

CHAPTER IV: MINISTRY OF COAL

Central Coalfields Limited

4.1 Non-revision of beneficiation charges

Central Coalfields Limited (CCL) introduced beneficiation charge of ₹ 130/- per tonne in 2002 on non-core sector consumers picking big sized coal from railway siding. The amount of ₹130/- was the difference between pit-head price per tonne of ROM and steam coal as in April 2002. Though the difference was enhanced to ₹ 180 in 2009-10 by Coal India Limited and implemented by another subsidiary, the same was not implemented by CCL resulting in revenue loss of ₹ 73.63 crore.

The management of Central Coalfields Limited (CCL), a subsidiary of Coal India Limited (CIL), observed (2001-02) that non-core sector consumers who were procuring coal under linkage/sponsorship by Rail indulged in heavy picking of big sized coal from the railway siding of CCL when rakes were placed for supplies. Local villagers were deployed for such picking and they were paid by the Handling Agents of consumers. Thus big sized coal was being selectively allowed to be lifted by consumers of non-core sector leaving behind extraneous material which was resulting into manual beneficiation, though later coal was loaded on the rakes by pay loaders. Hence an additional charge of ₹130/-(beneficiation charge)** per tonne, equal to the difference between the pit-head price of Run Of Mine (ROM) coal and steam coal at that point of time, was approved by the CCL Board (April 2002) to be charged from its non-core sector rail sale consumers. Depending on the increase in the difference between pit-head ROM coal and pit-head steam coal beneficiation charges of road sale of coal were enhanced by CCL to ₹165/- per tonne of coal in 2004 and ₹ 180/-per tonne in 2009-10. *

Audit, however, observed that CCL did not revise the beneficiation charges at ₹ 130/- per tonne for non-core sector consumers through rail sale since its introduction in 2002 (this issue never featured as an agenda of Board of Directors' meeting after 19.04.2002) which continued at the rate of ₹130 per tonne. It was seen in audit that in tandem with the revision of price by CIL in 2004 and 2009 enhanced charges @ ₹ 165/- and @ ₹ 180/- per tonne respectively were being imposed for road sale dispatches of ROM sized coal by CCL. Similarly, beneficiation charges were enhanced in Bharat Coking Coal Limited (BCCL), another subsidiary of CIL, from time to time in case of both road and rail sale of coal, in line with the enhancement of the differential between ROM and steam coal. Non-revision of beneficiation charges for rail sale to non-core consumers resulted in under realization of revenue of ₹73.63 crore in CCL during 2008-09 to 2010-11.

The Management admitted the fact and replied (February 2012 and November 2012) that:-

* **Clause no. 12 of price notification of CIL clearly states "For undertaking special sizing or beneficiation of coal, additional charges as may be negotiated between the purchaser and the producer may be realized over and above the pit-head prices".

- On the basis of recommendation of the committee constituted in August 2011, a decision was taken not to enhance beneficiation charge for the time being and the status of enhancement of beneficiation charge of Rail sale would be reviewed every quarter.
- The amount incurred on account of ‘Left behind charges’ is borne by non core sector consumer themselves and by levying the beneficiation charges of ₹130/- per tonne, CCL during the year 2008-09 and 2009-10 did not only offset the loss but also earned ₹ 2.77 crore during 2008-09 and ₹ 10.40 crore during 2009-10.
- The amount realised on account of beneficiation vis-a-vis deduction due to grade slippage was assessed for the period April 2011 to December 2011 which indicates that the amount realised on account of beneficiation charges @ ₹ 130/- per tonne is about ₹ 18.06 crore whereas the quality deduction against residual coal for the same period has been found to be about ₹ 13.90 crore. Hence enhancement of beneficiation charges was not justified.
- In response to an Audit query, the Vigilance Department of CIL intimated (December 2012) that the investigation by them revealed that apparent loss was sustained by CCL on account of non-enhancement of beneficiation charges due to increase of price difference as per notification of CIL. It was further stated that the matter was forwarded (April 2011) to Ministry of Coal (MOC) to accord permission to examine the serving Board Level Executives, which was awaited

The reply of the Management is to be viewed against the following:

- (i) Beneficiation charges have not been revised by the management in case of Rail sale till date and it continued at the old rate of ₹ 130 per tonne. BCCL, another subsidiary of CIL, has been revising the coal beneficiation charge both in case of rail sale and road sale with the revision of price notification of coal. BCCL is charging ₹ 180 per tonne as beneficiation charge as on date, in case of supply of coal by rail.
- (ii) Though CCL earned a profit of ₹ 13.17 crore during 2008-09 to 2009-10 through levy of beneficiation charges @ ₹ 130/- per tonne, the company was deprived of earning additional revenue of ₹ 73.63 crore during 2008-09 to 2010-11 due to non revision of beneficiation charges from ₹130/- to ₹ 165/- in 2004 and to ₹ 180/- per tonne in 2009-10.
- (iii) Grade slippage is concerned with quality of coal with reference to ash percentage only and it has no connection with beneficiation charge. From the record note of discussion of High Power Committee of CIL held on 06.09.2006, it is clear that the management worked out the beneficiation charge at ₹130/- per tonne, being the price difference of ROM coal and steam coal as was prevalent at that time and not with reference to quality of coal and grade with reference to ash.
- (iv) Though in the reply (February 2012) it was stated that the matter would be reviewed by a committee at regular intervals, no such review was done by the management after August 2011 in respect of revision of beneficiation charge of coal supplied to non-core consumer through rail sale.
- (v) It is pertinent to mention that enhancement of beneficiation charge would not be against the interest of the “Public at large” as such charge is being levied on non -

core consumers and not on core sector consumers like power, steel, cement and fertiliser.

- (vi) Moreover, this case has been referred by CIL vigilance wing to MOC for examination of executives of CCL for fixing responsibility for the financial loss to the company.

Thus due to non revision of beneficiation charge, the company sustained recurring revenue loss of ₹ 73.63 crore.

The matter was reported to the Ministry in October 2012; their reply was awaited (March 2013).