

## THE YEAR 2013-14 AT A GLANCE

### 1.1 INTRODUCTION

**1.1.1** The Ministry of Coal was under the charge of Shri Sriprakash Jaiswal Minister of Coal and Shri Pratik Prakashbapu Patil, Minister of State in the Ministry of Coal.

**1.1.2** The Ministry of Coal has the overall responsibility of determining policies and strategies in respect of exploration and development of Coal and lignite reserves, sanctioning of important projects of high value and for deciding all related issues. These key functions are exercised through its public sector undertakings, namely Coal India Limited (CIL) and Neyveli Lignite Corporation Limited (NLC) and Singareni Collieries Company Limited (SCCL), a joint sector undertaking of Government of Andhra Pradesh and Government of India with equity capital in the ratio of 51:49.

#### 1.1.3 Coal Reserves In India

The Coal reserves of India up to the depth

of 1200 meters have been estimated by the Geological Survey of India at 301.56 billion tonnes as on 01.04.2014. Coal deposits are chiefly located in Jharkhand, Odisha, Chhattisgarh, West Bengal, Madhya Pradesh, Andhra Pradesh and Maharashtra.

**1.1.4** The Lignite reserves in the country have been estimated at around 43.22 billion tonnes as on 01.04.2013. The major deposits of Lignite reserves are located in the State of Tamil Nadu. Other States where lignite deposits have been located are Rajasthan, Gujarat, Kerala, Jammu and Kashmir and Union Territory of Puducherry.

### 1.2 COAL PRODUCTION

The Coal production in India 2013-14 was 565.64 Million tonnes (Provisional) compared to 556.41 Million tonnes (MT) during the 2012-13 and showed a growth rate of 1.7 per cent. The Company-wise details for Coal production from CIL, SCCL and others are given below:-

(In million Tonnes)

Production of Coal in India -2013-14						
Company	2012-13 Actual	Actual Jan-Mar, 2013*	2013-14 Target	2013-14 Actual	Achieve- ment (%)	Growth (%)
CIL	452.21	143.29	482.00	462.53	95.96	2.3
SCCL	53.19	16.01	54.30	50.47	92.95	-5.1
Captive	34.23	13.93	50.00	38.88	77.76	13.6
Others	16.78		18.25	13.76	75.40	-18.0
<b>Total</b>	<b>556.41</b>	<b>173.23</b>	<b>604.55</b>	<b>565.64</b>	<b>93.56</b>	<b>1.7</b>

\* Note: This Annual Report contains information regarding the activities of the department from the 1st January of the preceding year till 31st March of the year in which the Vote on Account is taken.

### 1.3 COAL DISPATCH

During the period Jan'2013 – Mar'2014  
Raw Coal dispatch from CIL was 600.97

Million Tonnes (Provisional) against 587.50 MT during the same period last year, registering a growth of 2.3 % over corresponding period of previous year.

#### Company wise Raw Coal Dispatch

(in Million Tonnes)

Company	Jan'2013- Mar'2014			Jan'2012-Mar'2013	% growth
	Target	Actual	% achievement	Actual	
CIL	621.10	600.97	97.0	587.50	2.3
SCCL	64.72	66.48	102.7	70.14	(-)5.2

#### Sector wise Raw Coal Dispatch (Provisional) CIL

( in Million tonnes)

Sector	Jan'2013- Mar'2014	Jan'2012- Mar'2013	% growth in Jan'2013-Mar'2014 over Jan'2012-Mar'2013
Steel *	9.80	11.30	-13.2%
Power ( Utility)**	451.86	435.28	3.8%
Power (Captive)	38.20	41.74	-8.5%
Cement	6.84	7.86	-13.0%
Fertilizer	2.85	3.24	-12.1%
Others	91.42	88.09	3.8%
CIL #	600.97	587.50	2.3%

\* includes coking coal feed to washeries, direct feed, blendable to steel plants, coke ovens, private cokeries and NLW Coal to cokeries

\*\* includes non-coking Coal feed to washery and Bina Deshaling Plant for beneficiation

# excludes colliery consumption

#### Sector-wise Raw Coal Dispatch (Provisional)- SCCL

(in Million Tonnes)

Sector	Jan. '2013 to March '2014	Jan. '2012 to March'2013	Growth (%)
Power (utility & CPP)	48.19	53.33	(-)9.6
Steel (Sponge Iron)	0.50	0.87	(-) 42.5
Cement	6.47	6.85	(-)5.5
Fertilizer	-	-	-
Others	7.54	7.56	0.03
<b>Total : SCCL</b>	<b>62.70</b>	<b>68.61</b>	<b>(-)8.6</b>

