Summary

International coal prices have seen a spurt in the start of 2008 mainly because of tight demand-supply conditions and weather disruptions. In case of coking coal, CRISIL Research expects the demand-supply scenario would continue to remain tight over the medium term.

In case of non-coking coal, CRISIL Research believes that the conditions would ease from the current levels over the medium term.

With regard to the domestic scenario, CRISIL Research expects coal imports to increase to 77 million tonnes by 2011-12; driven by coking coal deficit.

CRISIL Research expects the domestic coal prices to remain stable in 2008-09.

Contents

Part A: International coal prices to moderate over the medium term (by 2012)
- Executive summary A-1
- International coal demand A-5
- Coking coal supply constraints would keep demand-supply situation tight over the medium term A-23
- Increase in non-coking coal supplies to ease demand-supply equilibrium over the medium term A-37
- Increasing coking coal deficit to result in doubling of India’s total coal imports by 2011-12 A-51

Part B: State of the industry
- Background B-1
- Domestic demand supply situation B-11
- Industry structure and domestic player profile B-17
- International scenario B-37
- International player profile B-59
- Policies and regulations B-69
- Pricing B-75
- Coal mining techniques B-81
- Coal washing B-89
- Environmental issues B-95
- Lignite B-97
- Logistics B-101

This document has been prepared by Savio Monteiro, Arun Vasu and Sudhir Nair (Head of Research). For any queries please get in touch with our client servicing desk (clientservicing@crisil.com. Ph -022-66913561).
Opinion

Sections

Executive summary A-1

1.0 International coal demand A-5
- Coal demand A-6
- CRISIL Research’s coal demand forecast model A-14
- Coal intensity A-15
- Robust steel demand fueling coking coal to grow at a 9.1 per cent CAGR over the medium term A-15
- Non-coking coal demand: Increases at a 4.8 per cent CAGR, backed by huge coal-based power capacities being setup A-18

2.0 Coking coal supply constraints would keep demand-supply situation tight over the medium term A-23
- Coking coal supply tightness to continue over the medium term A-28
- Robust demand from steel to keep international coking coal prices high A-34

3.0 Increase in non-coking coal supplies to ease demand-supply equilibrium over the medium term A-37
- Increase in non-coking coal supply to ease the demand-supply over the medium term A-42
- International non-coking coal prices to ease over the medium term A-48

4.0 Increasing coking coal deficit to result in doubling of India’s total coal imports by 2011-12 A-51
- Price forecast for coal in the domestic market A-65

Charts

1.0 International coal demand
01 Factors affecting coking coal prices A-7
02 Factors affecting non-coking coal prices A-11

2.0 Coking coal supply constraints would keep demand-supply situation tight over the medium term
01 Region-wise surplus / (deficit) of coking coal and its trade flow (2007) in mn tonnes A-27
02 Asia-Pacific surplus / (deficit) of coking coal and its trade flow (2007) in mn tonnes A-28
03 Region-wise surplus / (deficit) of coking coal and its trade flow (2012 F) in mn tonnes A-33
04 Asia-Pacific surplus / (deficit) of coking coal and its trade flow (2012) in mn tonnes A-34

