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COAL INDIA LIMITED कोल इण्डिया लिमिटेड
A Maharatna Company एक महारत्न कंपनी
(A Govt. of India Enterprise)

COAL BHAWAN
Marketing & Sales & Division
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CIN: L23109WB1973GOI028844

Ref: CIL/M&S/HoD(F)/Pricing 2017/769 Dated: 31st August, 2017

To
The Chairman-cum-Managing Director,
ECL-Sanctoria / BCCL-Dhanbad /CCL-Ranchi/SECL-Bilaspur
NCL-Singrauli / MCL-Sambalpur / WCL- Nagpur
General Manager, NEC

Dear Sir,

The decision of CIL Board in the 346th Board meeting held on 31st August 2017 at CIL(HQ), Kolkata is as under:

" Board authorized Subsidiary Boards to consider and revise Surface Transportation Charges from pit-head upto loading point of coal for all the existing lead distances with inclusion of lead distance of 0-3 kms. Based on the weighted average transportation cost of the respective lead distance of Subsidiary on the preceding two quarters plus 10%. The respective Subsidiary Board shall review the same in every 6(six) months."

In view of the above, it may be clarified that, Surface transportation Charges are to be worked for four slabs (i.e. 0-3kms,3-10kms,10-20 kms and More than 20kms)

Pursuant to this decision, the subsidiary coal companies are hereby intimated to take necessary action in this regard. In the event any revision of Surface Transportation Charges, the same may kindly be intimated immediately to this office.

Yours faithfully,
31/8/17
General Manager
Marketing & Sales

Copy to-
Dir(F)/Dir(P)/Dir(T)/Dir(M) – CIL Kolkata
Dir-In-Charge(M)/Dir(F)-All Subsidiaires
CVO, CIL
TS to Chairman, CIL
GM(M&S)) & – all subsidiary companies of CIL,
GM(NEC)
GM (F), CIL, Kolkata
Company Secretary,CIL

As advised by the Board, Administrative Staff College of India (ASCI), Hyderabad was appointed on 'nomination basis' as an Observer to undertake post bid evaluation for identification of cartelization/ collusion in relation to the auction at a fee of Rs.32 lakhs plus applicable taxes. He also apprised that Action Taken Report on SHAKTI was sent to Ministry of Coal.

The Board noted the information as brought out in the agenda note.

ITEM No.346: 4(D)

Sub:- Chief Minister's Relief Fund – Gujarat.

4.4 Board advised to re-examine the proposal taking legal view on extant rule position of such corporate donation.

ITEM No.346: 4(E)

Sub:- Chief Minister's Relief Fund – West Bengal.

4.5 Board advised to re-examine the proposal taking legal view on extant rule position of such corporate donation.

ITEM No.346: 4(F)

Sub:- Revision of other element of coal price.

4.6 Director(Marketing) apprised the Board that while non-coking coal prices were rationalised in May'2016 and coking coal in January'2017, other elements i.e. sizing charges and Rapid Loading Silo (RLS) charges, Surface Transportation Charges were not revised since 2013. Additional charges for supply of Slack and Steam coal were not revised since 2009. The cost of such activities had increased substantially during the intervening period and hence as advised by the Audit Committee and Board to review those elements of cost which are not being revised for the past 5 years, this proposal had been prepared.

(a) Sizing charges and Rapid Loading Silo (RLS) charges.

Since mechanical installation for sizing of coal and rapid loading are installed in the colliery premises, these costs are clubbed with colliery operating costs. Hence, increase in the operating costs are assessed based on the increase in inflation indices. On an average from December'2013 to March'2017, there was an increase of 9.26% in WPI & AICPI, hence, it is proposed to increase sizing charges and rapid loading silo charges by 10%. As a result, company would generate approximately an additional annual revenue of Rs.424 crores.

M.K.

(b) Charges for supply of Slack and Steam Coal.

Director(Marketing) apprised that charges for supply of Slack and Steam coal had not been revised since October '2009 but the cost had increased on such activities. Since screening of coal is done in the colliery premises and these costs are clubbed with colliery operating costs. Hence, increase in the operating cost is assessed based on the increase in inflation indices. On average WPI & AICPI had increased by around 54% since October'2009 and hence it is proposed to increase the charges by 50%. As a result of this increase, company would earn approximately an additional revenue of Rs.103 crores in a year.

After detailed deliberations, Board approved increase in both these charges (a & b) as brought out in the agenda note.

(c) Surface Transportation Charges from Pithead upto Loading Point of Coal.

