

MEMORANDUM OF UNDERSTANDING

BETWEEN

COAL INDIA LTD.

AND

MINISTRY OF COAL

2014-15

PART-I:

1 MISSION AND OBJECTIVES

1.1 VISION / MISSION

VISION

To emerge as one of the global players in the primary energy sector committed to provide energy security to the country by attaining environmentally & socially sustainable growth through best practices from mine to market.


MISSION

The Mission of Coal India is to produce and market the planned quantity of coal and coal products efficiently and economically in an eco-friendly manner with due regard to safety, conservation and quality.

1.2 OBJECTIVES

Major objectives of Coal India Ltd. (CIL) are:

1. Ensure long-term energy security of the country through development of coalmines and foraying into alternative energy sources.
2. To improve the quality of life of employees and to discharge the corporate obligations to society at large and the community around the coalfields in particular.
3. Undertake continuous efforts to inculcate safe mining practices and promote safety management to reach Zero Accident Potential level in all mines.
4. To lay due emphasis on afforestation, protection of environment and control of pollution.
5. To undertake detailed exploration and plan for new projects to meet the future coal demand.
6. Enter into strategic alliances with organizations par excellence in diverse areas to bring together complimentary skills of the partners to increase CIL's long-term competitive edge.
7. Improve customer relationship management and strengthen reach to customers through IT-enabled system for coal sourcing.

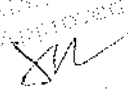
NOI/MS/148
Approved by OPENTF

2014/11

8. Encourage and practice workers' participation in management in letter and spirit at all levels.
9. Implement Human Capital Development Policy to provide supportive work environment through appropriate training inputs designed to make every employee face the challenges and reap the benefits of opportunities of changing business environment.
10. To develop corporate image and brand equity commensurate to the size and complexity of operations as well as the strategic relevance of the Company.

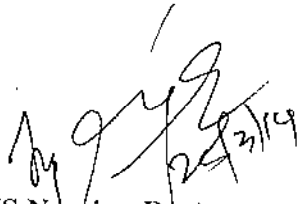
1.3 COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

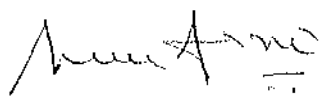
In order to enable CIL to achieve its objectives and the level of performance set in the MoU, the following support is essential from Ministry of Coal:

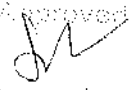
1. To ^{facilitate} provide coalfield-wise environmental clearance from MOEF at the earliest so that any shortfall in production from any project/mine within a coalfield could be made up from the other mines where potential exists.
2. To impress upon MOEF and the concerned State Government to ensure that the proposal for acquisition of forest land (both Stage-I & Stage-II) for a project is invariably cleared within the stipulated time frame of 300 days.
3. To arrange clearances of pending Environmental & Forestry proposals submitted by Subsidiaries at the earliest.
4. To assist CIL/CMPDIL in getting permission/clearance from MoEF or State Level Offices in respect of carrying out drilling in forest areas of the blocks with revised bore-hole density of 15-20 boreholes per sq km as recommended by Working Group on Coal & Lignite as against the existing permission of 20 boreholes per 10 sq km.
5. To assist CIL in acquisition of tenancy and Government land within the shortest possible time and to constitute a task force in each state to help acquisition of land. They will review to assess the status to be done quarterly.
6. To help in resolving the issues of Cost-Plus Projects of WCL to facilitate opening of unviable projects.
7. To pursue with Maharashtra Govt to exempt mines of WCL from the ambit of RRZ Policy to facilitate the issuance of CTE/CTO equivalent of EC Capacity

APPROVED
Approved by: 

