

# 7

## CHAPTER

ANNUAL REPORT

2014-15



# COAL DISTRIBUTION AND MARKETING



# Coal Distribution and Marketing

The Marketing Division of CIL plans, coordinates and monitors the marketing activities for all its Coal producing subsidiaries. CIL has a network of Regional Sales Offices at State Capitals to cater to the need of the consuming sectors in various regions.

## COAL TO POWER, CEMENT AND STEEL PLANTS

Sector-wise coal off-take during the year 2014-15 (from April '2014 to December'2014) and anticipated for the remaining period ( Jan. 2015 to March 2015) are given below:

### > Coal India Limited

(Prov.) (In million tonnes)

Sector	Targeted off take	Actual Off take	Supply % against Target	Targeted off take	Envisaged Off take	Supply % against Target
Steel*	5.20	4.92	95%	1.91	1.75	92%
Power ( Utilities) **	293.69	280.38	95%	111.31	107.48	97%
Captive Power	24.66	20.83	84%	9.11	6.80	75%
Cement	5.29	4.04	76%	1.92	1.54	80%
Fertilizer	1.78	1.62	91%	0.65	0.56	87%
Sponge Iron	6.78	5.40	80%	2.51	1.81	72%
Others	38.94	37.14	95%	15.85	14.44	91%
TOTAL DESPATCH	376.34	354.33	94%	143.25	134.39	94%
Colliery Consumption	0.31	0.33	106%	0.10	0.10	102%
Total	376.65	354.66	94%	143.35	134.50	94%

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

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

### SCCL

(In million tonnes)

Sector	April '2014 to Dec, 2014	April '2013 to Dec.'2013	Growth (%)	Jan.2015 to March, 2015	Total anticipated
Power (utility & CPP)	30.00	25.98	15.47	11.80	41.80
Steel (Sponge Iron)	0.27	0.26	3.85	0.11	0.38

Sector	April '2014 to Dec, 2014	April '2013 to Dec.'2013	Growth (%)	Jan.2015 to March, 2015	Total anticipated
Cement	3.46	3.71	(-) 6.73	1.50	4.96
Fertilizer	-	-	-	-	-
Others	4.51	4.31	4.64	1.57	6.08
Colliery Consumption	0.04	0.03	33.33	0.02	0.06
Total	38.28	34.29	11.64	15.00	53.28

- Off-take of Coal by thermal power stations during April, 2014-Dec, 2014 from CIL was 280.38 million tonnes registering 95 % materialization of target. Compared to same period last year, off-take has increased by 24.28 million tonnes, i.e. 9.5%. The actual Off-take of Coal by thermal power stations during April, 2014-Dec, 2014 from SCCL was 30.00 MT as against 25.98 MT during the same period in previous year. The estimated Off-take of coal by thermal power stations during the year 2014-15 from SCCL will be around 41.80 MT.
- The dispatch to cement plants from CIL during April, 2014-Dec, 2014 was 4.04 MT (provisional) as against 3.93 MT during the same period last year. The actual dispatch to Cement plants from SCCL during April, 2014-Dec, 2014 was 3.46 MT as against 3.71 MT during the same period in previous year. The Estimated dispatch of coal to Cement plants from SCCL during 2014-15 is 4.96 MT.

#### ➤ MODES OF TRANSPORT

Important modes of transport of Coal and Coal product in CIL and SCCL are Railways, Road, Merry-Go-Round Systems (MGR), Conveyor Belts and the Multi Modal Rail-cum-Sea Route. The share of these modes of transport in the total movement of Coal and Coal product during April, 2014-Dec, 2014 has been approximately as under:

#### CIL

S.No.	Modes of Transport	Share %
1	Railways ( including Rail –cum-Sea)	56.0
2	Road	24.0
3	MGR	18.0
4	Belt – Conveyors/ Ropeways	2.0

#### SCCL

S. No.	Modes	Share %
1	Railways (including RCR)	64.66
2	Road	20.00
3	MGR	14.22
4	Rope	1.12

- Linkage system was replaced with a system of Fuel Supply Agreement (FSA). After implementation of NCDP in October 2007, FSAs of existing consumers were signed in 2008. Tenure of these FSAs being 5 years, many of the FSAs expired. Some of them are renewed or in the process of renewal. Till Dec'14, there are 818 consumers having FSAs or under renewal process with the coal companies in categories other than Power Utilities.

