic sources. Currently, almost all the imports of around 4 million tons (mt) come from Australia.

The company has adopted the strategy of diversifying the sources of imports mainly because of two factors: volatility in Australian coking coal prices and sudden supply disruptions. During January-February, 2017, because of the wet season in Australia, the volume committed by the suppliers from Down Under were not met, creating an artificial scarcity pressure and impacting RINL’s coking coal stocks and production levels.

This strategy of diversifying sources is going to gain further currency in future.

“RINL is going for long-term contracts with suppliers in the newer geographies it is now tapping,” R Nagarajan, Executive Director (Services), told Coal Insights on the sidelines of the 11th Indian Coal Markets Conference, which was recently organised by mjunction services limited in Kolkata.

PCI usage

Yet another strategy being adopted by the company is to increase the usage of pulverised coal injection (PCI) to reduce its dependence on coking coal and coke.

“Where coke oven batteries are concerned, we are at 100 percent capacity and are now focusing on how to compensate coke usage by using more pulverised coal in the blast furnaces,” Nagarajan says.

The steel major is planning to hike its crude steel production to 7 mt by 2019-20. By that time, RINL’s coke rate will remain the same at the present 2.5 mt of coke.

“RINL has 342 ovens pushing a stable 2.5 mt of coke per annum. PCI usage is around 1,000-1,100 tons per day but we want to take this up to 2,000-2,500 tons per day by 2019-20,” Nagarajan adds.

Reiterating that RINL is planning to increase its PCI coal usage, Nagarajan says in BF III, the steel major has already gone for 100 kg PCI coal usage per 1 ton of hot metal and the target is 150 kg per ton of hot metal production by another 3-4 months in one furnace. BF II will be commissioned in September and, subsequently, in another 3-4 months another one. Each of the 3 blast furnaces at RINL are of 2.5 mt capacity.

Going forward, by 2019-20, RINL aims to use PCI coal within a range of 110-120 kg per ton of hot metal production in one of the furnaces, Nagarajan informs.

It is also optimising nut coke usage in the furnaces. In one of the furnaces, where PCI usage is low, RINL is using up to 40 kg of nut coke per ton of hot metal.

For RINL, coal selection has been the thrust area to ensure that the coke-making unit producing coke meets the demands of the blast furnace while also taking care of the coke oven battery health.

RINL uses medium coking coal (MCC) in the coal blend. Considering guaranteed ash content of 20 percent in MCC, the blend is formulated to increase the MCC percentage keeping the minimum CSR requirement for coke quality in the BF.

Beyond 15 percent MCC in the blend, the coke CSR falls below 64 which is the minimum requirement for injection of PCI coal in the BF to the extent of 100 kg and beyond.

Keeping a 15 percent maximum substitution, the quantity projection of MCC at RINL would increase from the present level of 0.4 mt to 0.67 mt.

With several years of coke making experience in the 7-metre tall slot battery, RINL-VSP coined the idea of introducing straight coal – ie, coal from a single source/mine head into its blend. The basic reasons for VSP to try such an option are:

♦ To have cushioning on cost and logistics
♦ More flexibility in blending
♦ Obtain accuracy in target blend property
♦ Tailoring coke quality to different requirements
♦ Flexibility of supplier base
**Met coal and coke demand & supply outlook**

Coal enjoys 29 percent of the global primary energy and 41 percent of the global electricity pie. China will remain the world’s largest market for coal, accounting for nearly half of the global coal consumption in 2035.

India is also the largest growth market, with its share of world coal demand expected to double, from 10 percent in 2015 to 20 percent in 2035.

Coal is believed to be the most uniformly distributed fossil fuel in the world but it is not so with metallurgical coal (coking coal) which has a skewed distribution pattern around the world and is mainly concentrated in China, Australia, Canada, Mongolia, Russia and Mozambique.

Global steel production is dependent on coal either for energy used in electric arc furnaces or as a primary raw material source for the steel-making process through the basic furnace–basic oxygen furnace (BF-BOF) route. Out of the total 1,630 million tons (mt) of world crude steel production, nearly 65 percent of the production is through the BF-BOF route. China has always been the largest producer of coking coal in the world. From 2000, Chinese coking coal production surged 392 percent to reach 611.1 mt in 2015. Its share in the world coking coal production pie has increased from 26 percent to 56.1 percent. Australia, the second-largest producer with an annual output of 191.1 mt, is also the largest exporter of the material, accounting for around 65 percent of coking coal exports.

India, with its meagre reserves and production of coking coal, does not figure in the world rankings. The expansion of our steel industry has made us emerge as a leading importer of the material next to Japan with a share of 17 percent globally. This is more than the imports of China and Korea which stand at 15 percent and 11 percent respectively. Over the last few years, steel production surged 36 percent while coking coal imports have gone up by nearly 65 percent in India, Nagarajan notes.

Coal India Limited (CIL) is currently producing about 50 mt of coking coal annually, out of which only 5 mt is being washed by the existing washeries and supplied to the steel sector. The remaining quantity, along with non-coking coal, is being supplied to the power sector under fuel supply agreements (FSAs) and to other miscellaneous consumers.

CIL will enhance production to 68 mt by 2019-20 and set up 12 new coking coal washeries with a capacity of 36 mtpa and modernise 9 existing washeries, thereby increasing availability of clean coal up to 15 mt in the next 4-5 years.

As per the National Steel Policy (NSP) 2017 objectives, domestic availability of washed coking coal has to be increased so as to reduce import dependence on coking coal from 85 percent to 65 percent by 2030-31.

In 2015-16, of the total demand of 62.75 mt of coking coal, 44 mt was imported. If domestic supply remains at the present levels, coking coal imports may go up to about 75 mt by 2020-21. The import dependency is expected to reach 160 mt a year if the steel ministry’s target of 300 mt of crude steel is to be achieved.

**Met coal imports in India** (in mt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>50</td>
</tr>
<tr>
<td>2015</td>
<td>43.7</td>
</tr>
<tr>
<td>2014</td>
<td>36.8</td>
</tr>
<tr>
<td>2013</td>
<td>25.5</td>
</tr>
<tr>
<td>2012</td>
<td>31.8</td>
</tr>
</tbody>
</table>

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CIL will enhance production to 68 mt by 2019-20 and set up 12 new coking coal washeries with a capacity of 36 mtpa and modernise 9 existing washeries, thereby increasing availability of clean coal up to 15 mt in the next 4-5 years.
The dependence on imports for crucial raw materials is always a matter of concern, but the vulnerability of the steel sector shows up at the time of price volatility. The surge in coking coal prices during the last quarter of 2016 dealt a sudden blow to the steel-makers who were already reeling under soft demand conditions in the domestic market. The more import dependant entities like SAIL and RINL suffered even more compared to the peers.

**Coke quality**

Coke quality has always been a subject of prime importance for a stable, efficient and consistent blast furnace operation. The all-coke operation at huge furnaces operating at higher top pressure (>2kg/cm²) has put stringent requirement benchmarks on the quality of coke. Apart from having low ash content and good room temperature strength indices like M10 and M40, coke should exhibit superior high temperature properties like coke strength after reaction (CSR) and coke reactivity index (CRI).

“Production of high CSR coke needs high quality coking coals which are not available in India. Due to inferior coking properties, Indian coking coal solely cannot be used to produce coke as required by our blast furnaces and it is well understood that we have no alternative but to depend on high imports,” observes Nagarajan. The imports are associated with several risks such as volatile price trends, inconsistent supplies, natural calamities, change in quality due to geological reasons etc, and thus we are always at the mercy of the supplier.

Mitigation of the above challenges needs strong policy initiative and commitment from all concerned on the following.

- Large-scale beneficiation of indigenous coking coal;
- Assessment of maximum achievable improvement in coking property after beneficiation so as to calculate the exact amount of import substitution in coke making;
- Joint task group with the Ministry of Steel (MoS) and CIL to conduct R&D and training activities on beneficiation and coking technology;
- Use of optimisation model to reduce cost and increase import substitution; and
- Formulation of cost-effective indigenised (Higher use of indigenous coking and non-coking coal) blends by pilot and commercial study and research.

**Future BF sizes to dictate met coal quality**

As a result of rapidly growing steel demand, raw material procurement will change as blast furnaces (BF) adapt both in terms of scale and technology to remain competitive. It has been estimated that the size of the BFs being planned and which will come into operation in India in the next 10 years will be in the 3,000-4,000 m³ working volume range.

**Size of BFs coming online in India and their planned capacity**

“This phenomenon will only demand stringent quality of metallurgical coke for use in BFs and thereby better quality of coking coal, which further necessitates higher imports of good quality metallurgical grade coking coal,” says Nagarajan.

He adds: “Import dependence on coking coal will continue to remain in India. The growth in coking coal imports has been driven by the growth in steel production in the country. The growth in steel demand, in turn, is dependent on the growth in infrastructure and user-industries, namely, construction, automobiles, capital goods and consumer durables. All these factors lead to higher imports of coking coal, the extent of which depends on the mobilisation of the resource within the country.”
India’s sponge iron production up marginally

India’s gross sponge iron production rose 1.7 percent to 8.33 million tons (mt) in April-July 2017, up from 8.19 million tons in the same period last year, provisional steel ministry data showed.

Inter-plant consumption was up 10.5 percent year on year to 3.43 mt in the April-July period. This resulted in sponge iron production for sale falling 3.6 percent to 4.90 mt in the April-July period, down from 5.09 mt in the same period last year.

In FY17, gross production of sponge iron was at 24.39 mt (a growth of 8.8 percent compared to last year). Sponge iron production for sale in April-March 2017 was 14.830 mt, a growth of 2.1 percent compared to last year, after accounting for own consumption / inter-plant transfers.

