

STUDY TOUR REPORT NO. 36

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

MAHANADI COALFIELDS LIMITED

Laid in the Lok Sabha on 29.04.2002

Laid in the Rajya Sabha on 29.04.2002

LOK SABHA SECRETARIAT

NEW DELHI

April, 2002 / Vaisakha, 1924 (S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2001-2002)

CHAIRMAN

Prof. V Jay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Prasanna Adharya
3. Shri Mani Shanker Aiyar
4. Prof. B.P Singh Baghel
6. Shri Sudip Bandyopadhyay
5. Shri Ram Tehel Chaudhary
7. Shri Ajay Singh Chautala
8. Shri Shiv Raj Singh Chauhan
9. Shrimati Sangeeta Kumari Singh Das
10. Shri C.K. Jaffer Sharief
11. Shri K E Krishnamurthy
12. Shri Vias Mullenwar
13. Shri C.P. Radhakrishnan
14. Shri Taril Darar Topdar
15. Shri Dheesh Chandra Yadav

RAJYA SABHA

16. Shri Sunegh Kalnaci
17. Shri K. Kalavankala Rao
18. Shri Jibon Roy
19. Shri B.P. Singhal
20. Smt. Anilika Soni
21. Shri C.P. Thirunavukkarasu
22. Shri Ranjan Prasad Yadav

SECRETARIAT

- | | | |
|----|-------------------------|----------------------|
| 1. | Shri John Joseph, | Additional Secretary |
| 2. | Shri B. Bal Shaker, | Director |
| 3. | Shri Raj Kumar | Under Secretary |
| 4. | Shri Prabal Chakraborty | Committee Officer |

Shri Raj Kumar was appointed as Member of the Committee on Public Undertakings on 20th November, 2001 vide Shri Raj Kumar's order dated 20.11.2001.

Ref No. W.O. 24.1002

INTRODUCTION

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of Mahanadi Coalfields Ltd.

2. The Committee held discussions with the officials at Bhubaneswar on 16.01.2002. A copy of the tour programme is annexed (Annexure-IV).

3. The Committee considered and approved the Report at their sitting held on 24th April 2002.

4. The Committee wish to express their thanks to Mahanadi Coalfields Limited for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

**New Delhi
24, April, 2002
04, Vaisakha, 1924(S)**

**PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS**

STUDY TOUR NOTES OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS

DISCUSSION WITH THE REPRESENTATIVES OF MAHANADI
COALFIELDS LIMITED AT BHUBANESWAR ON 16.1.2002

At the outset the Chairman, Committee on Public Undertakings (COPU) made opening remarks and requested the Chairman-cum-Managing Director, Mahanadi Coalfields Limited (MCL) to introduce himself and his colleagues to the Committee. The Chairman, Committee on Public Undertakings also requested him to give a brief account on the working of the Company.

2. After the introduction of the officers of MCL, the CMD, MCL informed the Committee that Mahanadi Coalfields Limited, a subsidiary of the Coal India Limited, it was incorporated on 3rd April, 1992 by bifurcating South Eastern Coalfields Limited. The Company took over the coalfields situated in Talcher and IB Valley from the Southern Eastern Coalfields Limited. It is the only coal-producing Company in the Orissa State and is a highly growing one.

3. MCL had 22 mines situated in the IB Valley and Talcher Coalfields in 2000-2001. For effective administrative control and operational activities, the mines are grouped in 10 areas viz. Jagannath area, Kalinga area, Talcher area, Lingraj area, Hingala area, IB Valley area, Lakhanpur area, Orient area, Basundhara area and Garjanbahal area. Except Talcher and Orient areas, all areas have opencast mines. There is continuous growth in physical and financial performances of the Company. MCL pays more than Rs. 600 Crore to the Government exchequer. MCL has also adopted new technology in its mines which can be compared with the international standard.

4. When enquired about grade of coal mines in Orissa, the Committee have been informed that in underground (UG) mines there are some selective working seam which are B,C, & D grade of coal. It is only 3% of the production of MCL i.e. nearly 1.6 MT per year, which goes to the small industries, set up nearby in the State.

5. The Committee have been informed that the MCL has continued high growth in production which has increased from 23.14 MT at the time of inception of the Company in 1992-1993 to 44.80 MT in the year 2000-01. The coal production during the last 10 years is as under :

(Figures in Million Tonnes)

YEAR	TARGET	ACTUAL	% OF ACHIEVE- MENT.	% GROWTH OVER PREVIOUS YEAR
1992-93	21.92	23.14	105.56	11.77
1993-94	23.80	24.30	102.10	5.01
1994-95	25.00	27.32	109.28	12.43
1995-96	30.75	32.70	106.34	19.67
1996-97	36.00	37.37	103.79	14.26
1997-98	39.50	42.17	106.77	12.86
1998-99	41.00	43.51	106.12	3.17
1999-00	41.00	43.55	106.23	0.10
2000-01	43.00	44.80	104.19	2.87
2001-02	44.5	46.78 (Projected)	105.12	4.42

6. A Statement showing underground coal production and open cast coal production during the last 10 years is appended in Annexure-I

7. The Committee have been informed that decline in growth in underground coal production is due to the following reasons:

- i) Extension of mine working to larger distance.
- ii) Restriction of working areas for depillaring under surface features.
- iii) Depletion of reserve

8. The main competitors of the Company are the imported coal from neighbouring countries like Indonesia, Australia, South Africa & China. They can feed coal to coastal States where the power houses are in operation and are going to be constructed in future.

9. It was pointed out by the Committee that major customers like TNEB, APSEB, MSEB, etc. are importing coal from the foreign countries. When asked why MCL not pressurising them to set up washeries near pits of MCL mines to obtain good coal, the Committee have been informed that request has been done for installation of washeries near pits of MCL mines to obtain good quality coal. The SEB's of South are having consideration on it. The parties like Madhucon & Robert & Saeffer are to open washeries on BUILD –ON-OPERATE basis which are under process. However, sponge iron companies of Orissa are given higher grade coal as available in MCL, for meeting the increased demand. Washery has to be set up by them for value addition. New UG mines are processed for opening to get better grade coal.