Continued…
...continued

**Charts**

3.0 Increase in non-coking coal supplies to ease demand-supply equilibrium over the medium term

01 Region-wise surplus / (deficit) of non-coking coal and its trade flow (2007) in mn tonnes A-41

02 Asia-Pacific Surplus / (Deficit) of non-coking coal and its trade flow (2007) in mn tonnes A-42

03 Region-wise surplus / (deficit) of non-coking coal and its trade flow (2012 F) in mn tonnes A-47

04 Asia-Pacific surplus / (deficit) of non-coking coal and its trade flow (2012) in mn tonnes A-48

**Figures**

Executive summary

01 World coking coal consumption-production and price (2007-12) A-1

02 Non-coking coal and related energy prices indexed (Base 2001=100) A-2

03 World non-coking coal consumption, production and price (2007-12) A-3

04 Domestic demand-supply forecast A-3

05 Price comparison of non-coking coal (Domestic v/s International) A-4

06 Price comparison of coking coal (Domestic v/s International) A-4

1.0 International coal demand

01 Coking v/s non-coking coal prices A-5

02 Fuel price comparison A-6

03 Trend of top coking coal consuming countries A-8

04 Trend of top non-coking coal consuming countries A-12

05 Coal intensity of top-consuming countries A-15

06 Expected top coking coal consuming countries (2007-12 F) A-16

07 Trend expected in top non-coking coal consuming countries (2007-12 F) A-19

2.0 Coking coal supply constraints would keep demand-supply situation tight over the medium term

01 Trend of top coking coal-producing countries A-23

02 Trend in top coking coal exporting countries A-26

03 Expected top coking coal producing countries (2007-12 F) A-29

04 Reserves to production ratio of top coking coal producing countries (2007-12 F) A-30

05 Expected top coking coal exporting countries A-32

continued...
Figures

3.0 Increase in non-coking coal supplies to ease demand-supply equilibrium over the medium term
01 Trend of top non-coking coal producing countries A-37
02 Trend in top non-coking coal exporting countries A-40
03 Expected top non-coking coal producing countries (2007-12 F) A-43
04 Reserves to production ratio of top non-coking coal producing countries (2007-12 F) A-44
05 Expected trend of top non-coking coal exporting countries A-46
06 Non-coking coal and related energy prices indexed (Base 2001=100) A-49

4.0 Increasing coking coal deficit to result in doubling of India’s total coal imports by 2011-12
01 Composition of coal demand in 2007-08 A-51
02 Sector-wise demand of coal in 2007-08 A-52
03 Demand of non-coking coal between 2007-08 and 2011-12 A-52
04 Demand for coking coal between 2007-08 and 2011-12 A-52
05 Target v/s achievement of power capacity additions A-53
06 Clinker capacity and production A-54
07 Sponge iron - Capacity v/s production A-55
08 Pig iron - Capacity and production A-56
09 Blast furnace route - Capacity and production of large players A-56
10 Expected share of sectors in total coal demand (2011-12 F) A-56
11 Type wise total coal production in 2007-08 (~455mt) A-57
12 Share of total coal production in 2007-08 (~455 mt) A-57
13 Production share of non-coking coal in 2007-08 (~421 mt) A-57
14 Production share of coking coal in 2007-08 (~33.8 mt) A-57
15 Expected production of coal between 2007-08 and 2011-12 A-58
16 Expected production by CIL and its subsidiaries in the Eleventh Plan A-58
17 Expected production by SCCL in the Eleventh Plan A-58
18 Coal production by CIL’s subsidiaries A-59
19 Captive production of coal A-59
20 Captive production of coal A-61
21 Coal imports of India over the last 7 years A-61
22 Expected demand, supply and imports of coking coal A-62
23 Expected demand, supply and imports of non-coking coal A-63
24 Coal prices projection A-65
25 Domestic rates v/s landed costs for coking coal A-66
26 Domestic rates v/s landed costs for non-coking coal A-66

continued...
### Tables

#### 1.0 International coal demand
- **01** Top coking coal consuming countries (2007)  
- **02** World coking coal demand (2001-2007) in mn tonnes  
- **03** Top non-coking coal consuming countries (2007)  
- **04** World non-coking coal demand (2001-2007) in mn tonnes  
- **05** Top coking coal consuming countries (2012 F)  
- **06** World coking coal demand forecast (2007-12F) in mn tonnes  
- **07** Top non-coking coal consuming countries (2012 F)  
- **08** World non-coking coal demand projections (2007-12F) in mn tonnes

#### 2.0 Coking coal supply constraints would keep demand-supply situation tight over the medium term
- **01** Top coking coal-producing countries (2007)  
- **02** World coking coal supply (2001-07) in mn tonnes  
- **03** Top coking coal exporting countries (2007)  
- **04** Top coking coal producing countries (2012 F)  
- **05** World coking coal supply forecast (2007-12 F) in mn tonnes  
- **06** Expected top coking coal exporting countries (2012 F)  
- **07** World coking coal demand-supply and price forecast  
- **08** Forecasted landed costs for coking coal

#### 3.0 Increase in non-coking coal supplies to ease demand-supply equilibrium over the medium term
- **01** Top non-coking coal producing countries (2007)  
- **02** World non-coking coal supply (2001-07) in mn tonnes  
- **03** Top non-coking coal exporting countries (2007)  
- **04** Top non-coking coal producing countries (2012 F)  
- **05** World non-coking coal supply forecast (2007-12 F) in mn tonnes  
- **06** Expected top non-coking coal exporting countries (2012 F)  
- **07** World non-coking coal demand-supply and price forecast  
- **08** Forecasted landed costs for non-coking coal

#### 4.0 Increasing coking coal deficit to result in doubling of India’s total coal imports by 2011-12
- **01** Year-wise captive coal blocks allocated  
- **02** Sector-wise demand, supply and shortage of coal
State of the industry