Units facing problems

Many sponge iron units in Karnataka are facing closure because of the non-availability and high cost of iron ore. “Due to cap on iron production in Karnataka and because of the high cost at auctions, the survival of sponge iron units is becoming untenable,” said Sanjay Pattnaik, president of the Federation of Indian Mineral Industries (FIMI).

Around 20 to 30 sponge iron units in the State are set to shut shop. They are located in Ballari, Hospet and Chitradurga.

About 50 mines have not shown interest in continuing business or to adopt R&R plan. The reason cited by these 50 mining lease holders is that the cost of R&R plan implementation is high. Low production level fixed by CEC is not economical and the cut in mining lease period has also discouraged the lease holders, industry sources said.

They said that factors for tepid response in auctioning of potential blocks are lack of credibility of the quality of exploration data and geographical reports, mineral grade, land ownership issue and linking the same with end use reservation besides depressed commodity markets.

Industry sources said that currently the mining industry in India is highly taxed and effective tax rate works out to be 69 percent. Over and above this, there are other taxes such as 18 percent GST on royalty, 10 percent tax levied by SC in Goa and Karnataka, besides charges payable towards statutory clearances and local taxes and cess.

India was the largest producer of sponge iron or DRI in the world during the period 2003-2015 and emerged as the second largest global producer of DRI in 2016 (after Iran).

World production

Worldwide production of direct reduced iron (DRI) was 72.76 mt in 2016, according to data collected by Midrex Technologies, Inc. and audited by World Steel Dynamics. This is slightly greater than the 2015 figure, which in light of recent revisions, was raised to 72.64 mt. Considering the slowdown of the world steel industry in late 2015 and early 2016, the fact that production of DRI held constant was a positive for the industry.

Sponge iron production data (in ‘000 tons)

<table>
<thead>
<tr>
<th>Production</th>
<th>Jul-17</th>
<th>July 2017 vis-à-vis June 2017</th>
<th>April-July</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017-18 (prov)</td>
<td>2016-17 (Final)</td>
<td>Variation %</td>
</tr>
<tr>
<td>ESSAR</td>
<td>385</td>
<td>249</td>
<td>54.6</td>
</tr>
<tr>
<td>JSW</td>
<td>208</td>
<td>195</td>
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<td>OTHERS</td>
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<tr>
<td>GROSS</td>
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</tr>
<tr>
<td>LESS: IPT</td>
<td>859</td>
<td>840</td>
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</tr>
<tr>
<td>PRODUCTION</td>
<td>1234</td>
<td>1228</td>
<td>0.5</td>
</tr>
</tbody>
</table>
Country emerges as main driver of global demand
India’s petcoke demand outlook bullish

Notwithstanding the uncertainties over government policies and regulations, the Indian cement sector’s demand for petroleum coke continues to grow and the outlook for the near term remains bullish, according to industry sources.

In the recent past, the sudden emergence of petcoke as a substitute for thermal coal in the cement sector was driven by the cement makers’ desperate search for an alternative fuel. Even 3-4 years ago, low availability of suitable quality domestic coal and long-pending linkage applications was a bother for the industry which was already facing slowing demand and margin pressure. In a short span, the scenario has changed so much that none of the linkage auctions held by either Coal India Ltd (CIL) or Singareni Collieries Company Ltd (SCCL) could muster a decent response from the cement makers in the country, courtesy the growing popularity of petcoke for cement making.

Even the higher grade imported coal from South Africa fails to compete with petcoke in terms of value for money. As a result, India has fast emerged as a key player in the seaborne petcoke market. As it stands now, neither the threat of a clean energy cess, nor the expected commissioning of Reliance gasification project later this year is going to bring any significant change in the status quo.

“The growth in demand for petcoke in the country stems from the fact that the material gives much higher calorific value if compared with higher grade coal which comes at similar price range. The quality is assured and the price advantage (in terms of higher calorific value) is driving the demand. With other things remaining the same, we don’t see any change in the demand growth from a near-to-medium term perspective,” said a senior official of a leading cement maker in the country.

India the demand driver

The current size of the seaborne petcoke market is about 48 million tons (mt). There was a 3 percent growth in 2016 in the export/import volume. On the supplier side, the US is the undisputed leader with an overwhelming share of about 74 percent, followed by Saudi Arabia, Venezuela and Spain. However, US exports saw a marginal decline, while Saudi and Others witnessed a healthy growth last year.

Among the buyers, India has fast emerged as the demand driver with an import volume of about 13 mt in 2016. Europe (7.1 mt) and China (5.6 mt) are the other major importers of the material in the global market. India’s imports grew by a whopping 63 percent last year, compared to 8 mt clocked in 2015, according to industry data available with Coal Insights. This was a shade lower than the 67 percent growth in imports by Korea, but the volume for that country was only 1 mt. “The global driver for the petcoke market is India, which has the highest increase in consumption. India went from 4.2 mt of imports in 2014 to about 10 mt in 2016 (all types) and is still growing. Expectation for 2017 is to reach 13 mt of imports,” said Sanjay Kumar, strategic sourcing director, LafargeHolcim.

Supply-demand in domestic market

On the domestic front, India has an existing capacity of about 14 mt, led by Reliance’s Jamnagar plant which has a capacity of 6.6 mt. IOCL refineries at Panipat, Koyali and Paradip have a combined capacity of 2.3 mt, while BPCL units at Bina and Kochi together have 1.7 mt. HPC-Mittal, Essar and MRPL have the remaining capacity of about 3.3 mt of capacity.

In the next 18 months or so, 3 more refineries are expected to come up with a total capacity of about 1.8 mt by March 2019. These are CPCL unit at Chennai, HPC plant at Vizag and IOC’s Haldia plant.

In the meantime, the Reliance gasification project is expected to commence by December 2017. While this may create a temporary shortage, industry sources said, the upcoming capacities would help meet the gap, thus preempting any major impact. In the short run, imports will continue growing due to the inherent advantages of the imported material over domestic coal (or
even imported dry fuel).

However, things may change if other factors such as the National Green Tribunal (NGT) directives or government regulations impose further restrictions on use of the material in the domestic market.

**Petcoke versus coal**

That petcoke is a clear winner over coal was evident from the lukewarm response of the cement makers in the recent linkage auctions at CIL and SCCL. According to data available with Coal Insights, CIL could allot only 32.5 and 38.3 percent of the quantity offered for cement plants in the first two tranches, respectively. The percentage of the allotment in the third auction was also “lukewarm”. And the situation was no better at SCCL, as the percentage of allotment in the three auctions held so far ranged between 18.5 and 34.8.

According to S N Prasad, Director (Marketing), CIL, one of the reasons behind the cement sector’s poor response was the usage of pet coke as a substitute for coal. This was mainly because, unlike coal, a clean cess of ₹400 per ton is not imposed on pet coke, which makes it an economic option for consumers. Normally, the requirement of coal from the cement sector is 5-7 mt. However, CIL wants to despatch the entire volume, whatever it may be, to the cement sector.

But the cement makers do not seem to be interested. The main issue, industry sources said, is the quality of coal being offered. Even for imported coal, pet coke offers a competitive advantage. At the current level, the price for South African 6,000 NAR coal is around $90 per ton FOB, or about $102 per ton CFR India, which is equivalent to the rates quoted for pet coke imports at around $104 per ton. But, pet coke has a calorific value of 7,500 NAR, significantly higher than that of South African steam coal.

An analysis by Coal Insights shows that the per kilo calorie cost of South African thermal coal of 6,000 NAR, after accounting for all the charges, comes to around ₹1.21 per Kcal, while the same for US pet coke is around ₹0.95.

**Outlook bullish**

The key factors, apart from global supply-demand equations, that will influence the pet coke market in India are the government’s policy on pet coke consumption, linkage auction by CIL and Reliance gasifier project.

Industry officials said much would depend on the government’s decision on whether or not to impose a clean energy cess on pet coke in line with coal. If the cess of say ₹400 (or ₹800, as demanded by some quarters) is imposed, there could be a dip in demand for the material in future.

Also, the orders of the NGT on pet coke usage would have a bearing on the market. An order has been passed in July 2017 to ban pet coke usage in India except for in cement kilns, subject to state clearance and the Ministry of Environment and Forests (MoEF) licence to use the same in cement kilns. It was expected that this ban would lead to a drop in pet coke prices, but no such impact is visible till September 2017.

Yet another factor is the generous linkage auction being offered for the cement makers. There could be a reduction in demand for pet coke in land-locked areas of India due to increased availability of linkage auction at more competitive market.

Finally, said an industry source, “the Reliance gasification project increases 1 mt of market for imports. The effect could be a temporary hike in pricing, but this may be partially offset by market growth in domestic supply.”
Coal Insights, September 2017

INTERNATIONAL

The utility sector could save as much as $76 billion in the next 25 years if the renewable path is taken. As per this report by this United States-based research group, eventually, Indonesia would have to join an Asian-led transition away from coal-fired power because of apparent mismatch between the rising cost of fossil-fuel power and diminishing price of renewable technology. According to the report, this mismatch would be a pivotal factor to tilt the views of utilities and government administrators who, till now, have not been swayed by environmental or public-health concerns.

Meanwhile, the World Coal Association (WCA), a global body for coal producing nations, had come forth with a report in collaboration with the ASEAN Centre of Energy (ACE) which said that increasing investment to encourage deployment of low emissions coal would reduce emissions equivalent to 1.3 billion tons in the next 20 years.

Rationale behind Green proposal
As per the findings of the report, the cost of coal power would be inflationary, as both fixed and variable operation and maintenance costs would be indexed to the inflation rate.