**Coal Supply:** Actual Raw Coal Supply / Offtake during 2012-13, Supply Plan 2013-14 and Actual Coal supply during 2013-14 till Mar'2014 is given below:

( in Million tonnes)

Source	2011-12	2012-13	2012-13	2012-13 4th	2012-13 4th	2013-14	2013-14
	Actual	( BE)	( Actual)	Qtr (BE)	Qtr (Actual)	( BE)	(Actual)
CIL	433.08	470.00	465.18	129.72	129.95	492.00	471.50

SCCL supplied 62.70 MT of Coal (Jan. '2013 – March '2014) against the target of 67.05 MT. SCCL supplied 68.61 MT of Coal during the corresponding period of previous year.

#### 1.4 LIGNITE PRODUCTION

The Neyveli Lignite Corporation (NLC) is an integrated mining cum Power

Company with open cast lignite mines linked to Thermal Power Stations. During 2013-14, NLC has produced 26.61 MT of lignite and 19988.72 MU of power as against target of 25.20 MT and 18929 MU for lignite and power, respectively as under:

Production of Lignite and Power by NLC						
Item	2012-13 Actual	Actual Jan-Mar, 2013	2013-14 Target	2013-14 Actual	Achievement (%)	Growth (%)
Lignite MT	26.22	7.71	25.20	26.61	105.6	1.5
Power Generation (MU)	19902.34	5577.88	18929	19967.72	105.4	0.3

#### 1.5 ALLOCATION OF COAL BLOCKS

During the period from 1993 to 2011, 218 Coal blocks with geological reserves of about 50 billion tonnes have been allocated to eligible public and private companies under the Coal Mines

(Nationalisation) Act, 1973. Sector-wise no. of Coal blocks allocated to Government/Private and power projects allotted on tariff based competitive bidding / UMPP is given below:

S. No	Sector	To Govt. Companies	To Private Companies	To UMPPs/ Tariff based bidding	Total blocks
		No. of Blocks	No. of Blocks	No. of Blocks	
1.	Power	55	28	12	95
2.	Commercial Mining	41*	-	-	41
3.	Iron & Steel	4	65	-	69
4.	Cement	-	8	-	8
5.	Small & Isolated	-	3	-	3
6.	CTL	-	2	-	2
<b>Total</b>		<b>100</b>	<b>106</b>	<b>12</b>	<b>218</b>

\*Vijay Central coal block allocated to Coal India Limited as leader and SKS Ispat & Power Ltd as associate. Hence taken in Govt category.

Out of the 218 allocated blocks, as on date, 80 Coal blocks stand de-allocated (18 Coal block de-allocated based on the recommendations of the then Review Committee and 62 Coal blocks de-allocated based on the recommendations of the Inter-Ministerial Group now). As such, the net allocated Coal blocks are **138** with geological reserves of about 30.77 billion tonnes.

With the amendment of Mines and Mineral (Development & Regulation) Act, 1957 in the year 2010, Coal blocks can now be allocated only through the process of competitive bidding in accordance with the 'Auction by Competitive Bidding of Coal Mines Rules, 2012' with the exception of allocation to a Govt. Company and to a company awarded a power project on the basis of competitive bids for tariff (including UMPPs).

## 1.6 COAL AND LIGNITE PROJECTS

Projects sanctioned during the year 2013-14 till March 2014 are given as under:

- (i) **CIL:** CIL is a Maharatna Central Public Sector Undertaking (CPSU). During the period April, 2013 - December, 2013, CIL has approved two opencast projects (OC) of SECL namely Chhal- OC for a production capacity of 6.00 MTPA with a capital investment of ₹ 610.63 Crore and Kusbunda-OC Expansion project from 15 to 50 MTPA for a capital investment of ₹ 7612.33 Crore.
- (ii) **NLC:** As a Navratna company, NLC has been delegated with financial powers and greater autonomy in its functioning. Accordingly, NLC Board is empowered to approve the New

Project Proposals as per the guidelines of Government of India. During the year 2013-2014 (i) Work order for setting up of 51 MW wind power project was issued. (ii) The project proposal to restructure Mine-I and Mine-IA was approved by the Board of Directors of NLC.

- (iii) **SCCL:** No project of SCCL was sanctioned by the Government during the period from January, 2013 to March, 2014.

