

CHAPTER IV: MINISTRY OF COAL

Central Coalfields Limited

4.1 Non-recovery of washery charges on sale through 'e-auction'

Central Coalfields Limited (CCL), a subsidiary of holding company Coal India Limited (CIL) did not recover washery charges from 'e-auction' consumers leading to loss of opportunity to earn ₹ 418.58 crore during April 2008 to December 2012.

In accordance with the notifications issued from time to time by CIL, coal is classified into three categories such as Coking coal, Non-coking coal and Semi and weakly coking coal. Only coking category of coal is 'washery grade', and is further classified into grade-I, II, III and IV based on percentage of ash contained. A higher grade of coal contains lesser percentage of ash.

CCL, a subsidiary of CIL sold on MOU basis, washery grade coal to SAIL and RINL. CCL collects fixed cost components of the washery as washery recovery charges over and above notified price in respect of washery grades II, III and IV coal supplied to these consumers without washing of coal.

Audit examination revealed that, even though the 'e-auction' notices contained a clause relating to recovery of add-on price in addition to bid price, CCL had not been collecting washery recovery charges from consumers purchasing coal through 'e-auction' on sale of coal of washery grades II, III and IV. BCCL, another subsidiary of CIL, had been collecting the same for all types of washery grade coal sold through 'e-auction' over and above other statutory charges and levies by invoking the clause for recovery of add-on price (washery recovery charges) over and above the bid price.

During April 2008 to December 2012, 'e-auction' consumers lifted 45.50 lakh tonne of washery grade coal from CCL, on which CCL failed to collect ₹ 418.58 crore through levy of washery recovery charges.

CCL stated (February 2012 & March 2013) that:

- It sold only that washery grade coal through 'e-auction' which could not be washed in a washery or was not acceptable to washery for washing.
- BCCL washery grade coal is of superior quality compared to that of CCL.
- The base price declared for 'e-auction' is at additional price of 30 *per cent* above the notified price and the rate received against such offer under 'e-auction' is considerably higher than the base price. The 'e-auction' prices are market driven.

- New Coal Distribution Policy or any other guideline issued by MOC/CIL did not stipulate that the Raw Coking Coal left in stock after quantity supplied to washeries was to be sold at notified price along with washery recovery charges.

The reply is not acceptable in view of the following:-

- BCCL has been levying washery recovery charge for washery grade coal through 'e-auction' irrespective of whether the coal was linked or not-linked to any washery for washing. CCL itself has been raising bill for supply of washery grade coal on SAIL and RINL along with washery recovery charges over and above the notified price.
- In terms of CIL price notification, washery grade coal sold through 'e- auction' by both CCL and BCCL belong to same category.
- New coal distribution policy of CIL imposes no restriction in imposing washery recovery charges for washery grade coal sold through 'e-auction'.

On being pointed out in Audit, CCL has started collecting washery recovery charges from January 2013 on e-auctioned quantity as an add-on charge which proves that this could have been done earlier.

Thus, due to non recovery of washery charges on sale of washery grade coal through 'e-auction' on the lines done by BCCL, CCL lost an opportunity to earn ₹ 418.58 crore during April 2008 to December 2012.

The matter was reported to the Ministry in November 2013; their reply was awaited (March 2014).