8. To assist CIL in ensuring availability of 220.4 number of Railway Rakes per day on an annual average basis for raw coal from Railway Authorities (Annexure -D) for facilitating achievement of its off-take target for the year 2014-15.
9. To help CIL in getting the Railway projects under commission viz. i. Tori – Shivpur Railway line (in CCL), ii. Rail infrastructure project – Gopalpur track (Jharsugda – Barapalli) (In MCL), iii. Mand- Raigarh Railway line (in SECL) in time to facilitate growth in Off-take from & beyond 2014 – 15.
10. To extend help and pursue with Railways for completion of pending Railway Sidings of CCL as scheduled.
11. To pursue with Jharkhand Govt for completion of Tandwa – Balumath & Khalari-Tandwa Road of CCL as scheduled.
12. To assist CIL in obtaining concurrence of Trade Unions/ State Government for working of patch deposits (Opencast).
13. To assist the subsidiaries of CIL for improving law and order situation in operating areas in the States of West Bengal, Jharkhand and Orissa.
14. To assist in providing suitable land for R & R and assistance in convincing villagers to vacate land in different states.
15. To assist in withdrawal of moratorium due to CEPI in mines of NCL & WCL.
16. To undertake timely action for filling up the post of Non-Official Directors on the Board of CIL and its Subsidiaries.
17. Subsidiary-wise specific details and timelines against constraints like Environmental Clearance, Forestry Clearance etc. specifying the respective time schedule and the anticipated loss in production in 2014-15 in case of non-availability of requisite clearances are tabulated and enclosed as **Annexure B**.


(S Narsing Rao)
Chairman
Coal India Ltd.


(S K Srivastava)
Secretary
Government of India,
Ministry of Coal

COU 2014-16
Approved by DPGTF


COAL INDIA LIMITED

MEMORANDUM OF UNDERSTANDING : 2014 - 15

ANNEXURE II

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source /origin of documents
			Excellent	Very Good	Good	Fair	Poor	
			1	2	3	4	5	
1 Static / Financial Parameters								
Mandatory Parameters (SI no (i) - (iii))								
(i)	Growth / Size / Activity							
(a)	Sales Turnover	Rs Crs	73916.10	73152.07	69494.47	66019.75	62718.76	
(b)	Gross Operating Margin Rate	Ratio	0.2518	0.2441	0.2319	0.2203	0.2093	
(ii)	Profitability	Ratio						
(a)	PAT / Net Worth		0.2948	0.2848	0.2705	0.2570	0.2442	
(b)	EBITDA / Net Block		1.1796	1.1406	1.0836	1.0294	0.9780	
(iii)	Costs and Output Efficiency	Ratio						
(a)	Sales Turnover / Net Block		4.2002	4.1673	3.9589	3.7609	3.5729	
Optional Parameters (SI no (iv))								
(v)	Efficiency of Asset Use	No of Days						
(b)	Average Collection Period of Trade Receivables		36.74	37.11	38.96	40.91	42.95	
	Sub - Total		50					
Note:								
1. Impact of Penalty imposed by Competition Commission of India for Rs. 1773.65 crores has not been considered in the Targets of 2014-15 BE since the same has been appealed against by the company in the Competition Appellate Tribunal. Impact of the above penalty, if paid in 2014-15 will be excluded and accordingly the financial parameters (P&L a/c and Balance Sheet) will be recasted at the time of evaluation of MoU 2014-15.								
2. For the purpose of calculation of Average Collection Period of Trade Receivables, Gross Sales as appearing in P&L A/c in Audited Accounts (inclusive of Excise duty and all other levies & taxes) and Average Trade Receivables as appearing in the Audited Accounts (net of provision for bad & doubtful debts) have been considered.								
3. Accounting head considered for Computation of Gross Operating Margin has been given in Appendix-I and the same methodology will be considered at the time of evaluation.								
4. Impact of MMDR bill if becomes an act and implemented, its impact will be excluded.								

