

# **CHAPTER VII**

## **COAL PRODUCTION, DISTRIBUTION AND MARKETING**

**7.1** Coal has been recognized as the most important source of energy for electricity generation in India. About 70% of the coal in the country is consumed in the power sector. In addition, other industries like steel, cement, fertilizers, chemicals, paper and thousands of medium and small-scale industries are also dependent on coal for their process and energy requirements. In the transport sector, though direct consumption of coal by the Railways is going down on account of phasing out of steam locomotives, the energy requirement for electric traction is still dependent on coal converted into electric power. The Ministry of Coal, is engaged in developing coal resources of this country in a manner to meet the requirements of coal of different consuming sectors. Performance of coal sector in this respect has been impressive.

### **ALL INDIA PRODUCTION OF COAL**

**7.2** Through a sustained programme of investment and greater thrust on application of modern technologies, it has been possible to raise the production of coal from a level of about 70 million tonnes at the time of nationalization of coal mines in early 1970's to 322.64 million tonnes (All India – excluding Meghalaya) in 2001-02. Certain significant statistics about coal and lignite are given at **Annexure -IV & Annexure -V**.

**7.3** Coal India limited and its subsidiaries are the major producers of coal. 205.73 million tonnes (provisional) of coal were produced by Coal India Ltd. and its subsidiaries during 2002-2003 (Apr-Dec.) as against the production of 196.31 million tonnes in the year 2001-02(Apr-Dec).

**7.4** SCCL is the main source for supply of coal to the southern region. The company produced 24.76 million tonnes(provisional) of coal during 2002-2003(Apr-Dec.) as against 21.90 million tonnes during the corresponding period last year. Small quantities of coal are also produced by TISCO, IISCO, DVC and others. The company-wise production, dispatch and stock details for the last five years are given in **Annexure -VI & Annexure -VII** respectively.

### **PRODUCTIVITY**

**7.5** Productivity is measured in terms of raw coal output in tonnes per manshift (OMS). There has been substantial improvement in OMS in Coal Companies during the last decade for CIL group of companies. As against an OMS of 0.58 tonne at the time of nationalization, OMS in Coal India Limited during the year 2001-02 was 2.45 tonnes and during 2002-2003(up to Dec-2002) was 2.57 tonnes (provisional). In SCCL the OMS during 2001-2002 was 1.66 tonnes and during 2002-2003(Apr-Dec.2002) was 1.80 tonnes. Year wise details of productivity of the coal companies are at **Annexure -VIII**.

## **DISTRIBUTION**

**7.6** Government of India has amended the Colliery Control Order, 1945 and the new Colliery Control Order, 2000 has been notified according to which the price and distribution of all grades of coal have been deregulated with effect from 1.1.2000.

**7.7** Coal Companies/Coal India Limited are allocating coking coal to steel plants for their requirements. For core sector, sale of coal is guided by linkages and allocations by the competent authorities.

**7.8** For non-core Sector consumers, with a view to reaching the benefit of decontrol of coal as per Colliery Control Order, 2000, Coal India Limited has decided to authorize its subsidiary companies to formulate their own system and procedure for sale of coal to this sector. The new policy of Coal India Limited is aimed at providing a simplified, transparent and customer-friendly system and procedure. In the new policy framework the system of linkage and sponsorship for the purpose of coal supply to non-core sector is being done away with. In the emerging new policy framework for coal sale to non-core sector, stress is being given on bilateral agreement between supplying subsidiary company and consumer for well defined commitment on the part of both buyer and seller.

## **COAL DESPATCHES AND STOCKS**

**7.9** All India figures of production, dispatches and vendible stocks of coal for the previous years are shown in **Annexure -IX**. The overall dispatches (All India) during the year 2001-2002 were of the order of 323.99 million tonnes. The overall dispatches during 2002-2003 (Apr-Dec) have been 244.25 million tonnes (provisional). The vendible stock as on 31.03.2002 was at a level of 18.53 million tonnes (All India) and as on 31.12.2002 was 13.13 million tonnes (Provisional).

**7.10** Coal Mining is affected by seasonal factors. Large build up of pithead stocks occur during the winter months. Production drops during summer and monsoon period. During the period April-September each year, part of the requirements of the consumers is met by drawing down of stocks from the pitheads.

## **MARKETING AND DISTRIBUTION**

**7.11** The Marketing Division of CIL coordinates marketing activities for all its subsidiaries. CIL has set up Regional Sales Offices and Sub-States Offices at selected places in the country to cater to the needs of the consuming sectors at various regions. To cater to the tiny customers more effectively and to develop a niche market, CIL has launched Coal Traders Network at many centres in the country.