Indonesian power sector facing short circuit?

Kingshuk Banerjee

Could king coal retain its throne or would it have to abdicate in favour of renewables? The war is intensifying day by day and power generation is the sector where ripples of the oncoming tsunami could most be felt.

The latest global battleground is Indonesia and 2 recent apparently contradictory reports which have emerged regarding its energy policy. One report prescribed gradual deletion of coal as thermal power fuel, replacing it with renewable energy, the other report suggested treading the path of low emission technology which, it claimed, would benefit in the long term and eventually coal could become highly competitive in comparison with renewable energy.

So the billion-dollar question now is could there be a paradigm shift in fuel use in the Indonesian power utility sector? Would coal have to give away its pivotal position in power generation to renewable energies?

As per global coal observers, if major Asian economies along with Indonesia do undergo this shift, this could have a major impact in the Asian seaborne coal trade. As a result of suddenly surplus availability, coupled with static Asian demand, price of imported coal could be plunging southward. In that scenario, the billion dollar question would be whether Jakarta could hold on to its prevailing import coal price of $77/ton.

And who knows, if the imported coal price really hits the floor, the growth engines of Asia, namely China and India, would not toy with the idea of resurging coal imports?

And all these tectonic movements could be due to a recent global study which suggested Indonesian power utility sector must embrace more of renewable energy instead of fossil fuels like coal. As per the estimate of the report, the Indonesian power utility sector could save as much as $76 billion in the next 25 years if the renewable path is taken.

As per this report by this United States-based research group, eventually, Indonesia would have to join an Asian-led transition away from coal-fired power because of apparent mismatch between the rising cost of fossil-fuel power and diminishing price of renewable technology. According to the report, this mismatch would be a pivotal factor to tilt the views of utilities and government administrators who, till now, have not been swayed by environmental or public-health concerns.
Comparing the cost of power generation (BPP) in Indonesia between 2015 and 2016, the report said that 16 of 21 provinces had their regional BPP increased, due to dominance of thermal power generation. On the other hand, the cost of renewable was falling rapidly. The levelised cost of electricity (LCOE) for solar in Indonesia is estimated at $17 cents/kWh in 2016. The report estimated that solar PV would become grid competitive at around $8 cents/kWh in 2021, and even Java and Bali, where there is low BPP, will benefit from cheaper renewable prices soon after that.

(Let us briefly explain the concept of LCOE here. LCOE would measures lifetime costs divided by energy production. In other words, it would calculate the present value of the total cost of building and operating a power plant over an assumed lifetime. The utility of LCOE would lie in the fact that this concept would allow the comparison of different technologies (eg, wind, solar, natural gas) of unequal life spans, project size, different capital cost, risk, return, and capacities). The report painstakingly pointed out three causes for this prescription. First, new coal-fired power plants are much more expensive, more difficult to build and manage, and more socially disruptive than smaller and cleaner renewable energy plants.

Second, Indonesia needs less generating capacity than it projected earlier in the century when annual economic growth rates were higher than they are today.

Third, Indonesia plans to spend $12.5 billion annually to electrify all of its residences and businesses. The steadily declining cost of cleaner, renewable sources of energy are a much better investment.

**Big push with coal fired power plants**

But Jakarta would think otherwise, at least till now.

The main arguments were that coal would be relatively cheap compared to other fuels. Moreover, Indonesia sits over 29.48 billion tons of coal reserves.

In the opinion of the observers, with $18 billion in the coal export industry, certainly, the idea of reining coal would not be welcome. Until 2014, when global demand fell and coal prices plummeted, Indonesian authorities proposed immense rail, port, and mine infrastructure projects to increase production for export and domestic markets.

And that was not all.

In May 2015, Indonesia vowed to raise $75 billion to add 35 gigawatts of new electrical generating capacity, 60 percent more than exists in Indonesia today. It was proposed that more than half of the new capacity—20 gigawatts—would come from building 117 new coal-fired power plants.

But never had Indonesia added 35 gigawatts in new generating capacity during any four-year period. For that reason and others, the plan was beginning to crumble with turbulence occurring in the electrical markets. With a nervous economy, the plan execution had started to falter. And, in April 2017, Jakarta backed down and replaced the 35-by-2019 target and introduced a smaller proposal to add 15 gigawatts of capacity by 2019.

It is to be noted here that the main part of the plan implementation would be carried out by Perusahaan Listrik Negara (PLN) (which means ‘State Electricity Company’ in English), an Indonesian government-owned corporation which has a monopoly on electricity distribution in Indonesia and generates the majority of the country’s electrical power, producing 176.4 TWh in 2015.

It is to be noted that out of 75 coal-fired units, 56 are state-run with installed capacity of 21,000 MW and 19 privately run utilities with 1,750-MW installed capacity. While coal contributed 50 percent in this installed capacity parameter, share of renewables was 11 percent.

In the actual generation sector, coal’s contribution was 30 percent in 2013 while that of renewable was merely 6 percent. In a roadmap for energy mix for 2025 initiated in the National Energy Policy, contribution of coal to remain at 30 percent while renewable would leapfrog to 23 percent, cutting the heavy contribution of oil (from 41 percent in 2013 to 21 percent in 2025).

**Export trivia and turbulent seaborne trade**

Therefore, it would be clear to readers, irrespective of the suggestion of the study to switch over to renewables from coal, Jakarta itself has had chalked out a plan for at least one fourth share to renewable energy. Needless to say it would have a major impact on the nation's exports of coal.

In the roadmap it is evident that Jakarta has chalked out ways to increase domestic consumption of coal while reducing exports. In 2015, out of 425 million tons (mt) production, domestic consumption was 102 mt while exports were 323 mt. In 2017, out of the targeted 413 mt production, 292 mt would be exported while the rest would be used domestically. By 2019, this composition would undergo a sea change with domestic
consumption of 240 mt superseding 160 mt of exports.

In other words, from 24 percent in 2015, the domestic use of coal would catapult to 60 percent in a mere span of 4 years.

Actually Jakarta learnt a bitter lesson in 2015 when the country’s steam coal exports dropped to a four-year low of 366 mt. Despite being the world’s leading steam coal exporter, accounting for over 40 percent of global seaborne steam coal exports since 2010, Indonesia’s steam coal shipments dropped 10 percent, due to sliding Asian thermal coal import demand, slumping spot coal prices and a series of domestic disruptions.

The Chinese move to reduce air pollution by cutting down coal-fired power generation had its impact on Jakarta’s steam coal exports to Beijing which saw a fall of 30 percent to 36 mt in 2015. Beijing’s export demand did not get stabilised in 2016 too.

Moreover, Indonesian steam coal exports to ‘other’ countries fell 8 percent in 2015 to 206 mt, with growing shipments to developing Asian countries offset by a drop in exports to many developed Asian nations, such as South Korea and Taiwan.

Statistics showed that over the past few years, global seaborne steam coal trade has been on a downhill. While it was 1,214 mt in 2014, 1,135 mt was exported via sea in 2015 and the figure was 1,108 mt in 2016. Therefore, it was a fall in seaborne coal trade for the second consecutive year in 2016, by 2.44 percent, largely due to weak Asian import demand.

This, combined with depressed coal prices and domestic disruptions, could result in a 6 percent decline in Indonesian steam coal shipments.

With this kind of an unstable export scene, Indonesia is bound to look inward to sustain its coal industry and increasing domestic use would be one way out.

Now the new report is somehow choking that escape route too.

**Probable implication**

So what could be the future implications?

First, in all probability, Jakarta would not even acknowledge the report. They would not want to jeopardise the domestic usage scene in any manner, at least for now.

Secondly, there could be a long-term impact on the supply side of seaborne coal trade. If domestic consumption is increased, primarily exports would plunge. But if renewables take strides, exports could be again booming but this time prices could be tumbling.

**WCA initiative**

Meanwhile, the door of another possibility opened when the WCA came forth with a report to highlight the comprehensive cost benefit analysis of climate and energy policies and sustainable development opportunities that cleaner coal technologies could provide to a region which would look up to coal to fuel its growing economy.

Given that energy policy and international climate action are inextricably linked, the report considers the emission reduction benefits of high efficiency low emission (HELE) deployment in ASEAN compared to renewable deployment in advanced markets. The report found that investing in low emissions coal plants in Southeast Asia would reduce more emissions than the transition to renewables in Western Europe.

The report has suggested that increasing investment to encourage deployment of low emission coal would reduce emissions equivalent to 1.3 billion tons in the next 20 years.

The report stated that between 1990 and 2014, while the ASEAN economy grew by 5 percent per year on average, electricity generation grew by 7.4 percent, reaching 843 terawatt hours (TWh) in 2014. Though gas would enjoy the pivotal role in generation of power in this region, from 2010, there has been an undeniable transition in regional economies towards coal-fuelled power generation.

As a result, the share of gas in electricity generation declined 5 percent between 2010 and 2014, while the share of coal in the same period rose from 27 percent to 34 percent.

The WCA report calls for long-term energy policy based on Cleaner Coal Technology (CCT) in ASEAN nations.

As per the report, increased uptake of CCT would ensure a holistic energy policy integrating social, economic and environmental imperatives.

Therefore, the report suggested a 3-pronged policy. First, ASEAN should reaffirm the regional strategies and strategic action plans for CCT. Moreover, ASEAN should support the transition away from the least efficient technology in favour of HELE coal.

Secondly, with improved levels of support from partners, ASEAN should endeavour to enhance the level of action, including pledging to end the use of subcritical coal. And lastly ASEAN member states call on the international community to provide support for the deployment of CCT.
US coal production likely to be up 8% in 2017

Ritwik Sinha

The US coal production in August 2017 is estimated to have increased by 8 percent over the numbers reported for August 2016, the US Energy Information Agency (EIA) said in its latest report.

