V M V V SANGHA'S

V M K S R VASTRAD ARTS SCIENCE AND V S BELLIHAL COMMERCE COLLEGE HUNGUND

Project report entitled

" A PROJECT REPORT ON COAL INDIA LIMITED "

UNDER GRADUATION OF BACHELOR OF COMMERCE

Submitted by

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B.Com-II Semester
Register Number U15IY22C0009

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DECLARATION

I declare that this project report entitled **"A PROJECT REPORT ON COAL INDIA LIMITED"** independent project carried out by me in partial fulfilment of the the requirements for the award of the degree of Bachelor of Commerce by the **Rani Channamma University.** The project report has been prepared under the guidance of **.Mr. SHREESHAIL BOMMASAGAR** Co-ordinator Department of in Commerce, **Rani Channamma University, V M K S R VASTRAD ARTS SCIENCE & VS BELLIHAL COMMERCE COLLEGE HUNGUND.**

I have not submitted his project previouslyto this universityor any other university for the award of any degree.

S. M. Ambiger.

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Place :HUNGUND

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CERTIFICATE

This is to certify that **Miss. Shilpa M Ambiger** is a bonafide student of the Department of Commerce, bearing REG NO : U15IY22C0009 during the academic year 2022-23 has satisfactorily completed the project work entitled **"A PROJECT REPORT ON COAL INDIA LIMITED"** submitted in partial fulfillment of the requirements for the award of the Degree of Commerce by **RANI CHANNAMMA UNIVERSITY** under guidance and supervision by **Mr. SHREESHAIL BOMMASAGAR**And **Prof. B A KANTHI** Head of theDepartment in Commerce.

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COAL INDIA LIMITED

MINISTRY OF COAL

COMMITTEE ON PUBLIC UNDERTAKINGS 1991-92

TENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

CHAPTER-I

ORGANISATIONAL SET UP

Historical Background

Nationalisation of the coal industry was done in two successive spells. First in October, 1971 the management of 241 coking coal mines in Bihar and West Bengal were taken over and subsequently nationalised and grouped under a new public sector company namely Bharat Coking Coal Limited in May 1972. Next in January 1973, 711 non-coking coal mines in the States of West Bengal, Bihar, Maharashtra, Madhya Pradesh, Orissa and Assam were taken over and later nationalised. Of these 184 mines in the Jharia Coalfields were transferred to BCCL for convenience of administration. The remaining mines were vested in a new public sector company namely the Coal Mines Authority Limited (CMAL) which came into being in June, 1973.

A. Formation of Holding Company

1.2 In November, 1975 Coal India Limited (CIL) was formed as a holding company, BCCL became one of its subsidiaries and the other coal mines belonging to CMAL and National Coal Development Corporation (NCDC) were grouped into 3 subsidiaries *viz. Eastern* Coalfields Limited (ECL), Central Coalfields Limited (CCL) and Western Coalfields Limited (WCL). At the same time, the Central Mine Planning and Design Institute Limited (CMPDIL) was formed as one of the subsidiaries. The Chairman of the holding company was made the Chairman of subsidiary companies also. Subsequently certain structural changes were made in 1977 whereby it was decided to place each subsidiary company under the charge of a Chairman-cum-Managing Director, Singareni Collieries Company Ltd. continued its separate existence.

1.3 In November, 1985, 2 more subsidiaries were carved out of Central Coalfields Limited and Western Coalfields Limited. At present Coal India Limited is Holding Company for the following seven subsidiary Companies:—

1. Eastern Coalfields Limited.
2. Bharat Coking Coal Limited.
3. Central Coalfields Limited.
4. Northern Coalfields Limited.
5. Western Coalfields Limited.
6. South Eastern Coalfields Limited.
7. Central Mine Planning & Design Institute Limited.

1.4 CIL has also submitted a proposal to the Government for formation of an another subsidiary company comprising of areas of Talcher, Ib Valley and Mand-Raigarh Coalfields. These areas at present fall within South Eastern Coalfields Limited. During the course of examination of CIL, the Committee wanted to know the basis for earmarking areas for different subsidiaries as well as creation of new subsidiaries. CIL replied in a written note as follows:—

"The organisational structure of Coal India's subsidiary is that the company is divided into a number of Areas and each Area consists of a number of collieries which are the cost / profit centres of the subsidiary. The size of an Area in any subsidiary of Coal India is determined by a consideration of various factors such as production / production potential, gross block, annual turnover, manpower, geographical dispersion, technological complexity, future investment programme, land acquisition and projects to be implemented. The same factors are considered for extension and bifurcation of an Area.

These factors, again, are integrated to consider the formation of a subsidiary company. Large production potential programme, wide geographical dispersion, vast working capital and investment programme, technological complexity to a large extent necessitate the formation of a subsidiary company for better control."

1.5 As regards the basis for proposal for the formation of a new subsidiary company comprising of areas of Talcher, Ib Valley and Mand-Raigarh Coalfields, CIL stated in a note as follows:—

"SECL today is managing two of the fastest growing coalfields *viz.* Talcher and Ib Valley Coalfields. Over 1994-95 out of CIL's share of production of 256.90 MT SECL's contribution is the highest (70.70 MT)—the order being SECL: 70.70 MT, CCL 44.50 MT, NCL: 41.00MT, ECL: 39.00 MT, BCCL 33.00 MT and WCL: 27.80 MT. OF SECL's share of 70.70 MT, Orissa coalfields alone will contribute almost of the level of WCL."

1.6 During the course of examination of Department of Coal, the Committee wanted to know the latest position about formation of the new subsidiary company. Department of Coal stated in a written note that the proposal to form a new coal company comprising of Talcher and Ib Valley Coalfields in Orissa and Mand-Raigarh Coalfields in Madhya Pradesh with headquarters in Orissa, was under consideration of the Government.

B. Role and functions of CIL vis-a-vis *its subsidiaries*

1.7 Coal India Limited in functioning as a holding Company for seven subsidiary companies under the Ministry of Energy (Department of Coal). Like CIL, all the subsidiary companies are having regular Chairman-cum-Managing Directors. As regards the role and functions of CIL *vis-a-vis* its subsidiaries, CIL stated in a written note as follows:—

> "CIL—the Holding Company, is the apex body and its primary responsibilities are policies, strategic planning including choice of technology, target setting and monitoring, co-ordination with and among the subsidiaries, monitoring of performance and liaison with Govt. / Central Agencies. In addition, CIL has the following executive responsibilities:—
>
> i. Negotiation for foreign collaboration.
> ii. Mines in North Eastern Coalfields.
> iii. Dankuni Coal Complex.
> iv. Coal Stock Yards.
> v. Bulk procurement of high value items and imports.
> vi. Recruitment of executives.
>
> The subsidiary companies are responsible for all operational matters, commissioning and execution of new as well as on-going projects, man management, production, consumer satisfaction etc. In addition subsidiary companies perform related functions, such as, maintaining liaison with concerned State Governments, acquisition of land, execution of welfare programmes, maintenance of safety standards, betterment of industrial relations etc.
>
> CMPDIL, the Planning Subsidiary is engaged principally in providing the planning support to all producing subsidiaries of CIL. It undertakes mineral exploration, planning and designing of coal and coal beneficiation projects, coal utilisation projects, environmental management plans and assist in the transfer of foreign technology for assimilation in Indian conditions. It acts as the nodal agency for Research and Development work in all fields related to coal production, utilisation beneficiation, environments etc."