Sections

1.0 Background
   - Coal as a source of energy
   - Scenario in India
   - Coal reserves in India
   - Evolution and types of coal
   - Coal grades
2.0 Domestic demand supply situation
   - Production
   - Consumption
   - Imports
3.0 Industry structure and domestic player profile
   - Player profiles
4.0 International scenario
   - Energy consumption
   - World reserves
   - Coal production
   - Coal consumption
   - Exporters
   - Importers
   - Country profile
5.0 International player profile
   - Peabody Energy
   - Rio Tinto
   - China Shenhua Energy Company Ltd
   - Arch Coal
   - BHP Billiton
6.0 Policies and regulations
   - Legislations
   - Current regulatory scenario
   - Regulation on pricing and distribution
   - Regulation on imports and exports
   - Foreign investment in the sector
   - Regulation on coal exploration
   - Present policy regarding coal linkage
   - Distribution of coking coal to steel plants
   - Non-core sector industries

Continued…
Sections

7.0 Pricing
  - Domestic price fixation
  - E-auction
  - International prices
8.0 Coal mining techniques
  - Coal mining techniques
  - Types of underground coal mines
  - Other coal-based technologies
9.0 Coal washing
  - Benefits of coal washing to the environment
  - Indian coal washing industry
  - Player profiles
10.0 Environmental issues
11.0 Lignite
  - Production
  - Consumption
  - Company profile
12.0 Logistics
  - Railways dominate domestic movement of coal
  - Ongoing port connectivity projects

Boxes

1.0 Background
01 Abundance, distribution and affordability of coal

9.0 Coal washing
01 Coal washing process
02 Clean development mechanism cycle

Charts

1.0 Background
01 Evolution of coal
02 Types of coal

3.0 Industry structure and domestic player profile
01 Industry structure

continued...
Charts

4.0 International scenario
  01 World top coal producer in 2007  B-40

9.0 Coal washing
  01 Coal washing  B-90

Figures

1.0 Background
  01 World coal reserves – 2007 (847 billion tonnes)  B-2
  02 Fuel prices  B-2
  03 Fuel consumption in India – 2007 (404 mtoe)  B-3
  04 Total energy and coal production trend  B-3
  05 Coal reserves as on April 2007 (256 billion tonnes)  B-5
  06 Proven coal reserves as on April 2007 (98.5 billion tonnes)  B-5
  07 Proven non-coking reserves as on January 2006  B-6
  08 Proven coking coal reserves  B-6
  09 State-wise distribution of proven reserves - April 2007 (98.5 billion tonnes) B-7

2.0 Domestic demand supply situation
  01 Coal production - 2006-07 (430.8 million tonnes)  B-11
  02 Coal production - 2007-08 (456.4 million tonnes)  B-11
  03 Coal consumption - 2006-07 (472.3 million tonnes)  B-12
  04 Coal consumption - 2007-08 (503.1 million tonnes)  B-12
  05 Sector-wise coal offtake -2006-07 (421 million tonnes)  B-14
  06 Sector-wise coal offtake - 2007-08 (454 million tonnes)  B-14

4.0 International scenario
  01 Fuel-wise consumption in million tonnes oil equivalent (2006)  B-37
  02 Fuel-wise consumption in million tonnes oil equivalent (2007)  B-37
  03 Worldwide fuel consumption - 2006 (10843 mtoe)  B-38
  04 Worldwide fuel consumption - 2007 (11099 mtoe)  B-38
  05 World coal reserves – 2006 (909 billion tonnes)  B-39
  06 World coal reserves – 2007 (847 billion tonnes)  B-39
  07 Australia - Production and consumption trend 2000-2007  B-43
  08 Fuel consumption in Australia-2006 (124 mtoe)  B-44
  09 Fuel consumption in Australia-2007 (122 mtoe)  B-44
  10 Industry wise consumption in 2006  B-44
  11 Australia - Export to other countries in 2006-07 (231 mt)  B-45
  12 Share in production of major coal companies in Australia in 2007 (393.9 mt) B-45
  14 Fuel consumption in China - 2006 (1729.8 mtoe)  B-48
  15 Fuel consumption in China - 2007 (1863 mtoe)  B-48

