CHAPTER-V

COST AUDIT SYSTEM OF
COAL INDIA LIMITED (CIL)

5.1 History of Coal India Limited
5.2 Brief Description of Coal Mining
5.3 Coal India Limited (Annual Performance 2008-09)
5.4 Cost Accounting Records (Mining) Rules, 1975 to 2004
5.5 Interpretative Notes on Cost Accounting Records (Mining) Rules
Chapter-V Cost Audit System of CIL

COST AUDIT SYSTEM OF COAL INDIA LIMITED (CIL)

5.1 History of Coal India Limited

The Indian energy sector is largely dependent on coal as the prime source of energy. After the Indian independence, a greater need for coal production was felt in the First Five Year Plan. In 1951 a Working Party for the coal industry was set up, which suggested the amalgamation of small and fragmented producing units. Thus the idea of a nationalized, unified coal sector was born. In the pre-nationalized era coal mining was controlled by private owners, and suffered from their lack of interest in scientific methods, unhealthy mining practices and sole motive of profiteering.

The miners lived in sub-standard conditions as well. In 1956, the National Coal Development Corporation (NCDC) was formed with 11 collieries with the task of exploring new coalfields and expediting development of new coal mines. Nationalization of the Indian coal industry in the early 1970s was a fall-out of two events. The first was the oil price shock, which led the country to take up a close scrutiny of its energy options. A Fuel Policy Committee set up for this purpose identified coal as the primary source of commercial energy. Secondly, much-needed investment for growth of this sector was not forthcoming from the private sector. The objective of nationalization was the conservation of the scarce coal resource, particularly coking coal, in India by:

- Stopping wasteful, selective and slaughter mining.
- Planned development of available coal resources
Chapter-V Cost Audit System of CIL

- Improvement in safety standards
- Ensuring adequate investment for optimal utilization consistent with growth needs
- Improving the quality of life of the workforce

Subsequently, in the context of safety, conservation and scientific development, the Government of India took over all coking coal mines on October 16, 1971 and nationalized them on May 1, 1972. Bharat Coking Coal Limited (BCCL) was thus born. Following the state takeover of non-coking coal mines, Coal Mines Authority Limited (CMAL) was formed in 1973, leading to the formation of a formal holding company—Coal India Limited—on November 1, 1975. **Table 5.1**

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<tr>
<th>Year</th>
<th>Event</th>
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<td>2008</td>
<td>Coal India accorded ‘Navratna’ status</td>
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<td>2007</td>
<td>Coal India and four of its subsidiaries NCL, SECL, MCL, WCL accorded ‘Mini Ratna’ status</td>
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<tr>
<td>2000</td>
<td>De-regulation of coal pricing and distribution</td>
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<tr>
<td>1992</td>
<td>Mahanadi Coalfields Limited (MCL) formed out of SECL to manage the Talcher and IB Valley Coalfields in Orissa</td>
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<tr>
<td>1985</td>
<td>Northern Coalfields Limited (NCL) and South Eastern Coalfields Limited (SECL) carved out of CCL and WCL</td>
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<tr>
<td>1975</td>
<td>Coal India Limited formed as a holding company with 5 subsidiaries: Bharat Coking Coal Limited (BCCL), Central Coalfields Limited (CCL), Western Coalfields Limited (WCL), Eastern Coalfields Limited (ECL) and Central Mine Planning and Design Institute Limited (CMPDIL).</td>
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### Chapter-V Cost Audit System of CIL

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<th>Year</th>
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<td>1973</td>
<td>Non-coking coal nationalised; Coal Mines Authority Limited (CMAL) set up to manage these mines; NCDC operations bought under the ambit of CMAL</td>
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<td>1972</td>
<td>Coking coal industry nationalised; Bharat Coking Coal Limited (BCCL) formed to manage operations of all coking coal mines of Jharia Coalfield</td>
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<td>1956</td>
<td>National Coal Development Corporation (NCDC) formed to explore and expand coal mining in the Public Sector</td>
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<td>1955-56</td>
<td>Focus on coal industry; capacity up to 38.4 million tonnes</td>
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<td>Early 1900s</td>
<td>Capacity at 6 million tonnes per annum</td>
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<td>Upto 1900</td>
<td>Minimal development; river transportation used to transport coal to Calcutta; railway lines at Calcutta leads to expansion of coal production</td>
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<tr>
<td>1843</td>
<td>Bengal Coal Company takes over Ranigunj Coal Mines and others; is first Joint Stock Coal Company in India</td>
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<td>1835</td>
<td>Carr, Tagore &amp; Company takes over Ranigunj Coal Mines</td>
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<tr>
<td>1815 - 1820</td>
<td>First Shaft Mine opened at Ranigunj</td>
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<td>1774</td>
<td>Warren Hastings initiates commercial coal mining at Ranigunj (West Bengal)</td>
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Partnerships/Joint Ventures:

CIL has conceived many long-term collaborative partnerships to enhance its strategic advantages. CIL has initiated actions for launching Joint Venture Companies (JVC) and entering into strategic alliances (SA) with various organizations in the areas of power generation, overseas mining activities and non-conventional energy sources such as underground coal gasification, coal liquefaction and commercial extraction of coal-bed methane.

- CIL has signed a Memorandum of Understanding (MoU) with NTPC to form a JV company to undertake coal mining and power generation as integrated operations in two blocks.

- CIL entered into JV with ONGC for extraction of Coal Bed Methane (CBM) in two blocks (Jharia & Raniganj) and Underground Coal Gasification (UCG) project in one block.

- The 'India CMM/CBM Clearing House', a joint effort of the Government of India and the US Government, has been established at Central Mine Planning and Design Institute Limited (CMPDIL), Ranchi – the mine design and consultation arm of CIL. The clearing house will provide thrust to the development of Coal Bed Methane / Coal Mine Methane in India as part of CIL’s commitment to use coal in environment-friendly ways and to pursue clean coal technologies.

- CIL holds 28.57% equity in the Special Purpose Vehicle ‘International Coal Ventures Limited’ formed in Joint Venture with a consortium of PSUs - SAIL, RINL, NMDC and NTPC.
• CIL has won two virgin coal blocks covering around 224 square kilometers in Mozambique through competitive bidding. Exploration and development will commence shortly.

• CIL and GAIL (India) Limited have entered into a Memorandum of Understanding (MoU) to jointly set up a surface coal gasification project for production of synthesis gas, to be used as feedstock and for fertilizer production.

• Bharat Coking Coal Limited (BCCL), the Dhanbad-based subsidiary of CIL, has entered into an equipment and service agreement with China-based Zhengzhou Coal Mining Machinery (Group) Company Limited (ZMJ) for the development of powered support long-wall at BCCL’s Moonidih Underground Project. This will ensure production of 3.5 million tonnes of coking coal in 5 years.

• Mahanadi Coalfields Limited, the Sambalpur-based subsidiary company of CIL, has entered into a JV with Neyveli Lignite Corporation Limited ((NLCL) and Hindalco for coal mining and power generation. The goal is to bring together complimentary skills of the partners to increase CIL’s long-term competitive edge in the market and to achieve certain strategic advantages in the long run.

5.2 Brief Description of Coal Mining

Highlights of Coal India Limited

• Coal India Limited (CIL) is a Schedule 'A' Navratna under the Ministry of Coal, Government of India.

• CIL is the single largest coal producing company in the world.

• CIL is also the largest corporate employer in India, with 4.10 lakh employees.
• CIL is the largest land owner in India after Indian Railways.

**Coal India’s unmatched strategic relevance in Indian energy and economic canvas**

• Coal, the most dominant energy source in India, contributes to about 55% of commercial energy.
• CIL produces 82% of India’s overall coal output.
• CIL alone meets 45% of country’s primary commercial energy requirement, compared to 39% contributed by oil and gas sectors combined.
• CIL provides coal to 76 of the 78 coal-based thermal power stations in India with installed power generation capacity of 71055 MW, generating 69812 MW, which is 75.5% of the country’s total thermal power generating capacity of 92893 MW.
• The price of indigenous coal on a like-to-like basis i.e. after adjusting for quality variations is at a deep discount (50 - 60%) to international prices despite the global economic meltdown. CIL therefore plays an extremely important strategic role in making end-user industries in India globally competitive.
• The major share of benefits accrued from operational efficiency resulting in low production cost is passed on to the consumers.
• All CIL benefits are generated without depending on any financial relief from the Government of India.
• Benefits generated without depending on any financial relief from the Government
• CIL pays around Rs. 6,000 crore annually by way of corporate taxes and dividends to the Government.
Chapter-V Cost Audit System of CIL

• CIL meets its entire investment requirement for growth through internally generated funds.

COAL INDIA’S PERFORMANCE 2008-09

Physical

• CIL produced 403.73 Million Tonnes (MT) of coal during fiscal 2008-09 against 379.46 MT the previous year, registering a growth of 6.4%, much higher than average 5.4% since beginning of X Plan period till 2007-08.

• Coal off take grew by 6.96% to 401.46 MT against 375.33 MT in the previous fiscal.

Financial

• CIL’s gross turnover of was Rs. 45,796.59 crore against Rs. 38,865.70 crore in the previous year, accounting for a growth of 17.80% even though coal prices were not revised during the year.

• The sharp increase in input cost during the year was due to the pay revision for both Wage Board employees and executives, accounting for 52.98% of the total cost of production. CIL finalised the National Coal Wage Agreement (NCWA-VIII) in January 2009 giving a 24% incremental benefit, the highest agreed so far. Executive pay revision has also come into effect in line with the recommendations of the DPE, with a major financial impact on the bottom-line of the company. The increase in pay and wage revision by a staggering Rs. 8348.70 crore brought down CIL’s pre-tax profit from Rs. 14092.80 crore to
Rs. 5744.10 crore. This cost increase has not yet been neutralised through price adjustment.