### 1.7 ALLOCATION OF COAL BLOCKS THROUGH COMPETITIVE BIDDING

- (a) The Mines and Minerals (Development and Regulation) Amendment Act, 2010 has been notified in Gazette of India (Extraordinary) on 9th September, 2010 to provide for grant of reconnaissance permit, prospecting licence or mining lease in respect of an area containing Coal and lignite through auction by competitive bidding, on such terms and conditions as may be prescribed. This, would however, not be applicable in the following cases:-

- Where such area is considered for allocation to a Government company or corporation for mining or such other specified

end use;

- Where such area is considered for allocation to a company or corporation that has been awarded a power project on the basis of competitive bids for tariff (including Ultra Mega Power Projects).

The Government has notified the Auction by Competitive Bidding of Coal Mines Rules, 2012 on 2nd February, 2012. Further, the notification on the commencement of the said Amendment Act, 2010 has also been notified by the Ministry of Mines on 13th February, 2012.

The Government has also notified the "Auction by Competitive Bidding of Coal Mines (Amendment) Rules, 2012" on 27th December, 2012 regarding the allocation of Coal blocks to the Government Companies. It contains detailed terms and conditions for selection of Govt. company for allocation on the basis of pre-determined criteria and for utilization of Coal.

- i. The Rule-3 provides for 'Procedure for allocation of area containing Coal through auction by competitive bidding'.
- ii. The Rule-4 provides for 'Procedure for allocation of area containing Coal to Government Companies or Corporation.

- iii. The Rule-5 provides for 'Procedure for allocation of area containing Coal to a company or corporation awarded a power project on the basis of competitive bids for tariff for the purpose of obtaining reconnaissance permit, prospecting licence or mining lease from the State Government company/corporations.

Further, in exercise of the powers conferred by clause (iv) of section 11-A of the MMDR Act, 1957, the Government has notified by specifying production of cement, syn-gas obtained through Coal gasification (underground and surface) and Coal liquefaction to be end-uses for the purpose of the said Act dated 20-2-2014.

- (b) An Inter Ministerial Committee was formed to recommend and advise CMPDIL to prepare the bidding documents/agreement etc. after obtaining necessary professional inputs. Accordingly, Ministry of Coal had engaged M/s CRISIL Infrastructure Advisory through the CMPDI as consultant to suggest methodology for fixing floor price/ reserve price, model tender document and draft agreement to be entered into with the successful bidders. After detailed deliberation and discussions on the report prepared by M/S CRISIL in the Inter-Ministerial Committee as well

as after consulting various stake holders including Ministry of Power, Ministry of Steel, Ministry of Finance etc., the Government approved the bidding methodology, selection criteria and methodology for fixing floor /reserve price for auction of Coal blocks as mentioned below:

**Bidding methodology to be followed:**

- i. **Production linked payment:** Under this method, the bids are invited on the basis of a production linked multiple. The bidder that quotes the highest multiple will become the preferred bidder. The floor price in this case will be a floor multiple that is set prior to the bidding and the bidder is required to quote a multiple above the floor multiple. The same auction methodology would be applicable for explored as well as upgraded regionally explored blocks. A basic upfront payment would be prescribed to ensure that the winning bidder has some minimum commitment to develop the block right from the start. This amount would be kept equal to 10% of the intrinsic value of the Coal block.

- ii. **Criteria of Selection to be followed:**

Rs/tonne bidding [with yearly escalation linked to (Weighted Price Index)] would be the criteria for auction

of both explored blocks as well as regionally explored blocks (where data has been upgraded by CMPDIL).

### **Methodology for fixing Floor/Reserve Price:**

The 'Floor Price' will be set as follows:-

- a. First the intrinsic value of the block is obtained by computing its Net Present Value (NPV), based on Discounted Cash Flow (DCF) approach. Then any discounts to be given are factored in (as fixed by Government) by reducing the NPV accordingly. The final NPV (after discount and after subtracting the basic upfront payment received from the bidder) is then proposed to be annuitized to become equal to a Rs/tonne number.
- b. As far as setting up of reserve price for allotment of blocks to the Government companies is concerned, the reserve price in Rs./tonne would be determined by using the DCF valuation methodology once the detailed exploration has been carried out by the Coal block allocatee. When the mine plan is approved by the Government, the Reserve Rs/tonne multiple can be determined as per the same methods explained above for estimating the Floor Rs/tonne multiple.
- c. For setting the reserve price for Coal

blocks to be allotted for power projects to be selected through the tariff based bidding, the reserve price (Rs./tonne) to be paid per annum may be determined once the detailed exploration has been carried out or the block data has been upgraded by CMPDIL. The Reserve Price multiple may be determined by using the DCF valuation methodology and factoring any discounts that the Government of India may prescribe. The reserve price in such cases should be limited to 10% of the intrinsic value arrived at, to ensure that power generation costs are kept low.

