

COAL PRODUCTION, MARKETING & DISTRIBUTION

7.1 COAL PRODUCTION

7.1.1 Coal India Ltd. and its subsidiaries are the major producer of coal. 291.24 Million Tonnes of coal was produced by Coal India Ltd. and its subsidiary companies during April 2011 to December 2011 as against the production of 299.45 Million Tonnes during the same period for the year 2010-11 showing a growth of -2.7%.

7.1.2 Singareni Collieries Company Limited is the main coal producer in southern India. SCCL has produced 50.007 MT during the period from April 2011 till 19.03.2012 as against 49.219 MT during the corresponding period last year.

7.2 COAL DISTRIBUTION AND MARKETING

The Marketing Division of CIL coordinates marketing activities for all its subsidiaries. CIL has set up Regional Sales Offices and Sub-Sales Offices at selected places in the country to the needs of the consuming sectors in various regions.

7.3 LINKAGE COMMITTEES

7.3.1 Prior to introduction of New Coal Distribution Policy (NCDP), two types of Linkage Committees used to function for deciding the long term and short term availability of coal and distribution to the consumers belonging to Cement, Power and Steel including sponge iron units .

- (i) Standing Linkage Committee (Long-Term)
- (ii) Standing Linkage Committee (Short-Term)

7.3.2 However with the introduction of NCDP and FSA regime in replacement of linkage system. Standing Linkage Committee (Short-term), which used to allocate coal to consumers of Power and Cement Sector on quarterly basis taking into account coal production and logistic involved therein, is no longer making any allocation.

7.3.3 SLC (L-T), for Power Utilities including CPPs & IPPs, Cement and Sponge iron considers requirement of coal at planning stage and links the requirement in long term perspective from a rational source after examining factors like quality and quantity required, time frame, location of consuming plants, transport logistics, development plan for coal mine etc.

7.3.4 The Long-Term Linkage Committee is presently being Chaired by Additional Secretary, Ministry of Coal and has representatives from Ministry of Power, Ministry of Steel, Ministry of Commerce & Industry, Ministry of Railways, Department of Shipping, Central Electricity Authority, Coal India Limited, CMPDIL and Singareni Colliery Company Limited (SCCL).

7.3.5 New Coal Distribution Policy has introduced the concept of “Letter of Assurance” (LoA), which provides for assured supply of coal to developers, provided they meet stipulated milestones. Once the milestones as stipulated in the LoA are met by the developers, LoA holders are entitled to enter into Fuel Supply Agreements (FSAs) with the coal companies for long-term supply of coal. The quantity of coal to be supplied along with other commercial terms and conditions are covered in the FSA itself.

7.3.6 During the year 2011-12, the No SLC (LT) meeting took place for issuance of Letter of Assurances.

7.4 ALLOCATION OF COAL TO POWER, CEMENT AND STEEL PLANTS

7.4.1 The allocation of coking coal to Steel plants was earlier made by the Coal Controller. However, after deregulation of

coking coal, the supplies of coking coal are being made by the coal companies themselves on the basis of linkages established by the SLC (L-T) or on the basis of their existing commitments.

7.4.2 During the year 2011-12 till December 2011, CIL supplied the following quantities of coal to various consumers:

(in Million Tonnes)

Sector	Targeted Off take	Actual Off take	Supply % against Target
Steel*	6.79	5.76	84.8%
Power (Utilities) **	237.58	221.77	93.3%
Captive Power #	31.41	27.58	87.8%
Cement	5.51	5.34	96.9%
Sponge Iron	9.91	8.77	88.5%
Others	36.97	40.82	110.4%
Colly Cons	0.46	0.36	78.2%
Total	328.63	310.40	94.5%

* includes coking coal feed to washeries, direct feed, blendable to steel plants, coke ovens, private cookeries and NLW coal to cookeries.

** Includes coking and non coking coal feed to washery and Bina Deshaling plant for beneficiation.

includes Fertilizer sector.