- CIL’s net worth is Rs. 19,165.04 crore.

**Table 5.2**

**Achievement**

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Graph 5.1

RAW COAL PRODUCTION

(in million tonnes)
Chapter-V Cost Audit System of CIL

Graph 5.2

OVERBURDEN REMOVAL

(1.3UM)

200 250 300 350 400 450 500 550 600 650

97-98 98-99 99-00 00-01 01-02 02-03 03-04 04-05 05-06 06-07 07-08 08-09

628 451 462 457 490 501 497 516 534 538 608 645
Graph 5.4

MAN PRODUCTIVITY:
(Tonnes/Manshift)
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## COMPANY WISE PRODUCTION Table 5.4

*(Figs in Million Tonnes)*

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<td>0.96</td>
<td>1.11</td>
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<tr>
<td>TOTAL</td>
<td></td>
<td>0.52</td>
<td>0.81</td>
<td>1.19</td>
<td>0.64</td>
<td>0.63</td>
<td>0.73</td>
<td>0.63</td>
<td>1.10</td>
<td>1.05</td>
<td>1.10</td>
<td>1.01</td>
<td>1.11</td>
</tr>
<tr>
<td>CIL</td>
<td>U/G</td>
<td>58.22</td>
<td>60.50</td>
<td>55.61</td>
<td>49.22</td>
<td>48.42</td>
<td>47.44</td>
<td>47.04</td>
<td>45.82</td>
<td>43.32</td>
<td>43.54</td>
<td>43.96</td>
<td>43.26</td>
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<td>OC</td>
<td>20.77</td>
<td>70.31</td>
<td>167.45</td>
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<td>242.27</td>
<td>258.92</td>
<td>276.54</td>
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<td>317.59</td>
<td>335.92</td>
<td>359.77</td>
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<td>78.99</td>
<td>130.81</td>
<td>223.06</td>
<td>279.65</td>
<td>290.69</td>
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<td>343.39</td>
<td>360.91</td>
<td>379.46</td>
<td>403.73</td>
<td>431.27</td>
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</table>

Chapter-V Cost Audit System of CIL

102
### Production of CIL from 2003-2009

<table>
<thead>
<tr>
<th>OVER ALL CIL</th>
<th>OBR (Mcum)</th>
<th>OMS (Tonne)</th>
<th>OFFTAKE (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10 (APR-MAR) PROV</td>
<td>695.29</td>
<td>4.33 (APR-FEB)</td>
<td>415.96</td>
</tr>
<tr>
<td>2008-09</td>
<td>645.13</td>
<td>4.09</td>
<td>401.46</td>
</tr>
<tr>
<td>2007-08</td>
<td>607.56</td>
<td>3.79</td>
<td>375.33</td>
</tr>
<tr>
<td>2006-07</td>
<td>537.65</td>
<td>3.54</td>
<td>351.14</td>
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<td>2005-06</td>
<td>533.95</td>
<td>3.26</td>
<td>333.67</td>
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<td>2004-05</td>
<td>516.11</td>
<td>3.05</td>
<td>321.55</td>
</tr>
<tr>
<td>2003-04</td>
<td>496.9</td>
<td>2.82</td>
<td>304.44</td>
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### COMPANY WISE RAW COAL PRODUCTION PLAN FOR 2009-10

<table>
<thead>
<tr>
<th>Com</th>
<th>Type</th>
<th>APR 09</th>
<th>MAY 09</th>
<th>JUNE 09</th>
<th>JULY 09</th>
<th>AUG 09</th>
<th>SEP 09</th>
<th>1st QTR 09</th>
<th>2nd QTR 09</th>
<th>OCT 09</th>
<th>3rd QTR 09</th>
<th>NOV 09</th>
<th>DEC 09</th>
<th>3rd QTR 09 09-10</th>
<th>Total 09-10</th>
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</thead>
<tbody>
<tr>
<td>UG</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>MCL</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Product and service

Coking coal:

These coals, when heated in the absence of air, form coherent beads, free from volatiles, with strong and porous mass, called coke.

• These have coking properties
• Mainly used in steel making and metallurgical industries
• Also used for hard coke manufacturing

Semi coking coal:

These coals, when heated in the absence of air, form coherent beads not strong enough to be directly fed into the blast furnace. Such coals are blended with coking coal in adequate proportion to make coke.

• These have comparatively less coking properties than coking coal
• Mainly used as blend-able coal in steel making, merchant coke manufacturing and other metallurgical industries

NLW coking coal:

This coal is not used in metallurgical industries. Because of higher ash content, this coal is not acceptable for washing in washeries. This coal is used for power utilities and non-core sector consumers.

Non-Coking Coal:

These are coals without coking properties.

• Mainly used as thermal grade coal for power generation
• Also used for cement, fertilizer, glass, ceramic, paper, chemical and brick manufacturing, and for other heating purposes
Hard coal:

Hard coke is formed from coking / semi-coking coal through the process of carbonization.

- Mainly used in metallurgical industries
- Also used in industrial plants utilising furnaces

Washed and beneficiated coal:

These coals have undergone the process of coal washing or coal beneficiation, resulting in value addition of coal due to reduction in ash percentage.

- Used in manufacturing of hard coke for steel making
- Beneficiated and washed non-coking coal is used mainly for power generation
- Beneficiated non-coking coal is used by cement, sponge iron and other industrial plants

Middling:

Middling are by-products of the three stage coal washing / beneficiation process, as a fraction of feed raw coal.

- Used for power generation
- Also used by domestic fuel plants, brick manufacturing units, cement plants, industrial plants, etc.
Rejects:
Rejects are the products of coal beneficiation process after separation of clean and/or middling, as a fraction of feed raw coal.

- Used for Fluidized Bed Combustion (FBC) Boilers for power generation, road repairs, briquette (domestic fuel) making, land filling, etc.

CIL coke / LTC coke:
CIL Coke / LTC Coke is a smokeless, environment friendly product of the Dankuni Coal Complex, obtained through low temperature carbonisation.

- Used in furnaces and kilns of industrial units
- Also used as domestic fuel by halwais, hotels, etc.

Coal fines / coke fines:
These are the screened fractions of feed raw coal and LTC coke / CIL Coke respectively, obtained from the Dankuni Coal Complex and other coke oven plants.

- Used in industrial furnaces as well as for domestic purposes

Tar / heavy oil / light oil / soft pitch:
These are products from Dankuni Coal Complex using low temperature carbonisation of non-coking coal in vertical retorts.

- Used in furnaces and boilers of industrial plants as well as power houses, oil, dye, pharmaceutical industries, etc.
### Table-5.6
#### GRADATION OF COAL

**A. COKING COAL**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Parameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel – I</td>
<td>Ash not exceeding 15%</td>
</tr>
<tr>
<td>Steel – II</td>
<td>Ash exceeding 15% but not exceeding 18 %</td>
</tr>
<tr>
<td>Washery – I</td>
<td>Ash exceeding 18% but not exceeding 21 %</td>
</tr>
<tr>
<td>Washery – II</td>
<td>Ash exceeding 21% but not exceeding 24 %</td>
</tr>
<tr>
<td>Washery – III</td>
<td>Ash exceeding 24% but not exceeding 28 %</td>
</tr>
<tr>
<td>Washery – IV</td>
<td>Ash exceeding 28% but not exceeding 35 %</td>
</tr>
</tbody>
</table>

**B. SEMI COKING COAL**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Parameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semi Coking – I</td>
<td>Ash + moisture not exceeding 19 %</td>
</tr>
<tr>
<td>Semi Coking – II</td>
<td>Ash + moisture exceeding 19% but not exceeding 24 %</td>
</tr>
</tbody>
</table>

**C. NON-COKING COAL**

<table>
<thead>
<tr>
<th>Grade</th>
<th>UHV RANGE (KCALS/KG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Exceeding 6200</td>
</tr>
<tr>
<td>B</td>
<td>Exceeding 5600 but not exceeding 6200</td>
</tr>
<tr>
<td>C</td>
<td>Exceeding 4940 but not exceeding 5600</td>
</tr>
<tr>
<td>D</td>
<td>Exceeding 4200 but not exceeding 4940</td>
</tr>
<tr>
<td>E</td>
<td>Exceeding 3360 but not exceeding 4200</td>
</tr>
<tr>
<td>F</td>
<td>Exceeding 2400 but not exceeding 3360</td>
</tr>
<tr>
<td>G</td>
<td>Exceeding 1300 but not exceeding 2400</td>
</tr>
</tbody>
</table>
### Table 5.7

#### D. ASSAM COAL

<table>
<thead>
<tr>
<th>Grade</th>
<th>UHV RANGE (KCALS/KG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>6200 – 6299</td>
</tr>
<tr>
<td>B</td>
<td>5600 – 6199</td>
</tr>
</tbody>
</table>

#### E. HARD COKE

<table>
<thead>
<tr>
<th>Grade</th>
<th>ASH</th>
</tr>
</thead>
<tbody>
<tr>
<td>By Product Premium</td>
<td>Not exceeding 25 %</td>
</tr>
<tr>
<td>By Product Ordinary</td>
<td>Exceeding 25 % but not exceeding 30 %</td>
</tr>
<tr>
<td>Beehive Premium</td>
<td>Not exceeding 27 %</td>
</tr>
<tr>
<td>Beehive Superior</td>
<td>Exceeding 27 % but not exceeding 31 %</td>
</tr>
<tr>
<td>Beehive Ordinary</td>
<td>Exceeding 31 % but not exceeding 36 %</td>
</tr>
</tbody>
</table>
Table 5.8