For August 2017, coal production is estimated at 74 million short tons (MMst), 6 MMst (or 8 percent) higher than August last year. August is also the first month that had production higher than 70 MMst since October 2015. Production for the first eight months of 2017 is estimated at 528 MMst, 64 MMst (or 14 percent) higher than production for the same period in 2016. Production is expected to increase by 8 percent in 2017 and by 2 percent in 2018, the EIA said.

The world’s second largest coal producer’s year-to-date (as of September 9, 2017) estimated production volume was 548.2 MMst, about 13.5 percent higher than the comparable year-to-date coal production in 2016, the report said.

In 2017, growth in coal-fired electricity generation and exports is expected to lead to an increase of 57 MMst or 8 percent in coal production. In 2018, total coal production is expected to remain relatively unchanged, with declines in Appalachian region production offset by increases in Interior region and Western region production.

Along with an increase in production, exports of coal from the US saw an impressive growth during the current year. Coal exports for the first six months of 2017 were 55 percent higher than exports reported for the same period last year. EIA expects growth in coal exports to slow in the coming months, with exports for all of 2017 being forecast at 73 MMst, 21 percent higher than the 2016 level.

Electricity generation from coal is forecast to rise from 30 percent last year to 31 percent in 2017. The generation shares for natural gas and coal are projected to average at 31 percent and 32 percent, respectively, in 2018.

Electric power sector coal stockpiles were 166 MMst in April 2017 (the last actual data point), up 1 percent from the previous month. This increase in total coal stockpiles is normal during the spring when the power sector builds coal stockpiles for use during the summer months when demand for electricity is greater.

Electric power sector coal consumption is forecast to increase by 9 MMst (1 percent) in 2017, mostly because of rising natural gas prices. In 2018, demand for coal in the power sector is expected to increase by 2 MMst.

Global energy consumption

According to EIA’s International Energy Outlook 2017, much of the future growth in world energy consumption will occur in the nations of Asia outside of the Organisation for Economic Cooperation and Development (or non-OECD Asia).

“Although China and India account for most of the region’s energy consumption, EIA projects broad growth in other Southeast Asian nations, including Indonesia, Thailand, and Malaysia,” the report said.

These other non-OECD Asian nations are relatively small consumers of energy individually, but collectively they accounted for 7 percent of world primary energy consumption in 2015. The report projects that by 2040, the nations of non-OECD Asia excluding China and India will account for nearly 10 percent of the world’s primary energy consumption.

These countries’ collective gross domestic product (GDP) is projected to nearly triple between 2015 and 2040, far outpacing population growth, which is expected to increase by 30 percent between those years.

“Similar to what has happened in China and India, the agricultural sectors in these countries are expected to decline as a share of the economy, while their construction industries grow to accommodate increasing urbanisation. Energy-intensive manufacturing, including motor vehicle and chemical production, are also expected to grow rapidly. Altogether, industrial energy consumption in other non-OECD Asian countries excluding China and India is projected to increase by 60 percent between 2015 and 2040,” the report added.
The 11th Indian Coal Markets Conference
Focus on industry challenges

mjunction services limited, a joint venture between Tata Steel and SAIL, and the country’s largest e-marketplace for coal and steel, hosted the 11th International Coal Markets Conference (ICMC). This is a leading annual gathering of Indian policymakers, coal producers, coal traders, mine developers, operators, shipping and logistics companies, coal technology providers, analysts and the consumers of coal from across sectors like cement, power, steel and paper.

The conference sought to highlight the challenges plaguing the coal industry this year and bring about a resolution in the same. mjunction’s expertise and experience in intensive research and tracking of the coal market, as conducted via the India Coal Market Watch reports and Coal Insights magazine enables readers to remain up to date with the current market issues. All such relevant topics catering to the delegates were the key points at this conference.

mjunction CEO Vinaya Varma said in the welcome address, “The Indian power sector and hence the coal market is undergoing a rapid change in terms of structure and mix. On one hand, the lukewarm demand facing the thermal power plants and the low PLF remain a big concern. On the other hand, the rapid progress in solar and renewables comes as a possible disruptor. All these developments will have an immense impact on the coal and allied industries. It is interesting to see how the coal sector prepares itself to face the changing dynamics.

“In this context, the 11th Indian Coal Markets Conference is going to be a good platform for the policymakers, industry and other stakeholders to brainstorm on better ways to move ahead, in making good progress for the economy as a whole, but with minimal impact on the existing structures”.

He also added that there has been notable increase in solar power generation which is giving stiff competition to the coal market. At the 11th Indian Coal Markets Conference we searched for answers from 41 eminent speakers across the globe to issues the industry is currently facing.

The event was segmented into 9 sessions conducted by eminent panelists, including industry stalwarts, policymakers and pioneers of coal and allied industries, through a period of 2 days.

Though the sales outlook of CIL for 2017-18 looks positive, the sector is being threatened by a host of other issues such as the health of discoms, downgrading of
mines due to quality concerns, challenges from the renewable sector, poor demand from thermal power companies among others. Around 41 eminent speakers from across the globe shared their thoughts on these concerns.

The conference was followed by mjunction’s 8th Indian Coal Markets Awards Night organised in association with the Cement Manufacturers’ Association. Industry participants, under various service categories – Coal Importer/Coal Port Performer/Coal Inspection Agency/Coal Mining Contractor among others were awarded based on their performance depending on a voting process open to all the industry participants.

ICMC is the only extensive platform that caters to the consumer organisations and allows them a platform for learning about the prevalent trends in this particular industry – production, consumption, demand, prices and global situations, by hearing from the top policymakers. The event is the best potential ground for business networking and also offers scope for the service providers to meet prospective delegates.
Drop in coal loading raises concern
Railways to bank on CIL’s connectivity projects to win back coal

According to official data, coal still rules the Railway’s freight traffic profile with a 48 percent share in volume and 44 percent share in freight earnings, as of 2016-17. But, this share has come down by 2 percent in each case (volume and earnings) in a year’s time.

Adding to the concerns, the trend in the current year (2017-18) does not show any improvement. Even though the Railways has brought down the current year’s target in coal loading to 555 mt (from 577.8 mt last year), data available for the first five months (April-August, 2017) does not show much promise.

Surplus rakes
In the current year, commodity-wise loading data shows a marginal de-growth of 0.3 percent in coal loading till August vis-à-vis the same period last year. The figures reported for April-August, 2017 was 215.86 mt, against 216.54 mt recorded for the same period a year ago. Still, the fall was noticeable as all the major commodities, except for fertilisers, staged a healthy growth in loading so far this year. For example, cement loading was up by 12.60 percent, PI and steel by 22.27 percent, while 12.57 percent. The total freight loading by Railways was up 4.88 percent (or 21.76 mt) during the first 5 months of the current year.

The marginal de-growth in coal loading, again, was not that much remarkable, but the deviation from planned loading is. In fact, this deviation has created a problem of surplus rakes for the Railways.

According to Railway Board data, the average rake loading during April-August, 2017 was 362.20 rakes per day, which was lower than the average of 369.70 rakes per day in 2016-17 and 381 rakes per day in 2015-16.

Of the total number of rakes loaded so far this year, the majority of 214.4 rakes per day were deployed for Coal India Ltd (CIL), while 27.50 rakes were allotted to Singareni Collieries Company Ltd (SCCL), 60.70 rakes for imported coal, and 59.60 rakes for others.

Reasons for surplus
The major reasons for the shortfall in rake loading, a Railway Board official said, were the lower than expected rake loading by CIL and the sharp decline in coal imports this year. “CIL coal loading during April-August this year is below the target of 238.4 rakes per day. The actual loading is lower by 24 rakes per day vis-à-vis the target,” the official pointed out.

However, CIL has still managed to clock a marginal 2.8 percent growth in rake loading till August this year. But, rake usage for imports has seen about 19 percent drop during the same period. Average rake loading for imported coal has dropped to 60.7 rakes per day during April-August, 2017 from 74.7 rakes per day reported for the same period last year. The shortfall in coal loading due to

Average rake loading for imported coal has dropped to 60.7 rakes per day during April-August, 2017 from 74.7 rakes per day reported for the same period last year. The shortfall in coal loading due to less loading of imported coal is 14 rakes per day. Together with the shortfall of 24 rakes for CIL, these two categories accounted for surplus rakes of 38 rakes per day. In fact, the surplus scenario could have worsened but for the healthy growth in rake loading by the Others category, which essentially includes private block owners.
less loading of imported coal is 14 rakes per day. Together with the shortfall of 24 rakes for CIL, these two categories accounted for surplus rakes of 38 rakes per day. In fact, the surplus scenario could have worsened but for the healthy growth in rake loading by the Others category, which essentially includes private block owners.

The lower rake loading for imports corroborates the sharp decline in thermal coal imports by the country’s utility sector this year. According to an estimate by Coal Insights, thermal coal imports had dropped by around 22 mt in 2016-17. In the current year (2017-18), this decline has been about 12 mt only till August. It is expected that the decline this year will be around the same volume of decrease witnessed last year.

The third major user of rakes, ie, SCCL, has seen a year-on-year increase in coal loading during April-August, 2017. Rake loading by SCCL has gone up to 27.5 rakes per day this year from 26.7 rakes per day achieved during the same period last year. This number is still below the yearly figure of 29.2 rakes per day achieved in 2016-17. Since the Telangana-based miner is witnessing strong growth in coal off-take by the power sector, it is expected that its requisition of rakes will go up further in the coming months to match the figure reported for last year.