1.8 In response to the recommendations of the Committee on Public Undertakings made in their 17th Report (1980-81) to the effect that holding company should be given more powers, the Department of Coal in their action taken replies had stated (November, 1981) as follows:—

> "The restructuring of Coal India Ltd. and its subsidiaries is under active consideration of Government and the Committee's observations are being given due consideration."

1.9 During evidence the Committee wanted to know as to whether there had been any major restructuring of CIL as was reported to be under active consideration of the Government in November, 1981. Chairman, CIL stated as follows:—

> "The Government had decided that the concept of this holding company for managing the coal sector will continue with the coal industry and there has not been any change in the thinking of the Government. The Coal India is functioning as the holding company with subsidiary companies for controlling the day-to-day production, planning, operations in coal mines etc. The holding company's structure of course has been strengthened by the appointment of full-time directors, the Director (Finance), the Director (Personnel), the Director (Technical), etc. Apart from the three Directors, we have also gone to divisions including corporate planning, project management and new technology etc."

1.10 Asked as to whether the present role and functions of CIL were adequate to monitor and control the functioning of its subsidiaries, the Chairman, CIL said:—

> "The present role and functions of CIL in our opinion are adequate to monitor and control the fuctioning of the subsidiary companies."

He, however, added that for better coordination, it would be preferable if the Chairman of CIL was the Chairman of subsidiary companies also.

1.11 The Committee further wanted to know about the impact and usefulness of holding company, Chairman, CIL stated as follows:—

> "From the management angle, the holding company—it is my considered opinion—has been successful and it has contributed to the common service functions, like in the field of exploration, planning, technology, etc. We have about 18000 executives, successfully we have brought them together. The human resource development is again a field in which the holding company could contribute a lot. Wage negotiations are another factor which applies to the entire coal sector of the country. We have already concluded four major wage negotiations. The holding company has a coordinating role and functions. Therefore, in my considered opinion, the holding company had contributed. The other point is on the marketing side. We need different types of coal to meet the requirements of different consumers on which individual companies could not be coordinated. Marketing is coordinated centrally and effectively."

1.12 In regard to future set up of coal companies, CIL stated in a written note as follows:—

> "Coal India, a fast expanding Holding Company whose production from the present level of about 190 million tonnes, is

expected to go up to nearly 400 million tonnes by the turn of the century, i.e. within 10 years time may need restructuring."

1.13 On being asked by the Committee as to whether CIL had sbumitted any concrete proposal to the Government for its restructuring, Chairman, CIL replied:—

"This has been under discussion."

1.14 When asked to elaborate it further, the witness stated:—

"We shall have number of units or subsidiary companies or divisions with maximum authority for functioning on a day to day basis so far as production is concerned."

1.15 Subsequently, in a post evidence note CIL submitted as follows:—

"The present concept of Holding Company with so many subsidiaries is also contributing to practical problems and to have 13 to 14 Subsidiary Companies under the umbrella of a single Holding Company by the end of the century will mean greater and avoidable problems. Because of the structure of Coal India as a Hodling Company and various subsidiaries any reorganisation also becomes difficult as transfer of mines/ facilities from one company to another requires the approval of the Company Law Board involving a tortuous process and is a serious impediment to rationalisation work as and when circumstances demand.

Secondly, the profitability of Coal India according to Company Law is only the profitability of Dankuni Coal Complex, North Eastern Coalfield and the Stockyards directly administer by the Marketing Division of Coal India.

Thirdly, Coal India is now going to the Capital Market to raise funds for investment. The Holding Company form as at present envisaged does not lend itself to the presentation of a clear picture since the Annual performance of Coal India does not reflect the totality of performance of Coal India and subsidiaries.

Fourthly, for each issue of Bonds, CIL is equired to create a charge as fixed assets. Since CIL's assets are not adequate, charge has to be created on the subsidiaries' assets and legal opinion is that this cannot be done without authorisation by the subsidiary Board and the Central Government—a wholly anomalous and avoidable situtation.

Fifthly, all capital investment is routed through Coal India and Coal India holds 100% share of the Subsidiaries. The Government of India does not hold even a single share. The result is that at present Coal India's balance-sheet indicates a very large share Capital and loan which as on 31st March, 1990 stood at Rs. 5223.86 crores and Rs. 3744.60 crores, respectivley. The value of sales has been only Rs. 111.65 crores. This anomalous situation will be difficult to understand for an outsider and this will have be corrected as this creates avoidable doubts.

Sixthly, because of the present structure of Coal India and its Subsidiaries senior Executives of various disciplines like Mining, Finance, Personnel, etc. are all in various subsidiaries occupying posts of Directors on the Subsidiary Boards, their appointment being made by the President of India. The result is that a large corporate entity like Coal India does not have the option to take its senior-most executives below the board level for posting in Coal India for grooming them to succeed either the Functional Directors in CIL or CMD/MD of Subsidiaries. This handicap requires to be removed.

All the above handicaps could be done away with if only the present structure of CIL as a Holding Company with so many Subsidiaries is changed by creating a unitary company by abolition of the subsidiaries. The Subsidiaries will then have only a Managing Director and a Local Committee of Management on which the existing Functional Directors will be members as Executive Directors. Their jurisdiction would be the same as now. This would not in any way whittle down the powers of the Managing Directors and if necessary more power can also be given."

1.16 During the course of examination of the Department of Coal the Committee pointed out that restructuring of CIL was under active consideration of the Government as back as in Nov. 1981 and enquired as to whether the Govt. ever assessed/examined the role and functions of CIL *vis-a-vis* its subsidiaries an why no final decision could be taken in the matter so far. In reply, the Department of Coal brought out in a written note that the matter regarding restructuring of CIL had been considered by a number of Committees in the past as detailed below:—

1. Holding Company concept was introduced with the establishment of Coal India Limited on 27th September, 1975. Chairman, CIL was also appointed as Chairman of the subsidiary companies. This arrangement was reviewed in July, 1977 and the Managing Director of each of the subsidiary companies was redesignated as Chairman-cum-Managing Director of the company. In the revised set-up, the objective was to make each subsidiary company operationally and administratively effective.
2. In 1980, Government appointed Fazal Committee to look into the physical as well as financial performance of PSUs and to suggest appropriate remedies for improving production and generation of

internal resources. With reference to the Holding Company Concept, the Fazal Committee had favoured winding up of CIL and had suggested that the subsidiary companies be reorganised to operate as independent companies. This particular recommendation of the Fazal Committee was not accepted by the Government.