Suitability of Coal

<table>
<thead>
<tr>
<th>Industry Type of Coal Required</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coking and semi-coking coal, direct feed and washed; blendable coal; low ash % Assam and Ranigunj coal</td>
<td>Steel making</td>
</tr>
<tr>
<td>Non-coking coal of high Initial Deformation Temperature (IDT) (&gt;1200 degrees Celsius)</td>
<td>Steel making, sponge iron industry</td>
</tr>
<tr>
<td>Coking and semi-coking coal</td>
<td>Cokeries / coke oven plants</td>
</tr>
<tr>
<td>Semi-coking and non-coking coal; middling &amp; rejects of washeries</td>
<td>Briquette making / domestic fuel making</td>
</tr>
<tr>
<td>Semi-coking coal of Coking Index 8 – 10</td>
<td>Special Smokeless Fuel (SSF)</td>
</tr>
<tr>
<td>Non-coking coal; middling of coking coal washeries; washed coal of non-coking coal washeries</td>
<td>Power sector</td>
</tr>
<tr>
<td>Non-coking coal; middling of coking coal washeries</td>
<td>Cement sector</td>
</tr>
<tr>
<td>Long Flame non-coking coal</td>
<td>Glass and potteries</td>
</tr>
<tr>
<td>Hard coke</td>
<td>Cast iron castings</td>
</tr>
<tr>
<td>Non-coking coal</td>
<td>Steel castings</td>
</tr>
<tr>
<td>Non-coking coal; middlings of coking coal washeries</td>
<td>Bricks</td>
</tr>
<tr>
<td>Superior grades of non-coking coal</td>
<td>Old boilers</td>
</tr>
<tr>
<td>Non-coking coal; CIL Coke / LTC Coke</td>
<td>Halwais, domestic use, hotels, etc.</td>
</tr>
</tbody>
</table>
Policy on Community & Peripheral Development in CIL and Its Subsidiaries

1. Objective:

The main objective of CIL Community policy & peripheral Development is to lay down guidelines for the Coal Companies to take up development and welfare activities (Community Development) in the area of mining operation. The CD programs will cover these components of Special Component Plan (SCP) and Tribal Sub Plan (TSP), besides CD components for the general population.

2. Sources of Fund

The fund for the CD activities will be allocated by the Corporate Headquarters to different Areas based on the requirement proposed by the Area duly screened by the Welfare Board. To help the Companies create a dedicated fund for the purpose, a sum of Rs. 1 per tonne of Coal produced may be set aside by all subsidiaries. The loss making (BIFR) subsidiaries will be given a grant by CIL at the rate of Rs. one per tonne of Coal Produced.

3. Peripheral Areas to be covered

The radius of coverage will normally be within 8 Kms. However, the Board of Directors may extend this radius or initiate specific projects of Community Development in a non contiguous Area, in special circumstances, such as Natural Disasters, Epidemics, etc. Some activities in the district Town of the Mine or around Corporate Headquarters can be taken up, if recommended by the Welfare Committee of the Subsidiary and/or approved by Board of Directors. Expenditure on activities beyond 8 Km would be restricted to 5% of total allocation for the year. However
4. Types of Programmes


The above list is illustrative and not exhaustive. The activities will be Village specific, depending on the need accessed for the People. As far as possible, efforts will be made to co-ordinate with similar development programmes that are taken up by the Central or State Govt. in the Areas of Coal India. All activities under CD Programmes should be environment friendly and socially acceptable to local People. In line with the community Development Policy of Coal India, the following shall also be extended to the resettlement sites.

(a) Infrastructure facilities:-

Depending upon the size of the need, resettlement sit shall be provided with

* School Building
(b) Health:-

Medical facilities for the residents of the site shall be provided by arranging visits of Doctors/Nurses to the relocation sites at least once a week. Occasionally, drives for immunization against different diseases and awareness programme on health care shall also be undertaken. Wherever resource permit, some cash assistance can be considered for construction of small health centers.

(c) Education:-

A small school Buildings shall be integral part of resettlement site to be provided by the Coal Companies. Depending upon population, Cash Assistance could be considered for construction of School Buildings for higher Education.

(d) Social/Cultural Activities:-

Organizing Sports and Cultural activities will encourage the residents of the resettlement sites.

(e) Tree Plantation:-

Tree plantation activities will be taken up in participation with the residents of the sites. Trees with economic/commercial Values should be preferred, such as Mahua, Karanch, Neem, Gamar, Sheesham, Mango, etc. Existing Women groups, Self Help groups would be encouraged to take up plantation of work.
(f) **Skill Up gradation:**

Vocational training on farming, handicrafts and other useful skills will be made available for the identified people for taking up self employment schemes.

(g) **Village Adoption:**

The Subsidiary Companies may adopt one village in every Area to develop as a model Village. This Village should be provided minimum infrastructure such as School Building, A Health centre, a Pond and adequate Tree Plantation.

5. **Target Beneficiaries**

The beneficiaries will include all communities, special attention should be given to the persons below the poverty line, SC/ST, Women, Handicapped and the Aged.

6. **Institutional Arrangement**

An Area Community Development Committee (ACDC) constituted for the purpose at the Area level will take decisions regarding identifying the activities, preparation of the budget, reviewing and approving the action plan and monitoring the activities during implementation. The committee will consist of Area Chief General Manager as Chairman assisted by the members from Finance, Civil, and Personnel Departments and the Area CGM/GM and/or the Union representatives may nominate some other members. A committee of local people's representative may be constituted in consultation with the District Collector. This Committee may also be associated with identifying activities specific to Villages/Area. The responsibility of
actual planning and implementation will rest with the CD/R&R officers or officers of any other designation vested with the responsibility.

At Subsidiary Head Quarters Level, the welfare Board will oversee the CD Activities.

Assistance of NGO may be sought, if necessary, for preparation of baseline data, CD Plans and involvement of local communities. For this purpose, only NGO of national repute or with a good track record would be involved.

7. Upkeep and Maintenance of Assets created

Operation and maintenance of the infrastructural facilities/assets created should be handed over to the Village Working Group (VWG), Local Panchayats or similar local statutory bodies on completion. Maintenance of these assets should be the responsibility of the local community. Before any capital investment is made an Undertaking should be taken from the Local Community that they will maintain the assets.

The above guidelines would form the framework around which the community development activities would be undertaken. Coal India will review the Policy after every five years and make suitable modifications, as may be necessary based on experience. Annual Audit of all activities undertaken by the company would be done by local auditors and a general write up of the work done as welfare should be included in the annual report of the Company.
5.3 Coal India Limited (Annual Performance 2008-09)

Production:

Coal India Limited (CIL), the state owned *Navratna* coal mining Public Sector Unit, for the first time crossed the 400 Million Tonne (MT) mark in coal production as the coal mining giant produced 403.73 MTs of raw coal during the fiscal 2008-09, which is 24.27 MTs more than the production achieved previous year, registering a growth of 6.4%. This is 99.7% of the AAP target of 405 MTs and 101% of MoU target of 400 MTs for a 'Very Good' rating. Adjusting for the fact that fiscal 2007-08 had 366 days, the growth rate works out to 6.8%. In comparison the growth achieved by CIL till fiscal 2007-08 has been hovering around 5.2% to 5.4% per annum. 2008-09 therefore, marks the beginning of CIL’s move to a higher growth trajectory.

In a clear indication of CIL’s dynamic production momentum in recent years, CIL leaped from 300 MTs mark achieved in 2003-04 to 400 MTs (2008-09) in a time span of 5 years. Whereas, it took CIL 12 years to cross the 300 MTs production mark from that of 200 MTs achieved in 1991-92. CIL’s production target, 3 years hence i.e. the terminal year of XI Five Year Plan 2011-12, is 520. 5MTs. Incidentally, the Bilaspur based Mini Ratna subsidiary of CIL, South Eastern Coalfields Limited, (SECL) crossed the three-figure mark as it produced 101.15 MTs during the fiscal. This is the first instance that any subsidiary of CIL crossed the 100 MT mark. SECL now joins the select band of 100 MTs coal production club, which has a few members globally. While the production through opencast mines was 359.78 MTs during the fiscal the same in case of Underground mines was 43.96 MTs. CIL has renewed its
focus on increasing the production through UG mines and declining trend in UG coal production has been arrested since 2007-08.

The increase in UG coal production during the year was around 420 thousand tonnes over the previous fiscal – a growth of 1%. South Eastern Coalfields (SECL), Northern Coalfields (NCL) and Western Coalfields Limited (WCL) have surpassed their targets by 5.15 MTs, 2.40 MTs and 1.65 MTs respectively and this surplus has made up the shortfall to the extent of 9.20 MTs made by Eastern Coalfields Limited ECL (2.86 MTs), Bharat Coking Coal Limited BCCL (0.99 MTs), Central Coalfields Limited (CCL) 3.76 MTs, Mahanadi Coalfields Limited (MCL) (2.67 MTs) and North Eastern Coalfields (NEC) (0.19 MTs) leaving an overall shortfall of only 1.27 MTs.

**Off-take**

Raw Coal off-take during the fiscal was 401.42 MTs, an increase of 26 MTs compared to previous fiscal registering healthy growth of 7%. Coal dispatch to Power Utilities – the largest coal consuming sector in India – has been around 296 MTs as against Annual Action Plan target of 292.93 MTs. Incremental dispatch has been 16 MTs in comparison to 2007-08, showing a growth of 5.7%.