MoU 2014-15
Approved by DPE&F
Signed

COAL INDIA LIMITED

MEMORANDUM OF UNDERSTANDING : 2014 - 15

ANNEXURE II

Evaluation Criteria	Unit	Weight (in %)	MOU Target					Documentary evidence and source /origin of documents	
			Excellent	Very Good	Good	Fair	Poor		
2 Dynamic/Non-Financial Parameters									
(i)			1	2	3	4	5		
Corporate Social Responsibility & Sustainability									
a	Award of need based work as per Baseline Survey conducted in the Backward District	Month	1	15th Dec 14	31st Dec 14	15th Jan 15	31st Jan 15	28th Feb 15	Annual Report/ External Agency
b	Conducting Health Check up and Medical Camps amongst the weaker and under privileged section of the Community (NEC Region & Slum Areas outside Kolkata)	No of camps	0.5	12	10	9	8	7	
c	Commissioning of the Community Drinking water project	Month	1	Jan. 2015	Feb. 2015	March 2015	-	-	
Research & Development									
			1						Annual Report/External Agency/Certification by Management
(ii)									
a	Studies on shrink swelling characteristics of some Indian coals to ascertain recoverability of CBM from deep seated coal and shale resources	Date/Month	0.4	28 th Feb 2015	7 th Mar 2015	15 th Mar 2015	21 st Mar 2015	31 st Mar 2015	Compositional analyses of coal and shale samples completed by:
b	Development of Dynamic GIS enabled Forward Cost Modelling (FCM) of land reclamation, control and monitoring of acid mine drainage problems in the context of innovation and expansion of the coal mining in Assam - an ICT based Environment Management Approach.	Date/Month	0.3	18 th Feb 2015	7 th Mar 2015	15 th Mar 2015	21 st Mar 2015	31 st Mar 2015	Design and development of Forward Cost modelling (FCM) programme suitable for NEC by:
c	Design, Develop and Demonstrate a Micro-Grid system for optimization and control of Multiple source of power supply.	Date/Month	0.3	28 th Feb 2015	7 th Mar 2015	15 th Mar 2015	21 st Mar 2015	31 st Mar 2015	Plant erection and commissioning of plant completed by:
(iii)									
Initiatives of Growth									
a	Approval of Projects fromCIL Board within 3 months after receiving complete proposal from Subsidiaries	Month	5.50	within 3 months	2501	2376	2257	2144	Annual Report/ Certification by Management
b	Acquisition of Land	Ha	1	within 4 months	2149	2042	1939	1842	CIL Board Resolution
i)	Notification under Sec.9 (i) of CBA		0.5	2619	2501	2376	2257	2144	Copy of Gazette Notification/Certification by Management
ii)	Notification under Sec.11 (i) of CBA		0.25	2365	2149	2042	1939	1842	
iii)	Possession of Land	Ha	0.25	1037	819	778	739	702	
c	Commitment of supply of coal to Power (U) including IPP under FSA complying Govt Directives	Mt	1	410	405	385	366	347	Certification by Management
d	Preparation of geological reports of coal blocks Coal India, Africana Zimbabwe, Mozambique based on outcome of exploration programme	Month	1	Oct. '14	Nov '14	Dec '14	Jan '15	Feb '15	Do
e	Completion of Study, Preparation of Report of Risk Management & Mitigation Plan of CIL & its Subsidiaries and Presentation before CIL Board	Month	0.5	1st Jan 15	15th Jan 15	1st Feb 15	28th Feb 15	15th March 15	MOU 2014-15 Approved by DP/ITF
f	Final Stage I Forestry Clearance of a Project	Month	0.5	Feb'15	Mar'15	-	-	-	Signed
g	Final Stage II Forestry Clearance of a Project	Month	0.5	Feb'15	Mar'15	-	-	-	Signed