Open-cast mining machine, In-Pit Coal Crusher loading coal on conveyer belt, in open-cast coal mine

Sector-wise coal off-take from SCCL during the year 2011-12 (from April '11 to December'11) and anticipated for the

remaining period (Jan. 2012 to March 2012) are as below:

(in Million Tonnes)

Sector	April '11 to Dec.'11	April '10 to Dec.'10	Growth (%)	Jan.2012 to March 2012	Total anticipated
Power (utility & CPP)	27.52	26.13	5.3	11.75	39.27
Steel(Sponge Iron)	0.75	1.21	- 38.0	0.28	1.03
Cement	3.75	5.03	- 25.4	1.48	5.23
Fertilizer					
Others	4.04	3.79	6.6	1.43	5.47
Colly. Cons.	0.08	0.07	14.3	0.03	0.11
Total	36.14	36.23	-0.2	14.97	51.11

7.5 POWER HOUSES

Off-take of coal by thermal power stations during the year 2011-12 (April-Dec) from CIL was 221.77 million tones registering 93.0% materialization in target. Compared to same period last year, dispatch has also been up by 0.57 million tonnes which in terms of % comes to 0.3. %

The actual Off-take of coal by thermal power stations during the year 2011-12 (April '11 –December '11) from SCCL is 27. 52 MT as against 26.13 MT during the same period in 2010-11. The estimated Off-take of coal by thermal power stations during the year 2011-12 from SCCL will be around 39.27 MT.

7.6 CEMENT PLANTS

The dispatch to cement plants including their captive power plants, from CIL during 2011-12 (April-Dec) was 7.73 million tones as against 7.75 million tonnes during the same period last year.

The actual dispatch to Cement plants from SCCL during the year 2011-12 (April '11

–December '11) is 3.75 MT as against 5.03 MT during the same period in 2010-11..The Estimated despatch of coal to Cement plants from SCCL during 2011-12 is 5.23 MT.

7.7 MODES OF TRANSPORT

Important modes of transport of coal and coal product in CIL are Railways, Road, Merry-Go-Round Systems (MGR), Conveyor Belts and the Multi Modal Rail-cum-Sea Route. The share of these modes of transport in the total movement of coal and coal product during the current fiscal (Apr 10 - Dec10) has been approximately as under :

Sl. No	Modes of Transport	Share %
1	Railways (including Rail-cum-Sea)	52.5
2	Road	26.7
3	MGR	18.1
4	Belt – Conveyors/ Ropeways	2.7



Railway wagons loaded with coal from coal handling plant proceeds for thermal power station

Important modes of transport in SCCL are Railways, Road, Merry-Go-Round Systems (MGR), Rope way. The share of these modes of transport in the total movement of coal during the said period is approximately as under:

Sl.No.	Mode	Share (%)
1	Railways (including RCR)	59.60
2	Road	20.32
3	MGR	19.45
4	Rope	0.63

7.8 PROGRES IS MADE UNDER NEW COAL DISTRIBUTION POLICY (NCDP)

7.8.1 Prior to introduction of New Coal Distribution Policy in October, 2007, the consumers were broadly classified in two categories, Core and Non Core Sector. The basis for earlier classifying consumers was solely based on their role in economic development. However, the erstwhile classification of the consumers

under New Coal Distribution Policy has been dispensed with. The policy was formulated in view of the direction of the Apex Court and came in force w.e.f. 18.10.2007.

7.8.2 Under this policy each sector / consumers have been treated on merit, keeping in view the regulatory provisions applicable thereto.

7.8.3 Earlier Standing Linkage Committee (Long Term) inter alia, granted long-term coal linkage to power utilities, IPP, CPP and Cement Units with firm commitment of the coal quantity and the identified sources of coal supplies. However, it was observed that many of the power projects, which were granted long-term coal linkage, did not come up as planned resulting in preemption coal linkage. Therefore, under New Coal distribution Policy it was decided to introduce the concept of “Letter of Assurance” (LoA), which provides for assured supply of coal to developers, provided they meet stipulated milestones. Once the milestones as stipulated in the LoA are met by the LoA holders, they are entitled to enter into

Fuel Supply Agreements (FSA) for long-term supply of coal.

7.8.4 Progress made by CIL in implementing the provisions of NCDP 2007 is summarized below :

Coal India Limited :

(a) Classification of consumers into core and non-core sector has been dispensed with

(b) Linkage system has been replaced with Fuel Supply Agreement (FSA) and accordingly out of 1223 existing valid linked consumers, 1188 consumers have executed FSA with the coal companies in categories other than Power Utilities. Sector-wise position of FSA under NCDP as on 31.12.11 is given below :

Old existing consumers (other than Power Utilities)	No of Linked consumers	No of FSA signed
CPP	142	141
Sponge Iron	246	240
Cement	46	46
Paper	45	45
Aluminum	4	3
Briquette	66	66
SSF	83	83
Cokeries	149	148
Others *	442	416
Total CIL	1223	1188

* Others exclude power utility

c) Out of 133 FSAs to be executed with existing power stations, 127 FSAs have been executed. Further 22 units have executed MOUs and drawing coal

d) Coal supplied through MoU to 30 Power Utilities (including IPPs) who are yet to execute FSA in the applicable model.