**Coal Stocks**: Despite best efforts to augment coal off-take, the coal stocks have increased by 2.40 MTs during the year reaching a level of 48.00 MTs as on 31-03-2009. Coal stock with the Power sector was 11.30 MTs as on 1-04-2009-marginal improvement over 01-04-2008, which was 10.91 MTs. The accretion in coal stock during the year was however less than earlier years, corresponding figures being 2.55 MTs for 2007-08, 10.23 MTs for 2006-07.
Over Burden Removal

Over Burden Removal (OBR) in opencast mines during 2008-09 was 645 Million Cubic Meters against 607.56 Million Cubic Meters achieved last year registering a growth of 6.2%.

Sales

Gross Sales of CIL during the fiscal was Rs. 45,682 Crores registering a growth of 17.54% compared to last fiscal.

Wagon Loading

Highest ever coal loading by rail system at a level of 22900 Four Wheeled Wagons (FWWs) per day during 2008-09 surpassing the previous highest of 22417 FWW per day achieved during the previous fiscal.

Coal Sales Realization

Coal Sales Realization upto 31 March, 2009 was Rs 47,031 Crores (provisional) during 2008-09. The realization as % of net billing (after adjustment of cess etc.) has been 100% during the year. In terms of month’s billing the net coal sale dues had also come down from 0.60 month’s to 0.51 month’s billing. Coal sale dues which were Rs. 2053 Crores as on 31-3-08 came down marginally to Rs. 2046 Crores as on 31-3-09.

E-auction of Coal

The e-auction sale of coal increased sharply during 2008-09. The total quantity allocated during 2008-09 through online bidding increased by 69.7% to a level of 48.8 MTs from the previous fiscal’s 28.79 MTs.
The lifting of coal and coal products under the scheme was 38.6 MT as against 26.4 MTs in the previous year.

**Profit**

Coal India Limited as a whole, on a like to like basis, made a profit (before tax and dividend) of Rs 12,103.31 Crores (provisional) during 2008-09 as against Rs 8,738.46 Crores in 2007-08. However, after taking into account the impact of upward revision of wage for wage board employees with effect from 01-07-2006 and that of executives from 1-01-2007 the PBT is Rs.4238.58 crores (Provisional) for 2008-09. The impact on account of pay revision is estimated at Rs.5410.48 crores plus incremental actuarial liability of Rs. 2454.25 crores. Except ECL and BCCL all coal companies of CIL registered profit during the fiscal.

**Dividend paid**

Coal India Limited paid a dividend of Rs 1705.42 crores to Government of India during the fiscal 2008-09, i.e. to 27% of the paid up equity of CIL of Rs 6316.36 crores. The dividend paid was similar to the amount paid last fiscal, despite decline in PBT on account of pay revision.

**Target for 2009-10**

As per the Annual Action Plan, the production target for the year 2009- 2010 is 435 MTs.

**Other Highlights**

- CIL was conferred with the coveted Navratna status by Govt. of India on 24 October 2008. The improved physical performance and strong financial showing in recent years, coupled with the need for accelerated
coal production to meet huge capacity addition that is taking place in the country, led to CIL being conferred the coveted Navratna status. CIL now joins the select band of significant players in the economic development of the country. Navratna means a lot more in terms of empowerment and the increased powers will help CIL in taking speedier decisions for its project approvals. The newly accorded status provides more financial and operational autonomy to CIL and it can now take decisions on its own for investing in projects.

- CIL finalized the National Coal Wage Agreement (NCWA) VIII on 23 January 2009 revising the salaries of around 4.33 Lakh workmen of CIL and its eight subsidiary companies. Including the workmen of Singareni Collieries Company Limited the wage increase effectively covers over 5 Lakh coal workers. Incidentally, CIL is the first Central Public Sector to finalize the wage revision due since 2006-07.

- CIL has also finalized the revised pay to 16,000 of its executives due since 1-01-2007. CIL has accepted all the recommendations of the government with regard to revised pay for its executives.

- CIL was rated ‘Excellent’ for its performance in achieving Memorandum of Understanding (MoU) Targets for the year 2007-08. The component of performance obligation mainly consists of Financial & Physical Performance indicators. The key parameters are gross margin, gross sales, financial ratios, customer satisfaction, quality of coal, coal production & productivity, HRD (training policy etc), safety (fatality/Mt) and environmental measurements etc. The MoU composite score for 2007-08, on the basis of audited data in respect of CIL, has been evaluated and finalized by the concerned syndicated
group of the task force. The composite score and the rating of CIL are 1.47 and ‘Excellent’ respectively.

- CIL was successful in bagging two virgin coal blocks in Mozambique through competitive bidding. The two coal blocks A1 and A2 span an area of about 205 Sq. Kms. Preliminary estimates suggest reserves upto 1 Billion Tonnes of coal. Explorations on the blocks are likely to commence in about six months. CIL is in the process of forming a Joint Venture with a company to be nominated by Mozambique authorities. Coal mined from these blocks will be imported primarily to meet customer demand in the country, especially western India.

- CIL in a bid to bring in greater transparency and quicker decision making in its procurement activities had sealed a pact with MSTC Limited, which will act as service provider for CIL’s e-tendering and reverse auction services, against tenders issued by CIL and its subsidiaries. The estimated value of purchases to be handled through e-procurement will be around Rs. 3400 crores in the first year. The materials include equipments, consumables, spare parts etc. CIL had appointed about 15 Independent External Monitors to oversee the entire tender evaluation process.

- CIL being a responsible corporate entity lays special emphasis on CSR and has taken some initiatives in improving the quality of life of the community in and around its coal mining area and society at large. The CSR activities includes i) adoption of villages/ providing basic amenities such as clean water/ sanitation/ roads etc.; ii) setting up of CSR Dispensaries in all the subsidiary companies; iii) providing medical facilities to the villagers at their doorsteps in remote places.
using Mobile Medical vans; iv) organizing health awareness programmes amongst others.

- For sustainable development of the coal mining in India, CIL through its subsidiaries Central Mine Planning & Design Institute (CMPDI) has started satellite surveillance for land reclamation and restoration of all the opencast coal mines. The monitoring has already been commenced and baseline information based on the satellite images are generated by CMPDI for 37 opencast projects during 2008-09. It has been decided by CIL that all the mines which are producing more than 5 million cu. m. per annum (coal and OB together) will be monitored annually, whereas mines which are producing less than 5 million cu. m. will be monitored at a regular interval of 3 years to assess the impact of coal mining on land environment.

- 'India CMM/CBM Clearing House' - a joint effort of Govt. of India & US Govt. - established at Central Mine Planning and Design Institute Limited (CMPDIL) Ranchi – a mine design and consultation arm of Coal India Limited CIL was formally inaugurated. The clearing house would provide thrust to development of Coal Bed Methane/Coal Mine Methane in India as part of CIL’s commitment to make use of coal in an environment friendly manner as well as pursuing clean coal technologies in right stride.

**MINE SAFETY:**

- Coal India Ltd has always given the highest priority towards “Safety”. In CIL, safety is considered as a part of its core production process and is embodied in the mission statement. CIL has also framed a distinct and definite Safety Policy and formed
multidisciplinary Internal Safety Organization (ISO) in every subsidiary company and also at CIL (HQ). Over the years the safety performance in CIL has been significantly improved. This improvement documented statistically in several independent sources and attributed to the following reasons: Commitment by the management, workers and regulators

- Well thought out and conscientious safety awareness drives,
- Advanced and continuous training of the workforce
- Technological advances in the field of mining methods and better equipment design;
- Strong oversight and required assistance from the Ministry of Coal.

SAFETY POLICY OF COAL INDIA LIMITED:

Safety is given prime importance in the operations of CIL as embodied in the mission of Coal India Ltd. CIL has formulated a Safety Policy for ensuring safety in mines and implementation of which is closely monitored at several levels.

1. Operations and systems will be planned and designed to eliminate or materially reduce mining hazards;

2. Implement Statutory Rules and Regulations and strenuous efforts made for achieving superior standards of safety;

3. To bring about improvement in working conditions by suitable changes in technology;

4. Provide material and monetary resources needed for the smooth and efficient execution of Safety Plans;
5. Deploy safety personnel wholly for accidents for accident prevention work;

6. Organize appropriate forums with employees’ representatives for Joint consultations on safety matters and secure their motivation and commitment in Safety Management;

7. Prepare annual Safety Plan and long term Safety Plan at beginning of every calendar year, unit-wise and for the company, to effect improved safety in operations as per respective geo-mining needs to prepare the units for onset of monsoon, to fulfill implementation of decisions by Committee on Safety in Mines and Safety Conferences and to take measures for overcoming accident proneness as may be reflected through study of accident analysis, keeping priority in sensitive areas of roof-falls, haulage, explosives, machinery etc.

8. Set up a frame work for execution of the Safety Policy and Plans through the General Managers of Areas, Agents, Managers and other safety personnel of the units;

9. Multi-level monitoring of the implementation of the Safety Plans through Internal Safety Organization at the company headquarters and Area Safety Officers at area level;

10. All senior executives at all levels of management, will continue to inculcate a safety consciousness and develop involvement in practicing safety towards accident prevention in their functioning;

11. Institute continuous education, training and retraining all employees with the accent placed on development of safety oriented skills;
12. Continue efforts to better the living conditions and help of all the employees both in and outside the mines.

**Functions of Internal Safety Organization (ISO):**

The head of the internal safety organization (ISO) of the subsidiary companies will report to CMD or one of the Technical Directors. ISO will function in two-tier viz. Company and Area levels.

1. The Internal Safety Organization at Subsidiary company level will be multi-disciplinary in nature.

2. The ISO will be responsible for scrutinizing plans and schemes of every mine at least once a year with due emphasis to identify potentially dangerous situations which may lead to dangerous occurrences like inundation, fires etc.