In November, 1986, the Department of Coal appointed the Administrative Staff College of India, Hyderabad to undertake a study to review the following:—

(a) The existing role and responsibilities of the holding company, CIL and its subsidiaries;

(b) the nature of interface and overlaps between the CIL, its subsidiaries, and the Department of Coal;

(c) the specific problems, mainly related to the aspects of organisational structure, which may be counter productive to the efficient functioning of the coal sector; and

(d) based on the above review to suggest the emerging forms of organisation of coal sector, which may be more viable and meaningful in dealing with the present problems and future challenges.

In addition to the study made by the Administrative Staff College of India, two independent Committees *viz.* Chari Committee for ECL and Banerjee Committee for BCCL had gone into the working of ECL and BCCL in depth.

4. Based on the reports of various committees, the Department of Coal in 1987 had circulated a note for discussions in the Committee of Secretaries (COS). This note was considered by COS on April 14, 1987 and the Committee had made the following main observations:—

(i) The present operational method of CIL is not growth-oriented particularly considering the vast size of its operations;

(ii) There was no adequate emphasis on accountability; and

(iii) There is a need to have an overall management in coal and as such constant inter-action with the subsidiaries is an essential pre-requisite for an ideal set-up. A centralised monolithic organisation with extended span of control may not also be an appropriate structure of CIL etc.

Subsequently, another note incorporating the observations of COS was circulated by the Department of Coal in May, 1987 which was discussed in COS's meeting held on 12th January, 1988 and it was decided that the Department of Coal should bring a fresh note taking into the account the observations of the Committee.

5. During 1988, another study was commissioned by the Advisory

CHAPTER-II

OBJECTIVES AND OBLIGATIONS

A. Objectives and Annual Action Plan

2.1 In November, 1970, the Government of India accepted the recommendation of the Administrative Reforms Commission that the Government in consultation with the Public Undertakings should make a comprehensive and clear statement of objectives and obligations. Subsequently in 1979 the Bureau of Public Enterprises (BPE) issued instructions to all Ministries to advise the Public Undertakings under their administrative control to frame their micro objectives consistent with the broad objectives spelt out in Government Industrial Policy Statement of 1977. As per these guidelines, micro-objectives should *inter-alia* lay down the broad principles for determining the precise financial and economic obligations of the public enterprises in matters such as creation of various reserves, responsibility of self-financing, the anticipated returns on the capital employed and the basis for working out national wage and pricing policies. As per the clarification of the BPE in 1983, these micro-objectives are required to be specifically approved by the Administrative Ministry.

2.2 The objectives of CIL were framed in 1976 and laid in parliament in 1977. While examining the working of Eastern Coalfields Ltd. the Committee on Public Undertakings in their 25th Report (1986-87) and 43rd Report (1987-88) had noted that the objectives of CIL laid in Parliament in 1977 were worded in general terms. The Committe accordingly recommended that micro-objectives of CIL and its subsidiaries should be reframed in terms of BPE guidelines issued in 1979 and 1983 and be placed before parliament. In pursuance of the Committee's recommendations the micro-objectives were re-drawn with quantified, measurable parameters for each subsidiary and aggregated for CIL on yearly basis and the same for 1989-90 were placed before Board of Directors of CIL on 23.6.1989 and after the approval these were sent to Department of Coal on 7.7.1989 for approval. CIL also updated the micro-objectives for the year 1990-91.

2.3 During examination of Department of Coal the Committee wanted to know as to whether the revised micro-objectives of CIL for the years 1989-90 and 1990-91 had been approved by the Ministry. Department of Coal replied in a written note as follow:—

"The micro-objectives of CIL and its subsidiaries for the year 1990-91 have been received from CIL for placing the same on the table of both Houses of Parliament and are being placed on the Tables of Lok Sabha/Rajya Sabha."

2.4 Besides micro-objectives which are being framed on annual basis, an Annual Action Plan for CIL and for each of its subsidiaries incorporating quantified targets for various items is drawn up and approved by the Ministry of Energy in consultation with Planning Commission. The targets incorporated in the Annual Action Plan *inter-alia* include various items like production (open cast & underground), output per man shift (OMS), overburden removal, cost of production, sales realisation, exploration, submission of new projects etc.

2.5 The Committee pointed out that presently annual targets for important functions of CIL and its subsidiaries were given both in micro-objectives as well as in Annual Action Plan and wanted to know as to whether there was any major difference between the two. Department of Coal stated in a written reply as follows:—

> "The major difference between the Annual Action Plan and the micro-objectives is that the Annual Action Plan is a very detailed document in 2 volumes giving targets of important parameters on a monthly / quarterly basis whereas the micro-objectives are very concise in the form of statements (about 7 pages) giving the annual targets of most important parameters on an annual basis. The annual targets are the same in both."

2.6 When suggested by the Committee that it would be better to frame micro-objectives for a longer period instead of doing it on annual basis, the Department of Coal stated:

> "The micro-objectives could be framed for a longer period alongwith MOU after gaining experience with the operation of annual MOU."

B. Memorandum of Understanding (MOU)

2.7 On the 19th May, 1989 for the first time, CIL signed a MOU with the Government of India (Department of Coal), relating to performance of CIL and its subsidiaries during the year 1989-90. Second MOU for the year 1990-91 was signed by Department of Coal and CIL on 28th July, 1990. The MOU *inter-alia* stipul te performance obligations of CIL in the field of exploration, production of Coal, productivity, internal generation of funds by CIL, performance indicators to evaluate the performance of CIL etc. It also provides obligations of the Government like according timely approval to coal projects, providing budgetory support, to extend help in recovery of outstanding dues etc. MOU also provides certain autonomy to

CIL to discharge its functions efficiently. The performance indicators provide basis for performance rating in the form of excellent, good, average, poor, very poor.

2.8 The following table shows the actual performance rating in respect of MOU for the years 1989-90 and 1990-91:—

Performance Indicator	Actual Rating	
	1989-90	1990-91 (April 90 to Dec. 90)
I. Physical		
(a) Raw Coal Production		
(i) Underground	V. Poor	V. Poor
(ii) Open Cast	Excellent	Average
(b) Out put perman shift		
(i) Underground	Poor	V. Poor
(ii) Open Cast	Excellent	Between Excellent & Good
(c) Over burden removal	Between Good & Excellent	Average
II. Financial		
(a) Raw coal production cost	Excellent	V. Poor
(b) Sales realisation	Between Average & Good	V. Poor
(c) Gross margin	Excellent	V. Poor
(d) Loan & interest payment	Excellent	V. Poor
(e) Reduction in outstanding dues	V. Poor	Excellent
III. Project Management		
(a) Detailed exploration	Excellent	V. Poor
(b) Submission to Govt. of RCE / RPR	Excellent	Between Good & Average
(c) Submission to Govt. of new proposals	Excellent	Average
(d) Delays in ongoing Project	Excellent	Excellent
Overall Performance	Good	Between Average & Poor

2.9 The Committee wanted to know the views of CIL in regard to usefulness of MOU. Chairman, CIL stated during evidence as follows:—

"The current MOU, in the form of an extension of the Annual Action Plan which in any case we have been committing ourselves to the Government after discussion with the Planning Commission every year. They have no doubt given certain fringe benefits to this MOU companies, which may not directly reflect on the efficiency of the undertaking. The main thing is that the administrative Ministry which is signing the MOU is not in a position to give any undertaking or guarantee because various other Departments and Ministries are involved. Secondly, MOU is for one year only. I personally feel that the present form of MOU is not conducive to the purpose for which it was introduced. When you go into evaluation of the performance company-wise, there are a lot of things to be looked into. The MOU should be normally for a period of three to five years. It cannot be judged in one year. There have been some seminars in this connection, in which we were asked to express our views. We expressed our views and we hope that things would improve. They are trying to give more powers."

