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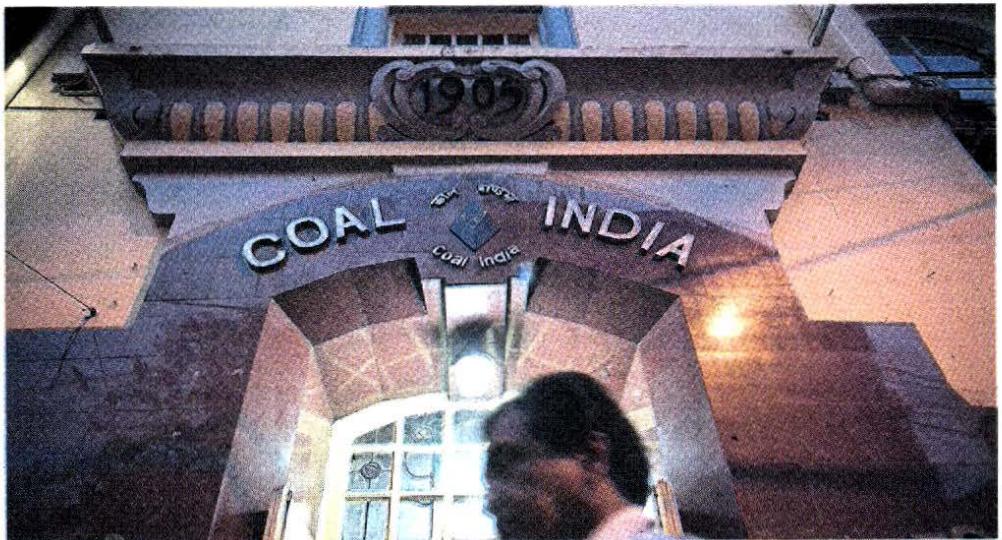
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BHP wins as Modi fails to get coal trains running on time

'There's plenty of coal, just not enough trains to get it to the power plants'

NEW DELHI • Prime Minister Narendra Modi's plans to shift India's economy toward manufacturing and away from agriculture and services are being held up by a coal shortage.

Actually, there's plenty of coal, just not enough trains to get it to the power plants. While about 200 railway convoys arrive every day at Coal India Ltd's depots, technical director Nagendra Kumar said the company needs 230



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India will need to upgrade its railway network for Coal India to open more mines and deliver its product, said Deven Choksey, MD at KR Choksey Shares & Securities Pte Ltd, a Mumbai-based brokerage.

"The infrastructure bottlenecks are stopping Coal India from rising to its full potential," Choksey said. Coal generates about 60% of India's electricity.

With output climbing at Coal India, the fuel is piling up at the mines. At the same time, slumping global prices mean customers are turning to imports from the likes of Glencore plc, BHP Billiton Ltd and

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Indonesia's PT Bumi Resources.

Benchmark thermal coal prices have slipped to near a six-year low, and prices are down by more than half since peaking in January 2011. That's making imported coal more affordable.

India's coal imports jumped 33.5% to 242.4 million metric tonnes in the year ended March 31, according to data from Mjunction Services Ltd, a Kolkata, India-based auction platform for commodities. The figure may reach 260 million tonnes this year, Mjunction CEO Viresh Oberoi said in an emailed response to questions.

BHP ended Sydney trading yesterday at A\$33.35 (RM94.05), up 2.6%, while Bumi Resources gained 4.2% to 75 rupiah

(RM0.021) in Jakarta.

Coal India shares rose 1.9% to 369.80 rupees (RM21.08) at the close in Mumbai yesterday. The stock has declined 3.7% this year, while the benchmark S&P BSE Sensex has been little changed.

Power plants near ports often bring in imports by truck, unable to find enough railway cars.

"Coal prices having fallen internationally will benefit some of the coastal plants," said Santosh Kamath, partner, infrastructure and government services, at KPMG. "Imported coal may have become cheaper than domestic coal for some consumers."

That's affecting Coal India. The company's sales volume

has lagged behind production in each of the past six months according to filings, an unusual pattern for a company that isn't meeting demand.

Dependence on coal imports is unjustified, as India has "huge" reserves of the fuel, Piyush Goyal, minister for coal, power and renewable energy, said in March, according to a *Press Trust of India* report. The nation has 301 billion tonnes of coal reserves, about 42% of which is proved, according to the federal coal ministry. Coal India has also called for the construction of three new railway lines that will help open new mines that can produce 300 million tonnes of the fuel every year. — Bloomberg