3. Remedial action as suggested by the ISO will be implemented by the field executives according to their charge expeditiously and diligently. The ISO will maintain the necessary records.

4. (a) Each mine shall be subjected to at least one inspection every three months independently by an officer of ISO and the Workman’s Inspector shall accompany him during such inspections. Such mine inspections shall cover each working district/ district under preparation/ reopening and selected old workings as well as likely sources of danger from surface; inundation, subsidence, fires etc. During such inspections if immediate danger is apprehended, the officer of ISO shall forthwith bring such situation to the notice of Project Officer and the concerned General Manager for deciding the remedial action to be taken. A report of this should be made
personally to General Manager (Safety) and the concerned Director (Tech), indicating remedial action to be taken.

(b) In case the officer of ISO finds the action taken by the Colliery Management in advance or assesses the situation to be grave he must report to the Area General Manager and General Manager (Safety) for taking necessary steps. Area General Manager and executives working under him will arrange for the removal of the dangerous condition and report the same to the Director (Tech) failing which the latter may stop the district.

5. Safety performance consisting of fatal and serious accidents shall be included as an Item in the confidential report for performance appraisal. The mine conditions, circumstances and cause of accidents shall be given due consideration while making the appraisal.

6. The ISO at the company and area levels shall be provided separate vehicles for performing their duty efficiently.

7. The ISO at the subsidiary company level and area levels shall maintain a list of mining districts or parts of mine together with the concerned details, which are prone to major accidents or disasters to ensure adequate coverage and follow up/monitoring of the implementation of the counter measures.

8. (a) The CMD of the subsidiary company will review the performance of the ISO once every quarter.

(b) The Director (Tech) should hold at least one meeting a month with the ISO and the GM of areas to assess the Safety Performance.

(c) The Area Safety Officer will hold meeting with the Managers of the
collieries at least once a month reviewing the safety performance of individual collieries.

9. All applications for permission for opening/reopening of a district should be independently checked by the ISO.

The functions of the ISO shall be both audit and advisory. For this, the ISO will have to be provided with adequate staff and infrastructural facility with a view to fulfill its role and functions. The ISO at the Area level should actively associate with formulation of Annual Action Plan with a view to ensure adequate provision of materials having bearing on the safety aspects of the operations.

Safety Monitoring Mechanism At Different Levels In CIL:

Under the Constitution of India, safety, welfare, and health of workers employed in mines are the concern of the Central Government (Entry 55-Union List-Article 246). The objective is governed by the Mines Act, 1952 and the Rules and Regulations framed there under. These are administered by the Directorate-General of Mines Safety (DGMS), under the Union Ministry of Labour & Employment. Apart from administering the Mines Act and the subordinate legislation there under, DGMS also administers and few other allied legislation, including the Indian Electricity Act.

Apart from the above mentioned statutory monitoring by DGMS, there are several others for monitoring safety; these are as follows:
### Table 5.9

| At Mine level       | 1. Workman inspectors: as per Mines Rule-1955  
|                    | 2. Pit Safety Committee: constituted as per Mines Rule-1955 |
| At Area level       | 1. Bipartite/Tripartite Committee Meeting  
|                    | 2. Safety Officers’ Coordination Meeting |
| At Subsidiary HQ level | 1. Bipartite/Tripartite Committee Meeting  
|                     | 2. Area Safety Officers’ Coordination Meeting  
|                     | 3. Inspections by ISO Officials |
| At CIL HQ Level     | 1. CIL Safety Board  
|                     | 2. Director (Tech)’s Coordination Meeting  
|                     | 3. National Dust Prevention Committee  
|                     | 4. Meeting  
|                     | 5. Inspections. |
| At Ministerial Level | 1. Standing Committee on Safety in Coal Mines  
|                      | 2. National Conference on Safety in mines  
|                      | 3. Various Parliamentary Standing Committees |
Chapter-V Cost Audit System of CIL

1. way in two phases: -

a. 1st Phase: Deficiencies (i.e. unsafe conditions and unsafe acts) are being identified and remedial measures suggested or recommended.

b. 2nd Phase: Review the status of implementation of the recommendations / suggestions of 1st phase are being done in 2nd phase and thereafter and final report is submitted.

2. Steps for Disaster Prevention:

a. Inundation: Thrust on Safety Audit, Check Survey, Trials of Geophysical Methods for detection of water bodies / proving parting etc.

b. Fire in mines: Panel system working (so that in case of fire that can be isolated immediately), strengthening of isolation stopping and use of fire retardant sealant etc.

c. Explosion: Early Gas detection through various modern gadgets (both sensors & catalytic base), Continuous type computer based on-line Gas monitoring for highly gassy and fiery mines and erection of explosion proof stopping.

d. Emergency Action plan has been prepared and mock rehearsals are being carried out regularly.

3. For reduction of Roof/Side falls accident: Roof / Side fall accident is one of the major causes of fatal accident in underground mines. CIL has given priority for ensuring roof support management through

   - Stress on face mechanization to reduce exposure of workmen in active working zone.
• Support Plan based on Rock-mass-rating (RMR) of overlying roof strata.
• Greater use of Roof Bolting/ Stitching methods of roof support.
• Introduction of mechanized drilling by advanced roof bolting machines.
• Introduction of resin capsules.
• Emphasis on development of indicators for detecting impending load on roof through R&D.
• Training of Contractor’s Workers involved in transporting

4. For reduction of accident at Opencast as well as on Surface of Mines: The following measures are being taken for reduction of fatalities in Opencast Mines & on Surface:

• Mine-specific Traffic Rule.
• Code of Practices for HEMM operators, Maintenance staffs & others.
• Standard of Procedure related to safe operation of various mining operation.
• Risk Assessment & Management

Further Area Identified For Improving Safety In CIL’s Mines In XIth 5 - Years Plan Period:

1. Stress on providing more numbers of Mechanized Roof drilling machines.

2. Stress on providing Man Riding System in UG mines with arduous traveling road.
3. GPS based Truck Dispatch System


5. Digitization of Mine Plans

6. Development of testing facilities of international standards.

7. On-line roof-behavior monitoring systems

8. Incorporation of Safety into the integrated network Application & LAN with Internet/Intranet facilities.

9. UG Communication & Tracking system.

10. Simulation Training

**On Going R&D Activities Related To Safety:**

11. Development of immediate roof fall predication system in underground mines using wireless network system by IIT, Kharagpur

12. Technical study for old and active OB Dumps of Opencast mines in WCL to determine stability characteristics and dimensional parameter by IIT, Kharagpur

13. Development of CMPDIL capacity for delineation of viable coal mine methane (CMM)/ Abandoned mine methane (AMM) blocks in the existing and would be mining areas having partly de-stressed coal in virgin coal seams by CMPDI, Ranchi

14. Inventory and monitoring of underground and surface coal mine fire for modeling fire dynamics and rate of fire movements, Jharia Coalfields, Jharkhand using satellite thermal remote sensing data by Presidency College, Kolkata. High concentration fly ash slurry stowing at Madhuband colliery, BCCL by CIMFR, Ranchi.
Chapter-V  Cost Audit System of CIL

Under Proposal stage:

1. Determination of % of free silica (alpha-quartz) content in respirable air borne dust in coal mines by CIMFR, Dhanbad

2. Underground Trapped Miner Location System by CMC, Kolkata

3. Development of guidelines for safe dragline dump profile under varying geo-engineering conditions in OC mines of CIL by BIT, Meshra and CMPDI, Ranchi

Table 5.10

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FATAL ACCIDENTS</th>
<th>SERIOUS ACCIDENTS</th>
<th>FATALITY RATE</th>
<th>SERIOUS INJURY RATE</th>
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<tr>
<td></td>
<td>Accident</td>
<td>Fatalities</td>
<td>Accident</td>
<td>Injuries</td>
</tr>
<tr>
<td>2009</td>
<td>25</td>
<td>29</td>
<td>117</td>
<td>119</td>
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<tr>
<td>2008</td>
<td>52</td>
<td>64</td>
<td>337</td>
<td>342</td>
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<td>2004</td>
<td>66</td>
<td>70</td>
<td>491</td>
<td>508</td>
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</tbody>
</table>

Note: All figures since 2007 are subject to reconciliation with DGMS and figures for 2009 are upto June
Chapter-V Cost Audit System of CIL

Graph 5.5

Fatal Accidents & Fatalities in CIL

Year

Numbers
Graph 5.6

Serious Accidents & Injuries

Year
Chapter-V  Cost Audit System of CIL

Graph 5.7

Fatality Rate per Mte of Coal Production
### Table 5.11

#### Cause-wise Break up Fatalities in CIL since 2004 (Under broad heading)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ground Movement</th>
<th>UG-trans (Haulage, Conv., etc)</th>
<th>Explosives</th>
<th>Machinery (trans_above Gr + non-transport)</th>
<th>Electricity</th>
<th>Gas, inundation</th>
<th>Misc.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>9</td>
<td>1</td>
<td>0</td>
<td>11</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>29</td>
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<tr>
<td>2008</td>
<td>25</td>
<td>1</td>
<td>1</td>
<td>22</td>
<td>3</td>
<td>0</td>
<td>12</td>
<td>64</td>
</tr>
<tr>
<td>2007</td>
<td>14</td>
<td>3</td>
<td>1</td>
<td>25</td>
<td>4</td>
<td>2</td>
<td>8</td>
<td>57</td>
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<tr>
<td>2006</td>
<td>14</td>
<td>9</td>
<td>0</td>
<td>16</td>
<td>2</td>
<td>52</td>
<td>13</td>
<td>106</td>
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<tr>
<td>2005</td>
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<td>11</td>
<td>2</td>
<td>30</td>
<td>2</td>
<td>14</td>
<td>8</td>
<td>97</td>
</tr>
<tr>
<td>2004</td>
<td>28</td>
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<td>2</td>
<td>23</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>70</td>
</tr>
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</table>
### Place-wise Break up Fatalities in CIL since 2004-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>OC</th>
<th>Surface</th>
<th>UG</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
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<td>31</td>
<td>64</td>
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<tr>
<td>2007</td>
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<td>12</td>
<td>19</td>
<td>57</td>
</tr>
<tr>
<td>2006</td>
<td>16</td>
<td>9</td>
<td>81</td>
<td>106</td>
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<tr>
<td>2005</td>
<td>22</td>
<td>18</td>
<td>57</td>
<td>97</td>
</tr>
<tr>
<td>2004</td>
<td>25</td>
<td>6</td>
<td>39</td>
<td>70</td>
</tr>
</tbody>
</table>

**Note**: All figures since 2007 are subject to reconciliation with DGMS and figures for 2009 are up to June
MINES RESCUE SERVICES:

A well-equipped Rescue Service Organization staffed by rescue personnel trained in modern training galleries and equipped with modern rescue equipment is maintained by the subsidiary companies of CIL. At present 6 Rescue Stations, 15 Rescue Rooms-with-Refresher Training facilities and 18 Rescue Rooms are being maintained.