10. The productivity in terms of output per manshift (OMS) during the years from 1996-97 to 2000-01 in open cast mines and underground mines is as follows:

(Figures in Tonnes)

Year	Opencast (OC) Productivity				Underground (UG) productivity			
	Target	Actual	% of achievement	% or growth over previous year	Target	Actual	% of achievement	% of growth over previous year
1996-97	12.90	12.82	99.38	0.47	0.69	0.68	98.55	-1.45
1997-98	13.00	13.87	106.69	8.19	0.66	0.68	103.03	0.00
1998-99	13.50	13.94	103.26	0.50	0.60	0.69	115.00	1.47
1999-00	13.34	15.81	118.52	13.41	0.63	0.71	112.70	2.90
2000-01	13.98	15.72	112.45	-0.57	0.70	0.73	104.29	2.82

11. The information about geological reserves, minable reserves, coal reserves, extracted and balance minable reserves in each mine of MCL is given in Annexure-II.

12. When asked about the period upto which licences/mining leases are available for extraction, the information furnished by the Company is given the Annexure III.

13. With regard to status about obtaining extensions of lease from the State Government, the Committee have been apprised that the renewal of lease of five underground mines (Talcher, Orient Mine 3, Orient Mine 4, Hingir Rampur and Hirakhand Bundia) is pending at State Government level and follow up action is under process.

14. With regard to despatch of coal, the daily average wagon loading position in the last five years is given below :

(Figures in FWWS/Day)

Year	Target	Achieved
1996-97	3198	3001
1997-98	3335	3352
1998-99	3407	3221
1999-00	3367	3147
2000-01	3305	3630

When enquired whether the Company has been facing any problems/constraints in the matter of availability of wagons for despatch of coal, it has been informed to the Committee that the Company is having frequent dialogue with the Railway authorities and is able to manage the supply of wagons as per the company's requirement.

15. As per information furnished to the Committee, the percentage of availability and utilisation of mining machinery against the standard (as % of Central Mining Planning and Design Institute Ltd (CMPDIL) Norms) for the last three years from 1998-99 to 2000-2001 is given below :

Equipment	1998-99		1999-2000		2000-2001	
	Availability	Utilisation	Availability	Utilisation	Availability	Utilisation
DRAGLINE	94	89	89	79	91	84
SHOVEL	91	62	93	62	95	56
DUMPER	103	50	108	45	109	44
DOZER	90	53	98	48	96	44
DRILL	87	51	89	45	94	41

16. About effectiveness of various equipments, the Committee have been informed that performance of various model of equipments available is being constantly monitored at project and Headquarters (HQ) level. Based on performance, action has already been taken for standardization of equipments in consultation with CMPDIL that shall overcome the difficulties in maintenance, imparting training on various models of machines to technicians and engineers. Procurement of machines is done based on their past performance not only in CIL

but other organisations also. Equipments giving poor performance are communicated to CIL HQ so that before finalizing the procurement their past performance to be considered.

17. When enquired about the shortcomings in the design the equipments, it has been stated that regular interaction between OEM and user at grass root level is maintained. Based on the performance, OEM carries out modification in their existing models of equipments. Seminars are being held at project/area and HQ wherein the rectification/modification is being communicated by OEMs. Dumpers shoe brakes are being replaced by disc brakes for their braking effectiveness to reduce down time due to frequent brake-shoe replacement and to prevent accidents, if any.

18. It has also been informed to the Committee that based on the past experience the smaller capacity equipments are being phased out and replaced by higher capacity equipments viz. 35T dumpers are being replaced by 50T dumpers, 100 mm drills by 160mm drills, 145 HP graders by 280 HP graders etc. The utilisation, maneuverability and capacity of equipments are being considered by CMPDIL while preparing project reports for new opencast projects.

19. When the Committee desired to know the reasons for under-utilisation of dozers, drillers, etc., the Committee have been informed that the service equipments like dozers and cranes are not to be used frequently for higher percentage of utilisation, but should be available. The production machines like shovel, draglines and dumpers are fully utilised and better than the norms.

20. When asked the quantum of production done from departmental equipments and contractually, the Committee have been informed that UG production is fully done by departmental system. OBR in OCP is also by departmental. The blasting of coal and OB are being done by departmental methods. Only in the OC mines hiring of loading machines and tipping trucks are done for loading and transporting. The figures are given below :

April'2000 to March' 2001

Coal ('000 Tonnes)		
Department	Contractual	Total
3921.312	40881.538	44802.850

It has also been clarified that Company's equipments are not being used by the contractors.

21. It has been stated in the Brief submitted to the Committee that the demand of coal may go up to 74 MTY towards the end of Xth Plan period which will be from mega power projects like Hirma in Orissa and expansion units of NALCO, NTPC and OPGC and also from Company's customers in South India. The demand can be met only if MCL can acquire the requisite land and forest clearances. Sector-wise anticipated off-take position of coal towards the 10th Plan period is given in the

table below:

Non Coking	Offtake	Offtake	Demand		Anticipated Offtake		
	1999-00	2000-01	2001-02	2001-02	2002-03	2006-07	2011-12
Power Utilities	30.89	34.92	32.85	34.54	34.81	55.95	100.4
Power (Captive)	8.32	8.58	8.86	8.88	8.91	14.05	20.04
Sponge iron	0.29	0.45	0.50	0.73	0.73	0.73	0.73
Brick+others/ LTC/SSF	2.31	2.98	2.38	2.16	3.09	3.10	3.65
Cement	0.26	0.37	0.36	0.35	0.42	0.45	0.45
Fertilizer	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Colliery	0.05	0.04	0.05	0.04	0.04	0.08	0.08
Consumption Total	42.13	47.34	45.00	46.70	48.00	74.36	125.3