### **1.8 REGULATOR FOR COAL SECTOR**

The Coal Regulatory Authority Bill, 2013 was introduced in the Lok Sabha on 13.12.2013. Since the said Bill of 2013 in the Lok Sabha has lapsed, with the dissolution of the 15th Lok Sabha on 18th May, 2014, proposal for re-introducing the same is under consideration.

### **1.9 STANDING COMMITTEE ON SAFETY IN COAL MINES**

A Standing Committee on Safety in Coal Mines under the Chairmanship of Minister of Coal with representatives from Ministry of Labour (MoL&E), Director General of Mine Safety (DGMS), Dhanbad, Chairman, CIL and

CMDs of CIL subsidiaries, SCCL, NLC, IISCO, DVC, different State Public Sector Companies, Private Sector Coal companies and Central Trade Unions Leaders as members of this Committee is highest national level tripartite safety monitoring committee of India for Coal mines. The committee examines all aspects of safety in Coal mines and takes stock of safety situation for bringing out further improvement. The Committee meets periodically and so far 38 meetings of the Committee have been held.

The 38th meeting of the Standing Committee on Safety in Coal Mines was held on 28.1.2014 at New Delhi. The Committee reviewed the Action Taken Report on the recommendations of earlier meeting and discussed the Action Plan to prevent recurrence of accidents and different safety related issues for improving the safety standard and occupational health services in Coal mines.

The major recommendations were:

1. The standing committee recommended that security coverage of explosive magazines should be strengthened further.
2. The standing committee recommended that adequate steps should be taken for improvement in occupational health

services infrastructure for contractual workers in all Coal producing companies.

3. The standing committee recommended that all necessary steps must be taken by Coal companies to fill up the shortages in statutory manpower for providing adequate safety supervision.
4. The standing committee recommended that strata control cells established in different subsidiaries of CIL have to be strengthened further.
5. The standing committee recommended that expenditure on safety should be monitored regularly on priority for better utilization of allocated funds.
6. The standing committee recommends that issue related to invitation of all captive Coal mine companies in the standing committee needs to be examined.

#### **1.10 GUIDELINES FOR MINE CLOSURE**

With a view to restore mined out areas to the primary level to the extent possible, it has been decided to make it mandatory to prepare mine closure plans for which Ministry of Coal has issued guidelines for adoption by Coal mine owners. This would help in addressing environmental issues related to Coal mining.

### 1.11 PERFORMANCE EVALUATION AND MONITORING SYSTEM (PEMS)

Action for implementation of the system for monitoring and evaluation of performance was initiated in the year 2009-10 in the Ministry of Coal under the aegis of Cabinet Secretariat. During 2013-14, the performance of the Ministry was evaluated for the 2012-13, on the basis of the Results Framework Document (RFD) 2012-13 and the RFD of the Ministry of Coal for 2013-14 was submitted to the Cabinet Secretariat with main objectives of achievement of annual action plan targets for Coal production and Coal off-take by CIL, lignite production and power generation by NLC, to ensure adequate supply of Coal to the regulated power utilities, development and production from captive Coal blocks, thrust on exploration of resources, increase in Coal washing capacities, improvement in safety conditions in mines, development of rail and road infrastructure in Coalfield areas and other policy issues.

### 1.12 CONSULTATIVE COMMITTEE

Consultative Committee for the

Ministry of Coal was constituted in 2008-09 under the Chairmanship of Minister of Coal consisting of 23 Members of Lok Sabha and 6 Members of Rajya Sabha. The Committee had 3 meetings during the period to discuss the issues related to Resettlement and Rehabilitation policy of Coal India Limited, Environmental and Forestry clearance in Coal Sector and enhancing Coal Production.

### 1.13 CENTRAL COORDINATION COMMITTEE (CCC)

With a view to achieve effective coordination at the policy level a "Central Coordination Committee" was constituted on 29/10/2013. The Committee comprised of Secretary (Coal) as Chairman with Principal Secretaries of Coal producing States representatives of various Ministries and Industry associations like CII, FICCI & FIMI and senior officers of Ministry of Coal as its members. The first Meeting of Central Coordination Committee was held on 7th January, 2014. Various issues including Coal exploration, de-allocation of Coal blocks, implementation of captive Coal blocks & the problem of evacuation were discussed.