CIL in Talks with Russian Co for Coking Coal Extraction

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Kolkata: Coal India is in talks with Russian coal company VostokCoal-Diskon to participate in the extraction of coking coal and its imports from mines in the Siberian districts of Russia, Coal India executives said.

VostokCoal-Diskon is developing coal extraction facilities at the Taimyr coal basin of Taymyr Peninsula in central Siberia. It has been exploring the area since 2016 and has recently opened two deposits that would touch peak capacity of 30 million tonnes a year.

VostokCoal will build a coal terminal and create a specialised fleet for exporting coal round the year. Plans include bringing the coal home through the relatively new, Northern Sea Route, which connects the Atlantic Ocean and the Pacific Ocean along the icy Russian coast of Siberia and the Russian Far East, through the Bering Strait near Alaska crossing five Arctic seas.

The shipping route has opened up in the last few years due to melting Arctic polar ice cap. It cuts short the distance between Northern Europe and China by almost 40% than via the Suez Canal, and 60% than via the Cape of Good Hope, the established routes.

Betting Big on Russia

Vessels, however, need to negotiate dense floating ice on the route for almost 10 months a year and VostokCoal will employ nuclear-powered icebreaker ships to provide safe waterways.

"The Indian government is in dialogue with Russia for importing coking coal and participate in its production," a senior Coal India executive said. "As part of this dialogue, and as a coal-producing company, we are in dialogues with VostokCoal and would either import or participate in coal production as directed by the Centre."

As a first step, Coal India signed MoUs with two Russian entities in September. The first was with Far Eastern Agency for Attracting Investments and Supporting Exports, for cooperation in mining coking coal in the Russian Far East and Arctic Region. The second MoU was between Coal India and Eastern Mining Company for exploring, identifying, sourcing, negotiating and consummating mutually beneficial investment opportunities in mining in the Russian Far East.

Parallelly, VostokCoal and the Far East Investment & Export Agency also signed an MoU for collaboration and implementation of VostokCoal project in the Taimyr coal basin. It will allow VostokCoal to receive state's cooperation for the project and in negotiations with potential investors and partners.

These two MoUs will follow an arrangement between Coal India and VostokCoal for mining and importing coal to India.

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CIL Plans to Offer Coal on Credit to Non-power Clients

PSU miner has done away with advance payment system

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Kolkata: Coal India has decided to offer coal to the non-power sector on credit, doing away with the advance payment system which ended up locking buyers' funds.

A proposal to this effect, aimed at making the state-run coal monopoly more competitive, was cleared by its board recently. Until now, the facility was available only to power sector consumers.

"On request of these customers, Coal India has decided to extend letters of credit facility allowing them payment of coal value through an irrevocable revolving letter of credit (IRLC) mode for coal supplies through railways under fuel supply agreements executed through supply contract auctions," a senior Coal India executive told ET. "Now, non-power customers need not pay in advance 100% of the coal value and block their money for long periods and should be able to run their plants smoothly."

Consumers in the non-power sector, including manufacturers of steel, sponge iron, aluminium and cement, captive power plants, and micro, small & medium enterprises had to pay in advance the full amount for a month, following which deliveries were made. In case Coal India could not supply the full quantity, the money remained with the Coal India. It was adjusted only when the shortfall was made up for, which could be after several weeks.

Under the new system, a consumer will have to pay seven days advance money to Coal India against a month's delivery. After the delivery is made, Coal India will raise a bill, which will be settled by the bank with Coal India. The consumer will then have to replenish the amount paid by the bank.

Consumers in the non-power sector, had to pay in advance the full amount for a month

Following this, the next month's delivery will be made and the system will keep revolving. It will allow consumers to pay only after deliveries in the second month onwards.

Experts said non-power sector coal consumers will no longer have their funds blocked in the form of advance payment to Coal India and this will give then room to undertake better inventory management and sustain growth.

"Significant amounts of money thus deposited by non-power customers against coal value in rail mode was thus locked up in the form of advance," the Coal India executive said. "During 2018-19, around 73 million tonnes of coal was supplied to non-power consumers with long-term supply contract. They are large in numbers and working capital blockage in coal movement was, of late, found to have a bearing on their financial health."

KOLKATA

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Coal India eases credit norms for companies in non-regulated sector

These firms, which had to make upfront payment, will now get 10-15 days to settle

OUR BUREAU
Kolkata, December 6

Coal India, the world's largest miner, plans to give 10-15 days credit period to companies operating in the non-regulated sectors such as steel, cement, and aluminium. These companies, which are called customers in Coal India parlance, had to make an upfront payment before despatch.