22. The sales performance of the Company during the last five years are as follows :

(Figure in Rs.Crores)

YEAR	TARGET	ACTUAL	% OF ACHIEV- MENT	% GROWTH OVER PREVIOUS YEAR
1996-97	1454.01	1466.62	100.86	13.13
1997-98	1827.58	1954.49	106.94	33.26
1998-99	1907.13	1946.25	102.05	-0.5
1999-00	1961.62	2002.91	102.10	2.91
2000-01	2084.70	2295.64	110.12	14.61

23. To a query about supply of coal to sponge Iron Plants, it has been informed to the Committee that MCL supplies coal to eleven (11) Sponge Iron Plants and out of

them, ten (10) plants are in Orissa and one(1) in Andhra Pradesh. MCL is also supplying coal to IDCOL as per their requirement from the available sources. The Company has not face any penalty clause as FSA has not been entered into.

When asked about the impact of decontrol on coal, the Committee have been informed that there is no impact of decontrol of coal on production.

24. The financial performance of the Company during the last five years from 1996-97 to 2000-2001 is as follows :

(Rs.in crores)

YEAR	TARGET	ACTUAL	% OF ACHIEVEMENT	% OF PROFIT ON TURNOVER
1996-97	336.52	326.06	98.86	22.27
1997-98	592.42	654.11	110.41	33.47
1998-99	488.43	601.31	123.11	30.90
1999-00	536.82	601.64	113.19	30.34
2000-01	526.10	641.35	121.91	27.94

25. When asked about the reasons for sudden increase in profit during the year 1997-98 in comparison to the previous year, the Committee have been informed that the sudden rise in the profit in 1997-98 over the previous year is due to improved performance and price hike after a long period for setting of impact of pay revision and increased input cost. It was also due to the impact of change in policy for C.P.R.A., where the loss giving company were given financial benefits.

26. The Committee have been informed that the main constraint with MCL is large outstanding dues from power sectors mainly from TNEB, MSEB, WBPDC, and WBPDCL,

APGENCO and Steel Sectors. The outstanding as on 31.12.2001 from all sectors is given below:

PARTY	DISPUTED	UNDISPUTED	TOTAL
TNEB	159.73	126.17	285.9
MSEB	170.23	24.15	194.38
WBPDC	39.30	127.02	166.32
APGENCO	4.44	39.50	43.94
OTHER	8.69	33.47	42.16
TOTAL POWER	382.39	350.31	732.70
STEEL	32.20	23.17	55.37
CEMENT & OTHERS	20.01	-13.82	6.19
GRAND TOTAL	434.60	359.66	794.26

The position of sales realisation against billing during the last five years from 1996-97 to 2000-2001 is as follows :

(Rs. In Crores)

YEAR	BILLING	REALISATION	NET COAL SALES DUES OUTSTANDING	DOUBTFULL DEBT
1996-97	1479.12	1402.00	236.14	55.11
1997-98	1947.57	1872.70	294.99	68.65
1998-99	1977.86	1946.25	443.56	57.04
1999-00	2023.72	1952.67	427.66	83.34
2000-01	2332.16	2185.11	538.19	94.63

27. When enquired about the reasons for large outstanding dues, the Committee have been informed that large outstanding dues featuring in the account of State Electricity Boards (SEBs) and other power houses are mainly due to consistent short payment by the power houses over value of dispatch. It is also due to poor financial conditions of SEBs and power houses and in absence of any binding agreements by the coal companies with the power houses ensuring 100% payment of bill value in advance or within reasonable time.

28. It has been informed to the Committee that the following steps have been taken by the Company to realise the outstanding dues:-

- (a) Disputed dues of SEBs referred to Umpire appointed by Government of India to resolve the dispute; and
- (b) Regular bilateral meetings at different levels are held to resolve the disputed issues.

29. Details of projects completed in the last 5 years are as under :

Sl. No	Name of the Project	Capacity (Mty.)	Original Outlay (Rs. Crs.)	Completed cost (Rs. Crs.)	Sch. Date of compl.	Actual date of compl.	% of cost escalation	Reasons for time/cost overrun
1.	Ananta OC expansion	1.50 (Incremental)	46.99	37.60	03/97	03/97	--	Completed on schedule
2.	Lingaraj OCP	5.00	229.84	174.90	03/98	03/98	--	Completed on schedule
3.	Basundhara (East) OCP	0.60	19.69	20.60	03/98	03/98	4.62	Completed on schedule and within approved limit of cost escalation
4.	Bharatpur OC Expansion	1.50 (Incremental)	48.02	48.00	03/97	03/98	--	The project was delayed by 1 year due to problem in acquisition of tenancy land & rehabilitation.
5.	Lakhanpur OCP	5.00	221.51	215.02	03/96	03/00	--	The project was delayed by 4 years due to delay in commissioning of OPGC power house to which it is linked but completed within sanctioned cost.
6.	Kalinga OCP	8.00	345.96	344.63	03/00	03/00	--	Completed on schedule and within sanctioned cost

30. The status of the on-going projects of the Company is as follows :

Sl.	Name of the Project	Capacity (Mty.)	Original outlay (Rs.Crs)	Anticipated Cost (Rs. Crs.)	Schedule date of compl.	Anticipated date of compl.	Remarks/Steps taken to adhere to the time schedule and cost estimates.
1.	Hingula-II OCP	2.00	48.57	49.80	03/2002	03/2002	On schedule. The project will be completed within estimated completion cost.
2.	Chhendipada OCP	0.35	19.75	19.75	03/2002	03/2002	Likely to be delayed by 1 year due to land constraints
3.	Natraj UG	0.64	92.11	92.11	03/2008	03/2008	On schedule

31. When enquired about the main constraints for opening new projects the Committee have been intimated as :

“Land availability is the main constraints. Forest land as well as possession is causing delay. So the project become cost as well as time over run. Recently, a task force headed by Chief Secy. Involving the forest, Revenue, RDC, CMD (MCL), D (T) MCL has been formed to expedite the state clearance matter. Since land is main raw material for coal mining, at least 5 years advance possession is needed and for this we are trying our best. A policy about the rates of land, methods to get it and time bound system is requested to be formulated. This help shall avoid time loss for opening results for coal mining projects.