5.4 Cost Accounting Records (Mining) Rules, 1975 to 2004

Cost audit of Coal India Limited is not mandatory but research based on system of cost audit in India and likely would be depend on mining rules. G. S.R. 276(E) Date 24.04.2001- In exercise of the powers conferred by sub — section (1) of Section 209(1)(D), of the Companies Act, 1956(1 of 1956), the Central Government hereby makes the following rules namely :

1. Short flue and Commencement—these rules may be called the Cost Accounting Records (Mining) Rules 2001.

Application—they shall apply to every company engaged in the production, processing or manufacturing of coal used for the purpose of excepting those companies falling under the category of Industrial units.[Explanation — For the purpose of this rule, the expression “small scale Industrial Undertaking” means a company —

(a) the aggregate value of the machinery and plant does not exceed the limit as specified for a small scale industrial undertaking under the
Industries (Development and Regulation) Act 1951 (65 of 1951), as on the last date of the preceding financial year.¹

(b) [the aggregate value of the realization made by the company from the sale or supply of all its products during the preceding financial year does not exceed ten crore rupees.]²

3. Maintenance of Records —

(1) Every company to which these rules apply shall, in respect of each of it’s financial year commencing on or after commencement of these rules, keep proper books of accounts containing interalia the particulars specified in Schedule I & II annexed to these rules relating to the utilization of materials, labour and other items of cost.

Provided that if the said company is manufacturing any other product or is engaged in any other activities in addition to the manufacture to any of the articles referred to in rule 2, the particulars relating to the utilization of materials, labour and other items of cost in so far as they are applicable to such other products or activities shall not be included in the cost of coal.

(2) The books of accounts referred to in sub-rule

(1) Shall be kept in such a way as to make it possible to calculate the cost of production and cost of sales of each type of coal referred to in rule. (2) during a financial year (herein after referred to as the relevant period) from the particulars entered therein and every such books of account and the proforma specified in Schedule II shall be completed within ninety days.

¹ Substituted by GSR No. 440 (E) dated 3rd August, 1998
² Inserted by GSI? No. 316 (E) dated 24th March, 1993
(3) It shall be the duty of every person referred to in sub-section (6) and sub-section (7) of Section 209 of Companies Act 1956 (1 of 1956) to take all reasonable steps to secure compliance by the company with the provisions of sub-rule (1) and (2) in the same manner as they are liable to maintain financial accounts required under sub-section (1) of Section 209 of the said Act.

Penalty: - If a company contravenes the provisions of rule 3, the company and every officer thereof who is in default including the persons referred to in sub-rule (3) of rule 3, shall subject to the provisions of Section 209 of the Companies Act, 1956 (1 of 1956) be punishable with fine which may extend to five hundred rupees and where the contravention is a continuing one, with a further fine which may extend to fifty rupees for every day after the first day during which such contravention continues.

**SCHEDULE I**

I. Materials:

(i) Proper records shall be maintained showing separately the quantity and cost of explode and other things records shall be maintained in a suitable proforma so as to enable computation of the cost of coal mine.

II. Salaries and Wages:

(a) Proper records shall be maintained to show the attendance and earnings of all employees and the departments or cost centers and the work on which they are employed. The records shall also indicate separately
(1) Overtime wages earned

(ii) Piece rate wages earned

(iii) Incentive wages earned, either individually or collectively as production bonus or under any other scheme based on output

(iv) Earning of casual labour

(b) Idle time shall be separately recorded under classified headings indicating the reasons therefore. The method followed for accounting of idle time payments in determining the cost of the products shall be disclosed in the cost records.

(c) Any salaries and wages allocable to capital works such as additions or heavy repair works to plant and machinery, buildings or on any other fixed assets shall be accounted for under the relevant capital heads.

III. Service Departments Expenses:

Detailed records shall be maintained to indicate expenses incurred for each service department or cost center. These expenses shall be apportioned to other services and production departments on an equitable basis and applied consistently.

IV. Power, Fuel & Other Services:

(a) Water: - Proper records showing the quantity and cost of the water treated and consumed for the production of coal in different departments or cost centers shall be maintained in such a manner to enable the company to furnish the necessary particulars in Annexure-I to this Schedule. The cost of water allocated shall be on a reasonable basis and applied consistently.
(b) **Steam**: proper records showing the quantity and cost of steam raised and consumed for the production of paper in different departments or cost centers shall be maintained in such detail as may enable the company to furnish the necessary particulars in Annexure II to this Schedule. Proper records shall be maintained to show the quantity and cost of the steam purchased.

c) **Power**: When power is generated by the coal mine, proper records showing the quantity and cost of power generated and consumed for the production of paper in different departments or cost centers shall be maintained in such details as may enable the company to furnish the necessary particulars in Annexure III to this Schedule. Proper records shall also be maintained to show the quantity and cost of power purchased.

The rate charged by the unit shall be on a reasonable basis. Necessary records shall also be maintained to show the consumption of power by various departments or cost centers. The cost of power allocated to production shall be on a reasonable basis and applied consistently.

**V. Workshop / Repairs and Maintenance Mining tools:**

Proper records showing the expenditure incurred by the workshop under different heads and on repairs and maintenance by the various departments and cost centers shall be maintained. The records shall also indicate the basis of charging the workshop expenses to different departments and cost centers. Expenditure on major repair works from which benefit is likely to accrue for more than one financial year shall be shown separately in the cost records indicating the method of its accounting in determining the cost of paper manufactured during the
relevant period. Expenditure incurred on work of capital nature shall be capitalized. The cost of such jobs shall include the expenditure on material, labour and a share of the overheads. The jobs carried out by the workshop of any other unit of the coal mine and vice versa shall be charged or credited on a reasonable basis and applied consistently.

VI. Depreciation:

(a) Proper records shall be maintained showing the cost and other particulars of fixed assets in respect of which depreciation is to be provided. These records shall inter alia indicate the cost of each item of asset including installation charges if any, the date of its acquisition, the date of installation and the rate of depreciation. In respect of these assets, the original cost of acquisition of which cannot be ascertained without an unreasonable expenditure or delay, the valuation shown in the books on the first day of the financial year beginning on or after the commencement of these rules shall be taken as opening balance,

(b) The basis on which depreciation is calculated and allocated to the various departments and cost centers and to the products shall be clearly indicated in the records. Depreciation chargeable to the different departments and cost centers shall not be less than the amount of depreciation chargeable in accordance with the provisions of sub-section (2) of Section 205 of the Companies Act 1956 (1 of 1956) and shall relate to plant and machinery and other fixed assets utilized in such departments and cost centers. In case the amount of depreciation charged in the cost records in any financial year is higher than the amount of depreciation chargeable under aforesaid provisions of the Companies Act, the amount so charged in excess shall be indicated clearly in the cost records. The
cumulative depreciation charged in the cost records against any individual item of the assets shall not, however, exceed the original cost of the respective asset.

VII. Overheads:

Proper records shall be maintained showing the various items of expenses comprising overheads. These expenses shall be analyzed, classified and grouped into works, administration and selling and distribution overheads. Where the company is engaged in the production of coal the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to the mining of coal and other activities. Overheads allocable to capital works shall be indicated separately in the cost records. The method followed for the levy and absorption of the above categories of overheads to the products shall be indicated in the cost records. The basis followed for levy and absorption of the overheads shall be equitable and applied consistently.

VIII. Expenses on Export:

Records showing the expenses incurred on export of coal, if any, shall be separately maintained, so that the cost of export sales can be determined correctly. The expenses incurred on export, as well as any export incentive earned shall be reflected in the cost statement relating to export sales.

IX. Work-in-progress and Finished Goods:

The method followed for determining the cost of work-in-progress and finished goods stock shall be indicated in the cost records so as to
reveal the cost elements that have been taken into account in such computation. The method adopted shall be followed consistently.

X. Production Records:

Quantitative records of coal production, issues for sales and balances of different types of coal and coal products produced by the company shall be maintained. The cost of coal production, issues and balances may be kept in detail or in the form of control accounts for each product group, provided the value of the balances according to such control accounts are reconciled periodically, at least once in a year, with the values of the quantities shown in the quantitative account of coal.

XI. Reconciliation of Cost and Financial Accounts:

The cost records shall be reconciled periodically with the financial books of accounts so as to ensure accuracy. Variations if any shall be clearly indicated and explained. The period for which such reconciliation is effected shall not exceed the period of the financial year of the company. The reconciliation shall be done in such a manner that the profitability of the production of coal can be correctly adjusted and reconciled with the overall profits of the company. A statement showing the total expenses incurred and the incomes received by the company and the share applicable to production of coal shall be maintained in Proforma 'H' duly reconciled with the financial accounts.

