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NATIONAL COAL INDEX

This article covers "Daily Current Affairs" and the topic details "National Coal Index". This topic has relevance in the "Economy" section of the UPSC CSE exam.

For Prelims:

What is the National Coal Index?

For Mains:

GS3: Economy

Why in the news?

In September, the National Coal Index witnessed a 3.83-point increase, driven by a temporary surge in coal prices in the global markets.

About the National Coal Index

- The National Coal Index (NCI), introduced by the Ministry of Coal on June 4, 2020, serves as a price index reflecting changes in coal prices relative to a fixed base year FY 2017-18.
- The NCI determines Premium (per tonne) or Revenue Share (percentage basis) using a market-based mechanism and covers all raw coal transactions in the Indian market.
- This includes various grades of coking and non-coking coal in both regulated (power and fertilizer) and non-regulated sectors, covering transactions at notified prices, coal auctions, and coal imports.
- The upward movement of the NCI signals a growing demand for coal, attributed to the upcoming festive season and winter in the country.
- This trend encourages coal producers to capitalize on the rising demand by scaling up domestic coal production to meet the increasing energy requirements.

AN OVERVIEW OF INDIA'S COAL SECTOR

Coal Reserves:

- India boasts the world's fourth-largest coal reserves, estimated at approximately 319.02 billion tonnes.

Coal Production:

- As of FY 2022, India ranks as the second-largest producer and consumer of coal globally, with a mining output of 777.31 million metric tons.
- The majority of the extracted coal is dedicated to electricity production.

Coal Consumption:

- India's energy sector heavily relies on coal as a primary fuel for thermal power plants.
- Coal currently contributes to about 70% of the total energy generation, dominating India's energy generation mix.

Types of Coal found in India:

Anthracite:

- Best quality coal with 80 to 95 per cent carbon content.

- Ignites slowly with a blue flame and possesses the highest calorific value.
- Found in small quantities in Jammu and Kashmir.

Bituminous:

- Contains 60 to 80 per cent carbon content and a low moisture level.
- Widely used with high calorific value.
- Found in Jharkhand, West Bengal, Odisha, Chhattisgarh, and Madhya Pradesh.

Lignite:

- Often brown, carries 40 to 55 per cent carbon content.
- The intermediate stage is during the alteration of woody matter into coal.
- High moisture content, resulting in smoke when burnt.
- It is found in Rajasthan, Lakhimpur (Assam), and Tamil Nadu.

Peat:

- Less than 40 per cent carbon content.
- The first stage of transformation from wood to coal.
- Low calorific value burns like wood.

Geological classification

- India's coal-bearing strata fall into two main categories: Gondwana and Tertiary coal fields.
- Gondwana coal comprises about 98 per cent of the total reserves and 99 per cent of the coal production in India.

Coal Market:

- The India Coal Market is projected to grow from 0.90 billion tons in 2023 to 1.30 billion tons by 2028, reflecting a Compound Annual Growth Rate (CAGR) of 7.57% during the forecast period (2023-2028).

Challenges:

- The recent power crisis in India has thrust coal into the spotlight. Challenges include a sudden surge in electricity demand, inadequate demand forecasting, transportation issues, global coal price hikes, delays in coal mine operationalisation, and delayed payments.

Future Outlook:

- As India takes decisive steps towards achieving its 2030 Conference of Parties (COP) 26 goals and embraces a greener path, the role of coal in the future energy mix is under reassessment.
- Initiatives are underway to address and mitigate its harmful environmental impact.

Sources:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1975343>

Q1. With reference to National Coal Index (NCI), consider the following statements:

1. Using a market-based mechanism, the NCI determines Premium (per tonne) or Revenue Share (percentage basis).
2. The National Coal Index (NCI), introduced by the Ministry of Coal, serves as a price index reflecting changes in coal prices relative to the previous year.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None

Answer: (a)

Q2. Consider the following:

1. Anthracite coal ignites slowly with a blue flame and possesses the highest calorific value.
2. Anthracite coal is found in large quantities in Gangetic Plains.
3. The tertiary coal comprises about 98 per cent of the total reserves and 99 per cent of the coal production in India.

How many of the abovementioned statements are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

Answer: (d)

Q3. Discuss the key components and challenges in India's coal sector, including the types of coal found, their distribution, their implications.

Gourav

INFRASTRUCTURE INVESTMENT TRUSTS (INVITS)

This article covers "Daily Current Affairs" and the topic details "Infrastructure Investment Trusts (InvITs)". This topic has relevance in the Economy section of the UPSC CSE exam.

GS 3: Economy

Why in the news?

As per SEBI data, the period from April to September in the fiscal year 2023-24 saw a total collection of Rs 18,658 crore through these emerging investment instruments. Out of this amount, Rs 12,753 crore was raised via InvITs, while the remaining Rs 5,905 crore was collected through REITs.

Introduction

- Infrastructure Investment Trusts (InvITs) are investment vehicles designed to facilitate investments in infrastructure assets, making them accessible to both private and retail investors. These trusts operate in a manner similar to mutual funds and focus on long-term infrastructure projects, including roads, gas pipelines, transmission lines, and renewable assets, among others. They are subject to regulation by SEBI (Securities and Exchange Board of India).

Design and Features of InvITs

- InvITs are structured as tiered entities, with a sponsor establishing the InvIT. This trust, in turn, invests in eligible infrastructure projects, either directly or through special purpose vehicles (SPVs).

Investor Eligibility

- InvITs have a minimum subscription limit of 1 lakh, allowing not only institutional investors like banks, insurance companies, pension funds, and sovereign wealth funds to participate but also retail investors. Investors in InvITs receive units, making them unit holders.

Returns on Investment

- Investments made by InvITs are divided into two components: loan and capital. Consequently, unit holders receive returns in the form of both dividends and interest, both of which are subject to taxation. If unit holders make a profit from selling their units, capital gains tax is applicable.

Reduced Risk

- SEBI regulations mandate that InvITs must allocate a minimum of 80% of their assets to completed and revenue-generating projects. This significantly reduces the risks typically associated with infrastructure investments, such as delays due to regulatory approvals or poor project management.

Legal Recognition

- InvITs, along with Real Estate Investment Trusts (REITs), are recognized as borrowers under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI)

Act. This legal status empowers investors, particularly banks, to take action against InvIT trustees in the event of defaults.

SOURCE:

REITs, InvITs collect ₹18,658 crore in Apr-Sep on robust infra demand – The Hindu BusinessLine

Q.1 Consider the following statements:

Statement-I: The interest income generated from deposits in Infrastructure Investment Trusts (InvITs) and distributed to their investors enjoys tax exemption, while dividends are subject to taxation.

Statement-II: InvITs are accorded recognition as borrowers under the 'Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002,' providing them with certain legal status and privileges in financial matters.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
- (b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
- (c) Statement-I is correct but Statement-II is incorrect
- (d) Statement-I is incorrect but Statement-II is correct

ANSWER: D

Q.2 Regarding Infrastructure Investment Trusts (InvITs), read the following statements:

1. SEBI regulates InvITs.
2. InvITs are required to invest exclusively in infrastructure projects that are finished and producing revenue.
3. The returns generated from investments in InvITs are tax-exempt.

How many of the above statement/s is/are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

ANSWER: A

Q.3 Discuss the role and significance of Infrastructure Investment Trusts (InvITs) in facilitating infrastructure development and attracting investment in the Indian infrastructure sector.

Rishabh