ACQUISITION OF LAND

Land acquisition is like fighting a battle. Stoppage of operation of work takes place very frequently. For employment of land oustees, Orissa package is adopted. We hope that lot of work shall be completed by March-April'2002.

For getting quicker result:-

RAC meeting is held regularly which consist of R.D.C., MP's, MLA's Collectors & MCL of the coalfields to reduce the disputes and for framing the policies.

For resettlement of land losers, Rs. 60,000/- cash compensation is being given in lieu of rehabilitation land. As per norms all compensations are paid. Villagers are not shifting though payment done to them and though employment is given in 90% cases. Since many claims are cropping up every now or then. All the disputed matters are being solved through Revenue Divisional Commissioner (Northern Division), Sambalpur.”

32. About payment of compensation to the land oustees, the Committee have been apprised that land oustees are paid the compensation as per Government of Orissa norms and also as per Coal India Limited norms.

33. It was pointed out by the Committee that there has been report in the media about alleged irregularities in the Surface Miner Tender in 1998. In this connection, the Committee have been informed as under :

“The report in the media about alleged irregularities in the Surface Miner tender in the year 1998 are not based in fact. The tender papers have been scrutinized before award of work by Department of Coal, Coal India and also cleared by Vigilance Department of Coal.

The L-1 and L-2 tenderers had informed the Tender Committee that it was not possible to carry out the work on the tendered rate due to the consequences after explosion of Indian Nuclear Bomb during May, 1998 and steep depreciation in the rupee as also increase in the import duty and levies. They had asked for withdrawal of offer and requested for refund of their Earnest Money Deposit. Basically, they had withdrawn their offer on their considered view that on tendered rate it may not be possible to carry out the work under the changed circumstances mentioned above. The offer of L-3 and L-4 was Rs. 62.55/Cu.m.

Though L-1 and L-2 tenderers were still called for negotiation, but during negotiation L-1, L-2 upgraded their rates to Rs. 65.00/Cu.m., Rs. 67.50/Cu.m. and L3 did not reduce below Rs. 62.55/Cu.m., one of the L-3 tenderers reduced the rate to Rs. 62.30/Cu.m. and the work was awarded. It is not correct that L-1 and L-2 tenderers were rejected. The awarded rate of Rs. 62.30/Cu.m. with diesel escalation during the closure of the contract was Rs. 64.48/Cu.m. and not Rs. 70.00/Cu.m. This increase was as per the escalation clause No. 32 of the Tender documents.

The tender for operation of surface miner was called this year also. The Ministry of Coal was furnished the details along with all the relevant papers about the above tender. Subsequently, it was considered by the Ministry and it was directed that the matter may be placed before the MCL Board who may proceed to take a view on the case. The matter will be placed accordingly to the MCL Board for the necessary decision.”

34. On the question of availability of power, the Committee have been informed that power demand of the Company is fully met during peak period and also during the off seasons.

The quantum of specific energy consumed in the last five years indicating the targets fixed and the actual consumption are given below :

(Figures in KWH/Tonne)

Year	Target specific consumption(Coal)	Actual specific consumption (Coal)
1996-97	5.50	5.00
1997-98	5.20	4.81
1998-99	5.17	4.98
1999-00	5.50	5.35
2000-01	5.35	5.41

35. When enquired about energy audits in MCL, the Committee have been informed that the Company carry out energy audit. The energy audit for Talcher, Nandira, Hingir Rampur and Bundia underground mines and Bharatpur opencast have been submitted by CMPDI, RI-VII. The recommendations of the audit report are under implementation.

Draft energy audit report of mine number 2,3, and 4 of Orient Area have been submitted by M/S MECON. The recommendations of the audit report are under implementation. Besides, the Company have carried out its own energy audit and based on the reports, the following actions have been taken/implemented :

- a) By installing capacitor banks and running the draglines in leading power factor, almost unity power factor in IB Vally coalfields and 0.97 power factor in Talcher coalfields have been achieved.
- b) By controlling maximum demand and rationalisation of contract demand, substantial saving has been achieved.
- c) 2 x 20 MVA, 132/33 KV Sub-Station has been commissioned at Jorabaga, 18 kms 132 KV double circuit line has also been constructed, tested and commissioned. Though construction of 33 KV evacuation system will take some time, the existing 33 KV network of M/s. WESCO is being used to evacuate power. Shifting of seven 33 KV consumers of MCL to this Sub-Station has resulted into substantial saving on account of diversity factor and load factor.

36. It has been informed to the Committee that the Board of Directors of MCL consists of a Chairman and Managing Director, three (3) Functional Directors viz. Director (Personnel), Director (Finance), Director (Technical) and four (4) Non-functional/Part time Directors of which three are from the Coal India Limited and one is from the Government of India.

As per the provision of Article 32 of the Memorandum and Articles of Association of MCL, the business of the Company shall be managed by a Board of

Directors. The President shall from time to time determine the number of Directors of the company which shall be not less than 3 and not more than 12. Those Directors may be either whole-time Functional Directors or part-time Directors. The Directors are not required to hold any qualification shares.

37. When the Committee desired to know about the flexibility in the number of Directors on the Board of Directors of the Company, the Committee have been informed that it is regulated as per the decision of the Government. However, at present total number of Directors, both functional and non-functional is eight.