The major increase in rake usage, as mentioned, has come from the Others segment. During April-August, 2017, coal loading by this segment has increased to 59.6 rakes per day from 52 rakes per day recorded for the same period last year.

However, the increased loading by SCCL and Others would still not be sufficient to compensate for the huge shortfall registered from CIL and the import segment.

**Measures taken**

In order to attract coal traffic to Railways, a number of initiatives have been taken in the last two years. These include tariff related measures, increasing ease of doing business and capacity augmentation.

Among the tariff measures, the Railways has removed the port congestion surcharge (@10 percent) to reduce freight for coal loaded from ports. Also, all restrictions on movement of coal by rail from the eastern ports have been removed.

To increase ease of doing business, Railways has delegated power to the Zonal Railways to sanction movement of coal under priority ‘D’. It has also permitted raw coal movement from washery sidings under priority C and permitted co-users to move raw and washed coal from washery sidings. The last date of submission of programmes for imported coal on trade account has been extended up to two working days prior to closure of the month concerned. Further, Railways has permitted fresh sanctions against lapsed sanctions for movement of coal under Priority D.

The time limit for submitting the programme has been increased to 90 days beyond validity period of the DO (against existing limit of 60 days). Movement of coal with multiple consignee is accepted and multi DO holders are allowed to transport coal by rail to multiple consignee from point to point basis.

For capacity augmentation, Railways has earmarked total planned investment of ₹856,000 crore for the period 2015-19, of which ₹200,000 crore is to be allotted for network decongestion, ₹100,000 crore in station development and logistic parks, ₹100,000 crore in rolling stock and 65,000 crore in high-speed network. Actual Plan expenditure has increased from ₹58,718 crore in 2014-15 to ₹1,11,660 crore in 2016-17.

As of today, there are more than 50 ongoing and sanctioned coal projects being implemented by Railways to improve coal transportation.

**New connectivity projects**

However, none of these measures may help Railways to fully compensate for the huge shortfall in rake usage by CIL and imports. To arrest the downward trend, Railways is looking at the coal evacuation projects funded by CIL.

The first of these projects, namely the Tori-Shivpur (44 km) Railway Line in North Karanpura in Jharkhand, is expected to have a yearly coal output of 80 mt from North Karanpura of Central Coalfields Ltd (CCL). To date, 1,084.765 acres of land has been acquired out of the required 1,189.532 acres. The cost of the project is estimated at ₹1,588.64 crore. The targeted date of completion is February 2018 for Tori–Balumath, March 2018 for Balumath–Bukru and June 2018 for Bukru–Shivpur.

The second project, ie, the Jharsuguda–Barpalli–Sardega Railway Line (53 kms) in Ib Valley, Odisha, is a ₹1,007 crore project having expected coal output of 35 mt in phase 1 and 60 mt in phase 2. The major challenge for this project is that Mahanadi Coalfields (MCL) is to acquire land for the Barpalli bulb and hand it over to Railways for construction of loading lines. For Barpalli Bulb total 155.73 acres land is to be acquired. The Jharsuguda–Barpalli (42 km) line has been commissioned on June 26, 2017 and the target date for commissioning up to Sardega is December 2017.

The East Rail corridor under Bhupdevpur/ Kharasia–Korichchapar/Dharamjaigarh (64 km/104 km) project in Mand-Raigarh coalfield, Chattisgarh, has achieved 60 percent physical progress to date. The target completion date is September 2020 for phase 1 and March 2021 for phase 2. The East West Rail Corridor under the same project is expected to be completed by March 2021.
Indian Railways’ August coal handling up 6% y-o-y

Indian Railways in August 2017 transported 42.07 million tons (mt) of coal, up 6.34 percent from 39.56 mt of coal handled in August 2016. Revenue earnings of Railways from transportation of coal were up 19.68 percent to `3,531.40 crore in August 2017 from `2,950.56 crore in August 2016, as per provisional information available with Coal Insights.

During April-August period of 2017, transportation of coal by Railways stood at 215.86 mt, down 0.31 percent from 216.55 mt in April-August 2016. Revenue earnings of Railways from transportation of coal during the first five months of 2017-18 stood at `18,949.54 crore, up 7 percent compared to `17,709.89 crore in corresponding period of 2016-17.

Meanwhile, Railways transported 92.17 mt of various commodities in August 2017, up 7.73 percent compared to 85.55 mt in August 2016. Revenue earnings of `8,203.25 crore from transportation of these commodities in August 2017 were also up 10.7 percent from `7,410.22 crore earned in August 2016.

Apart from coal, Railways transported 12.31 mt of iron ore for exports, steel plants and for other domestic use in August 2017, up 19.16 percent from 10.33 mt in August 2016. Revenue earnings of Railways from transportation of iron ore for exports, steel plants and for other domestic use were up 22.69 percent to `743.48 crore in August 2017, compared to `605.97 crore in the corresponding month of last year.

During April-August period of 2017, transportation of iron ore for exports, steel plants and for other domestic use by Railways stood at 59.23 mt, up 12.73 percent from 52.53 mt in April-August 2016. Revenue earnings of Railways from transportation of iron ore for exports, steel plants and for other domestic use during the first five months of the financial year 2017-18 stood at `3,742.22 crore, up 19.98 percent compared to `3,118.78 crore in corresponding period of 2016-17.

Cement transported through railways stood at 7.90 mt in August 2017, up 4.49 percent from 7.56 mt in August 2016. Revenue earnings of Railways from transportation of cement were, however, down 2.86 percent to `576.84 crore in August 2017 from `593.86 crore in August 2016.

### Commodity-wise revenue earnings of Railways (August 2017)

<table>
<thead>
<tr>
<th>COMMODITY</th>
<th>TONNAGE (in million)</th>
<th>2016-17</th>
<th>2017-18</th>
<th>EARNINGS (in cr)</th>
<th>2016-17</th>
<th>2017-18</th>
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<tbody>
<tr>
<td>Coal</td>
<td></td>
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<tr>
<td>Total for steel plants</td>
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<td>4.76</td>
<td></td>
<td>267.92</td>
<td>346.79</td>
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<tr>
<td>Coal for washeries</td>
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<td>0.02</td>
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<td>2.02</td>
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<td>Total for power houses</td>
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<td>18.62</td>
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<td>1,968.13</td>
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<tr>
<td>Total for public use</td>
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<td>18.67</td>
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<td>712.49</td>
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<td>Total</td>
<td>39.56</td>
<td>42.07</td>
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<td>Pig iron and finished steel</td>
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<td>i) from steel plants</td>
<td>2.79</td>
<td>3.61</td>
<td></td>
<td>414.63</td>
<td>502.10</td>
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<tr>
<td>ii) from other points</td>
<td>1.09</td>
<td>1.13</td>
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<td>93.89</td>
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<td>Total</td>
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<td>4.74</td>
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<td>508.52</td>
<td>636.85</td>
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<td>Iron ore</td>
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<tr>
<td>i) for export</td>
<td>0.64</td>
<td>0.87</td>
<td></td>
<td>46.13</td>
<td>64.30</td>
<td></td>
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<tr>
<td>ii) for steel plants</td>
<td>6.19</td>
<td>6.82</td>
<td></td>
<td>312.60</td>
<td>395.51</td>
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</tr>
<tr>
<td>iii) for other domestic use</td>
<td>3.50</td>
<td>4.62</td>
<td></td>
<td>247.24</td>
<td>283.67</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10.33</td>
<td>12.31</td>
<td></td>
<td>605.97</td>
<td>743.48</td>
<td></td>
</tr>
<tr>
<td>Cement</td>
<td>7.56</td>
<td>7.90</td>
<td></td>
<td>593.86</td>
<td>576.84</td>
<td></td>
</tr>
<tr>
<td>Foodgrains</td>
<td>4.00</td>
<td>3.51</td>
<td></td>
<td>634.61</td>
<td>537.64</td>
<td></td>
</tr>
<tr>
<td>Fertilise’</td>
<td>4.98</td>
<td>4.93</td>
<td></td>
<td>563.61</td>
<td>558.62</td>
<td></td>
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<tr>
<td>Mineral Oil (POL)</td>
<td>3.47</td>
<td>3.49</td>
<td></td>
<td>432.16</td>
<td>419.97</td>
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<tr>
<td>Container Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>i) Domestic container</td>
<td>0.75</td>
<td>0.87</td>
<td></td>
<td>105.52</td>
<td>112.12</td>
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<tr>
<td>ii) EXIM container</td>
<td>3.23</td>
<td>3.86</td>
<td></td>
<td>341.76</td>
<td>360.06</td>
<td></td>
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<tr>
<td>iii) Total</td>
<td>3.98</td>
<td>4.73</td>
<td></td>
<td>447.28</td>
<td>472.18</td>
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<tr>
<td>Balance other goods</td>
<td>6.04</td>
<td>6.74</td>
<td></td>
<td>531.88</td>
<td>575.80</td>
<td></td>
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<tr>
<td>Total revenue earning traffic</td>
<td>85.55</td>
<td>92.17</td>
<td></td>
<td>7,410.22</td>
<td>8,203.25</td>
<td></td>
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</table>