2.10 Explaining it further, CIL stated in a written note as follows:

"In case of MOU between Department of Coal and CIL, Administrative Ministry is unable to give firm commitments on inputs like power, land acquisition, availability of wagons etc. These are inputs which are essential for achievement of production, productivity and other targets fixed on MOU for which firm commitments have been given by CIL. Certain areas like periodic revision of Coal prices as per BICP recommendations discontinuing of coal supply to the defaulting customers needs the attention of the Government and requires to be spelt out in the MOU."

2.11 CIL also informed the Committee that 'in the French System (where the idea of MOU was originally mooted) MOU is generally signed for a period of 5 years'.

2.12 During examination of the Department of Coal the Committee wanted to know the views of the Government on the usefulness of MOU as well as reaction to the comments made by CIL in this regard. Department of Coal submitted in a written note as follows:

"The Government of India have adopted the instrumentally of Memorandum of Understanding between the Government and Central Public Enterprises to improve their working. Essentially it is a contract which outlines the mutual obligations of two parties.

2. In 1985, the Arjun Sengupta Committee recommended the adoption of MOU, and the need to keep "arms length" distance between the Government and the PSU.

3. Initially, no weights were assigned to the various performance indicators. There was also no possibility to rate and rank the PSUs while evaluating their performance. From 1989-90 onwards, the evaluation system has been improved after studying both French and South Korean Experience. The Bureau of Public Enterprises has

issued detailed guidelines on the formulation of MOU. The Department of Coal has followed these guidelines.

4. Thus the new set up provides for an independent evaluation of MOU. The criticism that MOUs tend to become unilateral prescriptions by the Government Department is obviated.

5. On the financial side, CIL is encouraged to rely more and more on internal resources and external borrowings and less on budgetary support.

6. These two measures are designed to give enough freedom of action to the PSU to pursue its Corporate objectives consistent with the prescribed social obligations.

7. The performance of CIL is being reviewed with reference to the targets assigned to CIL against the various performance indicators.

8. The instrument of MOU as a method of ensuring both accountability and autonomy for the public sector undertakings is relatively recent phenomenon in India. At present there is a High Power Committee supervising the MOU process in the public sector undertakings and the Cabinet Secretary is the Chairman of High Power Committee. This High Power Committee has constituted an adhoc Task Force to assist the high Power Committee for examining the previous year's MOU. The adhoc Task Force has divided itself into syndicates who have been assigned the job of examining the draft MOU of a few public sector undertakings. The MOU experiment is in its nascent stage and is being continuously evaluated for producing better results in ensuring efficiency of the public sector. The idea of delegating additional powers under MOU to CIL on a year to year basis is to continuously evaluate and monitor the system and also to find ways and means to improve its efficacy.

9. Moreover, the MOU does not give merely additional powers to Coal India Limited but also lays down the obligations of the Company to achieve certain corporate objectives. Therefore, it is a continuous process of evaluation on an annual basis of the accountability of the Company to achieve corporate goals vis-a-vis its autonomy. Therefore, the MOU on a year to year basis, is desirable for the present till such time as the results of this experiment crystalise and lead to some reliable conclusions.

10. The limitations mentioned by CIL i.e. the Department of Coal does not have the authority to commit itself in various areas, like supply of power, wagons, land etc. which are under the administrative control of other Ministries and State Governments once again emphasise the need to build up a system of co-ordination. The Ministry of Programme Implementation has taken up this task.

10(a) At the moment because of the limitations mentioned above and the time taken to build up a system, the MOU is now for a period of one year. The Annual Action Plan and the micro objectives flow from the objectives defined and accepted in MOU."

2.13 The Committee find that for the first time a Memorandum of Understanding (MOU) was signed between the Deptt. of Coal and Coal India Ltd. for the year 1989-90. Subsequently a similar MOU was signed for the year 1990-91. However, there are diverging views of the CIL and Department of Coal in regard to its usefulness. The Committee was informed during the evidence by Chairman, CIL that the current MOU was in the form of an extension of Annual Action Plan, which the Deptt. of Coal finalise every year in consultation with Planning Commission. He also stated that while CIL could commit for certain obligations, the administrative Ministry was not in a position to commit itself in certain areas like supply of power, availability of wagons, lands etc. Besides, he pleaded that like other countries, MOU should be signed for a period of 3 to 5 years. While admitting certain limitations, the Department of Coal stated that the concept of MOU was new and the idea of delegating additional powers to CIL under MOU on year to year basis was to continuously evaluate and monitor the system and to find ways and means to improve its efficacy. However, the problems regarding availability of power and wagons etc. were being solved by coordinating with the concerned agencies. As the annual targets etc. are given in Annual Action Plan, which is finalised in cunsultation with Planning Commission annually the Committee recommend that MOU should be signed at least for a period of 5 years. This will also ensure more autonomy to the holding company. Further the suggestion of CIL to include price revision and discontinuation of supply of coal to defaulting customers within the ambit of MOU needs consideration by the Govt.

2.14 The Committee find that besides MOU and Annual Action Plan, annual targets are also given in micro-objectives which are also being framed on annual basis for the last two years. In this regard the Committee have been informed by the Department of Coal that micro-objectives could be framed for a longer period alongwith MOU after gaining experience with the operation of annual MOU. The Committee find that guidelines issued by BPE in 1979 and 1983 under which micro-objectives of the undertakings are being framed, do not provide for framing of micro-objectives on annual basis. The Committee accordingly recommend that micro-objectives of CIL and its subsidiaries should be framed for a longer period instead of annual basis.

2.15 The Committee regret to note that the MOU between the Government and the CIL is not being signed well before the beginning of the financial year. For instance MOU for the year 1989-90 was signed on 19th May, 1989 i.e. after the financial year had begun. Again the MOU for the year 1990-91 was signed as late as on 28th July, 1990 i.e. about four months after the financial year had begun. The Committee deprecate such laxity on

the part of the Government as well as CIL in not signing the MOU in time. This situation becomes more anomalous in the context of importance currently being given to the MOU where even the Annual Action Plan and the micro-objectives reportedly flow from the objectives defined and accepted in MOU. The Committee wonder as to how in the absence of clear objectives/targets coal companies start their production programmes in the initial months till the finalisation of MOU which also provides basis for Annual Action Plan and micro-objectives. They, therfore, recommend that MOU should be signed well before the start of the financial year'(s) so that there is a clear direction ahead, and performance of the coal companies do not suffer on account of un-specified objectives/targets in the initial months of year.