38. When enquired whether the powers conferred upon the Board of Directors are adequate to effectively run the Company, the Committee have been informed that it is felt that present powers of the Board is not adequate to effectively run the Company, particularly a Company like MCL.

More powers, keeping in view the present Capital structure, Turnover and growing business operations of MCL, in certain area, more powers to Board may be conferred for better performance:-

- (a) Financial powers for sanctioning projects may be enhanced from Rs. 50 crores to Rs. 100 crores.
- (b) More powers for expansion, Joint Ventures, etc.
- (c) Authorising Board for independent decision over Financial Restructuring.
- (d) Greater autonomy be granted to Board for turning around the losing Mines/projects.

39. The Committee have also been informed that the manpower of the company as on 1.1.2002 is 22342. Out of this, 1349 are Executive employees and 20993 are Non-Executive employees.

When enquired about the manpower study conducted to assess the actual manpower requirement of the company, the Committee have been informed that the manpower budget is prepared keeping in view of many factors like equipment position, requirement of maintenance personnel and statutory provision as per the Mines Act. On the basis of assessment of manpower duly approved the minimum requirement of manpower in MCL is 23337 whereas the manpower at present is 22342 as on 1.1.2002. The aforesaid provision of manpower has been kept in the sanctioned budget, keeping in view of upcoming projects such as Basundhara (W), Gajanbahal, Chhendipada etc. so that the case of land oustees may be considered for employment on requirement basis as per Government of Orissa norms. There is no overstaffing in MCL.

40. To a query about deployment of manpower for production in UG and OC mines, the Committee have been informed that UG production is 4% of the total production which involves 10,146 manpower and 96% of OC production is involving 12,265 (including General Service). Thus, major manpower is engaged in UG mines, so productivity is less in UG mines. If coal production from the OC mines is done departmentally, it will be costlier.

41. About engagement of contract workers, it has been informed to the Committee that no contract workers are engaged in the company directly. However, some job contracts are awarded for which the contractors are engaging labourers.

42. As per information furnished to the Committee, the position of welfare and social amenities like housing, water supply, health care, education, etc. are as under:

(a) **Housing :**

Commensurate with the expansion programme due emphasis is given to the welfare measures of the employees. In MCL, 16,320 houses have been made available to 22,369 employees, giving a housing satisfaction of 72% which is much higher compared to other subsidiaries of Coal India Limited.

(b) **Water Supply :**

There are number of water supply schemes in the mines in both the coalfields with 100% satisfaction in drinking water supply in company's quarters. MCL supply 8.34 million gallon of water per day to a population of 81,600. Apart from this, MCL also supply potable drinking water to some villages around the mine through tankers and pipes.

(c) **Education :**

There are 32 number of aided schools and one aided college functioning in the command area of MCL.

(d) **Health care :**

There are six (6) hospitals, sixteen (16) dispensaries and two (2) ayurvedic dispensaries. The hospitals are equipped with Intensive Care Units, Ultra sound, Upper GI Endoscopy, etc. There are 364 beds and bed to employee ratio is 1:63

(e) **Community health services :**

The Company conducts different programmes like Family Welfare, School Health, Village Health programmes, etc. Similarly, MCL conducts camps like Eye/Cataract operation, Immunisation and Physically Handicap camps, etc.

To a query about Group Insurance of the employees , the Committee have been apprised that Group Insurance of Executive is Rs. 10 lakh and for Non-Executive it is Rs. 6 lakh for coalfields and Rs. 5 lakh for HQrs. The period of coverage is 12 years. Total employees covered under the scheme is 11,830. So far Rs. 34 lakh has been paid as compensation to six death cases.

43. About the safety measures for employees in MCL, it has been stated that due emphasis is given to safety are maintained by imparting suitable training to all. Fatality rate per million tonne output has been brought down from 0.172 in 1992-93 to 0.044 in 2000-01. Similarly fatality rate per 3 lakh manshift has been reduced from 0.269 in 1992-93 to 0.119 in 2000-01. Since its inception, the Company has bagged five National safety awards.

Well equipped rescue stations, one in each coalfield is provided to render emergency services. Persons are also trained sufficiently in rescue and recovery operation. MCL has been awarded as the best rescue team in rescue competition in the year 2000.

44. About the sports activities, the Committee have been informed that under the Company's Welfare Scheme for the employees, various games & sports viz. Football, Volley Ball, Lawn Tennis, Table Tennis, Badminton, Kabaddi, Cricket, Golf,

Athletic and Cultural Meet, etc. are organized every year, for which facilities like Football Ground, Tennis Lawn, Badminton Hall, Club Building, Cricket Pitch, etc. are provided at Unit/Area/Hqrs. All such items are duly approved by the Sports Promotion Board of Coal India Limited and a Sports Calendar is circulated every year to conduct the same as per the programme. In order to promote sports and games including golf and also to facilitate celebration of National and Regional festivals like Independence Day, Republic Day, Utkal Diwas, etc., a multi-purpose ground has been prepared at MCL Hqrs. with a cost of about Rs.65.75 lakh. The said ground is also used as Golf ground.

It was pointed out by the Committee that it has been reported in the Press that the Company has incurred huge expenditure on Golf courses as compared to other sports. In this connection, the Committee have been informed that the total Annual budget of the Company for conducting the sports and games is about Rs.37 lakh, out of which Rs. 7.8 lakh have been spent during 2000-01 for Golf tournament which includes interarea, intercompany and all India Public Sector Golf Tournament. The expenditure for conducting the tournaments includes, the expenditure incurred on providing kits (sports materials, uniform, shoes, track suit, etc.) and expenditure on food and accommodation also. Golf is open to all the categories of employees.