### Commodity-wise revenue earnings of Railways (April to August 2017)

<table>
<thead>
<tr>
<th>COMMODITY</th>
<th>TONNAGE (in million)</th>
<th>2016-17</th>
<th>2017-18</th>
<th>EARNINGS (in cr)</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total for steel plants</td>
<td>19.95</td>
<td>22.53</td>
<td></td>
<td>1,353.96</td>
<td>1,745.92</td>
<td></td>
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<tr>
<td>Coal for washeries</td>
<td>0.37</td>
<td>0.12</td>
<td></td>
<td>10.91</td>
<td>2.38</td>
<td></td>
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<tr>
<td>Total for power houses</td>
<td>137.22</td>
<td>96.51</td>
<td></td>
<td>11,966.31</td>
<td>8,817.29</td>
<td></td>
</tr>
<tr>
<td>Total for public use</td>
<td>59.01</td>
<td>96.70</td>
<td></td>
<td>4378.71</td>
<td>8,383.95</td>
<td></td>
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<tr>
<td>Total</td>
<td>216.55</td>
<td>215.86</td>
<td></td>
<td>17,709.89</td>
<td>18,949.54</td>
<td></td>
</tr>
<tr>
<td>Pig iron and finished steel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) from steel plants</td>
<td>13.44</td>
<td>17.05</td>
<td></td>
<td>2,248.05</td>
<td>2,563.45</td>
<td></td>
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<tr>
<td>ii) from other points</td>
<td>5.06</td>
<td>5.57</td>
<td></td>
<td>458.44</td>
<td>644.77</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18.50</td>
<td>22.62</td>
<td></td>
<td>2,708.49</td>
<td>3,208.22</td>
<td></td>
</tr>
<tr>
<td>Iron ore</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) for export</td>
<td>2.65</td>
<td>3.88</td>
<td></td>
<td>230.79</td>
<td>324.99</td>
<td></td>
</tr>
<tr>
<td>ii) for steel plants</td>
<td>31.86</td>
<td>34.46</td>
<td></td>
<td>1,636.85</td>
<td>1,988.66</td>
<td></td>
</tr>
<tr>
<td>iii) for other domestic use</td>
<td>18.02</td>
<td>20.89</td>
<td></td>
<td>1,251.14</td>
<td>1,428.57</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>52.53</td>
<td>59.23</td>
<td></td>
<td>3,118.78</td>
<td>3,742.22</td>
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</tr>
<tr>
<td>Cement</td>
<td>42.21</td>
<td>47.53</td>
<td></td>
<td>3,431.00</td>
<td>3,991.23</td>
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<tr>
<td>Foodgrains</td>
<td>17.79</td>
<td>18.50</td>
<td></td>
<td>3,046.47</td>
<td>3,403.13</td>
<td></td>
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<tr>
<td>Fertilise’</td>
<td>21.05</td>
<td>20.29</td>
<td></td>
<td>2,442.72</td>
<td>2,441.12</td>
<td></td>
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<tr>
<td>Mineral Oil (POL)</td>
<td>18.21</td>
<td>18.49</td>
<td></td>
<td>2,456.05</td>
<td>2,365.20</td>
<td></td>
</tr>
<tr>
<td>Container Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Domestic container</td>
<td>3.60</td>
<td>4.45</td>
<td></td>
<td>509.50</td>
<td>587.10</td>
<td></td>
</tr>
<tr>
<td>ii) EXIM container</td>
<td>16.01</td>
<td>17.58</td>
<td></td>
<td>1,867.02</td>
<td>1,677.36</td>
<td></td>
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<tr>
<td>iii) Total</td>
<td>19.61</td>
<td>22.09</td>
<td></td>
<td>2,176.52</td>
<td>2,264.46</td>
<td></td>
</tr>
<tr>
<td>Balance other goods</td>
<td>31.07</td>
<td>34.36</td>
<td></td>
<td>2,872.42</td>
<td>3,130.35</td>
<td></td>
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<tr>
<td>Total revenue earning traffic</td>
<td>445.97</td>
<td>467.73</td>
<td></td>
<td>40,689.77</td>
<td>44,275.38</td>
<td></td>
</tr>
</tbody>
</table>
Traffic handled by major ports up 3% in Apr-Aug 2017

The 12 major Indian ports handled 273.96 million tons (mt) of total traffic during April-August period of 2017, about 3.26 percent higher than 265.3 mt recorded during April-August, 2016, according to data released by the Indian Ports Association (IPA).

However, thermal coal handling by the major ports was down 18.64 percent during April-August, 2017. Movement of thermal coal through these ports decreased to 35.12 mt during April-August, 2017, compared to 43.17 mt achieved in the corresponding period of the previous fiscal.

The major ports handled a total of 20.51 mt of coking coal during the period of April-August, 2017, marginally higher than 20.4 mt handled during the same period last year.

Among the major ports, Paradip Port had the distinction of handling the highest volume of thermal coal, at around 10.43 mt, during the first 5 months of the present fiscal. The port had handled 12.14 mt during April-August, 2016.

Movement of iron ore through the major ports showed an increase of 29.3 percent during April-August, 2017. The major ports together handled 18.73 mt of iron ore during April-August, 2017 as compared to 14.48 mt handled in the corresponding period of 2016. Vishakhapatnam Port handled the highest volume of iron ore, at 4.58 mt, during April-August, 2017, against 4.26 mt handled during April-August, 2016.

Movement of container traffic in terms of tonnage rose 6.19 percent to 55.26 mt during April-August of 2017 compared to 52.04 mt during the corresponding period of 2016. Vishakhapatnam Port handled the highest volume of container traffic of 12.19 mt during April-August, 2017.

Almost, 7 major ports showed positive growth in traffic handling during April-August, 2017, while the remaining 5 showed negative growth on a year-on-year basis.

In terms of growth, Cochin Port topped the list with 19.99 percent increase in cargo throughput, while, Chennai’s growth was the lowest, at 0.08 percent, during April-August, 2017. In terms of traffic volumes, Kandla Port clinched the top rank with crude oil volumes of 24.96 mt recorded during April-August, 2017.

Traffic handled at major ports (during April to August, 2017* vis-a-vis April to August, 2016)

<table>
<thead>
<tr>
<th>Ports</th>
<th>April to August traffic (in ’000 tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017*</td>
</tr>
<tr>
<td>KOLKATA</td>
<td></td>
</tr>
<tr>
<td>Kolkata Dock System</td>
<td>6875</td>
</tr>
<tr>
<td>Haldia Dock Complex</td>
<td>16097</td>
</tr>
<tr>
<td>TOTAL: KOLKATA</td>
<td>22972</td>
</tr>
<tr>
<td>PARADIP</td>
<td>40374</td>
</tr>
<tr>
<td>VISHAKHAPATNAM</td>
<td>25445</td>
</tr>
<tr>
<td>KAMARAJAR (ENNORE)</td>
<td>12079</td>
</tr>
<tr>
<td>CHENNAI</td>
<td>21964</td>
</tr>
<tr>
<td>V.O. CHIDAMBARANAR</td>
<td>14479</td>
</tr>
<tr>
<td>COCHIN</td>
<td>11931</td>
</tr>
<tr>
<td>NEW MANGALORE</td>
<td>16121</td>
</tr>
<tr>
<td>MORMUGAO</td>
<td>11238</td>
</tr>
<tr>
<td>MUMBAI</td>
<td>25836</td>
</tr>
<tr>
<td>JNPT</td>
<td>27535</td>
</tr>
<tr>
<td>KANDLA</td>
<td>43986</td>
</tr>
<tr>
<td>TOTAL</td>
<td>273960</td>
</tr>
</tbody>
</table>

(*) Tentative
Captive coal block auction norms need a relook

Over 2014-17, the government auctioned off the de-allocated coal blocks in 5 tranches so far but has met with an overall success rate hovering at 45 percent. Forty blocks were offered in tranches I and II auctioned in which 31 found takers. In tranche III, 10 mines went on the block and found 2 takers, while in tranche 4 and 5, all the 15 blocks went a-begging. Overall, only 18 auctioned blocks have become operational so far.

In fact, the coal block auctions, which started with a lot of fanfare in 2014 after the de-allocations, saw the success rate plunge from 81 percent in tranche I in 2014 to nil in tranche 5 in 2017. In 2014, all 204 coal blocks allocated between 1993-2005 were cancelled by the Supreme Court.

In tranche 5, only coking coal blocks were offered for the iron and steel industry.

The average successful bid value also dropped from ₹2,211 in tranche I to ₹920 in tranche III, showing a sharp 58.38 percent drop.

There were, however, certain reasons for the poor response to the auctions.

♦ Tranche 1 auction witnessed aggressive bidding due to factors other than just intrinsic value of coal block.

♦ Supply chain uncertainty due to abrupt cancellation of blocks causing investment in EUP’s at risk

♦ Demand – Supply scenario at the time of auction was not favourable. CIL’s e-auction premiums were much higher

♦ Savings in development risk & Strategic locations,

♦ Fuel security and realisation of production/ returns

The participation level was not encouraging in the subsequent tranches due to factors like:

♦ Delay in restarting of the auctioned block,

♦ Low attractiveness of the offered blocks,

♦ Falling prices of imported coal,

♦ Lack of support from both state and Central governments.

Fifth tranche

On April 10, 2017, the Ministry of Coal (MoC) launched the 5th tranche of e-auction for 6 coal blocks strictly for end-use of iron and steel, through a 2-stage auction process.

Stage 1 had a technical bid in which bidders were required to provide details regarding compliance with eligibility condition – as given below.

♦ A company engaged in specified end-use

♦ A joint venture company formed by 2 or more companies having a common specified end-use.

♦ Capacity/requirement of the specified end-use project shall be in proportion to the reserve of the coal mine.

Stage 2 comprised a financial bid, where:

♦ The initial price offer (IPO) was to be submitted along with the technical bid.

♦ Based on the IPO and technical eligibility, a bidder was to be ranked and then declared as a qualified bidder. The qualified bidders were to be eligible to participate in the e-auction process and then submit their FPO.

♦ Final price offer discovery was based on the forward auction.

Need for a relook at the norms?