e) Out of SLC(LT) recommendations for issuance of LoA, upto December, 2011 a total of 694 new consumers in power, sponge iron and CPPs and cement sector were served notices to deposit Commitment Guarantee (CG) for issuance of LoA by the coal company. Out of which

589 units have been issued LoA for completion of necessary milestones, 298 units completed milestones and executed FSA, other LoA are at various stage of completion.

f) For supply of coal to SME sector, 8 million tonne has been earmarked by CIL for allocation to agencies nominated by the State Govts / UTs. So far 18 States / UTs have sent their nomination of 27 state agencies for the year 2011-12 of which 18 state agencies have signed FSA for 3.94 million tonne and drawing coal accordingly

g) In view of the fact that NCDP has already been vogue for a period

of more than four years, certain issues involved in implementing the policy called for a review. A meeting was convened by the MoC in June 2011 to review the NCDP and also invited the stake holders to express their views,. After detailed deliberation MoC had take note of the points raised by CIL as well as the stakeholders for further consideration.

Singareni Collieries Company Limited (SCCL) :

(a) Sector Wise Position of FSA under NCDP (upto 31-12-2011) SCCL :

Sector	No. of linked consumers	No. of FSAs signed
Power (Major)	4	3
CPP	31	31
Sponge Iron	58	58
Cement	57	57
Others	225	225

(b) SCCL has issued LOAs for 27 No. of Units recommended by SLC (LT).

- LOAs converted into FSAs with Cement units – 9 Nos.
- LOAs converted into FSAs with Captive Power Plants – 13 Nos.
- Conversion into FSAs under progress – 1 Nos.
- Units not willing for issue of LOA under cost plus – 4 Nos.

7.9 DISTRIBUTION OF COAL TO SMALL & MEDIUM CONSUMERS

7.9.1 The New Coal Distribution Policy also specifically addresses the issue of supply

of coal to consumers in small and medium sector since the classification of the consumers as core and non core sector has been dispensed with under the New Coal Distribution Policy.

7.9.2 Under this policy, the State Governments are required to work out genuine requirement of such units in small and medium sector like smokeless fuel, brick kilns, coke oven units etc in a transparent and scientific way and distribute coal to them accordingly. The State Governments may take appropriate steps to evaluate the genuine consumption and monitor use of coal. The cap has also been enhanced to 4200 tonnes per annum from 500 tonnes for the targeted consumers under this category. In order to meet the enhanced cap fixed for such consumers, the quantity earmarked for distribution by state nominated agencies has been kept at 8 mill tonne of coal annually. The quantity would be allocated for distribution to those units/ consumers in small and medium sector across the country whose requirement is less than 4200 tonne per annum, and are otherwise not having any access to purchase coal or conclude Fuel Supply Agreement (FSA) with coal companies

7.9.3 The earmarked quantity would be distributed through agencies notified by the state governments. These agencies could be State Govt. Agencies / Central Govt. Agencies (National Co-operative consumers Federation (NCCF)/National Small Industries Corporation (NSIC) etc) or industries association, as the State Govt. may deem appropriate. The agency so notified. would be required to enter into FSA with coal company. The agency

so notified will continue to distribute coal until the State Govt. decides to de-notify it.

7.9.4. The FSA would be based on firm commitment and compensation for default in performance on either side. The State Government/Central Govt. agencies would be free to devise their own distribution mechanism. However the said mechanism should inspire public confidence and should result in distribution of coal in a transparent manner.

7.9.5 The price charged to such agencies would be the notified price as applicable to

other consumers entering into FSA. The agency would be entitled to charge actual freight and upto 5% margin as service charge, over and above the basic price charged by the coal company, from their consumers.

7.9.6 So far 18 states / Uts have nominated their agencies during the year 2011-12 for distribution of coal to small scale industries. 28 state agencies have been nominated of which 18 state agencies have signed FSA for a quantity of 3.94 mill tonne

7.10 FSA WITH STATE AGENCIES UNDER NCDP AS ON 31.12.10

1	No of States / UTs	35
2	Quantity earmarked (lakh tone)	80.00
3	No of States who nominated agencies for 09-10	18
4	Qty allocated to states/ nominated agencies (lakh tone)	52.87
5	No of states drawing coal under FSA so far	14
6	ACQ covered under FSA (lakh tone)	39.41