45. When enquired about using of fly ash for manufacturing bricks, the Committee have been informed that the quantum of fly ash which will be produced by using 230 MT of coal will be nearly 70 MT and such huge quantity can hardly be used for manufacturing bricks. Only 1% can be used by improving brick manufacturing technology. The rest has to be dumped on ground or in abandoned

mines. Moreover its use as substitutes to brick is not cost effective in present day due to high transport cost.

46. When enquired what would be the use of coal in future if some cheaper means of power generation takes place viz. gas/oil based power plants, the Committee have been informed that in view of the importance of foreign exchange and also power grade coal is available amply in India, gas and oil is not likely to be cheaper for the next 30 years.

47. When enquired about the disinvestment in the Coal sector , the Committee have been informed that no proposal for disinvestment of coal sector is in the knowledge of the Company.

48. When enquired about the cost of MCL coal vis-à-vis cost of coal in other countries, MCL has stated as follows:

“The transport cost by rail becomes costlier. Hence the landed cost of MCL coal becomes costlier at coastal States. So, the landed cost of imported coal become cheaper in terms of Rs. per Mill. Kilo Calories compared to MCL coal.”

(a) Comparative landed cost of coal of MCL & other countries at Chennai Port.

	F grade	E grade
Pit head price of MCL coal including all levies and taxex	Rs. 472.68	Rs. 591.24
Railway freight from Talcher to Chennai Port including unloading charges	Rs. 913.00	Rs. 913.00
Landed cost of coal at Chennai Rs. / tonne	Rs. 1385.68	Rs. 1504.24
Landed cost of Indonesian coal Gr. 'A'	Rs. 1785.77	
Landed cost of China coal Gr. 'A'	Rs. 2535.68	

(b). Landed cost per million Kilo Calorie on GCV & UHV basis

	MCL coal	China coal	Indonesia coal
Landed cost of coal at Chennai in terms of Rs. Per million Kilo Calories of heat value (UHV basis)	Rs. 481.14	Rs. 381.65	Rs.362.00
Landed cost of coal at Chennai in terms of Rs. Per million Kilo Calorie of heat value (GCV basis)	Rs. 338.80	Rs. 372.35	Rs. 320.37

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

DELAY IN LAND ACQUISITION AND PROJECT IMPLEMENTATION

The Committee note that coal can be mined out only when coal-bearing lands are acquired by the coal companies with the help of the State Government concerned. In the matter of project implementation, land availability emerges as a main constraint. Delay occurs even in acquiring forest lands, where Government is the owner of the land. Thus delay in acquisition of land results in time and cost over-runs. The Committee note that the Chhendipada Open Cast Project has been delayed by one year due to land constraints. The Committee are of the firm opinion that land is the main raw material for coal mining and at least five years advance possession is needed for implementing the projects as per schedule. The Committee, therefore, recommend that the Government should urgently formulate a policy about rates of land, methods to obtain land and a time-bound system for each stage in acquisition and handing over possession of land for coal mines and also a system of single-window clearance for environment and forest related matters both in the States and at the Centre so that time-bound project implementation is made possible.

RECOMMENDATION NO. 2

MODERNISATION OF WASHERIES

The Committee note that the quality of coal of Mahanadi Coalfields Ltd. is inferior in comparison to the coal imported from other countries like Indonesia, China, Australia, etc. due to higher ash content and low calorific value. The quantum of fly ash that is produced by using 230 MT of coal is nearly 70 MT. Improved brick manufacturing technology could use only 10% of ash content and the rest has to be dumped on ground or in abandoned mines. The Committee, therefore, recommend that Government should make appropriate investment for modernisation of existing washeries and also in establishing new washeries so as to supply good quality coal to the State Electricity Boards. The Committee would like to emphasise that the Central Government should ensure that the State Electricity Boards accept the additional washeries charges, as transport cost of washed coal will be less and the State Electricity Boards need not invest funds in establishing their own washeries.

RECOMMENDATION NO. 3

NEED TO REVIEW THE RAILWAY FREIGHT CHARGES

The Committee note that the landed cost of MCL coal per million kilo calorie of heat value (UHV basis) is Rs.481.14. The price of imported coal from neighboring countries like Indonesia, Australia, South Africa and China is 20% to 30% less than the price of MCL coal. The Committee further note that the transport cost of MCL coal by Rail becomes more, as the charges for E&F grade of coal from Talcher to Chennai port including unloading charges is Rs.913 per tonne and out of this, the pit head price of MCL coal including all levies and taxes is Rs.472 to Rs.591 per tonne. The Committee are further given to understand that the landed cost per tonne of Indonesian coal of Grade `A' category is Rs.1785. The Committee, therefore, recommend that the Government should review the railway freight charges for MCL coal and provide the necessary support for long distance transportation of coal.

RECOMMENDATION NO. 4

POWERS OF THE BOARD OF DIRECTORS

The Committee note that it takes a lot of time to get proposal for various projects cleared from the Government, as the Board of Directors of Mahanadi Coalfields Ltd. has very limited financial powers to approve expenditure on projects. The Committee feel that the present powers of the Board are not adequate to effectively run the company and therefore, recommend that more powers should be conferred on the Board, keeping in view the present capital structure, turn-over and growing business operations of the Company. The Committee recommend that the financial powers of the Board to sanction projects should be increased from Rs. 50 crore to Rs. 300 crore. The Board should also be empowered to decide on its own about expansion projects and formation of Joint Ventures. On the matter of Financial Restructuring, the Board of Directors should be authorised to take independent decisions. In respect of the losing mines and projects, the Board should be granted greater autonomy so that their quick turn-around is made possible.

RECOMMENDATION NO. 5

EXPIRY OF LEASE OF MINES

The Committee note that mining leases/licences of a number of mines are due for expiry in the near future. Licences for about one-fourth of the total capacity of the underground mines are going to expire in April, 2003. the Committee note that the matter of renewal of lease of five underground mines is pending with the State Government and the follow-up action is under process now. Since renewal of leases of these mines is a time-consuming process, the Committee recommend that suitable advance action should be taken in a planned manner so that the renewals are obtained well in time and no stoppage of mining takes place on this count. The Committee recommend that this matter should be taken up at the highest political level both in the Centre and the State so that all possibilities of delay are eliminated.

