



## NATIONAL COAL INDEX AND REPRESENTATIVE PRICES





# Background of National Coal Index

- ⊙ High Power Empowered Committee under the chairmanship of Shri Pratyush Sinha had made recommendation for development of a National Coal Index (NCI) to reflect the movement of coal prices in domestic market
- ⊙ Purpose of the Index was to determine the Premium (on a per tonne basis) or Revenue Share (on a percentage basis) based on a market based mechanism
- ⊙ Position of WPI was analysed
  - As it is based only on the Notified Prices of coal, it does not reflect the true market situation
- ⊙ Indian Statistical Institute, Kolkata was assigned the work of formulating the National Coal Index



# Innovations through the Index

- ⦿ NCI is an improvement over WPI based indexation
- ⦿ Following principles were kept in view while designing the NCI:
  - Monthly Computability;
  - Forward Looking;
  - Ability to capture the coal trades in India
- ⦿ All grades of coal and all sales channels existing in 2017-18 are covered
- ⦿ Base of the NCI has been taken as FY 2017-18;
- ⦿ Grade wise Representative Prices were conceived for implementing the Revenue Sharing mechanism approved in Hon'ble Cabinet in 2020
  - Rigorous statistical analysis was undertaken to establish the import prices of coal from three countries as proxy for different grades of coal
- ⦿ NCI is amenable to revision as and when there is substantial change in coal sale and trading patterns in India
  - Composed of different sub-indices which may be suitably used independently





# Salient Features of National Coal Index

- ⊙ NCI is the weighted average of the change in price level of coal based on the price level of FY 2017-18;
- ⊙ NCI is compiled for a group of Grades of Coal (five sub-indices)
  - Non Coking Top      G1 to G6;
  - Non Coking Middle    G7 to G14;
  - Non Coking Bottom    G15 to G17
  - Coking Top            Steel-I and Steel-II;
  - Coking Bottom        Washery-I to Washery-IV.
- ⊙ Each sub-index for the group of grades is a stand-alone Index.
- ⊙ For each Sub-index, the prices of three sales channels - Notified Prices, Auction Prices and Import Prices have been taken into account, as relevant



# Salient Features of National Coal Index

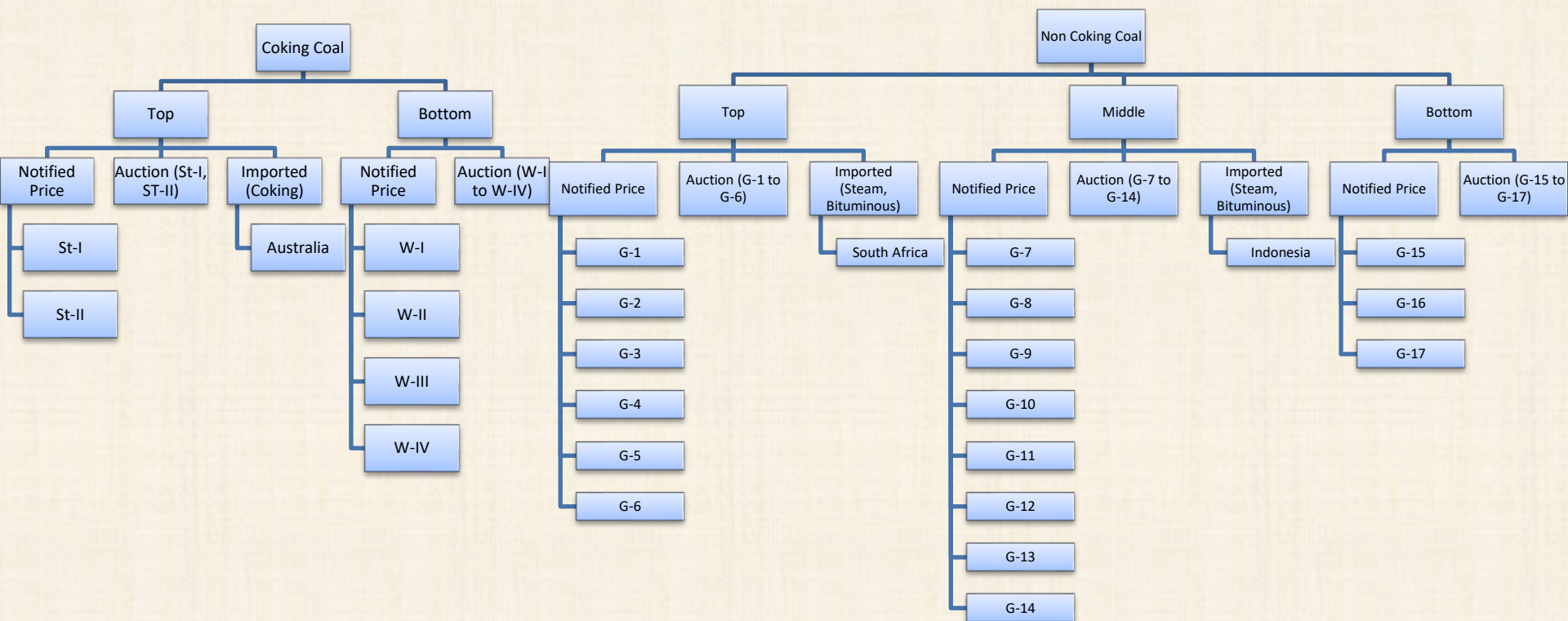
- ⊙ Weights of the respective Sales Channels are based on the Value of Transactions
  - Value = Quantity of Coal X Price
- ⊙ Weights are as follows for the different sub-indices:
  - No import component in bottom grades of coking and non-coking coal

