



INDIAN COAL SECTOR

100% FDI IN COAL MINING AND
ASSOCIATED INFRASTRUCTURE BEST
OPPORTUNITY
FOR FOREIGN PLAYERS

INDIAN COAL SECTOR

India is the third largest producer of Coal in the world. Coal production in India stood at 739.35MT (Prov)¹ in FY 2019. India's coal production grew at a CAGR of 4.47% between FY 08 and FY 19.

India stands fifth in coal reserves in the world. As per exploration result carried out up to the maximum depth of 1200 m by the GSI², CMPDI³, SCCL⁴ and MECL⁵ etc., a cumulative total of 319.02 Billion tonnes of Geological Resources of Coal have so far been estimated in the country as on 1.4.2018.

As on 31st March 2018, there are 455 operating coal mines out of which 437 are non-captive mines and 18 are captive mines. 48% are Open Cast mines, 47% Under-Ground mines and 5% are mixed. There are also 18 lignite mines having reserves around 36 billion tonnes.

THE INVENTORY OF COAL IN LAST 5 YEARS IS AS FOLLOWS: (IN MN TONNES)

Inventory as on	Proved/ Measured	Indicated	Inferred	Total
1.4.2018	1,48,787	1,39,164	31,069	3,19,020
1.4.2017	1,43,058	1,39,311	32,780	3,15,149
1.4.2016	1,38,087	1,39,151	31,564	3,08,802
1.4.2015	1,31,614	1,43,241	31,740	3,06,596
1.4.2014	1,25,909	1,42,506	33,149	3,01,564
1.4.2013	1,23,182	1,42,632	33,101	2,98,914

TYPE & CATEGORY WISE COAL RESOURCES OF INDIA: (IN MN TONNES)

Type of Coal	Proved	Indicated	Inferred	Total
(A) Coking Coal				
Prime Coking	4,649	664	0	5,313
Medium Coking	13,914	11,709	1,879	27,502
Semi- Coking	519	995	193	1,708
Sub- Total Coking	19,082	13,368	2,073	34,522
(B) Non- Coking:	1,29,112	1,25,697	28,102	2,82,910
(C) Tertiary Coal	594	99	895	1,588
Grand Coal	1,48,787	13,164	31,069	3,19,020

¹ Provisional

² Geological Survey of India

³ Central Mine Planning and Design Institute

⁴ Singareni Collieries Company Limited

⁵ Mineral Exploration Corporation Limited

TOTAL PRODUCTION OF COAL IN INDIA: (IN MN TONNES)

Company	2017-18	2018-19
CIL ⁶	567.37	606.89
SCCL	62.01	64.40
Captive	37.07	49.88
Others	8.95	9.08
Total	675.40	730.25

IMPORT OF COAL IN INDIA DURING LAST 6 YEARS (IN MN TONNES)

Coal	2013-14	2014-15	2015-16	2016-17	2017-18 (Prov)	2018-19 (Prov)
Coking Coal	36.87	43.72	44.56	41.64	47.00	51.84
Non- Coking Coal	129.99	174.07	159.39	149.31	161.27	183.40
Total Coal Import	166.86	217.78	203.95	190.95	208.27	235.24
Coke	4.17	3.29	3.07	4.35	4.58	4.93

India imports coking coal as entire demand of coking coal is not met from domestic production as the supply of high quality of coal/ coking coal (low ash coal) in the country is limited.

AVERAGE REALIZATION PER TONNE:

Particulars (in INR)	Q1 2018-19	Q1 2019-20	% Change
FSA	1,313	1,370	4.34
E- Auction	2,399	2,155	-10.17
Total Washed Coal	2,427	3,171	30.66
Total Average Realization	1,476	1,515	2.64

⁶ Coal India Limited

DEMAND OF COAL:

(A) Electricity:

- Coal-fired plants generated 79.0% of India's electricity of India in 2018-19 and is expected to increase by 48% by 2030 to hit 1,512 terawatt more than all of Europe, Africa, the Middle-East, and Latin America.
- Coal based power generation is forecasted to grow at a CAGR of 6.5 per cent during FY18-FY23 which will boost non-coking coal consumption at a CAGR of 5.4 per cent to 1,076 million tonnes in FY23 from 826 million tonnes in FY18.

SHARE OF COAL CONSUMPTION IN 2017-2018:

Particulars	Percentage share of coal consumption in India
Electricity	64
Steel & Washery	7
Cement	1
Others	28

PROJECTED DEMAND FOR COKING COAL TO INCREASE TO 180 MILLION TONNES BY 2030

(B) Steel, Cement & Aluminum

- The Ministry of Steel aims to increase the steel production capacity to 300 million tonnes by 2030-31 from 134.6 million tonnes in 2017-2018.
- Rise in demand for iron, cement and steel is set to continue, given the strong growth expectations for the residential and commercial building industry and infrastructure development.
- Sustained growth in automotive production and transition from combustion based engine to electric vehicle.

INFRASTRUCTURE:

- Central government is implementing three railway projects to address the issue of coal from three potential coalfields providing necessary information and increasing number of rakes for coal mines, the routes are as follows:
 - (a) ToriShivpur-Katotia in North Karanpura, Jharkhand;
 - (b) Jharsuguda-Barpalli-Sardega in Ib-valley, Odisha and
 - (c) Bhupdeopur-Korichapar-Dharamjaigarh in Chhattisgarh

AUCTION OF COAL MINES:

- In August, 2019, Coal Ministry initiated auction of 27 coal mines and the electronic auction will be conducted between October 10 and November 8.
- 15 coal mines to be allotted to public sector and 12 to public sector.
- 21 coal mines reserved for auction to all non-regulated sectors such as steel and cement and 6 coking coal mines for iron.

LATEST TRENDS:

- On 28th August 2019, Union Minister of Commerce and Railways, Piyush Goyal announced the approval of 100 per cent Foreign Direct Investment (FDI) in coal mining and associated infrastructure.

IMPACT:

- Till now only Coal India Limited (CIL) could mine and sell coal in the country.
- Now the Private sector companies can mine and sell the coal in open market.
- Foreign players will help in getting access to latest technologies for drilling and improving efficiency in coal mining
- Attaining economies of scale reducing supply shortage to power plants
- Competitive market will help break monopoly of CIL in pricing of coal

CONCLUSION:

A land of 1.3 Billion and 149 BT proved reserve, the Coal Mining opportunity is as diverse as the country itself. There is immense potential in Coal and with ample demand the only question remaining was not if, but when and the Government finally realized that entrusting just one organization Coal India Limited with all commercial mining will not be feasible in the long term. The partial decision taken to liberalize the sector in 2005 with the opening up of Captive mining was just the beginning but now the Government has opened up the sector for FDI under automatic route.

This gives a great opportunity for global mining giants to enter India and tap upon the enormous potential of the sector in India. The various steps taken by the current government to ensure ease of business in the past 5 years like simplified indirect tax regime (GST), one stop clearances, use of transparent e-auctions for all mines will only make it much more favorable for foreign investors to tap into the segment.

In FY19 itself the country produced approx. 730 MT of coal and consumed 965 MT. This leads to a shortfall of 235 MT, of which 52 MT of imports is inevitable as coking coal (low ash coal) is not abundantly available in the country. This gives a clear roadmap to produce 183 MT be produced domestically and the opening up of the sector will be a major enabler.

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