According to V K Arora, President, Coal Services, Karam Chand Thapar & Bros (Coal Sales) Ltd, a key factor working in the minds of the industrial units is the expectation that imported coking and thermal coal prices are expected to rise by USD 30-40 per ton in the next 4-5 years.

"If we look at the international scene, China is shutting down a few of the unprofitable mines but that is getting compensated by opening up of new ones in Mongolia. Similarly, large and old Australian mines which are not able to produce at competitive prices are likely to shut down. They may be replaced by newer coal mines which have lower costs and may remain viable. The present FOB prices of Australian coking coal are at $110-115 per ton and these are likely to go up to $145-150 in 5 years' time," Arora told Coal Insights.

Similarly, in Indonesia, many mines producing low grade coal are likely to disappear as the present prices do not justify their continuing production.

Players are coming forward with the express intention of winning a mine since they know that the prices of domestic or indigenously procured coal are almost at par with their imported counterpart.

Arora also feels that industries which are located comparatively closer to the coal blocks have bid aggressively because their transportation costs are going to be very low. "That explains why HINDALCO and BALCO have bid at ₹2,860 and ₹3,025 per ton," he said. For the power plants located in the coastal region, procuring imported coal makes sense. But even then, a quantity of indigenous coal is required for blending to run the plants.

Arora raises a key point when he says for the players it is make-or-break since there is also no commitment from CIL to give supplies to the units linked to cancelled coal blocks.

"Hence to ensure survival, they are making aggressive bets so as to provide fuel security on a longer term," he added.

Said another source: "The high bid prices are also justifiable wherever the quality of coal is very good. Examples are once again Kathautia, Sarishatoli and Ardhagram."

"Those companies which are basing their calculations on imported coal price rising by USD 30-40 per ton in a period of 4-5 years, have done their homework and have thus taken calculated risks. Whether, the risks were justified or not, would depend on how the price of the end product moves in these intervening years. They are also hoping the 'Modi magic' would persist and lead us all to 'acche din' (happy days)," Arora observed.