COAL INDIA LIMITED

MEMORANDUM OF UNDERSTANDING : 2014 - 15

ANNEXURE II

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source /origin of documents
			Excellent	Very Good	Good	Fair	Poor	
(iv) Project Management & Implementation		9.75	1	2	3	4	5	Annual Report/ Certification by Management
a Capacity addition through approval of projects	Mt	0.25	30.00	25.00	20.00	15.00	10.00	
b Commissioning /Completion of Projects	No	0.75	5	4	3	2	1	
c Completion of exercise for introducing Wet based online monitoring of mining projects costing more than Rs. 150 Crs.	No	0.75	40	35	30	25	20	
d Issue of L.O.A for setting up of washeries	No	1.5	3	2	1	-	-	
e Other Major Activities		5.5						
i) Commissioning of web-portal for e-tendering for contracts & works	Month	1	Sept 14	Oct 14	Nov 14	Dec 14	Jan 15	
ii) Preparation of Manual for outsourcing of OE	Month	1	Jan 15	Feb 15	Mar 15	-	-	
iii) Preparation of DPR for a fully automated SILCO loading	Month	1	Dec 14	Jan 15	Feb 15	Mar 15	-	
iv) Preparation of Project Report of CMM#	Month	1	Jan 15	Feb 15	Mar 15	-	-	
v) Introduction of GPS Based Truck-Monitoring System	No of Mines	1	3	2	1			
vi) Placement of orders of 60 % of total tenders received till March, 2014 of high capacity HEMM	Month	0.25	15th Feb 15	7th March '15	15th March '15	31st March '15		
vii) Placement of orders of 60 % of total tenders received till March, 2014 of OTR tyres.	Month	0.25	15th Feb 15	7th March '15	15th March '15	31st March '15		
f CAPEX	Rs Crs	1						
g Domestic		1	5225.00	5000.00	4500.00	4050.00	3645.00	
h Overseas								
(v) Productivity and Internal Processes		3.50						Annual Report/ Certification by Management
a Overall System Capacity Utilization	%	0.25	83.40	83.20	79.04	75.09	71.33	
b Introduction of Continuous Miner Package (3 nos.)	No	1	Feb 15	March '15	-	-	-	
c Approval of Proto-type Long-wall Power Supp 1 from DGMS	Month	1	Dec 14	Jan 15	Feb 15	Mar 15	-	
d Study of methodology of costing pattern by 3 rd Party for underground mining	Month	1	15th Mar 15	31st Mar 15	-	-	-	
e Redressal of Consumer Complaints within 6 months	% of total complaints	0.25	80	70	60	50	40	Approved by DRE/TH Station

COAL INDIA LIMITED

MEMORANDUM OF UNDERSTANDING : 2014 - 15

ANNEXURE II

Evaluation Criteria

(vi)	Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source /origin of documents
				Excellent	Very Good	Good	Fair	Poor	
	Technology, Quality, Innovative practices		3.00	1	2	3	4	5	Annual Report/ Certification by Management
a	Installation of CCTV based Surveillance System on Road Weighbridges - Total 70 Nos	% of total installations	0.5	80	70	60	50	40	
b	Establishment of connectivity between CIL & its Subsidiaries and MoC with Multi Protocol Level Switching (MPLS)	Month	1	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
c	Installation of continuous type environmental monitoring system in underground mine	Nos.	0.25	3	2	1	-	-	
d	Safety incidents Index		1						
i)	Reduction in Fatality Rate per million tonne of coal production w.r.t previous year	% of reduction	0.25	3	2	1	<1	-	
ii)	Reduction in Serious Injury Rate per million tonne of coal production w.r.t previous year	% of reduction	0.25	3	2	1	<1	-	
e	Specific Safety Initiatives								
i)	Preparation of risk assessment based Safety Mgmt Plan	No of Mines	0.5	100	90	80	70	60	
f	Formulation of Cyber Security Policy/Strategy and its Implementation Plan for CIL & Subsidiaries	Month	0.25	14th Feb 15	28th Feb 15	15th March 15	31st March 15	-	
(vii)	Human Resource Management		3.50						Annual Report/ Certification by Management/External Agency
a	Certified training in Project Management	No	0.5	230	200	175	150	125	
b	Certified training in Contract Management	No	0.5	70	60	50	40	30	
c	Induction of Management Trainees (300 nos.)	Month	0.75	Oct '14	Nov '14	Dec '14	Jan 15	Feb 15	
d	Succession Planning - Induction of General Advanced Management Programme for Junior/ Middle/ Senior Level Executives	No of Programmes	0.5	6	4	3	2	1	
e	Training in Competency & Skill Development (Executives- 442 & Non-Executives 3165 as on 1.12.13)		0.5						
i)	Executives	%	0.25	20% (101 Nos.)	18% (91 Nos.)	15% (76 Nos.)	10% (51 Nos.)	5% (25 Nos.)	
ii)	Non-Executives	%	0.25	10% (268 Nos.)	8% (214 Nos.)	6% (161 Nos.)	4% (107 Nos.)	2% (54 Nos.)	
h	Stress Management Programmes for Executives/ Non-Executives	Nos.	0.5	3	2	1	-	-	
k	Formulation of HR manual for Executives	Months	0.25	Oct '14	Nov '14	Dec '14	Jan 15	Feb 15	

