



No takers, Coal India cancels expensive auction

[Sumit Moitra](#) | Fri, 19 Feb 2016-08:00am , Kolkata , dna

Coal buyers are of the view that it was done fearing poor demand as the base price set is about 20% higher than the notified prices

At coal and power ministries, the harsh reality of commodity markets is yet to sink in.

An auction scheme for power and non-power sectors that tried to sell coal at a significant premium to current long-term contract prices during February despite subdued demand from across the economy, has now been called off, dna has learnt.

A special forward e-auction for power producers that was supposed to happen from February 16 to 18 and e-auction for non-power producers scheduled from Friday till Tuesday have both been deferred indefinitely.

While the ministry hasn't given any reason for such cancellation, coal buyers are of the view that it was done fearing poor demand as the base price is about 20% higher than the notified prices.

"They tried to sell the coal at a steep price of 20% premium. The ministry, two months ago, tried to sell at the same premium and 90% remained unsold," V K Arora, chief mentor, Karam Chand Thapar & Brothers (Coal Sales) Ltd and president of Indian Coal Merchants Association told dna.

The prospective bidders have now asked the ministry to eliminate the premium and make the e-auction at the notified prices at which power and other select coal consumers get assured supplies from Coal India Ltd (CIL).

This is the third time that the ministry is trying to dispose of stocks which are excess or lying at places where there is poor transportation connectivity.

The response for the first phase of the auction for power sector conducted in October was lukewarm, with only 2.4 million tonne (mt) or less than half of the targeted 5 mt getting sold to buyers including Adani Power and NTPC, dna had reported earlier.

"The second auction too was a flopshow as close to 90% of the stock on offer remained unsold as the price was set at a premium," Arora said.

The development follows recent posturing of coal and power minister Piyush Goyal over problem of plenty for CIL.

The Union coal ministry was contemplating forcing CIL to slowdown production rate and even cutting prices to clear mounting stock as places to store is fast running out, Goyal had said recently.

Global slowdown in consumption of commodities leading to softening of prices had also forced the government to cancel the fourth round of auction of coal blocks involving nine blocks in December.

The government is yet to notify the revised timeline.