
CIL pulls out all stops to increase output

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Business Standard reported that Coal Bhawan, the imposing headquarters of Coal India Limited in Kolkata is buzzing with activity these days. And the top brass at the country's largest coal producer has already shrugged off the disappointment over the ministry's decision to rule out a price increase in the near future.

For disinvestment is in the air and CIL doesn't want to let such things distract it from its plan to ramp up coal production by 65% to 660 million tonne in another 6 to 7 years. This is in keeping with coal minister Mr Sriprakash Jaiswal's assertion that increasing coal production was more important than a price increase.

Mr Partha S Bhattacharya chairman of Coal India said that despite all odds, CIL managed to cross the 400 million tonnes production mark last fiscal, recording a growth of 6.4% in output as against the previous year. He said that the trend will continue and our aim will be to achieve 10 per cent annual growth in the near future. The company expects a 7.1% growth in coal output this fiscal with a total production of 435 million tonnes. There is hardly any way out. The new National Coal Wage Agreement VIII, which revised the salaries of close to 4,15,000 employees, heavily eroded CIL's profit margin besides turning as many as 33 projects unviable.

Mr N C Jha director of CIL pointed out that of the 134 projects planned for the 11th plan period, estimated to produce 309 million tonne at an investment of INR 26,000 crore, 33 had become unviable. We are looking in what way we can go forward whether to go for cost plus system or whether to wait for a price increase."

CIL's profit after tax plummeted to INR 96 crore in 2008-09 on account of the wage revision. The focus of the new production plan is underground and abandoned mines. Besides increasing capacity through conventional opencast mining, the company has recently shortlisted 10 private parties for developing 18 abandoned mines estimated to have a coal capacity of around 1,600 million tonnes.

This apart, CIL also plans to develop seven underground mines on a turnkey basis. The company has received 17 offers and nine potential companies have been shortlisted, the contracts will be awarded shortly.

In order to boost private investments for development of selected underground mining assets CIL has also formulated a standard draft wherein the onus will be on the selected firms for planning and operating these coal mines with state of the art technology.

The capital investment to be incurred by the successful bidders for developing the mines will be reimbursed against bank loans taken by CIL, which will retain some amount which will be disbursed on a case to case basis depending on the amount of work involved.

Mr Jha said that "It's a complex model of revenue sharing. We will reimburse the capital investment of the successful bidders. Once the production starts, for every tonne of coal produced we will give them a certain amount of money in accordance with whatever is defined in the tender document of the successful bid.

He said that the public sector coal behemoth also plans to introduce washeries to produce better quality coals. We have plans to set up 19 washeries out of which tenders for 4 have been floated, 2 are of 10 million tonnes each and 2 of 5 million tonnes capacity. We plan to bring in more washeries in the present fiscal.

He added that the company had fixed a quarter-wise growth plan. We are also doing projects which have the potential to increase their production. But there is a rider. To implement these projects successfully, environmental and forest clearances have to be obtained, projects have to be prepared, and constant acquisition of land has to be done in time. The ministry and with CIL were looking at ways and means to expedite the process to increase production.

(Sourced from Business Standard)

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