



## SECTORWATCH | CORONAVIRUS | COAL MINING & TRADING

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. Pakistan has also been severely impacted by the pandemic and saw most economic activity halt for a period of two months. With the outbreak showing no signs of abating, Pakistan can expect further contraction in demand and output as well as disruption in international trade. It is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR																												
ENERGY	COAL MINING & TRADING																												
SIZE	<ul style="list-style-type: none"> <li>- Pakistan is a coal rich country and has the 6<sup>th</sup> largest coal reserves in the world. However, it is much behind in terms of mining and utilization of this resource. Efforts are afoot to enhance its production, particularly from the Thar coal reservoir.</li> <li>- Province-wise coal reserves, heating values and moisture content are as below: <table border="1"> <thead> <tr> <th>Province</th> <th>Reserves Million Tones</th> <th>Heating Value (Btu/lb)</th> <th>Moisture %</th> </tr> </thead> <tbody> <tr> <td>Sindh</td> <td>*184,623</td> <td>5,219 - 13,555</td> <td>16 – 47</td> </tr> <tr> <td>Punjab</td> <td>235</td> <td>9,472 – 15,801</td> <td>3- 8</td> </tr> <tr> <td>Baluchistan</td> <td>217</td> <td>9,637 – 15,499</td> <td>4 – 13</td> </tr> <tr> <td>KPK</td> <td>91</td> <td>9,386 – 14,217</td> <td>0.1 – 7</td> </tr> <tr> <td>AJK</td> <td>9</td> <td>7,336 – 12,338</td> <td>0.2 – 6</td> </tr> <tr> <td><b>Total</b></td> <td><b>185,175</b></td> <td><b>8,210 – 14,282</b></td> <td><b>4 – 16</b></td> </tr> </tbody> </table> <p><small>*Thar coal field in Sindh alone has 175 billion tons of coal.</small></p> </li> <li>- Pakistan’s annual coal consumption is ~21 million tons, out of which ~5.5 million tons is procured locally, and remaining need is fulfilled by importing from various countries especially from South Africa which constitutes 75% of the total imported coal.</li> </ul>	Province	Reserves Million Tones	Heating Value (Btu/lb)	Moisture %	Sindh	*184,623	5,219 - 13,555	16 – 47	Punjab	235	9,472 – 15,801	3- 8	Baluchistan	217	9,637 – 15,499	4 – 13	KPK	91	9,386 – 14,217	0.1 – 7	AJK	9	7,336 – 12,338	0.2 – 6	<b>Total</b>	<b>185,175</b>	<b>8,210 – 14,282</b>	<b>4 – 16</b>
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NUMBER OF PLAYERS	<ul style="list-style-type: none"> <li>- Various local coal producers ; 20+ coal importers</li> </ul>																												
PACRA PENETRATION	<ul style="list-style-type: none"> <li>- Coal Mining: Sindh Engro Coal Mining Company (SECMC) market share stood at 65%</li> <li>- Trading: Awan Trading market share stood at 7%</li> </ul>																												
IMPACT	<ul style="list-style-type: none"> <li>- Outbreak of COVID-19 has had a direct impact on the global economy; which has spread across all industries and added more stress to coal mining / trading. The supply chain disruptions in relevant industries have led to the suspension of trading activities of coal importers and traders.</li> <li>- Coal imports have declined by a sharp 41.4 per cent during 1QFY19-20, YoY to \$272.2 million. Quantum of imports and unit prices were both lower than previous year because of lower demand by the steel and cement industry (for which coal is a major raw material).</li> <li>- Decrease in coal prices over the period from \$82.09 per metric ton in January 2020 to \$56.58 per metric ton in April 2020 (South African coal). Disparity of drop in crude oil prices with coal is mainly due to the relative ability of demand of coal from power houses, as well as the fact that there is no such competitive tension as witnessed in OPEC and non-OPEC oil blocks in oil segment.</li> <li>- Demand for imported coal has also dropped as consumption of indigenous coal has increased since SECMC started commercial operations in July 2019. Resultantly, electricity generation from coal has also increased (increase of 45.3% in 1QFY20) which lends sustainability to the operations of mining companies.</li> </ul>																												



The Pakistan Credit Rating Agency Limited

## PRESS RELEASE

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- Financial risk for coal trading companies is considered to be low due to self-liquidating nature of their obligations given mostly working capital related obligations deployed in inventories. The sustained survival of trading companies is, however, largely conditional on the revival of consumption hubs.

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