Approved by DPE/TH
 [Signature]
 15/02/2015

COAL INDIA LIMITED

MEMORANDUM OF UNDERSTANDING : 2014 - 15

ANNEXURE II

Sl. No.	Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source /origin of documents
				Excellent	Very Good	Good	Fair	Poor	
				1	2	3	4	5	
3	Sector/Enterprise Specific Parameters		21.25						Annual Report
a	Off-Take (Subject to Availability of 220.4 Railway Rakes/day on an Annual Basis for 'excellent' target)	Mt	9	525.00	520.00	494.00	469.30	445.84	
b	Total Coal Production	Mt	9	512.00	507.00	481.65	457.57	434.69	
c	Underground Production	Mt	1	37.80	37.60	35.72	33.93	32.24	
d	Washed Coal Production (Coking + Non-coking)	Mt	1.5	14.77	14.27	13.56	12.88	12.23	
e	Afforestation - Plantation of Trees	lacs	0.5	7.10	6.69	6.36	6.04	5.74	
f	Man productivity (Output/Manshift) (commensurate to corresponding production target)	Ton/Manshift	0.25	6.00	5.88	5.59	5.31	5.04	
		Sub -Total	50.00						
		Grand Total	100						

Note:

Project Report of CMM will be prepared subject to approval of CMM Policy by Govt

Negative Marking for Non- Compliance of Corporate Governance : DPE has issues guidelines on Corporate Governance vide O.M No. 18(8)/2005-GM Dated 14th May 2010. Listed CPSEs will follow both SEBI Guidelines and DPE guidelines while non-listed CPSEs would require to mandatorily follow the DPE Guidelines on Corporate Governance. In the MoU for 2014-15, " Compliance of Corporate Governance " will not be a parameter, however, for non-compliance, negative marking will be imposed and MoU Scores will be increased in the manner specified in Guidelines.

Negative Marking for Non- Compliance of other Guidelines/ regulations: a) Procurement from MSME: CPSEs will have to follow the Public Procurement Policy for Micro, Small and Medium Enterprises (MSMEs) Order, issued vide D.O. No. 21 (1)/2011-M, A dated April 25, 2012 and non-compliance with the aforesaid order will be penalized up to 1 mark at the discretion of Task Force at the time of MoU Evaluation. b) Non- Compliance of DPE Guidelines: CPSEs have to give a certificate regarding implementation of Guidelines issued by DPE within prescribed timelines and format specified through its administrative ministry as per details in OM No. DPE/14 (38)/10- Fin Dated 28th June 2011. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion to Task Force at the time of MoU Evaluation. c) Other Non- Compliance: Non-compliance of any directives of government including submission of data for Public Enterprises (PE) survey, MOSPI data updation of their website etc. and non-compliance of requirements of regulators in serious cases may be penalized upto 1 mark depending on the degree and seriousness on non-compliance. CPSE have to give a certificate regarding compliance of directives of Government and requirement of regulators (Annexure - VIII)

MoU 2014-15
Approved by DPE/TF
Signed