“Now it could happen that there was a large block of say 240 mt of reserves and several

<table>
<thead>
<tr>
<th>Performance of coal block auctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Block Offered not adjusted for Double Count. (Parbatpur, Marki Mangli 1, Marki Mangli II and Majra were offered twice)
small blocks with lower levels of reserves. However, we saw that the extractable reserves as a percentage of the geological reserves varied from as high as 79 percent to as low as 9-10 percent. So, in some cases, a very small percentage was available for extracting. Also, some of these blocks had a very high 50-70 percent of non-coking coal, which steel-makers do not need for steel-making. They cannot use these in their captive power plants either because over the years, these captive plants have been converted to use waste gas,” said Somesh Biswas, Chief of Raw Material Strategy Group, Tata Steel, while speaking at the 11th Indian Coal Markets Conference, organised by mjunction services limited.

Biswa further said that another stumbling block to the auction process was that a successful bidder had to have some financial commitments in the form of a total upfront payment, based on 10 percent of the intrinsic value of the mine, which was as high as ₹456 crore to be paid in tranches. So, this is huge capex that flows out at the initial stage itself,” rued Biswas.

Moreover, the final price offer was also supposed to move with the wholesale price index (WPI) which means it would increase every year,” Biswas said, adding these aspects are important because these decide the financial attractiveness of the mine.

Most of these blocks have agriculture land and high settlement apart from difficult geo-mining condition with a high stripping ratio and forest cover. The land records of Jharkhand are not updated and thus the risk in land acquisition is high, Biswas added.

In a state like Jharkhand, land acquisition and forest diversion proposals (FDP) are the major risks. If the successful bidder is not able to commence mining as per the envisaged milestone of 4 years then the performance security is to be forfeited.

Biswa feels the clause related to the mandatory use of non-coking coal for specified end-use should be removed to improve participation in the coal block auctions. “Over the years steel companies have invested in converted their captive plants to gas-based ones in keeping with the MoEF guidelines on reducing fly ash levels. Also, the clause on form a JV with only a steel partner for consumption of that steam coal by a power plant is not feasible and can be removed to increase participation in the coal block auctions,” Biswas observed.

He also said semi-soft coal needs to be washed and the byproduct generated has to be sold at a discount to CIL as per the tender clause. But the downside is that CIL does not buy, and that too at a discount. Steel companies must be allowed to sell this washeiy byproduct outside, feels Biswas.

Further, he also feels the capacity utilisation of say a 3 million tons per annum blast furnace, with an annual coal requirement of 2.1 mtpa and operating at a PLF of 85 percent, can be increased to 95-
## Financial commitments for successful bidder

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars of Payment</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bid Security as BG</td>
<td>91.2</td>
<td>15.91</td>
<td>3.87</td>
<td>0.96</td>
<td>1.33</td>
</tr>
<tr>
<td>2</td>
<td>Transaction Fee Security as BG</td>
<td>0.17</td>
<td>0.17</td>
<td>0.17</td>
<td>0.17</td>
<td>0.17</td>
</tr>
<tr>
<td>3</td>
<td>Fixed Amount</td>
<td>149</td>
<td>18</td>
<td>5</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>Total Upfront Payment</td>
<td>456</td>
<td>80</td>
<td>19</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Performance Security as BG</td>
<td>Sum of (a) one year royalty calculated on peak rated capacity of mine as per mining plan and (b) peak rated capacity as per mine plan multiplied by final price offer. (BG is subject to revision every year based on changes in FPO and royalty rate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Monthly payment</td>
<td>1. FPO multiplied by coal extracted in preceding month. 2. FPO will be revised annually in Apr of each year based on the increase in WPI wrt month of Vesting order. In case of drop in WPI is below the value it had on the month of Vesting order and then SB has to pay as per FPO.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**  
1. **Performance Security:** Successful Bidder (SB) shall provide to the Government an irrevocable and unconditional guarantee from an Acceptable Bank, for the performance of its obligation within 30 days of signing agreement.  
2. **Upfront Amount:** The successful bidder shall be required to pay an amount equal to 10% of Intrinsic value of the mineral in the ML area.  
3. **Fixed amount:** Subsequent to signing CMPDA, the Successful Bidder has to pay a “fixed amount” for the value of land and mine infrastructure, cost of geological report, cost of obtaining all approvals borne by the Prior Allottee.  
4. **Monthly payments:** Final Price Offer (FPO) multiplied by coal extracted in preceding month.

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**Tata Steel’s met coal need may rise 38% post-output hike**

Tata Steel Ltd could be looking at a 38.46 percent increase in coking coal usage, when it aims to hike its hot metal production capacity at Kalinganagar in another 3-4 years’ time, a source informed *Coal Insights*. The steel major’s current coking coal consumption is 800 kg per 1 ton of hot metal production.

The 5 mt additional capacity will take another 3-4 years, the source added.

Tata Steel is also looking to stabilise PCI coal usage at 200 kg per 1 mt of hot metal output, going forward, the source said, adding that the present usage varies from 180-200 kg per 1 mt of hot metal produced.

“We do not want to go beyond 200 kg of PCI coal usage because a greater percentage of it would result in a drop in productivity, which we do not want, though it would lower the cost of production,” the source said.

The steel major has captive coking coal mines at Jharia and West Bokaro, in the state of Jharkhand, located within 200 km of the Jamshedpur plant.

At present, Tata Steel’s total coking coal requirement is around 14-15 mt, with 5-6 mt sourced from captive production and the balance 9 mt plugged through imports.

However, the 9 mt imported component is being consumed entirely by the Kalinganagar plant while the captive 5 mt is used by the Jamshedpur plant, it is learnt.

Tata Steel’s hot metal production was at 4.65 mt in the April-July, 2017 period, against 4.06 mt seen in the same period of the previous fiscal, showing a growth of 14.5 percent.

The growth in hot metal production for the entire fiscal of 2016-17 was 22.6 percent at 13.05 mt against 10.65 mt in 2015-16.

West Bokaro production hike: The company is looking to increase coking coal production from its captive coking coal block in West Bokaro, Jharkhand, a source said.

Output from the Jharia coking coal mine will remain at more or less the same levels, the source said, adding that long-term plans are afoot to increase production at West Bokaro.

“We are working on the expansion plan for the West Bokaro mine. Whether we can increase this to 5 mt or 9 mt, we will have to see. The Jharia coal is slowly losing viability. Because of the fire depth, the coal’s ash percentage is increasing,” the source said, indicating that consequently West Bokaro’s production has to be augmented.

However, the source stressed that the expansion is a long-term plan and subject to environment and forest clearances and approval of the mining plan.

At present, the combined output from both Jharia and West Bokaro mines are at 5-6 mt, the source added.

The source also indicated that Tata Steel is looking to participate in the upcoming coal block auctions.

“We are trying to (participate in the coking coal mine auctions) and are targeting mines in Jharkhand since this is where coking coal mines are available in India,” the source said.

Further, Tata Steel is also looking at other coking coal import sources and these geographies are Canada and US but “at the right valuation”, the source stressed.
100 percent so that the bidder is eligible to bid for larger reserves and be able to bid for a greater number of mines in the future too.

Biswas also noted that there was no relationship between the WPI and Australian coking coal prices.

Biswas also stressed on the need to incentivise mining of semi coking coal with high ash content. He said, as in the case of iron ore block auctions, the upfront payment needs to be reduced to 0.5 percent of the intrinsic value of the mine compared to current level of 10 percent.

He added: “As in the case of iron ore auctions, the upfront payment shall be allowed to be adjusted in full from 5 years from commencement of production. Also, there should be a waive-off of the environment cess.”

The Ministry of Petroleum & Natural Gas in the new modalities of the Open Acreage Licencing Policy (OLAP) has proposed reduced/fixed royalty rate for difficult projects in ultra-offshore, off-shore compared to on shore projects – the same can be emulated here, he signed off.

1. Provision of FPO in terms of % of notified Pit head notified ROM Price rather than ₹/t. (as in case of Iron ore)
2. It will automatically delink FPO with WPI.
3. Also the equivalent of FPO for both coking and non-coking coal need not be paid.
4. Ensures that Royalty shall be allowed to pay based on notified ROM price and not on Washed Products (absence of CIL notified ROM prices for Steel grade I & II).
NLC India floats global tender for UCG pilot project, study

NLC India Ltd (formerly Neyveli Lignite Corporation) has floated a global tender inviting bids from interested parties to take up the technical feasibility study of and pilot project of underground coal gasification (UCG) in lignite blocks, namely dipside Tadkeshwar and Dungra and dipside of Valia and Rajpardi in Gujarat.

As per the tender document, the bidders should have carried out technical evaluation of UCG suitability of coal or lignite blocks.

Further, they should have installed, tested and commissioned one pilot UCG plant with a minimum syn-gas production capacity of 120,000 Nm³/day and the plant should be in successful operation for minimum period of 100 days during the last 5 years.

The last date for receipt of bids is October 6, 2017. The bids will be opened on the same date.

NLC India eyes Rs 2,000-crore pithead plant at Talabira

Neyveli Lignite Corporation (NLC) plans to set up a pithead power plant with a capacity of 4,000 MW, at an investment of Rs 2,000 crore near the Talabira II and III coal mines, a source informed Coal Insights. Talks are at an advanced stage and the plant will be commissioned after the 2 coal blocks start production, it is learnt.

NLC has already got allotment of two blocks, namely Talabira II and III, in the state of Odisha, though the mining operations have not started there. The company is currently in the process of tendering for a mine developer-cum-operator (MDO) for the said blocks. The expected date of commissioning is 2019. The coal block was allocated 2 years ago after cancellation of all captive coal blocks in 2015 by the Supreme Court. NLC plans to mine at least 20 million tons (mt) per annum from both the blocks, the source said.

