

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

STARRED QUESTION NO:600
ANSWERED ON:07.05.2015
PRICING OF COAL
Hansdak Shri Vijay Kumar

Will the Minister of COAL be pleased to state:

- (a) the current methodology used for pricing of coal being supplied to thermal power plants;
- (b) the reasons for the switch over from pricing method based on Useful Heat Value (UHV) of coal;
- (c) whether the switch over has led to increase in prices of coal procured from Coal India Limited (CIL) and if so, the details thereof;
- (d) whether the change in pricing methodology has had any cost related impact on the citizens and if so, the details thereof along with follow up action taken thereon; and
- (e) the profits earned by CIL and corresponding levels of coal production during the last three years, Subsidiary-wise?

Answer

MINISTER OF STATE (IC) FOR COAL, POWER AND NEW & RENEWABLE ENERGY (SHRI PIYUSH GOYAL)

(a to e): A statement is laid on the Table of the House.

STATEMENT REFERRED IN PART (a) TO (e) OF THE REPLY TO LOK SABHA STARRED QUESTION NO.600 FOR ANSWER ON 7.5.2015.

(a) After complete decontrol of coal prices w.e.f. 01.01.2000, the Coal India Limited (CIL) has been fixing the prices of all the grades/varieties of raw coal produced by its subsidiary companies taking in to consideration the following factors:

Input cost for production of coal

Inflation index

Capacity of the market to absorb the coal price.

Demand and supply scenario

Landed cost of imported coal

Requirement of fund for investment in upcoming projects; modernization of existing mines for augmentation of production, etc.

In the price revision effective from 27.02.2011, for the first time the concept of dual pricing was adopted by CIL i.e. one price for consumers in the Power utilities (including Independent Power Producers), Fertilizers and Defence (Regulated Sector) and another for consumers other than regulated sectors.

The prices for the non-regulated sector (except for higher grades) are kept higher by around 35% than that for regulated sector.

(b to d): Internationally, all varieties of coal are classified and marketed on the basis of Gross Calorific Value(GCV). Under the Useful Heat Value (UHV) system of grading there were seven grades (from A to G) whereas under GCV system there are seventeen bands. The bandwidths were very high under the UHV regime whereas under the GCV method the band width for the purpose of pricing was only 300 Kcal/Kg.

The price remains same within a particular bandwidth and hence the GCV method with narrow band width is more realistic than the UHV method.

Some impact of such price revision (upward or downward) on the coal consuming industries depending upon the actual GCV bands of coal being supplied to such industries can not be ruled out.

(e): nAs per Audited Accounts of the subsidiary coal companies, the Subsidiary-wise Profit Before Tax (PBT) for last three years are as follows:

(Amount in Rs.Cr)

Subsidiary	2011-12	2012-13	2013-14
Eastern Coalfields Limited	962.13	1897.18	1299.28
Bharat Coking Coal Limited	822.36	1709.06	2089.01
Central Coalfields Limited	1970.24	2683.56	2525.87
Northern Coalfields Limited	4265.67	4420.58	3355.71
Western Coalfields Limited	440.50	428.87	325.86
South Eastern Coalfields Limited	6002.87	6290.37	7202.40
Mahanadi Coalfields Limited	5463.69	6202.48	5429.08
Central Mine Planning and Design Institute Limited	30.79	29.77	34.60
Coal India Limited & Others	1314.41	1317.17	617.73
Total	21272.66	24979.04	22879.54

The PBT for the year 2014-15 not yet confirmed, since the Accounts are under Audit.
Production for last three years subsidiaries-wise are as under:-

(Fig. in Million Tonne)

Subsidiary	2011-12	2012-13	2013-14
Eastern Coalfields Limited	30.56	33.91	36.05
Bharat Coking Coal Limited	30.21	31.21	32.61
Central Coalfields Limited	48.00	48.06	50.02
Northern Coalfields Limited	66.40	70.02	68.64
Western Coalfields Limited	43.11	42.29	39.73
South Eastern Coalfields Limited	113.84	118.22	124.26
Mahanadi Coalfields Limited	103.12	107.89	110.44
North Eastern Coalfield	0.60	0.61	0.66
Coal India Limited	435.84	452.21	462.42