2.16 The Committee are unhappy to note that as per performance indicators given in MOU, the performance of CIL has not been very good. While the overall rating of CIL was good for the year 1989-90, it was between average and poor for the first six-months of the year 1990-91. The performance has been very poor particularly in production of coal from underground mines in 1989-90. The position did not improve during the year 1990-91 (April 1990-December, 1990). Since under MOU, undertakings get more powers and autonomy, it becomes all the more essential to achieve the various targets set out in the MOU. The Committee, therefore, desire that all out efforts should be made to achieve the targets so that the overall performance rating of CIL becomes very good or excellent as against the present trend of good or between average and poor.

2.17 The Committee find that presently Memorandum of Understanding is signed between the Government and Coal India Limited. The Committee desire that MOU should also be signed between the management and the workers so that clear targets of production and productivity are made available to the workers.

CHAPTER-III

PROJECT PLANNING AND IMPLEMENTATION

A. Capital Investment

3.1. Since nationalisation of coal mines in 1973 and upto March, 1990, Coal India Ltd. and its subsidiary companies have invested about Rs. 9621 crores in coal projects. The Plan-wise investment in coal companies is given below:—

Plan	Investment (Rs. in crores)
5th Five Year Plan (1974-75)	832.00
6th Five Year Plan (1980-85)	3258.54
7th Five Year Plan (1985-90)	5530.65
Total:	9612.19

For the 8th Five Year Plan the following investment is proposed by the coal companies:—

	(Rs. in crores)
(i) Coal Projects	7252.52
(ii) Existing Mines and non-coal Projects	3246.55
	10499.07

3.2 During examination of Department of Coal the Committee wanted to know as to how the Department propose to meet the necessary funds during the 8th Five Year Plan. The Department of Coal replied in a note as follows:—

"This Department has proposed that his outlay may be met by the following:—

Net Internal Resources	Rs. 141.79 crores
Old Debt realisation/ additional Resources Mobilisation	Rs. 3292.00 crores

Foreign Credit/Loan	Rs. 821.30 crores
Bonds	Rs. 2000.00 crores
Sub-Total	Rs. 6255.09 crores
Budgetary support	Rs. 4243.98 crores

Out of the proposed budgetary support of Rs. 4243.98 crores, Rs. 540.43 crores of foreign credit/loan is likely to be available to the Government during Eighth Plan.

The Eighth Five Year Plan is, however, yet to be finalised by the Plannng Commission."

3.3 When enquired as to whether the Government had fixed some priorities in view of the resources constraints, Secretary, Department of Coal stated during evidence:

"In spite of the fact that we are going to produce 213 million tonnes, we are still short of coking coal. Our imports of coking coal are increasing every year. We have accorded the highest priority to the coking coal projects. We have identified a very large number of coking coal projects and we have set up a committee to monitor. The clearance of this coking coal projects is done on a month to month basis. The second priority is for those projects which are linked to power stations. The third priority is for those projects which are required for some vital industries like cement or sponge iron. Over a period of time production in under-ground mine has gone down and the production on the open cast mine has increased. Now the production of underground mine is only one-third of our total production and this ratio is going to increase. We take notice of quality of coal which is produced in the underground mine which is much better than that of the open cast mines. We are going in a big way since it is highly mechanised. This has considerably affected adversely our credibility as far as consumers are concerned. Our fourth priority is for the coal required for the general industrial purpose. There are certain coal deposits available only in certain parts of the country and with the result consumers in other parts of the country like the power houses in the Western U.P. etc., are not getting their full quota of coal. We will take up those projects from where we can easily supply coal. This is broadly our perspective. These are the prioritisation that we have done in our plan.

B. Cost and Time over-run in the Projects (Completed/under-completion) during the last 5 years (1984-85 to 1989-90)

3.4 The following table shows the number of major projects (costing over Rs. 20 crores each) which were sanctioned/completed or under-completion during the years 1984-85 to 1989-90:—

	ECL	BCCL	CCL	NCL	WCL	SECL
Sanctioned during 1984-85 to 1989-90	9	—	2	3	4	3
Completed during 1984-85 to 1989-90	—	2	3	3	4	8
Sanctioned before 1984-85 and under construction during 1984-85 to 1989-90	3	6	2	2	4	5
	12	8	7	8	12	16

3.5 The details of original/revised cost and time schedules as well as cost and time over-runs in respect of each of the above 63 projects are given below:—

(Rs. in crores)

No.	Company/Project	Original cost estimates	Capacity (Mty)	Actual expenditure upto 3/90	Revised estimates	Actual Expected cost over	Date of sanction	Schedule date of comp.	Actual/ expected date of comp.	Actual/ Expected time over-run
1	2	3	4	5	6	7	8	9	10	11
Eastern Coalfields Ltd.										
1.	Satgram/UG	26.37	1.20	33.99	134.95	107.58	05/79	3/89	3/94	5 yrs.
2.	Sonepur Bazari/OC	192.96	3.00	33.74	—	—	07/85	3/91	3/96	5 yrs.
3.	Dhemomain/UG	11.94	1.00	60.50	73.76 (1.42 mty)	61.82	08/77	3/85	3/92	7 yrs.
4.	Amrit Nagar, UG	10.85	1.14	21.60	65.45	54.60	05/76	3/85	3/94	5 yrs.
5.	Rajmanal, OC	87.43	5.00	219.67	562.70 (10.50 mty)	475.27	06/80	3/87	1/96	9 yrs. but a head of schedule in reference to Expn. Project
6.	Chinakuri, UG	8.91	1.00	18.95	45.54 (0.87 mty)	36.63	06/78	3/84	UNCERTAIN	
7.	Loudoha, UG	49.35	0.68	0.28	—	—	04/88	3/96	3/96	—
8.	Kalidaspur, UG	47.94	0.96	10.91	—	—	11/86	3/93	3/93	—
9.	Sarpi/UG	53.05	0.90	05.06	—	—	09/87	3/95	3/95	—
10.	Jhanjra/UG	184.55	3.50	141.54	483.89	299.34	12/82	3/94	3/94	—
11.	Jambad/OC	210.55	1.70	0.00	—	—	09/89	3/98	3/98	—
12.	Kottadih/OC	267.52	2.48	15.03	—	—	06/89	3/98	3/98	—
Bharat Coking Coal Limited										
13.	Moonidih/UG	15.28	2.10	179.81	132.07	164.53	11/65	3/78	3/89	11 Yrs.
14.	Sudamdih/UG	17.57	1.65	65.50	94.55	47.93	12/72	3/77	3/86	9 yrs.

