Coal India seeks to change sales strategy

Coal India Ltd, the world's biggest producer, is seeking to change the way it sells the fuel as sluggish demand adds to stockpiles and cheaper imports threaten its market share.

"The company needs to shrug off the years of inertia of monopolistic marketing and switch over to the competitive marketing with alacrity", Chairman Sutirtha Bhattacharya said in a letter to employees posted on the firm's website. "Marketing of coal will be the decisive factor in defining our performance."

Kolkata-based Coal India, after years of under performance, faces a surfeit of supply after production outpaced demand. Power plants, its biggest customers, have near-record inventories, adding to the more than 50 million metric tons of stocks at the company's mines. At the same time, the

miner faces the threat of cheaper imports. Thermal coal at Australia's Newcastle port, considered Asian benchmark, has declined 58% over the past five years.

Coal India, which accounts for more than 80% of the country's output, must focus on quality and cost reduction to boost its performance, Bhattacharya said in the letter. Price, quality and commitment to customers will be key to the company holding on to its market share, he said. "We are committed to increasing the ease of doing business with us," Bhattacharya said. "We are trying to be more responsive to needs of the customers and will address all the issues to combat the threat from other fuels and coal from other sources."

Coal India has already taken some steps. It reduced the reserve price for some auctions sales and sacrificed bonus payments for increased supplies of higher grades of the fuel.

"Coal India is making efforts to become a better marketer of coal," said Goutam Chakraborty, a Mumbai-based analyst at Emkay Global Financial Services. "These small steps will not only help it clear the current stockpiles but also lure customers who have turned to imports."

Hiking steel prices not enough for SAIL's turnaround : IRR

Raising steel prices by SAIL after the implementation of minimum import price will not help the country's largest steelmaker post a turnaround as benefits are for the short term, India Ratings and Research said.

The ratings agency said that SAIL had raised steel prices by 10 percent after minimum import price (MIP) was imposed and is expected to raise them by another 5-10 percent in the current financial year. The recent imposition of MIP on 173 steel products could alleviate the distress faced by steelmakers in the short term as the coverage has been wide and the duty has been defined in absolute terms, India Ratings and Research (Ind-RA) said in a statement.

"Around 80 percent of SAIL's products are covered under MIP and the company has effected price hikes of 10 percent post the imposition and a further hike of 5-10 percent is likely in 2016-17," it added. It further said "However, this will not be enough for a turnaround as steel prices corrected by 35-40 percent in 2015."Also, implementing sustained hikes in steel prices would remain challenging because of the commissioning of additional capacity of close to 12 million tonnes (MT) in 2016 and the MIP being currently valid till August 2016." Ind-Ra downgraded SAIL's Long-Term Issuer Rating

to 'IND AA' from 'IND AAA' and the outlook is negative. It said the downgrade reflects its credit metrics being lower than Ind-Ra's expectation for April-December of 2015-16. The steep fall in steel prices since January 2015 led to EBITDA losses for the company during the period and the consequent worsening of its credit metrics, it added. On SAIL's modernisation programme, Ind-Ra said.

"Benefits of the capex are likely to be visible from 16th February, 2017. Till the benefits of increased capex begin to reflect by way of significantly higher volumes and improved efficiency, the leverage is likely to remain high." The state-run firm is undertaking a capex of Rs 61,870 crore for up-gradation (Rs 22,740 crore) and expansion (Rs 39,130 crore) of its facilities, it added. An additional Rs 10,260 crore has been earmarked for augmenting raw material availability.

At end-December 2015, Rs 69,080 crore of capex had been undertaken, which included regular maintenance capex, it said. The agency said SAIL's net sales realisation (NSR) fell 16.7 percent y-o-y to Rs 33,252 per tonne in April-December of 2015-16 driven by a 29 percent y-o-y increase in imports, excess domestic capacity and moderate consumption growth of 4.7 percent y-o-y. "Ind-Ra however expects the net realisation to increase by Rs 3,000-4,000 a tonne post the introduction of MIP for steel in India effective from February 2016," it added.