After detailed deliberations, Board authorized Subsidiary Boards to consider and revise Surface Transportation Charges from pit-head upto loading point of coal for all the existing lead distances with inclusion of lead distance of 0-3 Kms. based on the weighted average transportation cost of the respective lead distance of Subsidiary on the preceding two quarters plus 10%. The respective Subsidiary Board shall review the same in every 6(six) months.

(d) Loading Charges.

Director(Marketing) apprised that it is proposed to introduce Loading Charges for Rail Loading as had been charged by Singareni Coal Companies Limited (SCCL) varying from Rs.16 to Rs.197 per tonne. Since this cost is related to railway freight, Board advised to find out the basis of arriving at the cost at SCCL and bring a detailed agenda for its consideration.

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Company Secretary apprised the Board that Shri Sutirtha Bhattacharya, Chairman, Coal India Limited and Chairman of the Board would be superannuating from the services of the Company with effect from 1st September'2017.

Board then placed on record its deep appreciation of the valuable services rendered by him during his tenure from 5th January'2015 to 31st August'2017. Under his dynamic leadership, performance of Coal India Limited had improved substantially in all spheres.

346:4(F)

Sub: Proposal for revision of other elements of coal price

Consecutive pricing exercise undertaken by CIL in May, 2016 for non-coking coal followed by coking coal of BCCL & CCL in January, 2017 was confined to rationalization/revision of Pithead Run of Mine Price.Other elements of Price viz. sizing charges,rapid loading charges,Surface transportation charges were not revised since 2013. The revision of price of sized slack and steam coal had not been revised since 2009. Input cost/outsourcing cost has increased substantially during the intervening period. Therefore, a review of the existing charges is necessary to arrive at revised rates.

In view of this, the following proposals are placed for consideration for revision of other elements of price:

PART A:Proposal for revision in sizing charges and Rapid Loading Silo (RLS) charges.

The Raw coal sizing charges and Rapid loading charges were last revised w.e.f. 17.12.2013vide Price Notification No.CIL: S&M:GM(F): Pricing:2784 dated 16.12.2013.

Coal crushing charges and rapid loading charges have not been revised since December 2013.However, the cost on such activities has increased and as a result the same is adversely affecting the revenue of the subsidiaries.

Since the mechanical installation for sizing of coal and the rapid loading are installed in the colliery premises and a few elements of cost are normally clubbed with the colliery operating cost viz. salary, wages, power, maintenance etc. it is practically not possible to assess the crushing / rapid loading charges in respect of each and every installation, hence, It may be logical to assess the increase in operating cost of such installations on the basis of inflation indices to revise the rates as follows:

The following indices have been worked out with reference to the indices as on Dec'13 and as on Mar'17 which are tabulated as below: -

Indices	**December 2013**	**March 2017**	**Increase %**
WPI (Base=2004-05)	179.6	185.8	3.45%
AICPI (Base=2001)	239	275	15.06%
Average			**9.26%**

Further,the loading of Coal through Silo helps in rapid loading of coal into wagon/MGR, improving turn round of rolling stock for the benefit of the consumers. In case of MGR, the consumer enjoys a direct financial benefit of better capacity utilization thereby reduction in inventory of rolling stock, in case of Railway wagons reduction in turn round time results into improved availability of rakes. RLS reduces dust during loading and transportation of Coal, as a result loading is done in an eco-friendly manner.While CIL is embarking upon capacity addition through commissioning of more Silo along with transport mechanism through Rapid Loading, which requires huge capital investment. Such investment is possible only with reasonable rate of return.

Further, the financial impact of NCWA-X Wage Revision applicable w.e.f. 1st July 2016 for non-executives and 1st January 2017 for executives has to be considered.

Current proposal

Coal crushing charges for different sizes and rapid loading charges may be considered for 10% increase over the existing rates (rounded to the nearest rupee) notified vide Price Notification no. CIL:S&M:GM(F): Pricing:2784 dated 16.12.2013 keeping in view the 9.26% average increase of WPI and AICPI indices as shown above. The existing and proposed rates are tabulated below: -

Sl. No	Particular	Existing Rate (Rs. Per tone)	Proposed Rate (Rs. Per tonne)	% Increase (approx.)
1	Where the top size is being limited to any maximum limit within the range of 200 mm – 250 mm through manual facilities or mechanical means, a charge will be levied, in addition to the price applicable for Run of Mine coal.	51.00	56.00	10.00
2	Where the top size is being limited to 100 mm through manual facilities or mechanical means, a charge will be levied, in addition to the price applicable for Run of Mine coal.	79.00	87.00	10.00
	Where the top size is being limited to 50 mm through manual facilities or mechanical means, a charge will be levied, in addition to the price applicable for Run of Mine coal.	100.00	110.00	10.00
4	Where coal is loaded, either into Indian Railways system or into the purchasers' own system of transport, through high capacity	26.00	29.00	10.00

loading system with a nominal capacity of 3500 tonnes per hour or more, additional charge of shall be levied for such loading.			