## **SUPPLY OF COAL TO BULK CONSUMERS**

**7.12** Consumer-wise off-take of coal from Coal India Limited by major consuming sectors is indicated in **Annexure-X**. The main consumers are the power houses, steel plants, cement industry and fertilizer industry. Almost 90% of the total production of coal is

consumed by these sectors. More specific details about some of the major consuming sectors are discussed below: -

**A) Power Houses**

**7.13** Allocation of coal to thermal power stations is made on quarterly basis by the Standing Linkage Committee (Short-term). Ministry of Coal, Central Electricity Authority, Railways, Coal India Ltd and its subsidiary companies and Singareni Collieries Company Limited regularly monitor the dispatches of coal to power stations and take corrective steps to meet any exigencies.

**7.14** Off-take of coal by thermal power stations during the year 2001-02 was 242.76 million tonnes. During the year 2002-2003(Apr.-Dec), the total dispatch to powerhouses (from CIL and SCCL) has been 181.51 million tonnes (Provisional).

**(B) Steel Plants**

**7.15** The allocation of coking coal to steel plants was earlier made by the Coal Controller. However, after deregulation of coking coal, the supplies of coking coal are being made by the coal companies themselves on the basis of linkages established by a competent linkage committee or on the basis of their existing commitments. Production performance of coking coal washeries is given at **Annexure -XI**.

**7.16** During the year 2001-02, 4.92 million tonnes of washed and direct feed coal was dispatched by CIL to steel plants and 3.49 million tonnes (Provisional) during the year 2002-2003( up to Dec,2002) .

**(C) Cement Plants**

**7.17** Coal allocation for the cement plants is also done by the Standing Linkage Committee for Cement (Short-term) which meets every quarter to review and assess the demand of coal for each cement plant and re-establish linkages for supply of coal to meet the demand. The dispatch to cement plants from CIL and SCCL during 2001-02 was 11.85 million tonnes. During the year 2002-2003(Apr-Dec.), 8.85 million tonnes (Provisional) of coal has been dispatched to cement plants from CIL and SCCL.

**MODE OF TRANSPORT**

**7.18** Important modes of transport of coal are Railways, Road, Merry-go-Round Systems, Conveyor Belts and the Rail-cum-Sea Route (**Annexure -XII**). The share of these modes of transport in the total movement of coal is approximately as under:

(a) Railways	53.0%
(b) Road	14.0%
(c) MGR System	22.1%
(d) Other (Belt Conveyor Ropeways, Rail-cum-Sea Routes etc)	10.9%
	-----
	100%
	-----

**(A) Rail Movement**

**7.19** Railways constitute the major system of coal transportation in India as about 53% of the coal, the largest single commodity, is transported by the Railways. The dispatch of coal by rail is governed by the Preferential Traffic Schedule of the Indian Railways, under which the programme of movement is to be sponsored by the various sponsoring authorities and accepted by the coal companies. In case of deregulated coal, Railways have allowed coal companies to sponsor the movement of coal.

**(B) Rail-Cum-Sea-Movement**

**7.20** Coal requirement of some consumers in Southern India, which include power stations and cement plants, are met by moving coal by Rail-cum-Sea Route. This is done in view of the difficulties experienced in moving coal via all Rail Routes from Bengal-Bihar and Main Line-Talcher Coalfields. The requirement of power stations of Tamil Nadu Electricity Board (TNEB) is met by Rail-cum-Sea Route. Haldia, Paradip and Vizag Ports handle the shipments.

**EXPORT OF COAL**

**7.21** Coal is under OGL list. India exports coal to the neighbouring countries to meet their demand of coal. The traditional buyers of Indian coal are Nepal, Bangladesh and Bhutan. Export to Nepal and Bhutan is done in rupee exchange as per the protocol between the two countries and with Bangladesh it is done in US Dollar. Export of coal to the neighbouring countries was earlier canalised through the Mineral and Metal Trading Corporation, but for the last few years it has been decanalised. Export of coal by CIL is made through tender route. The quantum of coal exported by CIL during 2001-02 to the neighbouring countries was 0.16 lakh tonnes. During 2002-2003 (Up to December, 2002) the quantity of coal exported by CIL was 0.03 lakh tonnes (Provisional).

**IMPORT OF COAL**

**7.22** As per the present Import policy, coal can be freely imported (under Open General Licence) by the consumers themselves considering their needs and exercising their own commercial judgments.