NLC had been initially allocated the coal blocks in Jilga Barpali (Chhattisgarh) and South Pachwara (Jharkhand) to cater to its proposed coal-based power plants. However, on account of the adverse geo-mining conditions and deep-seated underground deposits in Jilga Barpali, the company requested for allocation of an alternative coal block. To this end, the Ministry of Coal then allocated Talabira II and III blocks in Odisha.

NLC currently operates 4 opencast lignite mines with a combined capacity of 30.6 million tons per annum while the power generation capacity is 4,295 MW. It generates 3,240 MW of power from lignite, 1,000 MW from coal and 51 MW of solar energy.

NTPC to add 1,320 MW capacity from 2 new units

Two power units of NTPC will go on stream soon. One, the unit 2 of 660 megawatt (MW) of Mauda Super Thermal Power Station, stage II (2 X 660MW) will be declared on commercial operation on September 18, 2017.

Second, the unit 1 of 660 MW of Solapur super thermal station (2 X 660 MW) will be declared on commercial operation on September 25, 2017.

With the addition of the above capacities, the commercial capacity of NTPC could become 42,892 MW and that of NTPC group would cross 50 gigawatt (GW) and become 50,108 MW.

NTPC commissions 250 MW solar PV project

Power major NTPC has successfully commissioned the 250 megawatt (MW) capacity (5 X 50 MW), solar PV project in Mandsaur, Madhya Pradesh, the company said in a BSE filing.

At present, the commissioned capacity of NTPC and NTPC group stands at 44,460 MW and 51,676 MW respectively. The commercial capacity of NTPC and NTPC group is 41,572 MW and 48,538 MW respectively.

Meanwhile, the utility has decided to retire two of its old plants at Talcher and Singrauli and set up new plants there, said Kulamani Biswal, Director (Finance), NTPC on the sidelines of 11th Indian Coal Markets Conference organised by mjunction services limited.

“Both these plants were 50 years old and need to be replaced by newer versions. At Talcher, a 1320 megawatt (MW) plant will come up by 2021, replacing the present 460 MW-capacity plant. At Singrauli, the existing 1000 MW plant will be retired to make way for a 1320 MW thermal power project,” Biswal said.

According to Biswal, investment would be around Rs 6 to 7 crore per MW including the fuel gas desulphurisation cost. Therefore the combined investment in the plants is likely to be at around Rs 15,840 crore.

CCL’s Gopal Singh appointed interim CMD of CIL

Gopal Singh, the present Chairman-cum-Managing Director (CMD) of Central Coalfields Ltd (CCL), has been
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appointed the CMD of Coal India (CIL) by the Ministry of Coal with immediate effect on an interim basis until regular appointment is made, the company said in a notification to the stock market.

“Ministry of Coal vide its letter...dated 1st September 2017 has entrusted the additional charge of CMD, CIL to Shri Gopal Singh, CMD, CCL with immediate effect and until regular appointment is made. He has taken over charge with effect from 1st September, 2017,” the statement said.

The announcement was made after Sutirtha Bhattacharya, on attaining superannuation, relinquished his charge with immediate effect on August 31, 2017.

CIL appoints non-official director

VK Thakral has been appointed as the non-official part time Director on the Board of Coal India Limited with immediate effect for a period of three years or until further orders, whichever is earlier, the company said in a BSE filing.

RIL takes over Kemrock Industries’ assets

Mukesh Ambani-led Reliance Industries has won the bid to acquire Gujarat-based loan defaulter Kemrock Industries’ assets in an online e-bidding process for an undisclosed amount. This will allow RIL to enter the composites and carbon fibre manufacturing business strengthen its petrochemicals business portfolio.

“Reliance Industries participated in an online e-bidding process held recently by Allahabad Bank being the leader of the consortium of 11 Banks to sell/dispose off assets of Kemrock Industries & Exports Limited of Vadodara (Gujarat) and has been declared as the winner in the said bid,” the company said in its statement.

“This participation is a part of Reliance’s efforts to enter the composites business and establish a leadership position in this large and growing market in India. Composites are used in a variety of applications and industries such as renewable energy, mass transportation, infrastructure and a host of other industrial products,” RIL said in its press statement. The assets will pave the way for Reliance to foray into new materials (composites and carbon fiber) and further strengthen its petrochemicals business portfolio, RIL added.

As of March 20, 2017, Kemrock had a market capitalisation of ₹17.75 crore. Meanwhile, based on the latest data available, Kemrock as of September 2013 had a total debt of ₹712.03 crore.

R K Singh takes over as power minister

Raj Kumar Singh, the new Minister of State (Independent charge) for Power, New and Renewable Energy, took over charge of his ministries from the former power minister Piyush Goyal.

“There is lot of dynamism in the both power and renewable energy ministries which will be continued. I would meet all standards of performance set by his predecessor and new Railway Minister Piyush Goyal in the ministries of power and renewable energy,” Singh said.

Earlier, the Centre had named former bureaucrat Raj Kumar Singh as Minister of State (Independent Charge) for Power, New and Renewable Energy, following the Cabinet reshuffle.

R K Singh took over from the former Power Minister Piyush Goyal, who has been elevated to Cabinet rank and named as the new Minister of Railways. Meanwhile, Goyal will retain the Ministry of Coal while Haribhai Pratibhai Choudhary has been named as Minister of State for Coal. Former Steel Minister Narendra Singh Tomar has been given the additional charge of the Ministry of Mines.

Power Grid appoints new non-official director

Power Grid Corporation has appointed Manoj Kumar Mittal as the part time non-official on the board of director of the Power Grid Corporation of India for a period of three years, or until further order or whichever is earliest with effect from September 12, 2017.
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### Monthly data of offered quantity through Coaljunction & MSTC (road & rail)

<table>
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<tr>
<th>MONTH</th>
<th>OFFERED BY ROAD</th>
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<tbody>
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<td>Aug-16</td>
<td>7,911,230</td>
<td>5,064,010</td>
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<tr>
<td>Sep-16</td>
<td>7,371,620</td>
<td>3,909,690</td>
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<tr>
<td>Oct-16</td>
<td>8,556,680</td>
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<td>Nov-16</td>
<td>6,708,980</td>
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<td>Jan-17</td>
<td>9,068,410</td>
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<td>Feb-17</td>
<td>7,669,130</td>
<td>1,355,320</td>
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<td>Mar-17</td>
<td>14,622,000</td>
<td>1,191,962</td>
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<td>Apr-17</td>
<td>3,924,340</td>
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<td>May-17</td>
<td>7,679,340</td>
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<td>Jun-17</td>
<td>5,966,770</td>
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<tr>
<td>Jul-17</td>
<td>6,021,560</td>
<td>632,828</td>
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</table>

### Companywise quantity offered & alloted through coaljunction & MSTC in June’17 vs July’17 via rail & road

**Company** | **June 2017** Qty Offered | **July 2017** Qty Offered | **Variation (In Percent)** Qty Offered
---|---|---|---
BCCL RAIL | 188,050 | 103,500 | -38.13%
BCCL ROAD | 103,500 | 103,500 | 0%
CCL RAIL | 2,538,900 | 418,280 | -83.41%
CCL ROAD | 2,538,900 | 418,280 | -83.41%
ECL RAIL | 214,170 | 221,958 | 3.66%
ECL ROAD | 214,170 | 97,350 | -55.87%
MCL RAIL | 980,000 | 901,560 | 8.97%
MCL ROAD | 980,000 | 901,560 | 8.97%
NCL RAIL | 136,290 | 116,820 | -13.97%
NCL ROAD | 136,290 | 116,820 | -13.97%
NEC RAIL | 200,000 | 150,000 | -25%
NEC ROAD | 200,000 | 150,000 | -25%
SCCL RAIL | 81,000 | 81,000 | 0%
SCCL ROAD | 81,000 | 81,000 | 0%
SECL RAIL | 2,391,250 | 1,918,200 | -19.76%
SECL ROAD | 2,391,250 | 1,918,200 | -19.76%
WCL RAIL | 60,000 | 72,000 | 20.00%
WCL ROAD | 60,000 | 72,000 | 20.00%
Total | 6,377,230 | 4,125,243 | -36.34%

Note: E-auction data through coaljunction and MSTC for the period ended August'2016 - July'2017.
* For details break-up, subscribe to India Coal Market Watch (ICMW)
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Major ports through which coking coal arrived in India – July 2017

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<th>Port</th>
<th>Qty (in Tons)</th>
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<tr>
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<tr>
<td>MARMAGOA</td>
<td>601,328</td>
</tr>
<tr>
<td>KOLKATA</td>
<td>448,265</td>
</tr>
<tr>
<td>MUNDRA</td>
<td>168,304</td>
</tr>
<tr>
<td>VIZAG</td>
<td>138,568</td>
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</table>

Grand Total: 2,135,301

Major ports through which non-coking coal arrived in India – July 2017

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<thead>
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<th>Port</th>
<th>Qty (in Tons)</th>
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<tr>
<td>MUNDRA</td>
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<td>KRISHNAPATNAM</td>
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<td>KANDLA</td>
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<td>HAZIRA</td>
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<td>ENNORE</td>
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<tr>
<td>VIZAG</td>
<td>331,690</td>
</tr>
<tr>
<td>TUTICORIN / VOC</td>
<td>315,158</td>
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</table>

Grand Total: 6,762,436

Note: Figures are based on consignment lifted from these ports for which price details/break-up is available with ICMW team

*For details break-up, subscribe India Coal Market Watch (ICMW)
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