1	2	3	4	5	6	7	8	9	10	11
15.	Damodar OC	57.04	1.00	20.32 (Project deffered due to fire)			03/84	03/89		
16.	Block II/OC	112.05	2.50	132.45	174.14	62.09	06/82	03/87	03/94	7 Yrs.
17.	Katras/UG	26.04	0.90	69.28	87.49	61.45	10/79	03/85	03/92	7 Yrs.
18.	North Amlabad/UG	26.18	0.72	44.66	69.48 (0.57)	43.30	10/80	03/85	03/94	9 yrs.
19.	Pootkee Bulihari/UG	199.87	3.00	99.73	(Rev. estimate being worked out)		12/83	03/94	(Rev. schedule being worked out)	
20.	Bhalgora/UG	46.22	1.20	20.61	(Rev. estimates under preparation)		10/80	03/85	03/92	7 yrs.
	Central Coalfield Limited									
21.	K.D. Hesalong/CC	14.44	1.50	44.39	—	29.95	1/79	3/83	3/84	1 yr. Ahead schedule
22.	Kathara/OC	39.75	2.20	43.67	—	3.92	8/84	3/86	3/85	
23.	Dhori West/OC	33.30	1.50	24.68	66.82	33.52	8/81	3/90	3/91	1 yr.
24.	Selected Dhori	24.38	2.25	34.02	46.07	21.69	8/81	3/90	3/90	—
25.	Rajrappa/OC	41.86	3.00	109.97	133.63	91.77	8/77	3/84	3/90	6 yrs.
26.	Karkatta/OC	29.60	1.00	28.03	28.15		6/82	3/86	3/90	4 yrs.
27.	Piparwar	542.43	6.50	28.72	—		9/89	3/96	3/96	—
	Northern Coalfields Limited									
28.	Jayant/OC	77.36	6.00	337.05	375.04 (10.00)	297.68	1/79	3/84	3/90	6 yrs. but on schedule as per Expn. Project
29.	Bina/OC	26.64	2.00	126.44	168.64 (4.50)	142.00	3/73	3/79	3/88	9 yrs.
30.	Amlohri/OC	323.32	4.00	389.59	529.63	206.31	6/82	3/90	3/92	2 yrs.

1	2	3	4	5	6	7	8	9	10	11
31.	Jhingurdah/OC	24.87	3.00	NA	63.11	38.24	1/77	3/83	3/87	4 yrs.
32.	Khadia/OC	400.00	4.00	205.08	—	(On schedule)	9/85	3/94	3/94	—
33.	Nigahi/OC	462.39	4.20	196.92	—	(On schedule)	11/87	3/95	3/95	—
34.	Dudhichua/OC	289.68	5.00	206.72	—	(On schedule)	2/84	3/93	3/92	Ahead schedule
35.	Kakri/OC	50.54	2.50	77.25	137.80	87.26	10/80	3/87	3/92	5 yrs.

WESTERN COALFIELDS LIMITED.

1	2	3	4	5	6	7	8	9	10	11
36.	Tandsi/UG	51.58	0.90	12.36	—	—	9/85	3/95	3/95	—
37.	Nilaji/OC	96.86	1.90	46.35	—	—	4/87	3/96	3/96	—
38.	Ghugus/OC	65.38	1.50	65.30	96.75	31.37	12/83	3/90	3/92	2 yrs.
39.	Sasti/OC	25.81	1.00	45.52	66.71	40.90	12/81	3/88	3/91	3 yrs.
40.	Saoner/UG	46.96	1.50	18.67	—	—	8/83	3/93	3/93	—
41.	Durgapur/OC	34.65	1.80	72.27	73.85	39.20	10/78	3/85	8/89	4 yrs and 5 months
42.	Padmapur/OC	50.74	1.25	50.70	67.05	16.31	3/84	3/92	3/92	—
43.	New Majri/OC	14.97	1.00	26.06	22.93	11.09	10/78	3/82	3/85	3 yrs.
44.	Pathakera/UG	26.39	1.32	21.00	—	—	6/83	3/85	3/85	On schedule
45.	Umrer/OC	21.00	1.84	25.48	25.44	4.48	12/79	3/85	3/86	1 yrs.
46.	Shovapur/UG	20.72	0.62	21.56	—	0.84	5/86	3/88	3/88	On schedule
47.	Silewara/UG	38.06	1.00	36.05	52.91	14.85	3/85	3/91	3/92	1 yrs.

1	2	3	4	5	6	7	8	9	10	11
SOUTH EASTERN COALFIELDS LIMITED.										
48.	Amlai/OC	30.82	0.70	16.42	—	—	3/84	3/89	3/93	4 yrs.
49.	Bharatpur/OC	61.84	3.50	78.07	151.74	89.90	11/83	3/89	NA	—
50.	Kusmunda/OC	76.83	6.00	162.34	168.45	85.51	1/78	3/85	3/87	2 yrs.
51.	Bishrampur/OC	22.21	1.25	24.17	—	1.96	6-82	3/85	3/86	1 yr.
52.	Lajkura/OC	25.79	1.00	28.75	—	2.96	8/83	3/88	3/88	—
53.	Rajgamar/UG	33.92	0.72	33.41	—	—	10/83	3/88	3/88	—
54.	Jagannath/OC	29.73	2.00	29.04	—	—	2/84	3/87	3/87	—
55.	Churcha West/UG	32.64	0.60	37.09	59.59 (0.84 mty)	26.95	3/85	3/90	3/91	1 yr.
56.	Gevra/OC	50.08	5.00	180.13	224.39 (10.00 mty)	174.31	12/79	3/83	3/90	2 yrs. as per expnt. project
57.	Dipka/OC	56.05	2.00	39.17	356.57 (10.00 mty)	300.52	6/85	3/89	3/92	3 yrs.
58.	Bangawar/UG	25.14	0.65	6.58	NA		5/85	3/90	3/94	4 yrs.
59.	Rajnagar/OC	12.43	1.00	25.59	25.54	13.16	10/79	3/86	3/88	2 yrs.
60.	Balgi/UG	28.00	0.60	17.33	NA	NA	9/83	3/89	3/92	3 yrs.
61.	Dhanpuri/OC	24.10	1.25	42.08	59.97	35.87	9/79	3/85	3/93	8 yrs.
62.	Balpahar/OC	57.38	2.00	56.01	122.09	64.71	12/82	3/89	3/91	2 yrs.
63.	Ramnagar/UG	7.65	0.72	16.81	23.23	15.58	9/78	3/84	3/88	4 yrs.

3.6 From the project-wise details it is noticed that there have been huge cost and time over-runs in many projects. The project cost and time schedules were revised in most of the projects. In some cases even scope of projects was changed subsequently.

