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VK Arora tells Coaltrans how much Coal India Ltd.'s production is really increasing and what this means for imports, plus the reasons why power plants are not generating at full capacity and what the government is doing about it.



It is well known that India is aiming to significantly increase its coal output across the country. Do you think the overall target of 1.5 billion tonnes is achievable in the next 5 years?

While the Ministry of Coal has identified CIL to reach a production

target of 1 billion MT in 5 years (i.e. by 2019-2020), CIL has so far identified mines with a production target of about 906 MMT. The balance 500 MMT is expected to come out of captive coal blocks and SCCL.

Increase for CIL in the first 3 years has been kept at 10% and will increase again to 15% in the last 2 years. This is mainly because evacuation of coal through the rail network will be a constraint until the three new railway lines are commissioned for servicing new mines in various coalfields. These lines are expected to be operational by the year 2017. Hence the increase in output in the latter two years has been put at a higher figure.

As a mining engineer, I can foresee some problems on account of land acquisition, environmental clearances and the general delay in commissioning new projects. As of now, we can only talk about increase in production in CIL because the captive coal blocks still aren't closer to starting coal production. Hence the figure of 500 MMT from Captive power plants and SCCL would be carrying a question mark and would largely depend on when the blocks are allocated and the speed with which they could prepare their mining plan, acquire land, create the infrastructure and then start mining.

For CIL, even if they are able to produce about 800 MMT it will be a job very well done.

What improvements in infrastructure need to be made to keep up with the pace of increasing coal production? Are there any particular areas that should be prioritised?

The infrastructure is mainly in terms of ramping of the coal evacuation by rail and also to ramp up the infrastructure at the Ports along the eastern and western coasts for facilitating coastal movement of coal.

The three railway lines presently under execution through a SPV between CIL, state government and the railways are:

a) Tori – Shivpuri in Central Coalfields

b) Mand – Raigarh in South Eastern Coalfields

c) Jharsuguda – Barpali In Mahanadi Coalfields

These three railway lines would provide access to the new mines which are planned to be opened in the three coal companies.

However, the evacuation along the main trunk routes of Indian Railways will have to be strengthened. Action has already been taken to facilitate the creation of Dedicated Freight Corridor (Eastern) from Dankuni to Ludhiana. Similarly, a western Dedicated Freight Corridor is also in progress and is expected to substantially increase movement capacity of goods along the main trunk routes.

The coal block auctions in India have been an on-going story for some time. How many mines have been bought and how many remain? Will the process last much longer?

So far about 67 blocks have been auctioned, 20 blocks have been allotted to companies in power, steel and cement and 27 blocks allotted by nomination to government run power companies. Only 7 have started production. The total blocks would be over 200. What

has been allotted so far are the actual working blocks which were taken away from the erstwhile allottees. The new allottees are struggling to create the infrastructure for starting production and have issues in regard to acquisition of land and creation of the infrastructure of the mining which will have to be resolved.

The captive coal blocks were earlier producing about 35 MMT before cancellation of the allotment.

Thus, CIL has been able to increase its production by about 7½ to 10% in the last year. This has materially brought out a radical change in the coal stocks at the power plants, as almost all the power plants have more than 21 days' coal stocks. This is a strange situation whereby in November last year, there were 55 power plants which were on critical list. In November this year, the number in the critical list is only 7.

This leads us to believe that while there may be a demand for more coal, the poor financial health of the discoms (distribution companies) is the main reason why the power plants are not generating at full capacity. As of now, the discoms are losing heavily and the more they buy from the generating station, the more they lose. Their T&D losses are at 27% whereas it should not be more than 9-10%.

The government has taken the innovative step of asking the state government to take over the losses of the discoms as a one-time measure and link their entitlement for coal allocation from CIL to the performance and the effective reduction of T&D losses. It is expected that discoms will have to finally wake up and take

responsibility if they want to continue getting supplies from CIL.

You can hear more from VK Arora at the [15th Coaltrans India](#) at the Grand Hyatt Goa on 2 - 4 March 2016 where he will be participating in a panel discussion on coal block auctions.

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