Previously, such credit facility was available only to power generating companies.

In 2018-19 around 73 million tonnes (mt) of coal was supplied to the non-regulated sector under fuel supply agreements (FSA) out of a total coal offtake of 608 mt.

"NRS customers are large in numbers and working capital blockage in coal movement by rail was, of late, found to have a bearing on their health. With the introduction of this relaxed norm NRS customers can breathe easy and this move will help in sustaining their growth as well," a Coal India release said.

Earlier, a significant amount of money deposited by non-power sector consumers against coal despatched through rail mode was locked up in the form of advance and it could not be utilised by steel and other non-power companies in subsequent coal purchases.

Bank guarantee

Coal India added that under this new mechanism, consumers from non-regulated sector (NRS) have to furnish a bank guarantee of the amount of purchase and it has to be replenished from time to time. In this case, an Irrevocable Revolving Letter of Credit will be issued for coal supplies through rail mode and this can be used to avail credit.

Under this new mechanism, consumers from non-regulated sector have to furnish a bank guarantee of the amount of purchase and it has to be replenished from time to time

The move comes in wake of the company registering a 7 per cent drop in coal offtake to 47.37 mt in November; against 51 mt the same period last year. Power generation has also dropped to 98,887 million units (MU) in October.

Inter-plant transfer

In a separate step, to help Independent Power Plants (IPPs), Coal India has allowed inter-plant transfer of coal. This will allow IPPs to transfer coal, if the plant is a wholly-owned subsidiary or wholly-owned by a common holding company. This facility was earlier restricted to Central and State Gencos.

According to the Coal India release, the move is expected to help an Independent Power Generating Entity that owns two different plants and has two separate FSA to now transfer coal from one plant to another plant, owned by them.

It will lead to improved efficiency in generation and reduce the cost of coal; it would also reduce transportation cost and take the load off Railways during peak season.

The transferee plant has to give an affidavit affirming that the additional supply beyond the annual contracted quantity of coal will be used for generating power under long-term agreements with Discoms.

Coal Supply Rejig Helps Power Cos Save ₹3,770 cr

Current savings significantly higher than ₹1,000 crore three years ago when scheme allowed power plants to rejig supply sources

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Kolkata: Power companies saved ₹3,770 crore on electricity bills in 2018-19 by purchasing contracted coal from the closest mine, said industry executives.

The savings were significantly higher than ₹1,000 crore three years ago, when authorities introduced the scheme that allowed power plants to rejig supply sources, said the executives.

Fuel supply contracts used to be signed in the past on the basis of allotment by a Standing Linkage Committee depending on the availability of coal at subsidiaries. These contracts included cases where plants were not supplied coal from the nearest mine, leading to high freight charges.

To correct the situation, in 2014 the ministries of coal and power set up a panel that identified 19 plants for which supply contracts could be transferred.

Subsequently, Coal India (CIL) introduced the linkage rationalisation scheme, which sought to untangle geographical criss-cross of coal supply sources and the destinations. The scheme allowed power companies to reduce costs by buying coal from a mine closer to the plant.

"The scheme minimised transport distance, leading to increased supplies and reduced coal transport costs for power plants. The turnaround time of goods trains plying the coal also reduced, leading to increased availability of trains," said a CIL executive, who did not wish to be identified. "Reduction in transport costs result in lower power generation costs, which the scheme requires to be passed on to consumers."

In 2015, the plants selected for the scheme included state and central generating companies such as WBPDCL, DVC, DPL, Mahagenco, GSECL, NPTC and NTPC's joint ventures. A swapping between NTPC and GSECL's imported coal was also done.

"Savings for the first set of companies, it was estimated, was around ₹1,000 crore in the first year," said the executive.

Based on requests received from consumers, CIL, in subsequent years, reshuffled and untangled sources of coal, coal company-wise, to state and central generating companies with a view to optimise transportation cost and materialisation. It took into account the availability of coal and logistics at a particular coal company.

In May 2018, the coal ministry allowed independent power plants to participate in the scheme. Currently, 58 power plants are benefiting from it, said the executive.

Money in the Bank

Power companies saved ₹3,770 crore on electricity bills in 2018-19

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CIL bets on linkage rejig for cost cut

TIMES NEWS NETWORK

Kolkata: Coal India's implementation of linkage rationalisation, also called source rationalisation, saved around Rs 3,770 crore in coal transportation costs annually since 2015 at 58 thermal power plants (TPPs) of the country. Linkage rationalization is transfer of coal supply linkage of a power plant from a far-end source to the nearer source. This not only reduces coal transportation cost for the power plant but also cuts the transportation distance leading to enhanced supplies.