3.7 Due to delay in completion of the projects in time there has been loss of production as indicated below:—

Name of Subsidiary Company	PR Production schedule in MT for the period 1985-86 to 1989-90	Actual Production in MT for the period 1985-86 to 1989-90	Shortfall in production in VII Plan period due to delay in commissioning of projects. (MT)
ECL	10.50	1.62	8.88
BCCL	44.35	10.80	35.55
CCL	39.13	36.72	2.41
NCL	84.05	66.29	17.76
WCL	17.25	15.97	1.28
SECL	3.17	19.57	13.60
CIL	228.45	150.97	77.48

3.8 The Committee pointed out that there have been huge cost and time over-runs in the coal projects completed by the coal companies. Asked about the reasons for it, Chairman, CIL replied as follows:—

> "The first reason is land. Emotional and sentimental factors are attached to it more than the money we pay for it as compensation. Then there had been a pressure for the employment (from land evictees). There is also delay on account of emotional point from local youth, due to obstruction etc. The third main reason has been the equipment supplied, particularly by the indigenous public sector manufacturers."

3.9 The Committee enquired from the Deptt. of Coal as to whether they had analysed the reasons for cost and time over-runs in the coal projects and whether the reasons were justifiable. Department of Coal stated in a written reply as follows:—

> "It is obligatory for the Ministry to analyse the reasons for cost and time over-run at the time of approaching the Government for approval of Revised Cost Estimates for projects. In the past years, it has been observed that time and cost over-runs mainly have taken place due to delays in forestry clearance, and acquisition, delay in equipment supply and sometimes project reports prepared earlier requiring modifications in terms of latest knowledge of geology and/or mining method. There have also been cases where the geology of the block/coal seams have turned out to be more difficult than what was visualised in the original project report. Cost over-runs also occur

due to the factor of escalation because of long gestation period of 6 to 12 years in coal projects and there is no in built provision in the project reports to take care of this factor."

(The main reasons are discussed in the succeeding paragraph)

C. Problems In Land Acquisition

(i) *Procedural Difficulties*

3.10 The main reason for delay in timely completion of coal projects is stated to be due to problems in land acquisition. At present for coal projects, land is acquired under the provision of the following Acts:

(i) Land Acquisition Act, 1894 (LA)
(Administered by State Government)

(ii) Coal Bearing Areas Act, 1957 (CBA)

(iii) Forest Conservation Act, 1980 (FCA).

CIL brought out in a note that several difficulties were being faced by the Coal Companies under the provisions of the above Acts. In this connection CIL informed the Committee in a note that the physical possession of land and rehabilitation of land losers had become the most critical area in the timely and successful implementation of Coal Projects. This problem was beyond control of the management.

3.11 Asked about the impact of the problems in land acquisition under the above Acts on the coal projects undertaken during the last 5 years, CIL replied in a note that 17 projects got delayed on account of delay in land acquisition. The delay ranged from 1 year to 8 years. As regards the cumulative effect of the problem CIL stated that so far following projects had been affected by delay in acquisition of land.

Category	No. of Projects	Capital outlay (Rs. crores)
Projects withdrawn as land could not be resolved.	2	65.11
Projects which could not be started.	4	289.49
Projects which are affected due to land.	56	3357.69

3.12 To overcome the problems in land acquisition CIL had proposed certain amendments in Coal Bearing Act 1957 in June, 1988. On being asked by the Committee as to what extent the problems relating to land

CHAPTER IV

PRODUCTION PERFORMANCE

A. Coal Reserves

4.1 As per the latest estimates made by Geological Survey of India, the Coal reserves of the country are placed at 186.04 billion tonnes as on 1.1.1990. Category-wise break-up is as under:

(In million tonnes)

Proved	56294
Indicated	81377
Inferred	48373

The Committee wanted to know from CIL as for how many years the present coal reserves were considered adequate for exploitation. CIL stated in a written note as follows:

> "The estimated coal reserve of 186 million tonnes are in situ reserves within a depth of 1200 M for coal seams above 0.50 M in thickness. The mineable reserves would be considerably less as coal many not be mineable under some areas which are under geologically disturbed condition, to protect surface features like Railways, Bridges etc. Out of the mineable reserves the recoverable percentage will vary depending upon mining technology adopted, surface features within the block and geological condition within the block etc. At a production level of 400 MT expected to be reached by 1999-2000, the production level can be maintained for a period of about 130 years."

4.2 Asked about the efforts made to increase the established coal reserves CIL stated in a note as follows:

> "Exploration for coal starts with the GSI establishing likely areas with potential coal resources through Regional Exploration to update the coal inventory.
>
> Out of the potential coal bearing areas regionally proved by GSI, CMPDIL selects blocks with mining potential in the light of demand pattern and mining techno-economics for detailed exploration. Detailed exploration is carried out by CMPDIL and its contracting agencies like Mineral Exploration Corporation, Department of Mines & Geology—Orissa Government, Department of Mines & Geology—M.P. Government, as also Department of Mines & Geology—Maharashtra Government. Annually about 150 to 180 drills

are deployed for the purpose with other exploration inputs, about 30 Geological Reports are drawn and about 3 to 4 billion tonnes of "Proved" category of reserves are established for mine planning purposes."

4.3 The Committee wanted to know the steps taken by the Department of Coal to intensify the exploratory efforts, Department of Coal stated in a note as follows:

"Broadly most of the blocks in operational coalfields have been already covered by detailed exploration for achieving the targetted coal production during the VIII & IX Five Year Plans. GSI has drawn up a regional exploration programme of 36400 meters of drilling over an area of 1,700 kms. covering 120 blocks upto the terminal year of 8th Plan. The task of detailed exploration has been assigned to coal companies.

With a view to supplementing the Regional drilling being done by GSI, a scheme for promotional drilling has been put in to effect. The work of promotional drilling has been entrusted to MECL. The Government of India has made a budget provision of 6.05 crores during the year 1990-91 to meet the expenditure on account of promotional drilling in Coal & Lignite Sector. Under this scheme MECL has been asked to undertake the drilling of 45,000 meterage in the coalfields of Coal India Limited and Singareni Colliaries Company Limited during year 1990-91. Coordination in this regard are being made by Department of coal by holding periodic meetings with Department of Mines, GSI, MECL & Coal Companies.

......As a result of exploration carried out by GSI and other agencies, a cumulative total of 192.4 billion tonnes of coal reserves have been estimated in the country as on 1.1.91."

B. Demand and supply of Coal—Import of Coal

4.4 Coal India Limited is mainly responsible for meeting the Coal demand in the Country, Singareni Colleries Co. Ltd. which produces about 15 to 20 million tonnes of coal annually is in joint Sector (State Government & Central Government) Besides 4 to 5 million tonnes of coal is produced annually by captive mines of TISCO, IISCO and DCI.