continued...
### Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Share in production of major coal companies in China in 2007 (2536.7 mt)</td>
<td>B-49</td>
</tr>
<tr>
<td>17</td>
<td>Indonesia - Production and consumption trend in 2000-2007</td>
<td>B-49</td>
</tr>
<tr>
<td>18</td>
<td>Fuel consumption in Indonesia - 2006 (111 mtoe)</td>
<td>B-50</td>
</tr>
<tr>
<td>19</td>
<td>Fuel consumption in Indonesia - 2007 (115 mtoe)</td>
<td>B-50</td>
</tr>
<tr>
<td>20</td>
<td>Indonesia - Coal consumption in 2004</td>
<td>B-50</td>
</tr>
<tr>
<td>21</td>
<td>Share in production of major coal producers in Indonesia in 2006 (181.1 mt)</td>
<td>B-51</td>
</tr>
<tr>
<td>22</td>
<td>United States - Production and consumption trend (2000-2007)</td>
<td>B-52</td>
</tr>
<tr>
<td>23</td>
<td>Fuel consumption in USA-2006 (2322 mtoe)</td>
<td>B-52</td>
</tr>
<tr>
<td>24</td>
<td>Fuel consumption in USA-2007 (2361 mtoe)</td>
<td>B-52</td>
</tr>
<tr>
<td>25</td>
<td>Industry-wise coal consumption in 2007</td>
<td>B-53</td>
</tr>
<tr>
<td>26</td>
<td>Share in production of major coal producers in the US in 2006 (1054.8 mt)</td>
<td>B-53</td>
</tr>
<tr>
<td>27</td>
<td>South Africa - Production and consumption trend (2000-2007)</td>
<td>B-54</td>
</tr>
<tr>
<td>28</td>
<td>Fuel consumption in South Africa - 2006 (122 mtoe)</td>
<td>B-55</td>
</tr>
<tr>
<td>29</td>
<td>Fuel consumption in South Africa - 2007 (128 mtoe)</td>
<td>B-55</td>
</tr>
<tr>
<td>30</td>
<td>Industry-wise coal consumption</td>
<td>B-55</td>
</tr>
<tr>
<td>31</td>
<td>Share in production of major coal companies in South Africa in 2007 (269.4 mt)</td>
<td>B-55</td>
</tr>
<tr>
<td>32</td>
<td>Fuel consumption in Japan - 2006 (522 mtoe)</td>
<td>B-56</td>
</tr>
<tr>
<td>33</td>
<td>Fuel consumption in Japan - 2007 (518 mtoe)</td>
<td>B-56</td>
</tr>
<tr>
<td>34</td>
<td>Fuel consumption in South Korea - 2006 (227 mtoe)</td>
<td>B-56</td>
</tr>
<tr>
<td>35</td>
<td>Fuel consumption in South Korea - 2007 (234 mtoe)</td>
<td>B-56</td>
</tr>
<tr>
<td>36</td>
<td>Fuel consumption in Russia - 2006 (688 mtoe)</td>
<td>B-57</td>
</tr>
<tr>
<td>37</td>
<td>Fuel consumption in Russia - 2007 (692 mtoe)</td>
<td>B-57</td>
</tr>
</tbody>
</table>

### Pricing

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>International coal prices – FOB</td>
<td>B-79</td>
</tr>
</tbody>
</table>

### Coal washing

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Properties of different grades of non-coking coal</td>
<td>B-89</td>
</tr>
<tr>
<td>02</td>
<td>Non-coking coal washeries in India (total capacity - 103 mt)</td>
<td>B-93</td>
</tr>
</tbody>
</table>

### Lignite

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Lignite production (1999-2007)</td>
<td>B-98</td>
</tr>
</tbody>
</table>

### Logistics

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Domestic coal transportation (2006-07)</td>
<td>B-101</td>
</tr>
<tr>
<td>02</td>
<td>Coal traffic at ports in 2006-07</td>
<td>B-105</td>
</tr>
<tr>
<td>03</td>
<td>Coal traffic at major ports in 2006-07</td>
<td>B-106</td>
</tr>
<tr>
<td>04</td>
<td>Coal traffic at minor ports: 2006-07</td>
<td>B-106</td>
</tr>
<tr>
<td>05</td>
<td>Port capacities</td>
<td>B-107</td>
</tr>
<tr>
<td>06</td>
<td>Average turnaround time - Coking coal (2006-07)</td>
<td>B-107</td>
</tr>
<tr>
<td>07</td>
<td>Average Turnaround time - Thermal Coal (2006-07)</td>
<td>B-107</td>
</tr>
<tr>
<td>08</td>
<td>Dedicated coal capacity at major ports as on March 31, 2007</td>
<td>B-108</td>
</tr>
<tr>
<td>09</td>
<td>Average pre-berthing time - Coking coal (2006-07)</td>
<td>B-108</td>
</tr>
<tr>
<td>10</td>
<td>Average pre-berthing Time - Thermal coal (2006-07)</td>
<td>B-108</td>
</tr>
</tbody>
</table>

continued...
### Tables

#### 1.0 Background

01 Type-wise, category-wise coal resources in India as on April 1, 2007  
02 Company-wise reserves and production  
03 Coking coal grades  
04 Semi-coking coal and Weakly coking coal  
05 Non-coking coal grades