"Reduction in transport costs helps in lowering the power generation cost as well. Another benefit of the move is the cut in turnaround time of coal rakes leading to increased rake availability," a CIL official said.

An inter-ministerial task force (IMTF) of the ministries of coal and power was constituted in 2014 to take a holistic view for rationalization of coal linkages. Initially, 19 thermal power plants were identified by the task force for linkage transfer. These plants belonged to state and Central power units like WBPDCL, DVC, DPL, Mahagenco, GSECL, NPTC & JVs. Then, there was a swapping between NTPC and GSECL. The underlying objective of the exercise was to reduce the landed cost of coal due to reduction in coal transportation costs.

Based on the requests received from consumers, CIL also in subsequent years reshuffled and rationalised the sources of coal, coal company wise, to state/central power generation firms.

Later, as per the ministry's directive in May 2018, linkage rationalization was also extended to independent power plants.

A total of 58 TPPs are benefitting since the introduction of linkage rationalization with a total of 63 MTs of coal currently constituting the rationalised quantity.

Coal India Expects to Increase Fuel Stocks at Power Plants to Prescribed Level of 22 Days

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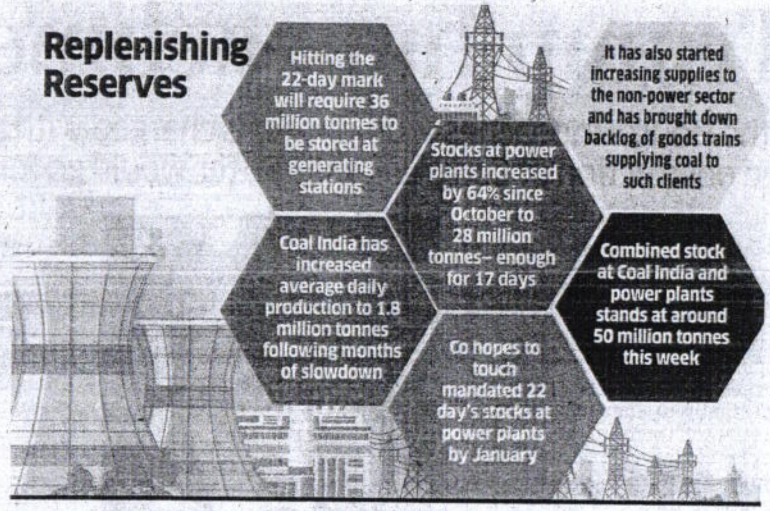
Kolkata: Coal India is hoping to increase fuel stocks at power plants to the prescribed level of 22 days, which requires 36 million tonnes to be stored at generating stations, a company executive said.

Following successive months of slowdown, the company has managed to increase average daily production from 1.27 million tonnes in October to 1.8 million tonnes now. This increased stocks at power plants by 64% since October to 28 million tonnes—enough for 17 days. It is almost double last year's stock position, which stood at 14 million tonnes, barely usable for nine days.

"We hope to touch Central Electricity Authority's (CEA) mandated 22 day's stocks at power plants by January as production at Coal India is on the rise. Stocks at power plants will have to be increased by five days to touch the CEA's number. It would require a build-up of additional 8 million tonnes of stock at the plants," a Coal India executive said. "At present, stocks at mine-mouth in Coal India is around 22 million tonnes, more than enough for



increasing stocks to the necessary level. Combined stock at Coal India and power plants stands at around 50 million tonnes this week."

According to the executive, a 28% month-on-month increase in Coal India's October production and a 27% rise in month-on-month November production has enabled the company to increase stocks at power plants.

"Having increased stocks at power plants, which has remained Coal India's priority, the company has also started increasing supplies to the non-power sector including consumers from steel, sponge iron, cement, captive power plant, aluminium, micro, small & medium enterprises. We have managed to bring down the backlog of goods trains supplying coal to the non-power consumers from 5,100 in April to 1,616 this month," he said.

In an effort to make sure the sector can lift adequate coal, the company has recently decided to offer limited credit facilities by doing away with the advance payment norm.

Non-power consumers had to pay in advance the full amount for a month following which deliveries were made. In case Coal India could not supply the full quantity, the money remained with the company. It was adjusted only when the shortfall was supplied, which could be after several weeks.

"Significant amounts of money thus deposited by non-power customers against coal value in rail mode was thus locked up in the form of advance," the executive said. "During 2018-19, around 73 million tonnes of coal was supplied to non-power consumers with long-term supply contract. They are large in numbers and working capital blockage in coal movement was, of late, found to have a bearing on their financial health."