In this connection it may be mentioned that during the financial year 2016-17 total coal dispatch was 543 MT out of which the quantity of sized coal was around 478.0 MT. The Production Target for the year 2017-18 is 600 MT out of which quantity of sized coal estimated to be around 525.0 MT. The actual quantity loaded through rapid loading system during the F.Y. 2016-17 was 90.9 MT and the coal dispatched through rapid loading system for the year 2017-18 is estimated to be around 98.3 MT.

PART B:Proposal for revision in additional charges for supply of Slack and Steam coal.

Run of Mine Coal is coal comprising of all sizes comes out of the mine without any crushing or screening. The fraction of the Run of Mine coal as is retained on a screen when subjected to screening or is picked out by a fork shovel during loading is called steam coal. The fraction that remains after steam coal is removed from the Run of Mine Coal is called Slack Coal.

The Additional charges on pithead price of Run of Mine coal for the supply of Slack and Steam Coal were last revised w.e.f. 16.10.2009 vide Price Notification No.CIL:S&M:GM(F):Pricing:1181 dated 15.10.2009.

Charges for supply of Slack and Steam Coal have not been revised since October 2009 but the cost has increase on such activities.

Since the screening of coal is done in the colliery premises and few elements of costs are normally clubbed with the colliery operating cost viz. salary, wages, power, maintenance etc. it is practically not possible to assess and demarcate the cost in respect of screening of coal. Hence,it may be logical to assess the increase in operating cost of such screening on the basis of inflation indices to revise the rates towards supply of Steam and Slack Coal.The inflationary indices have increased by around 54% since October 2009.

In view of above, additional charge on pithead price of Run of Mine coal for the supply of Slack and Steam Coal may be considered to be increased by 50% of the existing rates notified vide Price Notification no. CIL:S&M:GM(F): Pricing:1181 dated 15.10.2009 keeping in view the 54.06% average increase of WPI and AICPI indices as tabulated above. The existing and proposed rates are mentioned below:-

Sl. No	Particular	Existing Rate (Rs. Per tonne)	Proposed Rate (Rs. Per tonne)	% Increase (approx.)
1	Additional Rs.20 per tonne shall be charged on pithead price of Run of Mine coal for the supply of Slack Coal. (Rate last revised vide price notification dated 15.10.2009)	20.00	30.00	50.00
2	Additional Rs.180 per tonne shall be charged on pithead price of Run of Mine Coal for the supply of Steam Coal. (Rate last revised vide price notification dated 15.10.2009)	180.00	270.00	50.00

In this connection it may be mentioned that during the financial year 2016-17 dispatch of slack coal was around 2.18 MT and steam coal was around 9.88 MT. In 2017-18, the projected despatch of slack and steam coal is 2.54 MT and 11.2 MT respectively.

PART C:Proposal for revision in Surface Transportation Charges from Pithead upto loading point of coal.

Coal is transported from pit head to siding to make coal available for sale in course of business. Hence, this is attributable to sale of coal.Surface transportation charges were last revised in the year 2013w.e.f 14th November 2013 vide Coal Price Notification No.CIL:S&M:GM(F):Pricing:2340 dated 13.11.2013.

The approved rates of the previous two revisions were as follows:

Lead distance	Rate Revised on 15.10.2009	Rate revised on 13.11.2013	% change in rates over 20[illegible]
More than 0 Km but not more than 3 Km.	Nil	NIL	
More than 3m Km but not more than 10 Km.	Rs. 44/- per tonne	Rs. 57/- per tonne	29.55%
More than 10 Km but not more than 20 Km.	Rs. 77/- per tonne	Rs. 116/- per tonne	50.65%
More than 20 Km.	As per actuals	As per actuals	

(i) Under-Recovery of Surface Transportation Costs

Since 2013 the cost elements in respect of transportation have increased considerably and as such it is required to revise Surface Transportation charges considering the current cost. From the enclosed statement (Annexure-I) it is observed that

a) In 2015-16 expenditure incurred towards transportation and Rs. 2916.09 crores whereas the STC recovery was Rs. 2238.62 crores i.e. excess of expenditure overSTC recovery byRs. 677.47 crores. The realization of STC is 77 %.

b) In 2016-17 expenditure incurred towards transportation Rs. 3135.27 crores whereas the STC recovery was Rs. 2483.41 crores i.e. excess of expenditure over STC recovery by Rs. 651.86 crores. The realization of STC is 79%.