#### 2.0 Domestic demand supply situation

01 Company-wise coal production  
02 Underground & open-cast production by CIL  
03 Company-wise coal production – CIL  
04 Trend in production  
05 Consumer-wise offtake of coal  
06 Coal imports in India

#### 3.0 Industry structure and domestic player profile

01 Profitability of CIL companies  
02 Eastern Coalfields Ltd (ECL)  
03 ECL - Key financial indicators  
04 BCCL - Project details  
05 Bharat Coking Coal Ltd (BCCL)  
06 BCCL - Key financial indicators  
07 CCL - Project details  
08 Central Coalfields Ltd  
09 CCL - Key financial indicators  
10 Projects of NCL  
11 Northern Coalfield Ltd (NCL)  
12 NCL - Key financial indicators  
13 Western Coalfields Ltd (WCL)  
14 WCL - Key financial indicators  
15 SECL - Project details  
16 South Eastern Coal Limited (SECL)  
17 SECL - Key financial indicators  
18 MCL - Project details  
19 Mahanadi Coalfields Ltd (MCL)  
20 MCL - Key financial indicators  
21 Singareni Coalfield Limited (SCCL)  
22 SCCL - Key financial indicators

#### 4.0 International scenario

01 Region-wise energy consumption  
02 Coal production and proven reserves - 2006  
03 Coal production and proven reserves - 2007  
04 Coal production

...continued...
### Tables

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>Worldwide coal consumption</td>
<td>B-41</td>
</tr>
<tr>
<td>06</td>
<td>Coal in electricity generation – 2006E</td>
<td>B-41</td>
</tr>
<tr>
<td>07</td>
<td>Major coal exporters</td>
<td>B-42</td>
</tr>
<tr>
<td>08</td>
<td>Major coal importers</td>
<td>B-42</td>
</tr>
<tr>
<td>09</td>
<td>Australia - Port capacity and export loadings in 2005 and 2006 *</td>
<td>B-47</td>
</tr>
<tr>
<td>05</td>
<td>International player profile</td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>Peabody Energy - Region-wise coal production and reserves in 2007</td>
<td>B-59</td>
</tr>
<tr>
<td>02</td>
<td>Peabody Energy - Operational and financial performance</td>
<td>B-60</td>
</tr>
<tr>
<td>03</td>
<td>Rio Tinto - Operational and financial performance</td>
<td>B-62</td>
</tr>
<tr>
<td>04</td>
<td>China Shenhua Energy Company Ltd - Reserves and coal production in 2007</td>
<td>B-63</td>
</tr>
<tr>
<td>05</td>
<td>China Shenhua Energy Company Ltd - Operational and financial performance</td>
<td>B-64</td>
</tr>
<tr>
<td>06</td>
<td>Arch Coal - Region-wise coal and reserves in 2007</td>
<td>B-65</td>
</tr>
<tr>
<td>07</td>
<td>Arch Coal - Operational and financial performance</td>
<td>B-65</td>
</tr>
<tr>
<td>08</td>
<td>BHP Billiton - Operational and financial performance</td>
<td>B-67</td>
</tr>
<tr>
<td>05</td>
<td>Pricing</td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>Coal - Final prices to consumer</td>
<td>B-76</td>
</tr>
<tr>
<td>02</td>
<td>Royalty charges</td>
<td>B-77</td>
</tr>
<tr>
<td>03</td>
<td>Royalty charges w.e.f. from August 2007</td>
<td>B-78</td>
</tr>
<tr>
<td>05</td>
<td>Coal washing</td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>Properties of coal in different countries</td>
<td>B-89</td>
</tr>
<tr>
<td>02</td>
<td>Gupta Coal India Ltd - Key financial indicators</td>
<td>B-93</td>
</tr>
<tr>
<td>05</td>
<td>Environmental issues</td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>Estimate of methane emission in coal mining</td>
<td>B-96</td>
</tr>
<tr>
<td>05</td>
<td>Lignite</td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>Lignite reserves in India</td>
<td>B-97</td>
</tr>
<tr>
<td>02</td>
<td>NLC’s financial information</td>
<td>B-99</td>
</tr>
<tr>
<td>03</td>
<td>NLC - Key financial indicators</td>
<td>B-100</td>
</tr>
<tr>
<td>05</td>
<td>Logistics</td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>Rail freights</td>
<td>B-102</td>
</tr>
<tr>
<td>02</td>
<td>Ongoing projects for strengthening of Golden Quadrilateral</td>
<td>B-104</td>
</tr>
<tr>
<td>03</td>
<td>Ongoing port connectivity projects</td>
<td>B-105</td>
</tr>
</tbody>
</table>