Sector-wise position of FSA under NCDP till December'2014 (Provisional) is as under:

#### Coal India Limited (CIL)

Old existing Consumers (other than Power Utilities)	No of FSAs of the consumers with subsidiaries of Coal India
CPP	126
Sponge Iron	162
Cement	43
Paper	36
Aluminum	2
Briquette	19
SSF	44

Cokeries	140
Others	246
Total CIL	818

- 127 FSAs pertaining to pre -2009 TPPs have been executed.
- Out of the SLC (LT) recommendations for issuance of LOA, upto March 2014, a total of 595 new consumers in power, sponge iron, CPP and Cement sector submitted CG & were issued LOA for completion of necessary milestones. 452 units out of them concluded FSA. Other LOAs are at various stage of completion.
- For supply of coal to SME sector, 8 MT have been earmarked by CIL for allocation to agencies nominated by the State Govts/ Union Territories. Till 31<sup>st</sup> Dec'2014, 12 states/UTs have sent their nomination for 17 State agencies for the year 2014-15 of which 14 state agencies have signed FSA for an aggregate quantity of 3.352 MT.
- CIL arranged for supply of imported coal under the provisions of FSAs with new power plants in terms of the Presidential Directives to the willing TPPs on behalf of the coal supplying companies. Only three TPPs have opted for import supplies through CIL during 2014-15 for a quantity of about 5 lakh tonnes.
- As per the Presidential directive dated 17.07.2013, CIL was to sign FSAs with 172 TPPs having an aggregate capacity of 78,555 MW. Till 31.01.2015, a total of 161 FSAs have been signed with Power plants for an aggregate capacity of 73,675 MW and an annual contracted quantity of 223.52 MT. However, out of the said capacity, TPPs having capacity of 57,730 MW have furnished long term Power Purchase Agreement (PPA) and qualify for commencement of coal supply subject to commissioning, etc.

**Singareni Collieries Company Limited (SCCL)**

Sector	No. of linked consumers	No. of FSAs signed
Power (Major)	4	4
CPP	31	31
Sponge Iron	26	26

Cement	46	46
Others	383	383

SCCL has issued LOAs for 28 Units recommended by SLC (LT).

- LOAs converted into FSAs with Cement units – 9
- LOAs converted into FSAs with Captive Power Plants – 13
- Conversion into FSAs under progress – 2
- Units not willing for issue of LOA under Cost Plus – 4

➤ **DISTRIBUTION OF COAL TO SMALL & MEDIUM CONSUMERS:**

- Under NCDP, the State Governments/Union Territories were entrusted the responsibility for distribution of coal to consumers with requirement up-to 4200 MT per annum. The coal is to be distributed through nominated agencies by respective States/UTs. A total of 8 Million Tonnes have been earmarked annually for distribution through the State Nominated Agencies who would be drawing coal after execution of FSA with the concerned coal company.
- The price charged to such agencies would be the notified price as applicable to other consumers entering into FSA. The agency would be entitled to charge actual freight and margin up to 5%, as service charge, over and above the basic price charged by the coal company, from their consumers.

**FSA WITH STATE AGENCIES UNDER NCDP AS ON 31.12.2014**

1	No of States / UTs	35
2	Number of States who nominated agencies for 2014-2015	12
3	Quantity allocated to states/ nominated agencies (lakh tonne)	36.90
4	Number of states drawing Coal under FSA so far	11
5	ACQ covered under FSA (lakh tonne)	33.52

➤ **E –AUCTION OF COAL**

### E-Auction in CIL

Coal is also being regularly sold through electronic auction (e-auction) route at a market driven price every month in accordance to the NCDP provision. E-auction are of two types- 'Spot e-Auction' and 'Forward e-Auction'. Spot-auction is meant for all categories of buyers. In case of Forward E-auction, only end-users/ actual consumers are eligible to participate and could have assured supply of coal over a longer period, generally one year. Each forward e-Auction is for a period of 12 months consisting of 4 following quarters of 3 months each. Consumers have the flexibility to bid for any one quarter or for up to all the four quarters in one go. Bidders/consumers are to make bid at or above reserve price. While Spot e-Auction has been in operation since Nov'2007, Forward E Auction commenced from Aug, 2009. Under e-auction channel, coal companies of CIL are entitled to offer around 10% of estimated annual production. Performance of E Auction after implementation of NCDP is given as under:

	Spot E-auction			Forward E-auction		
	Apr'12-Mar'13	Apr'13-Mar'14	Apr'14-Dec'14	Apr'12-Mar'13	Apr'13-Mar'14	Apr'14-Dec'14
No of Bidders	83653	84485	54115	346	354	113
No of Successful bidders	48115	50937	28637	256	239	78
Total Qty offered (L.Tonnes)	524.32	688.62	300.53	86.78	78.80	26.26
Total Qty allocated (L.Tonnes)	442.56	581.25	278.64	49.61	40.94	9.94
Notified Price of Total Allocated Qty (in ₹ Crore)	7436.55	9281.04	4290.43	656.63	444.46	225.85
Bid Price of Total Allocated Qty (in ₹ Crore)	11148.52	12767.06	7184.68	825.50	621.55	265.52
% increase over Notified Price	49.9	37.6	67.5	25.7	39.8	17.6

### Company wise spot e-auction during April, 2014-Dec, 2014

(prov) (In lakh tonnes)

Company	Offer Quantity	Allocation Quantity	% increase over notified price
ECL	9.61	9.42	61.4
BCCL	14.55	13.75	87.6
CCL	45.98	43.60	67.5
NCL	19.96	19.96	79.1
WCL	31.36	27.88	43.5
SECL	84.31	77.98	68.6
MCL	93.20	85.05	76.6
NEC	1.57	1.02	10.3
CIL	300.53	278.64	67.5

### SCCL

SCCL has started spot e-auction of Coal in December, 2007. The details of Coal sold by SCCL through spot e-auction during April, 2014-Dec, 2014 are as follows:

Company	Offered Quantity	Sold Quantity	% increase over notified price
SCCL	32.99 LT	23.01 LT	25

SCCL is not conducting forward e-auction.

### ➤ IMPORT OF COAL

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

## COAL DISTRIBUTION AND MARKETING

- Coking coal is being imported by Steel Authority of India Limited (SAIL) and other Steel Sector manufacturing units mainly to bridge the gap between the requirement and indigenous availability and to improve the quality. Coal based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and coal traders import non-coking coal. Coke is imported mainly by Pig-Iron manufacturers and Iron and Steel Sector consumers using mini-blast furnace.
- Under notification no. 12 / 2014-customs, dated 11.07.2014 (S. No. 123 of the Table), Steam coal attracts basic customs duty (BCD) at 2.5% and countervailing duty (CVD) at 2% as on date.
- Although, coal is covered under OGL, supply of imported coal is arranged by CIL under the provisions of FSAs with new power plants in terms of the Presidential Directives to the willing TPPs on behalf of the coal supplying companies. Only three TPPs have opted for import supplies through CIL during 2014-15 for a quantity of about 5 lakh tonnes.

### Import of Coal from 2006-07 to 2013-14 is as under:

(In million tonnes)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Coking Coal	17.88	22.03	21.08	24.69	19.48	31.80	35.56	37.19
Non Coking Coal	25.2	27.76	37.92	48.57	49.43	71.05	110.23	131.25
Coke	4.69	4.25	1.88	2.36	1.49	2.36	3.08	4.19
Total Import	47.77	54.04	60.88	75.62	70.4	105.21	148.87	172.63

(Source: Provisional Coal Statistics: 2013-14 of Coal Controller's Organisation)

### ➤ Coal Consumers Council

Regional Coal consumer's councils have been set up in each Coal company for monitoring and redressing consumer's grievances/complaints. Moreover, National Coal Consumer's Council set up at CIL acts as the Apex Body in such matters. In case reply on complaints is not received within one month, or the complainant is not satisfied with reply provided by the Coal company, the matter is referred to National Coal Consumer's Council.

In keeping with technological innovations that opened newer methods of communication, On-line Grievance Management System (OLGMS) was introduced by CIL through which complaints are lodged on-line.