XII. Adjustments of Cost Variances:

Where the company maintains cost records on any basis other than actual, such as standard costing, the records shall indicate the procedures followed by the company in working out the cost of the product under such procedures. The method followed for adjusting the cost variances
between the actual and the figures adopted by the company for determining the actual cost of the product shall be indicated clearly in the cost records. The cost variance shall be shown against item 9 of the Proforma ‘E’ of Schedule II. The reasons for the variance shall be indicated in detail in the cost records.

XIII. Records of Physical Verification:

Records of physical verification shall be maintained in respect of all items held in stock such as raw materials, process materials, in the cost of product shall be indicated in the records.

XIV. Inter-Company Transfer:

(i) In respect of related party transactions or supplies made or services rendered by a company to its holding company or subsidiary or a company termed “related party relationship” as defined below and vice-versa, records shall be maintained showing contracts entered into, agreements or understanding reached in respect of:

(a) Purchase and sale of raw materials, finished products, process materials, and rejected goods including scraps, etc;

(b) Utilization of mining facilities and technical know-how;

(c) Supply of utilities and any other services;

(d) Administrative, technical, managerial or any other consultancy services;

(e) Purchase and sale of capital goods including mining and machinery;

(f) Any other payment related to production, processing or manufacturing of product under reference.
These records shall also indicate the basis followed for arriving at the rates charged or paid for such products or services so as to enable determination of the reasonableness of such rates in so far as they are in any way related to product under reference.

(2) The transactions by the following “related party relationships” shall be covered under sub-rule (1):-

(a) Enterprises that directly or indirectly through one or more intermediate, control, or are controlled by, or are under common control with, the reporting enterprises (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates and joint ventures of the reporting enterprises and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;

(c) Individuals owing, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;

(d) Key management personnel and relatives of such personnel; and

(e) Enterprises over which any person described in (c) or (d) is able to exercise, significant influence. This includes enterprises owned by directors of major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

However, the following shall not be deemed as “related party relationship”:
(a) Two companies simply because they have a Director in common, notwithstanding paragraph (d) or (e) above (unless the Director is able to affect the policies of both companies in their mutual dealings);

(b) A single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and

(c) The parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision making process);

(i) Providers of finance;

(ii) Trade unions;

(iii) Public utilities;

(iv) Government Departments and Government agencies including Government sponsored bodies.

Explanation: - For the purpose of these Rules-

(a) “Related party relationship” means parties who are considered to be related at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions;

(b) “Related party transaction” means transfer of resources or obligations between related parties, whether or not a price is charged;

(c) “Control” means
(i) Ownership, directly or indirectly, of more than one half of the voting power of an enterprise; or

(ii) control of the composition of the Board of Directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise; or

(iii) A substantial interest in voting power and the power to direct, by statute or agreement, the financial and or operating policies of the enterprise.

(d) "Significant influence" means participation in the financial or operating policy decisions of an enterprise, but not control of those policies;

(e) "Associate" means an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party;

(f) "Joint venture" means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control;

(g) Joint control" means the contractually agreed sharing of power to govern the financial and operating policies of an economic activity so as to obtain benefits from it;

(h) "Key management personnel" means those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise;

(i) "Relative"- in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may connected by blood relationship;
(j) "Holding company" means a holding company within the meaning of Section 4 of the Companies Act, 1956 (1 of 1956);

(k) "Subsidiary" means a subsidiary company within the meaning of Section 4 of the Companies Act, 1956 (1 of 1956);

(l) "Fellow subsidiary" means a company is said to be a fellow subsidiary of another company if both are subsidiaries of the same holding company;

(m) "State-controlled enterprise" means an enterprise which is under the control of the Central Government or a State Government*

XV. Statistical Records:

Statistical data such as available machine hours, actual machine hours worked with reasons for stoppages under classified headings, yield percentage of pulp for the various mining of coal, yield percentage of coal to the input of various pulps, production per hours, efficiency of explode, consumption of power per ton of output of coal, Such records will enable the company to identify, as far as possible, the capital employed for the production of coal shall also be maintained. The records shall also show fresh investments on fixed assets that have not contributed to the production during the relevant period.

Statistical and other records maintained in compliance with the provisions of this Schedule and Schedule II shall be such as to enable the company to exercise, as far as possible, control over operations and costs and to provide necessary data required by the Cost Auditor to suitably report on all the points referred to in the Cost Audit (Report) Rules, 1968

* Inserted by Notification No. GSR 722 (E) dated 28th September 2001
Chapter-V  Cost Audit System of CIL

as amended from time to time. The data mentioned in Cost Records shall be reconciled with the periodical returns submitted by the company to the excise and other authorities.

ANNEXURE I

Name of the Company...........................................................................
Name & address of Coal Mining...........................................................
Statement showing the Cost of Water treated I consumed during the
year ending ...............................................................
Quantity of Water treated...............................................................
Cost per kilo litre of water treated....................................................

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Unit</th>
<th>Rate</th>
<th>Quantity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Royalty</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(6)</td>
</tr>
<tr>
<td>2. Explode</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Stores</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Power</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Salaries &amp; Wages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Repairs &amp; Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Overheads</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Less credits, if any</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Net Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. If the treated water is supplied to any other outside party, necessary credits for recoveries made shall be given against item (9).
2. Where meters are not installed, consumption of treated water shall be assessed on reasonable basis and applied consistently.
3. Bonus to employees other than incentive bonus, provision for statutory gratuity and interest charges shall be shown in Proforma F, G & H only.
ANNEXURE II

Name of the Company.................................................................
Name & address of Coal Mining....................................................

Statement showing the Cost of Steam raised and consumed
during the year ending.........................................................

Quantity of Steam raised Tones.................................
Cost per ton of Steam raised.................................

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Quantity (Units)</th>
<th>Rate (Rs.)</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
</tbody>
</table>
1. Water (As per Annexure I)               |
2. Fuel:
   (a) Coal                   |
   (b) Fuel Oil               |
   (c) Electricity            |
   (d) Other fuels, if any (to be specified) |
3. Other Direct expenses (Such as Boiler Inspection fees) |
4. Consumable Stores        |
5. Salaries & Wages         |
6. Repairs & Maintenance    |
7. Other Overheads          |
8. Depreciation
   Total
9. Less:
   (a) Cost of live steam used by Power House for generating electricity
   (b) Others units of the company
10. Quantity and cost of live Steam

Notes:
(1) if the steam is supplied to any other outside party, necessary credit for recoveries made shall be given against item 9.
(2) Where meters are not installed, consumption of steam shall be assessed on reasonable basis and applied consistently.
(3) Bonus to employees, other than incentive bonus, provision for statutory gratuity and interest charges shall be shown in Proformae ‘F’, ‘G’ and ‘H’.
ANNEXURE III

Name of the Company............................................
Name & address of Coal Mining.........................

Statement showing the Cost of Power generated/purchased and consumed during the year ending.............
Number of Units generated .........................KWH
Number of units purchased............................KWH
Consumption in power house incl. other losses.................................KWH

KWH

Net units consumed

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Quantity (Units)</th>
<th>Rate (Rs.)</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>A. 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Steam (as per Ann. II /Purchased)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Other materials (if any, to be specified)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Consumable Stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Other direct charges (such as Electricity duty, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Salaries &amp; Wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Repairs &amp; Maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Overheads</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Less: Total credits for other units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Net Cost of generation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Power purchased___________________________________

Total (A+B)________________________

Cost per Unit

Notes:
1) Cost per unit shall be worked out with reference to the net units of power available for use after deducting consumption in the power house and other losses.
2) Where meters are not installed, consumption of power shall be assessed on a reasonable basis and applied consistently.
(3) Bonus to employees other than incentive bonus, provision for statutory gratuity and interest charges shall be shown in Proforma ‘F’, ‘O’ and ‘H’ only and not in any other proforma.
(4) Realization, if any, by sale of power to outside parties etc. shall be shown separately against item 8.
ANNEXURE

Name of the Company.................................................................
Name & address of Coal Mining.....................................................

Statement showing the allocation of total expenses / income of the company between Paper and Paper Products, manufacturing activity and other activities for the year ending.........................

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Total Expenses (Rs.)</th>
<th>Share applicable to activity (Rs.)</th>
<th>Other Activities (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Raw Materials consumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Process Materials consumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Consumable Stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Salaries &amp; Wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Power, Fuel &amp; Other Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Repairs &amp; Maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Other Works Overheads</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Administrative Overheads</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. Adjustment for difference between Opening & Closing Balance of W.I.P.

11. Less : Credits for recoveries
   (i) By-Products
   (ii) Others

12. Less: Self Consumption

13. Adjustment for difference between Opening & Closing stock of Finished Goods

14. Loading Expenses

15. Selling & Distribution Expenses
   **Total**

16. Interest Charges

17. Annual Bonus to employees other than incentive bonus

18. Provision for Statutory Gratuity

19. Any other expenses not included in cost (items to be specified)

20. Less: any other income not considered in cost (items to be specified)
21. Total excluding excise duty  
22. Deduct export benefits, if any  
23. Net Sales Realization  
   Excluding Excise Duty  
24. Margin

Note:  
All items of income and expenditure in this Proforma shall be reconciled with the financial accounts for the relevant period.