Sub-Sector	Weights in Each Sales Channels			
	NP	Auction	Import	Total
Non-coking, top grade	38.33	11.42	50.25	100.00
Non-coking, middle grade	51.38	13.05	35.56	100.00
Non-coking, bottom grade	45.43	54.57	XX	100.00
Coking, top grade	1.04	1.12	97.84	100.00
Coking, bottom grade	79.68	20.32	XX	100.00



# Overview – National Coal Index

- Weighted sum of prices from transactions in different channels for different quality grades and coal sources
  - Washed coal and coal products are not included





# Salient Features of Representative Price

- ⊙ Representative Price (RP) is the weighted average of the prices of coal from all the Sales channels
  - Notified Prices
  - Auction
  - Imported
- ⊙ RP is compiled for each Grade of Coal
  - This is done at the time of launch of tender process for coal mines based on the grade of coal in those mines
- ⊙ Weights of the respective Sales Channels are based on the **Volume of Transactions (Volume means Quantity)** at each Grade



# Weights in the Representative Prices for NC Top

Grade	Domestic Component	Distribution of Domestic Component		Import Component	Total
		NP	Auction		
G1	56.44	0.00	100.00	43.56	100.00
G2	56.44	95.51	4.49	43.56	100.00
G3	56.44	93.67	6.33	43.56	100.00
G4	56.44	74.33	25.67	43.56	100.00
G5	56.44	75.16	24.84	43.56	100.00
G6	56.44	67.71	32.29	43.56	100.00





# Weights in the Representative Prices for NC Middle

Grade	Domestic Component	Distribution of Domestic Component		Import Component	Total
		NP	Auction		
G7	86.76	90.75	9.25	13.24	100.00
G8	86.76	88.09	11.91	13.24	100.00
G9	86.76	88.36	11.64	13.24	100.00
G10	86.76	82.20	17.80	13.24	100.00
G11	86.76	91.60	8.40	13.24	100.00
G12	86.76	73.73	26.27	13.24	100.00
G13	86.76	87.96	12.04	13.24	100.00
G14	86.76	85.68	14.32	13.24	100.00



# Weights in the Representative Prices for NC Bottom

Grade	Domestic Component	Distribution of Domestic Component		Import Component	Total
		NP	Auction		
G15	100.00	67.86	32.14	0.00	100.00
G16	100.00	1.03	98.97	0.00	100.00
G17	100.00	60.27	39.73	0.00	100.00



# Weights in the Representative Prices for Coking Top

Grade	Domestic Component	Distribution of Domestic Component		Import Component	Total
		NP	Auction		
St-I	0.48	49.99	50.01	99.52	100.00
St-II	0.48	100.00	0.00	99.52	100.00



# Weights in the Representative Prices for Coking Bottom

Grade	Domestic Component	Distribution of Domestic Component		Import Component	Total
		NP	Auction		
W-I	100.00	62.47	37.53	0.00	100.00
W-II	100.00	68.58	31.42	0.00	100.00
W-III	100.00	56.27	43.73	0.00	100.00
W-IV	100.00	89.20	10.80	0.00	100.00





# Monthly Payments in Commercial Auction

**Revenue Share** shall be the product of:

- ⊙ Final Offer (% revenue share quoted)
- ⊙ Quantity of coal on which statutory royalty is payable during the month
- ⊙ Notional Price or Actual Price, whichever is higher, where
  - Notional Price is the price arrived at after adjusting the Representative Price with sub-index of National Coal Index of the relevant basket of coal grade(s) on the date on which royalty becomes payable.
    - Representative Price shall be a product of:
      - weights of the Base year; and
      - Latest available prices of these components at the time of issuance of the Tender Document
  - Actual Price shall mean the sale invoice value of coal, net of statutory dues
- ⊙ Royalty payment shall be as per extant gazette notification on royalty of coal; other statutory dues shall be additionally payable



# Monthly Payments - Illustration

- Assuming that the Successful Bidder has quoted Final Offer of 10%

Particulars	G11	G12	G13
Representative Price (Rs./tonne) (A)	1474	1369	1270
National Coal Index of the relevant basket of Coal Grade – latest available as on the date of issuance of Tender Document (B)	105	105	105
National Coal Index of the relevant basket of Coal Grade on the date on which royalty becomes payable (C)	115	115	115

Grade of Coal	Quantity of coal on which the statutory royalty is payable during the month (MT) (D)	Notional Price (Rs./tonne) (A x C/B)	Actual Price (Rs./tonne)	Max of Notional Price & Actual Price (Rs./tonne) (E)	Revenue Share (Rs. Crore) (D x E x Final Offer/10)
G11	0.50	1,614	1650	1650	8.25
G12	0.70	1,499	1400	1499	10.50
G13	0.60	1,391	1300	1391	8.35
<b>Total</b>	<b>1.80</b>				<b>27.09</b>



**Thank You**