(ii) **Levy of Surface Transportation Charges for lead distance of 0-3 kms**

Due to bad road condition, traffic snarls and various other constraints, coal companies require operational flexibility to divert transport route. In consecutive years 2015-16 and 2016-17, the outgo on surface transport has been excess over realization to the extent of Rs. 677Crores and Rs.651 Crores respectively.

As per the existing coal price notifications there is no charge for transporting coal for leads upto 3 kms. The cost of transportation upto 3 kms is being borne by CIL. In the year 2016-17,coal transportation in the range of 0-3KMs had been around 127MT, this is estimated to be about 140Mt in 2017-18. Over the years, departmental transportation in this slab has shifted to contractual arrangement. Departmental expenditure had earlier been subsumed in the cost of production, which is not possible in present scenario. Hence introduction of the transportation charge for 0-3 Kilometers slab is inevitable.It may be mentioned that SCCL has been charging transportation cost for this slab.

(iii) Review of Surface Transportation Charges (STC) for lead distance 3-10 Kms and 10-20 Kms

Since 2013 the cost elements in respect of transportation have increased considerably and as such it is required to revise Surface Transportation charges considering the current expenditure. The basis of consideration of normative physical data and cost factors are as follows: -

a) The Physical normative factors i.e, Lead(in Kms), Distance per trip(in Kms.), Travel Time(in Minutes), Average loading,unloading,waiting and security check time (in minutes), Average trip time (in minutes), No. of tippers, Working hours per day, No. of Trips per day per Tipper, Working days per year, HSD in Lit/Mt/km & No. of Tyre sets required per Tipper per annum have been considered from the workings for calculations of normative rates as submitted in the Project Report on Study for development of New Normative Rates of Loading & Transportation of Coal Done by Ex-Service Men Transport Companies for Coal India Limited submitted by IIT in the year2016(which is pending approval from CIL Board).

b) The cost of tipper has been sourced from M/s Tata Motors as on 21.06.17.

c) The cost of tyres has been sourced from M/s TanmayTyres (exclusive dealers of MRF tyres) as on 21.06.17.

d) The wages cost has been considered as per GM(MP&IR), CIL's Office Order No.CIL/C-5B/JBCCI/HPC/156 dated 09.06.2017.

e) The other elements, viz., Diesel price(as on June 16,2017),WPI Points, etc. have been sourced from the Internet. Cost of Lubricants has been sourced from the above mentioned Report after adjusting for escalation using WPI index for Lube Oil

f) SBI Base rate applicable w.e.f. 01.04.2017 is taken from SBI Corporate website.

g) Depreciation is calculated as per the rates given in the Companies Act, 2013 (Schedule II).

h) Administrative expenses have been considered on the basis of above mentioned Project report. Since the last CPI(IW) Index factored in the said report was for the month of December 2015,these expenses have further been escalated considering CPI Index for the Month of April 2017(latest available)

i) The road tax, insurance, permit fees & fitness charges have been kept constant to what was considered in The above mentioned Project Report.

The major cost elements as on September 2013 and May 2017 are tabulated below:

Key cost components	*Revised rates (August/September 2013)*	*Rates Considered for April/May 2017*	*Incremental %*	*Remarks*
Cost of Tipper	28,08,706.00	39,75,867.00	41.56%	
HSD Rates (per lt.)	56.33	56.69	0.64%	
Interest on term loan	9.80%	9.10%		SBI Base rate as on 01.04.2017
Interest on Working Capital	10.05%	9.35%		Base rate + 0.25%
Wages (per worker per day) includingDA,PF & Medical				
Unskilled/semi-skilled	614.88	671.00	9.13%	
Skilled	653.92	721.02	10.26%	
Supervisory	692.96	771.04	11.27%	

As per the methodology adopted during previous revision the different cost elements have been considered and up dated as ofApril/May 2017 using IIT Kharagpur Project Report on ESM Rates and the transportation cost (surface to surface) has been worked out for leads from 1 to 20 Km, as Enclosed vide ANNEXURE II.