RECOMMENDATION NO. 6

PROBLEM OF OUTSTANDING DUES

The Committee note that one of main financial problems faced by MCL is the huge outstanding dues from the State Electricity Boards and the Steel sector. The total outstanding dues as on 31 December, 2001 from all sectors is Rs. 794.26 crore, out of which Rs. 732.70 crore is from the power sector alone. The Committee are concerned to note that there is also a doubtful debt of Rs. 94.63 crore to be realised at the end of the financial year 2000-01. The Committee recommend that urgent steps should be taken to realise these dues by implementing the recent policy decision taken by the Government through securitisation of dues by different State Electricity Boards and by other suitable measures outlined in the Budget speech of Finance Minister this year in order to ensure the financial health of the Company. In this effort to realise the outstandings, the Committee expect the Ministry to play a critical role.

RECOMMENDATION NO. 7

MANPOWER AUDIT

The Committee note that the manpower requirement of the Company has all along been determined in-house by the Industrial Engineering Department of the Company. Since manpower cost is one of the important determinants of the profitability of operations of the Company, the Committee recommend that a manpower audit should be got conducted by an outside agency such as CMPDI (Central Mine Planning and Development Institute), so that it is ensured that there is optimum utilisation and also rationalisation of manpower in Mahanadi Coalfields Ltd.

ANNEXURE-I**UNDERGROUND COAL PRODUCTION DURING LAST 10 YEARS**

(Fig. In Million Tonnes)

YEAR	TARGET	ACTUAL	% OF ACHIEVEMENT	% GROWTH OVER PREVIOUS YEAR
1992-93	2.13	1.91	89.72	-4.59
1993-94	2.00	1.98	99.20	3.82
1994-95	2.10	1.94	92.24	-2.37
1995-96	2.00	1.89	94.25	-2.68
1996-97	2.00	1.81	90.55	-3.93
1997-98	1.90	1.80	94.89	-0.44
1998-99	1.60	1.66	103.56	-8.10
1999-00	1.60	1.65	103.31	-0.24
2000-01	1.60	1.62	101.31	-1.94
2001-02	1.70	1.70 (Projected)	100.00	4.94

OPENCAST COAL PRODUCTION DURING LAST 10 YEARS

(Fig. In Million Tonnes)

YEAR	TARGET	ACTUAL	% OF ACHIEVEMENT	% GROWTH OVER PREVIOUS YEAR
1992-93	19.79	21.23	107.26	13.53
1993-94	21.80	22.32	102.38	5.15
1994-95	22.90	25.39	110.86	13.75
1995-96	28.75	30.82	107.19	21.38
1996-97	34.00	35.56	104.57	15.38
1997-98	37.60	40.37	107.36	13.54
1998-99	39.40	41.85	106.23	3.68
1999-00	39.40	41.90	106.35	0.11
2000-01	41.40	43.18	104.30	3.05
2001-02	42.80	45.08 (Projected)	105.32	4.40

**STATEMENT SHOWING
GEOLOGICAL RESERVES, MINABLE RESERVES, COAL RESERVES
EXTRACTED AND BALANCE MINABLE RESERVES IN EACH MINE OF MCL**

Block/Mine	Total Geological Reserve (M.T.)	Total Minable Reserve (M.T.)	Coal Reserve Extracted (M.T.)	Balance Minable Reserve (MT) as on 1.4.2001
Talcher C.F.				
Talcher U/G	29.71	29.71	19.03	10.68
Deulbera U/G	16.07	11.38	9.56	1.82
Nandira U/G	30.61	13.23	2.84	10.39
Natraj U/G	35.77	14.87	0.00	14.87
Balanda	26.85	22.8	20.00	2.30
Jagannath	119.19	103.74	96.99	6.75
Bharatpur Incl. Expn.	166.32	167.84	63.76	104.08
Ananta Incl. Expn.	299.96	217.16	130.48	86.67
Kalinga	618.4	165.79	30.81	134.98
Lingaraj	500.4	319.31	18.98	300.33
Hingula-II	547.57	75.05	0.81	74.24
Chhendipada	-	2.56	0.00	2.56
Ib-River C.F.				
Orient 1 & 2 U/G	187.46	98.16	8.82	27.78
Orient 3 U/G	71			56.27
Orient 4 U/G	21.34			5.29
HRC U/G	51	51	26.66	24.34
HBI U/G	43.66	36.53	26.87	9.66
Belpahar	280.56	48.63	16.80	31.82
Lajkura	123	35	23.00	12.01
Lilari	19	13.58	12.51	1.07
Samaleswari (3 Mty)	116	55.98	25.64	30.34
Lakhanpur	843	107.43	17.45	89.98
Basundhara (E)	7	6.32	2.68	3.64
Grand Total (Tal+Ib-River)	4153.87	1586.07	543.69	1041.888

ANNEXURE-III**LICENCES/LEASES (MINEWISE LEASES/LICENCES AVAILABLE)****UNDERGROUND MINES**

(Figs. In ha)

Sl. No.	Name of Mine/Project	Area of Under Ground Right/Mining Lease			Validity of leases Under MMRD Act upto	
		CBA		MMRD		Total
		Mining Right	All Right			
1	Talcher	44.52		1140.02	1184.54	30.09.2006
2	Deulbera	428.56	06.58	518.99	954.13	30.09.2006
3	Handidhua	--	--	671.29	671.29	23.11.2009
4	Nandira	1784.35	--	0.00	1784.35	
5	Orient I & II	601.53	--	840.06	1441.59	30.04.2007/ 20.05.2007
6	Orient III	254.55	--	161.10	415.66	30.04.2003
7	Orient IV	397.74	--	121.73	519.47	30.04.2003
8	HRC + HBI	--	--	1095.71	1095.71	30.04.2003
Total Underground		3511.26	06.58	4548.91	8066.75	

