

Indian sponge iron mills develop soft spot for Mozambican coal

Offered at 8–10% discount, it is cheaper than the popular South African variant, too

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Indian sponge iron mills have started warming up to Mozambican thermal coal as an alternative, and the price point at which it is offered has made it doubly attractive.

Mozambican coal is being offered at around \$207 per tonne – lower than its current market price of \$220–240 per tonne – which also makes it cheaper than the popular South African variant that is priced between \$225 and \$250 per tonne.

Nearly 1,00,000 tonnes of grade VT-1 coal from Mozambique and from Vulcan Energy's mines are expected to come into India in the first week of August.

The South African variant popular with the sponge iron mills is the RB 2 variant, which has an NAR (net calorific value) of 5,500 kcal/kg.

Australian coal does not find much usage here because of the kiln specification of Indian millers.

"The price quoted by the trad-

ing company that is bringing in the Mozambican coal is around \$207 per tonne, which is quite cheaper than the price of RB2 variants.

"So some mills have started showing interest," a sponge iron mill owner told *BusinessLine*.

Captive mines advantage

According to trade sources, the normal price of Mozambican coal is around \$220–240 per tonne; but since the trading company has its own captive mines, the offerings are reportedly coming in cheap.

The trading company is expected to bring in the coal to one of the ports in eastern India – Vizag, Paradeep or Gopalpur – from where it will be picked up by sponge iron mills.

As per a SteelMint report, the current price of South African coal (RB-2 of NAR 5500) ex-Vizag is around ₹18,000 per tonne, while that of VT-1 (Vulcan Thermal 1), ex-Vizag is ₹19,500 per tonne. Australian coal of 4600 NAR trades at ₹12,000 per



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tonne and Russian coal of 6000 NAR is sold at ₹18,000 per tonne.

The price of South African coal – the RB 2 variant – is highly volatile: the price is up 12 per cent between July 1 (\$200 per tonne) and now (around \$225 per tonne).

Demand from European nations has been high as they look to source more for their power sector requirement.

Indian mills have also been expressing concern over lack of linkages with Coal India mines. Coal India's offerings through linkages are priced "substantially lower" than imported coal.

Linkage agreements for some of the mills are expiring around July–August. And the Indian coal

miner is yet to announce linkage auctions for sponge iron mills.

Trial use

In the recent past, one of India's top steel-makers has experimented with VT 1 grade coal brought in from its captive mines in Mozambique. The results showed that average consumption is 700–800 kg/tonne of sponge iron. In other words, to produce 1,000 kg of sponge, around 800 kg of the coal is required.

Against this, it takes 1,500 kg/tonne of Indian coking coal, sourced from Coal India, to produce 1,000 kg of sponge. South African coking coal consumption is 700–800 kg/tonne.