Due to bad road condition, traffic snarls and various other constraints, coal companies require operational flexibility to divert transport route. In consecutive years 2015-16 and 2016-17, the outgo on surface transport has been in excess over realization to the extent of Rs. 677 Crores and Rs.651 Crores respectively.In the year 2016-17, CIL incurred approximately Rs. 3135 Crores towards Transportation expenses, whereas the net realization had been Rs.2483 crores. It is, therefore, imperative that a view is taken for appropriate revision in the surface transportation charge, so that parity could be maintained between realization and outgo in coming three four years. In this background, following are proposed for bringing modification in the surface transport charges as brought out in the table below:

a) As per the existing coal price notifications there is no charge for transporting coal for leads upto 3 kms. Till date, subsidiaries have been internalizing the cost of transportation upto 3 kms. As per information received from Subsidiaries and projection available 127Mt coal has been transported in the slab of 0-3KMs in 2016-17, which would be increased to about 140Mt in 2017-18. Therefore, in line with the price notification of SCCL, a new slab of 0-3 Kilometer be introduced for STC.

b) The STC for each slabs, i.e. 0-3KMs, 3-10Kms and 10-20KMs would be the highest rate within the slab, as indicated in the Table in Annexure-II.

Lead distance	*Existing rates*	*Proposed revised rates*	*Difference (Rs/Te.)*	*Proposed additional revenue in Crores*
More than 0 Km but not more than 3 Kms	Nil	Rs.31 per tonne	-	434
For more than 3 Kms but not more than 10 Kms	Rs.57 per tonne	Rs.83 per tonne	Rs.26 per tonne	666
For more than 10 Kms but not more than 20 Kms	Rs.116 per tonne	Rs. 145 per tonne	Rs.29 per tonne	168
More than 20 Km	As per actuals	As per actuals	-	-

PART D:Proposal for introducing loading charges

In case of rail dispatch Wharf/Facility costs are being charged by SCCL at different siding with rates varying from Rs. 16 to Rs.197 per tonne. Over the years, Railways have reduced free loading time from 9 hours to 5 hours and in case of Multiple Rake Loading/Engine on Loading siding this is further reduced to 2 to 3 hours. This has necessitated deployment of high capacity loading equipment. Substantial investment is also being made for faster loading in different modes of dispatch, other than rail, viz. Road,MGR,Belt, Rope through Payloader,Mechanical Means,CHP,etc. In view of the above, it is proposed that other than the quantity dispatched through Rapid Loading system, which is already covered under Part A, loading charges may be introduced @ Rs.15/- Per Tonne.

Estimated positive financial impact as a result of Proposal in Part A ,Part B, Part C and Part D:

	Description of the item	**Estimated positive impact (Rs. Crores)**
Part -A	**Sizing & RLS Charges**	**424**
Part - B	**Steam & Slack coal charges**	**103**
Part - C	**Surface transport charges**	**1268**
Part-D	**Loading charges**	**753**
	Total	**2548**

Company-wise estimated incremental revenue from the proposals given in Part A, Part B, Part C and Part D above, is given in the Annexure III.

In view of the above, following is proposed for deliberation and approval.

a) Revision in sizing and RLS charges as under:

Sl. No	Particular	Existing Rate (Rs. Per tone)	Proposed Rate (Rs. Per tonne)
1	Where the top size is being limited to any maximum limit within the range of 200 mm – 250 mm through manual facilities or mechanical means, a charge will be levied, in addition to the price applicable for Run of Mine coal.	51.00	56.00
2	Where the top size is being limited to 100 mm through manual facilities or mechanical means, a charge will be levied, in addition to the price applicable for Run of Mine coal.	79.00	87.00
3	Where the top size is being limited to 50 mm through manual facilities or mechanical means, a charge will be levied, in addition to the price applicable for Run of Mine coal.	100.00	110.00
4	Where coal is loaded, either into Indian Railways system or into the purchasers' own system of transport, through high capacity loading system with a nominal capacity of 3500 tonnes per hour or more, additional charge of shall be levied for such loading.	26.00	29.00

b) **Revision in the charges for steam and slack size as under:**

Sl. No	Particular	Existing Rate (Rs. Per tone)	Proposed Rate (Rs. Per tonne)
1	Additional Rs.20 per tonne shall be charged on pithead price of Run of Mine coal for the supply of Slack Coal. (Rate last revised vide price notification dated 15.10.2009)	20.00	30.00
2	Additional Rs.180 per tonne shall be charged on pithead price of Run of Mine Coal for the supply of Steam Coal. (Rate last revised vide price notification dated 15.10.2009)	180.00	270.00

c) **Revision in surface transport charges as under:**

Lead distance	***Existing rates***	***Proposed revised rates***
More than 0 Km but not more than 3 Kms	Nil	Rs.31 per tonne
For more than 3 Kms but not more than 10 Kms	Rs.57 per tonne	Rs.83 per tonne
For more than 10 Kms but not more than 20 Kms	Rs.116 per tonne	Rs. 145 per tonne
More than 20 Km	As per actuals	As per actuals

d) **Introduction of loading charges for other than Rapid Loading Silos @ Rs.15/ton**

Enclosed: Annexure I,II& III