7.11 E-AUCTION OF COAL

7.11.1 E-auction of Coal in CIL: New Coal Distribution Policy (NCDP) issued by GOI on 18.10.07 paved way for launching of a fresh scheme for sale of coal through E-auction. E-auction are of two types - Spot E-auction and Forward E-auction. Spot E-auction is almost similar to the old E-auction scheme introduced earlier prior to NCDP, where a intending buyer can participate in auction. In case of Forward E-auction, only end-users/ actual consumers are eligible to participate and have assured supply over a long period of one year. Each forward E-auction shall be for a period of 12 months consisting

of 4 following quarters of 3 months each. Consumers will have the flexibility to bid for any one quarter or for up to all the four quarters in one go. Bidders/ consumers are to make bid at or above reserve price. While Spot E-auction has been in operation since Nov' 07, Forward E-auction commenced from Aug 09. Forward E-auction could not be started earlier due to difficulties in implementing certain terms and conditions incorporated in the scheme which were subsequently resolved. Around 10% of estimated annual production of CIL would be offered under e-auction .Performance of E-auction after implementation of NCDP is given as under:

Coal India Limited

	Spot E-auction					Forward E-auction
	Apr08-Mar09	Apr09-Mar'10	Apr'10-Dec'10	Apr11-Dec'11	Apr'10-Dec'10	Apr11-Dec'11
No of Bidders	73248	78155	51817	55638	211	297
No of Successful bidders	43428	40848	31637	32147	166	216
Total Qty offered (L.Tonnes)	919.575	541.392	377.36	390.37	241.74	91.01
Total Qty allocated (L.Tonnes)	488.744	457.321	323.64	335.11	43.35	55.45
Notified Price of Total Allocated Qty (in ₹Cr.)	4577.918	4528.956	3373.25	5360.88	361.21	683.99
Bid Price of Total Allocated Qty (in ₹ Cr.)	7237.114	7238.48	6106.34	9335.31	752.38	1289.87
% increase over Notified Price	58.1	59.8	81.0	74.1	108.3	88.58

Company wise Spot E-auction during April 2011-December, 2011

(Fig in lac tonnes)

Company	Offer Qty	Allocation Qty	% increase on notified price
ECL	46.07	31.06	38.3
BCCL	36.49	27.05	114.9
CCL	38.12	34.18	74.6
NCL	10.47	8.98	58.3
WCL	48.86	45.47	67.5
SECL	97.66	86.76	96.1
MCL	109.45	100.06	82.9
NEC	3.26	1.57	31.5
CIL	390.37	335.13	74.1

7.11.2 E-auction of Coal in SCCL:

SCCL has started spot E-auction of coal in December, 2007. The details of coal sold

by SCCL through spot E-auction during the period from April,'11 to Dec,'11 are as follows:

Company	Offered Quantity	Sold Quantity	% increase on notified price
SCCL	1745000 T	1713324 T	113

7.12 IMPORT OF COAL

7.12.1 As per the present Import Policy, coal can be freely imported (under Open General Licence) by the consumers themselves considering their needs and exercising their own commercial prudence

7.12.2. Coking coal is being imported by Steel Authority of India Limited (SAIL) and other Steel sector manufacturing units mainly to bridge the gap between the

requirement and indigenous availability and to improve the quality. Coal based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and coal traders import non-coking coal. Coke is imported mainly by Pig-Iron manufacturers and Iron & Steel Sector consumers using mini-blast furnace

(in Million Tonnes)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Coking Coal	16.93	16.89	17.88	22.03	21.08	24.69	19.48
Non Coking Coal	12.03	21.70	25.20	27.76	37.92	48.57	49.43
Coke	2.84	2.62	4.69	4.25	1.88	2.36	1.49
Total Import	31.80	41.21	47.77	54.04	60.88	75.62	70.4

7.12.3 Currently while import duty on coking coal is nil, import duty on non coking coal and Coke is 5%.

7.13 COAL CONSUMER COUNCIL

Regional coal consumers' councils have been set up in each coal company for monitoring and redressing consumers' grievances/complaints. Moreover, National Coal Consumer Council set up at CIL (HQ) acts as the apex body in such matters. In case reply on complaints is not received within one month or the complainant is not satisfied with reply provided by the coal company, the matter may be referred to National Coal Consumer Council. These councils were

reconstituted during 2010-11 with induction of may new members. A meeting of National Coal Consumers Council was held on 29th July, 2011 at CIL Kolkata besides the nominated council members representatives from Fertilizer and Cement Sector also attended the meeting.

CIL, in order to effectively address consumers grievances has introduced on-line grievances redressal mechanism that provides access to all buyers for lodging complaints/grievance through CIL websites. Guidelines for lodging complaints/applicable form as well as status report of grievances etc. are also available for convenience of the buyer.