**7.23** Coking coal is being imported by Steel Authority of India Limited (SAIL) and other Steel sector manufacturing mainly to bridge the gap between the requirement and indigenous availability and to improve the quality of overall blend for technological reasons. Coal based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and coal traders are importing non-coking coal on consideration of transport logistic and commercial prudence as well as against export entitlements. Coke is imported mainly by Pig-Iron manufacturers and Iron & Steel sector consumers using mini-blast furnace.

**7.24** Details of import of coal and products during the last three years(as reported by Coal Controller's Organization) are as under:

(in million tonnes)

<b>Coal</b>	<b>1999-2000</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-03 (April-Sep)*</b>
Coking Coal	10.99	11.06	11.11	6.05
Non-coking Coal	8.71	9.87	9.44	4.39
Coke	2.41	2.42	2.88	NA
Total Import	22.11	23.35	22.83	10.44

\* Provisional and estimated.

**7.25** The current duty( during 2002-2003) on imported coal is as under:-

<b>Present import duty structure for Coal</b>				
<b>Type of coal</b>		<b>Basic Duty</b>	<b>Other Duties</b>	<b>Total (Effective)</b>
			<b>(SAD)</b>	<b>Import Duty</b>
Coking Coal	Having up to 12% ash	5%	4.2%	9.2%
	Having ash 12% and more	15%	4.6%	19.6%
Coke		15%	4.6%	19.6%
Non-Coking Coal		25%	5.0%	30.0%

Further, the basic import duty for coke (metallurgical) when imported by a manufacturer of pig-iron or steel using blast-furnace has been fixed at 5% as per amendments contained in the Notification of Government of India in Ministry of Finance (Department of Revenue) vide No.44/2001-Customs dated 26.4.2001. Effective import duty for this category works out to 9.2%.

### **COAL FOR DOMESTIC USE**

**7.26** The production of soft coke has been declining over the years, since the process adopted is not free from pollution hazards. However, to meet the demand for this product, especially in some of the Northern States, where people use soft coke as a domestic fuel, Government have encouraged setting up of SSF Plants (Special smokeless fuel plants) based on the technology developed of CMPDIL & CFRI. This product is an ideal substitute of soft coke. Necessary linkages are being provided by CIL. CMPDIL is offering necessary technical assistance for installation of these plants. Coal India limited is also providing linkages to briquetting units, the product of which is also a substitute of soft coke.

**7.27** Off-take of raw coal from Coal India Limited for manufacturing soft coke during the year 2002-03 has been nil.

**7.28** Coal is also supplied for production of SSF and Briquettes by the coal companies on an assured basis.

**7.29** Supply of coal to SSF Units during the year 2001-02 was 1.40 million tonnes as against the supply of 1.35 million tonnes during the year 2000-2001. Similarly, coal supplies to briquetting units had been of the order 2.80 million tonnes during the year 2001-02 as against 3.24 million tonnes during the year 2000-01.

## **HARD COKE**

**7.30** The distribution of hard coke was decontrolled in 1975. The consumers are required to approach the concerned sponsoring authorities to get their demand sponsored directly to the Coal Company, which makes arrangements for supply of this commodity to the consumers. The dispatch of hard coke by CIL in the year 2001-02 was 0.96 lakh tonnes. The dispatch of hard coke by CIL during the year 2002-2003(Apr.-Dec) was 0.43 lakh tonnes (Provisional).

## **CONSUMER SATISFACTION STRESSED ON IMPROVING QUALITY OF COAL**

**7.31** Quality complaints mainly relate to supply of lower calorific value coal, presence of extraneous material, supply of oversized coal and short receipts. To overcome these complaints, following steps have been taken:

### **COAL CONSUMERS COUNCILS**

**7.32** For redressal of consumer's grievances and monitoring of complaints received from the consumers, one Regional Coal Consumers Council has been set up for each coal company. An Apex body viz. National Coal Consumers Council has also been set up at the Headquarters of Coal India Limited. In case the complainant does not receive a reply within a month or the complainant is not satisfied with the reply of Coal Company, he may prefer a complaint to the National Coal Consumers Council.

### **OPEN SALES SCHEME**

**7.33** With a view to make coal freely available to small scale industries and other consumers, who do not have linkages, CIL has introduced Open Sales Scheme (OSS). Any body can draw coal supplies from these schemes without valid sponsorship and/or linkages. All coals purchased under these schemes can be re-sold at a price to be charged by the purchaser at his own discretion.

----- X ----- X ----- X -----