OPENCAST PROJECTS:

(Figs. In ha)

Sl. No.	Name of Mine/Project	Area of Under Ground Right/Mining Lease			
		CBA		MMRD	Total
		Mining Right	All Right		
1	Jagannath & Ananta		665.88		665.88
2	Balanda		961.15		961.15
3	Bharatpur		595.71		595.71
4	Kalinga		755.92		755.92
5	Belpahar	2523.88			2523.88
6	Lakhanpur		3145.99		3145.99
7	Samakeswari		768.50		768.50
8	Basundhara(E) & (W) , Kulda & Garjanbahal		8030.05		8030.05
9	Lingaraj		286.56		286.56
10	Bhubaneswari		688.43		688.43
11.	Kaniha		606.31		606.31
	Hingula		1063.56		1063.56
	Chhendipada (Mine is yet to start)			24.30	24.30
Total Underground		2523.88	17568.06	24.30	20116.24

ANNEXURE – IV

**TOUR PROGRAMME OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
TO BHUBANESWAR, MUMBAI AND KOLKATA FROM 16TH TO 19TH
JANUARY, 2002 AS ACTUALLY PERFORMED
(MEMBERS ASSEMBLED AT BHUBANESWAR)**

DATE AND DAY	TIME	VISIT & DISCUSSION
16.1.2002 (Wednesday)	1630 hrs	Discussion with the officials of Mahanadi Coalfields Limited
(NIGHT HALT AT BHUBANESWAR)		
17.1.2002 (Thursday)	1000 hrs	Discussion with the officials of MECON (India) Limited
	1215 hrs	Departure for Mumbai by IC-169 (1345 hrs)
	1600 hrs	Arrival Mumbai
(NIGHT HALT AT MUMBAI)		
18.1.2002 (Friday)	1000 hrs	Discussion with the officials of Engineers India Limited
	1145 hrs	Discussion with the officials of Container Corporation of India Limited
	1530 hrs	Departure for Kolkata by IC-274 (1635 hrs)
	1915 hrs	Arrival Kolkata
(NIGHT HALT AT KOLKATA)		
19.1.2002 (Saturday)	0930 hrs	Discussion with the officials of Coal India Limited
	1145 hrs	Discussion with the officials of MSTC Limited
	1300 hrs	Discussion with the officials of Hindustan Steel Works Construction Limited

DISPERSAL

ANNEXURE – V**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED BHUBANESWAR, MUMBAI AND KOLKATA FROM
16TH TO 19TH JANUARY, 2002**

S. NO.	NAME	DATE OF JOINING	DATE OF LEAVING
1.	Prof Vijay Kumar Malhotra, Chairman	16.1.2002 Bhubaneswar	19.1.2002 Kolkata
2.	Shri Prasanna Acharya	16.1.2002 Bhubaneswar	17.1.2002 Bhubaneswar
3.	Shri Sudip Bandyopadhyay	18.1.2002 Kolkata	19.1.2002 Kolkata
4.	Shri Ram Tahal Chaudhary	17.1.2002 Mumbai	19.1.2002 Kolkata
5.	Smt Sangeeta Kumari Singh Deo	16.1.2002 Bhubaneswar	18.1.2002 Mumbai
6.	Shri C K Jaffer Sharief	16.1.2002 Mumbai	19.1.2002 Mumbai
7.	Shri Vilas Muttemwar	17.1.2002 Mumbai	18.1.2002 Mumbai
8.	Shri C P Radhakrishnan	16.1.2002 Bhubaneswar	19.1.2002 Kolkata
9.	Shri Tarit Baran Topdar	18.1.2002 Mumbai	19.1.2002 Kolkata
10.	Shri Suresh Kalmadi	16.1.2002 Bhubaneswar	18.1.2002 Mumbai
11.	Shri Jibon Roy	17.1.2002 Mumbai	19.1.2002 Kolkata
12.	Shri B P Singhal	16.1.2002 Bhubaneswar	19.1.2002 Kolkata
13.	Shri C. P. Thirunavukkarasu	17.1.2002 Bhubaneswar	19.1.2002 Kolkata
14.	Shri Ranjan Prasad Yadav	17.1.2002 Mumbai	19.1.2002 Kolkata
	SECRETARIAT		
1.	Shri S Bal Shekar, Director		
2.	Shri L N Gaur, Under Secretary		
3.	Shri Raj Kumar Under Secretary		
4.	Shri Girdhari Lal Executive Asstt.		

ANNEXURE-VI

**LIST OF OFFICIALS OF MAHANADI COALFIELDS LIMITED WHO
WERE PRESENT DURING DISCUSSION WITH THE COMMITTEE ON
PUBLIC UNDERTAKINGS AT BHUBANESWAR ON 16.01.2002**

- | | |
|------------------------|------------------------------|
| 1. Shri R.K.Chechani, | Chairman & Managing Director |
| 2. Shri S.P. Singh | D (T) |
| 3. Shri G.K. Choudhary | D (P) |
| 4. Shri M.Sengupta | D (F) |
| 5. Shri L.N.Agrawal | CGM/CTS to CMD |
| 6. Shri U.K. Mohanty | CGM/RD, RI-VII, CMPDIL |
| 7. Shri N.Kumar | GM (Prodn. & IED) |
| 8. Shri B.P. Pattnaik | GM (Orissa) |
| 9. Shri P.K. Dash | GM (MP&W), MCL |
| 10. Shri R.C.Sahoo | Supdt. Of Mines, CTS to CMD |
| 11. Shri D.K.Gupta | Exec. Engr. (System) |