4.5 Coal demand for different coal consuming sectors are indicated by the Planning Commission. Annual coal production targets as against this demand are decided by the Ministry of Energy, Department of Coal in consultation with Planning Commission. The following table shows the sector-wise demand and actual offtake of coal from. CIL during each of the last 3 years:

(Figures in million tonnes)

Sector	Demand	1989-90	Demand Satfac%	Demand	1988-89	Demand Satfac%	Demand	1987-88	Demand Satfac%
		Offtake			Offtake			Offtake	
POWER (Utility)									
R/C	100.40	100.66	99.66	90.81	89.29	98.33	80.40	82.31	102.31
(Middling)	(2.70)	(2.12)	(69.5)	(3.80)	(2.15)	(55.6)	(3.90)	(1.97)	(50.5)
Steel	2.80	19.49	85.48	22.50	20.32	90.31	23.70	19.45	82.1
Loco	5.40	5.15	95.37	6.00	5.57	92.83	6.50	6.35	97.7
Cement	8.00	7.27	90.88	7.67	7.68	100.13	7.60	6.32	83.2
Fertilizer	4.60	3.55	77.17	4.30	3.57	83.02	4.00	3.65	91.2
S/C Making	3.30	1.30	39.39	2.85	1.75	60.70	3.50	1.88	53.7
Export	0.30	0.16	53.32	0.30	0.20	66.67	0.35	0.32	91.4
BRK & Others	37.40	32.55	87.03	35.35	33.16	93.80	34.00	30.21	88.9
Colliery consumption	3.52	3.47	98.58	3.52	3.50	99.43	3.50	3.51	100.2
TOTAL	185.72	175.00	93.15	173.30	165.02	95.22	163.55	154.00	94.2

4.6 As regards the overall availability of coal in the country, CIL stated in a written note as follows:

> "As far as non-coking coal (i.e. sector other than steel), is concerned, the overall availability has always been more than adequate. There has, however, been some regionwise imbalances due to difficulties of transport.
>
> In Coking Coal, however, the indigenous availability though quantitatively adequate, does not meet the revised coking and ash parameters stipulated by Steel Plants in 1983 and since then a part of the requirement is being imported."

4.7 The following table shows the composition of coking and non-coking coal produced by CIL during each of the last 3 years:

Year	Coking Coal	Non-Coking Coal	Total
	(in million tonnes)		
1987-88	30.22	128.80	159.02
1988-89	31.30	140.20	171.50
1989-90	24.07	154.53	178.60

4.8 To meet the gap between demand and indeginous availability of coking coal steel industry had been importing coking coal. The following table shows the imports made by the steel industry during the 7th Five Year Plan:

Year	Total Quantity imported by SAIL Plants (in million tonnes)	Cost including freight (Rs. in crores)
1985-86	2.034	161.8
1986-87	2.080	167.9
1987-88	2.490	172.5
1988-89	3.740	329.5
1989-90	3.746	426.8
1990-91 (Estimated)	5.3	603\67

(In addition TISCO and Vizag Steel Plant also imported about 3 million tonnes of coking coal during the years 1987-88 to 1989-90).

4.9 Working Group on Coal & Lignite for the 8th Five Year Plan has also estimated that about 24.40 million tonnes of coking coal will have to be imported during the 8th Five Year Plan (1990—95).

4.10 In reply to a question about reducing the coal imports, the Minister of Energy stated in Lok Sabha on 27th March, 1990 as follows:

> "With a view to bring down the ash percentage of coal for supply to steel plants and thereby reduce imports, the coal companies have already taken up modernisation of washeries at an estimated cost of Rs. 132 crores to be completed by 1992-93. The total investment in washeries during the Seventh Plan period is expected to about Rs. 168 crores and that in the Eighth Plan period has been tentatively estimated at Rs. 484 crores."

4.11 As regards the ash content level in the washed coal after completion of modernisation programme, CIL stated in a written note as follows:

> "As per current assessment, the modification of the Coking Coal Washeries as recommended by the Technical Working Group (1986) is expected to be completed by 1992-93 except for Patherdih Washery (which will be ready only by 1994-95). The ash in clean coal would be 17 ± 0.5% after the recommendations of the aforesaid committee are implemented."

4.12 From the washery-wise details of modernisation programme furnished by CIL, it was noticed that in certain washeries implementation of the modernisation programmes had been delayed particularly in case of Bhojudih, Dugda I & II, Monidh washeries. Asked about the reasons for these delays, CIL in a written note stated as follows:

> "There have been slippages which has been mainly due to procedural matter relating to finalisation of tenders. The delay in taking decision on tenders was unavoidable to a great extent because each washery had its own technical parameters and it was necessary to ensure that the equipment ordered satisfied these parameters. This necessistated in entering into correspondence with the tenderers often over a long period resulting in delay in taking a decision on tenders and consequent delay in supply."

4.13 In reply to a further question, Chairman, CIL informed the Committee that besides modernisation/expansion of present washeries, to reduce the imports new areas were being developed to increase the availability of coking coal. He added:

> "Arising out of a special drive, concentrating in coking coal we give a priority between coking coal and non-coking coal. We have identified more than 100 million tonnes in the district of Hazaribagh.. That is a new find for us. We are giving priority to coking coal. We have already identified additional deposits."

4.14 Asked as to by which year imports will be reduced to zero level, Chairman, CIL replied:

> "I can make guess that definitely it should take about seven to ten years. Seven years, if really the things which the way we want."

4.15 It also came out during the examination of CIL that the capacity of utilisation of coal washeries was low. The following table shows the washery-wise capacity utilisation and the percentage of ash content in the washed coal during the year 1989-90:

Name of Co.	Washery	% capacity utilisation	% of ash content in clean coal
BCCL	1. Dugda I	65	20.9
	2. Dugda II	59	21.0
	3. Bhojudih	94	18.8
	4. Patherdih	63	21.4
	5. Sudamdih	52	18.9
	6. Monidh	42	17.4
	7. Lodna	67	21.8
	8. Barora	52	19.2
	9. Mahuda	14	—
CCL	1. Kargali	77	18.6
	2. Kathara	56	18.2
	3. Swang	65	18.4
	4. Gidi	51	16.6
	5. Rajrappa	57	16.9
	6. Nandan	43	16.8

4.16 During the examination of Department of Coal the Committee wanted to know as to whether the Department reviewed the implementation of modernisation programme of washeries to ensure that these were completed in time. Department of Coal stated in a note as follows:

> "Most of the washeries in BCCL and CCL were built in the sixties and were linked to upper seams (Superior quality) of Jharia Coalfield and superior quality coal of Kargali, Bokaro and Kathara areas of CCL. The deterioration of raw coal feed to the existing washeries has resulted in imbalance in the existing washery circuit and in its poor performance. In order to ensure availability of washed coal with 17 ± 0.5% ash, Government of India in August, 1985 constituted a Committee headed by Dr. V.A. Altekar. The Committee submitted its report in October, 1986 suggesting a number of short-term and long-term measures for modification of the existing washeries.
>
> Short-term and long-term plans have been drawn up by the Coal Companies for implementation of the recommendations of the Altekar Committee. The estimated capital investment is about Rs. 161.42 crores. Periodical meetings are held in the Department of Coal to review the progress of implementation of the recommendations. In a recent review taken by Adviser (Project) Department of Coal on 29.11.90, it was noted that most of the short-term measures recommended by the Committee have been implemented. As regard long-term measures most of them are