[No. 52/74/74-CAB]  
RB. MENON,  
Jt. Secretary

5.5 Interpretative Notes on Cost Accounting Records (Mining) Rules

1) The Cost Accounting Records (Mining) rules 2001 have come into force w.e.f. 24.04.2001

2) These Rules shall apply to every Mining company engaged in the production of Coal or, processing or manufacturing of any other goods, mettle for the purpose of industries.

3) In Schedule I, the records are to be maintained as prescribed and in Schedule II, the Cost Statements are to be maintained as per the proforma prescribed.

4) Rules prescribe maintenance of records in respect of each financial year. Hence, maintenance of Cost Sheet will also be on annual basis.

5) If a mining company is engaged in production of any other product / activity in addition to coal and exercise note books defined in Rule (2), the particulars relating to the utilization of materials, labour and other
items of cost for such other activities shall not be included and the records shall be maintained separately.

6) Cost Accounting Records have in Schedule-I provides General Guidelines for records to be maintained and Cost Sheets to be compiled. It has however, emphasized those different elements of cost, as far as practicable, should be collected according to department and cost centers. Wherever any allocation or apportionment of any expenses is required to be made and rules do not specify any particular basis to be adopted, the individual company may adopt the reasonable basis of allocation or apportionment suitable to it which should be followed consistently-

1. **Consumable Stores, Small Tools, Machinery Spares etc.**

   Records of receipts, issues and balances both in quantity and value are required to be maintained for each item under this category. In case of small tools and also consumable stores of insignificant value, however, it is permissible to maintain records in the form of control accounts for main groups of such items.

2. **Capital Jobs**

   Materials consumed on capital works are required to be accounted separately for showing under the relevant capital heads.

3. **Pricing of materials and stores**

   The cost of receipt shall include all direct charges upto works. No particular method of pricing of issues, however, has been prescribed in the rules. Any method of pricing adopted should be reasonable and consistently followed. Where standard pricing is followed, reconciliation between standard price and actual price shall be made at least once in a...
year. Variance between standard price and actual price has to be adjusted to arrive at the actual cost of material.

4. Wastages and Losses

Any wastage or loss in transit storage, and process should be recorded separately. The method followed for adjusting such losses as also incomes derived, if any, there from by disposal of wastes should be recorded.

It is open for the companies to adopt any suitable or reasonable method for treatment of such loss. Hence normal costing principle should be followed. Normal losses will have to be charged to production cost. Abnormal wastages are not chargeable to cost.

5. Salaries and Wages

1) Records are required to be maintained to show the attendance and earnings of all the employees department or cost center wise. Further, these records should also show (i) overtime earned (ii) piece wages earned (iii) production or incentive bonus earned and (iv) earning of casual labour.

2) Idle time should be recorded under classified head indicating the reasons and treatment and the same should be indicated in the cost records.

3) Salaries and Wages allocable to capital works shall be chargeable under relevant capital heads.

6. Service Departments

Cost of each service department is to be worked out separately and charged to other service and production departments in a step-ladder
system on an equitable basis and applied consistently. No particular basis of apportionment has however been laid down in the rules.

7. Power & Other Services

Proper records showing the quantity and cost of water treated and consumed for production of coal in different departments or cost centers shall be maintained in such detail as may enable the company to furnish the necessary particulars in Annexure I to this Schedule. The cost of water allocated shall be on reasonable basis and applied consistently. Though it is said that the allocation of cost shall be on reasonable basis but Annexure I, II and III clearly indicates that the allocation should be based on quantitative consumption either actual reflected in meter reading or assessed where there is no meter. Credit for water supplied to outside parties are required to be given in the cost sheet.

Power: When power is generated by the mining of the company, proper records showing the quantity and cost of power generated and consumed for the production of coal in different departments or cost centers shall be maintained in such details as may enable the company to furnish the necessary particulars in Annexure III to this Schedule. Proper records shall also be maintained to show the quantity and cost of power purchased. The cost of power allocated to production shall be on a reasonable basis and applied consistently.

Though in the rules it has been laid down that the cost of power shall be allocated on a reasonable basis, the forms in Annexure III clearly indicates that the allocation should be done on the basis of quantitative...
consumption either actual reflected in meter reading or assessed where there is no meter.

8. Workshop / Repairs & Maintenance

Proper records showing the expenditure incurred by the workshop under different heads and on repairs and maintenance by the various departments and cost centers shall be maintained. The records shall also indicate the basis of charging the workshop expenses to different departments and cost centers. Expenditure for major repair works from which benefit is likely to accrue for more than one financial year shall be shown separately in the cost records indicating the method of it’s accounting in determining the cost of mining company during the relevant period. Expenditure incurred on work of capital nature shall be capitalized. The cost of such jobs shall include the expenditure on material, labour and share of the overheads. The jobs carried out by the workshop of any other unit of the company for the mining and vice versa shall be charged or credited on a reasonable basis and applied consistently.

As such, rules do not specify any basis. Such expenses can, however, be collected according to department codes / jobs through operation of cost codes indicating departments / cost centers, so that charging to departments mostly can be done on direct analysis basis. The rest of the common expenses may be apportioned on the basis of technical estimates.
9. Depreciation

Proper records shall be maintained showing the cost and other particulars of the fixed assets in respect of which depreciation is to be provided. These records shall inter alia indicate the cost of each item of asset including installation charges if any, the date of its acquisition, the date of installation and rate of depreciation. In respect of these assets, the original cost of acquisition of which can not be ascertained without an unreasonable expenditure or delay, the valuation shown in the books on the first day of the financial year beginning on or after the commencement of these rules shall be taken as opening balance.

The basis on which depreciation is calculated and allocated to the various cost centers and departments and to the products shall be clearly indicated in the records. Depreciation chargeable to the different departments and cost centers shall not be less than the amount of depreciation chargeable in accordance with the provisions of sub-section (2) of Section 205 of the Companies Act, 1956 (1 of 1956) and shall relate to plant and machinery and other fixed assets utilized in such departments and cost centers. In case the amount of depreciation charged in the cost records in any financial year is higher than the amount of depreciation chargeable under aforesaid provisions of the Companies Act, the amount so charged in excess shall be indicated clearly in the cost records. The cumulative depreciation charged in the cost records against any individual items of the assets shall not, however, exceed the original cost of the respective asset.
10. Overheads

Proper records shall be maintained showing the various items of expenses comprising overheads. These expenses shall be analyzed, classified and grouped into works, administration, selling and distribution overheads. Where the company is engaged in the manufacture of any other products in addition to paper, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to the mining and other activities. Overheads allocable to capital works shall be indicated separately in the cost records. The method followed for the levy and absorption of the above categories of overheads to the products shall be indicated in the cost records. The basis followed for levy and absorption of the overheads shall be equitable and applied consistently. Here again the option and choice of basis has been left to the companies.

11. Expenses on Export

Records showing the expenses incurred on export of Coal, if any, shall be separately maintained, so that the cost of export sales can be determined correctly. The expenses incurred on export, as well as any export incentive earned shall be reflected in the cost statements relating to export sales.

Stipulation in the rules involves maintenance of records for each consignment of export, production cost of that variety of coal, direct freight expenses, packing etc. and also export incentives for each consignment.
12. Cost Statements

(a) The format prescribed is not strictly obligatory to follow. The cost in a proforma as near possible or practicable to the one prescribed as per the Rules.

(b) In all cases adjustment is required to be done for opening and closing stocks of work-in progress in the cost sheets.

13. Production Records

Quantitative records of all types of coal production, issues for sale and balance, by the company shall be maintained. Balances may be kept in details or in the form of control accounts for each product group, provided the value of the balances according to such control accounts are reconciled periodically, at least once in a year, with the values of the quantities shown in the quantitative account of each type coal.

14. Reconciliation of cost and financial accounts

The cost records shall be reconciled periodically with the financial books of accounts so as to ensure accuracy. Variations if any, shall be clearly indicated and explained. The period for which such reconciliation is effected shall not exceed the period of the financial year of the company. The reconciliation shall be done in such a manner that the profitability of the mine can be correctly adjudged and reconciled with the over-all profits of the company. A statement showing the total expenses incurred and the income received by the company and the share applicable to production of paper shall be maintained in Proforma "H" duly reconciled with the financial accounts.
15. Adjustment of cost variances

Where the company maintains the cost records on any basis other than the actual, such as standard costing, the records shall indicate the procedures followed by the company in working out the cost of the product under such procedures. The method followed for adjusting the cost variances between the actual and the figure adopted by the company for determining the actual cost of the product shall be indicated clearly in the cost records.

16. Records of physical verification

Records of physical verification shall be maintained in respect of all items held in stock such as all types of coal. Reasons for shortages or surpluses arising out of such verification and the method followed for adjusting the same in the cost of product shall be indicated in the records.

17. Inter-company transactions

In respect of related party transactions or supplies made or services rendered by a company to its holding company or subsidiary or a company termed as "related party relationship" as defined below and vice—a—versa, records shall be maintained. These records shall also indicate the basis followed for arriving at the rates charged or paid for such products or services so as to enable determination of the reasonableness of such rates in so far as they are in any way related to product under reference.
18. Statistical Records

Statistical data is required to be maintained on monthly basis for the following:

(i) Available machine hours.

(ii) Machine hours worked

(iii) Reasons for stoppage under classified headings

Such records will enable the company to identified, as far as possible, the capital employed for coal mine shall also be maintained. The records shall also show fresh investments on fixed assets that have not contributed to the production during the relevant period.

Statistical and other records maintained in compliance with the provisions of this Schedule and Schedule II shall be such as to enable the company to exercise, as far as possible, control over operations and costs and to provide necessary data required by the Cost Auditor to suitably report on all the points referred to in the Cost Accounting (Report) Rules 2001 as amended.

The data maintained in the cost records shall be reconciled with the periodical returns submitted by the company to the excise and other authorities.