MEMORANDUM OF UNDERSTANDING

BETWEEN

CENTRAL COALFIELDS LTD.

AND

COAL INDIA LIMITED

2016-17

BRIEF DESCRIPTION OF CENTRAL COALFIELDS LIMITED

CCL is a Mini Ratna Category-I Company, engaged in the mining and marketing of coal. The vision of the company is to emerge as a national player in the primary energy sector, committed to provide energy security to the country, by attaining environmentally and socially sustainable growth , through best practices from mine to market.

The Mission of Central Coalfields Limited (CCL) is to produce and market the planned quantity of coal and coal products efficiently and economically in eco-friendly manner, with due regard to safety, conservation and quality.

The command area of CCL is spread over 2600 Sq. Kms in 8 districts of Jharkhand - Ranchi, Ramgarh, Hazaribagh, Bokaro, Palamau, Latehar , Chatra & Giridih . All districts are infested with left wing extremism.CCL has 61 operating mines spread over 12 areas. Each area is headed by a general manager. It has seven washeries – 5 coking coal washeries and 2 non-coking coal washeries .

During the period of 2009-10 to 2012-13, the company's coal production was stagnating around **47 MT TO 50 MT**. The coal production during **2014-15 was 55.652 MT with a growth of 11.3% which is highest growth for any subsidiary of Coal India Limited and during 2015-16 coal production was 61.324 MT with a growth of nearly 10%.**

Greenfield projects: During a span of about 3 years – i.e. 2012-15, **6** Greenfield projects of about 40 MT capacities (to be further expanded to over 100 MT) have been commissioned, which has **no parallel** in the coal industry.

Modernization and construction of washeries: Owing to modernization, growth in washed coking coal production (Clean coal + WCP + Clean coal from non coking washery) during 2014-15 was 4% and about 24 % in 2015-16. Three new washeries are already in the process of being set up. All new mines with a capacity of more than 10 MTY are being planned to have their own washery along with reject based power plant.

FORM-I (MEMORANDUM OF UNDERSTANDING: 2016-17)
PART- A

Central Coalfields Limited

Sl No.		Evaluation Criteria	Unit	Wt.	MoU Targets					Documentary evidence and source /origin of documents
					Excellent	Very Good	Good	Fair	Poor	
					100	80	60	40	20	
i	**Capacity Utilisation:**			10						
	a.	Supply/ Despatch of Non-Coking Coal (including coking coal going to Thermal)*	Mt	10	63.76	63.26	56.93	51.24	46.12	Annual Report
		***Details in Annexure-'A'**								
ii	**Efficiency Parameters (Physical Operations):**									
	A. Production Efficiency			10						
	A1	Reduction in power consumption per cubic meter of material excavated over previous year	%	5	1.50	1.25	1.00	0.75	0.50	Certification by Management
	A2	Reduction in diesel consumption per cubic meter of material excavated over the previous year	%	5	1.50	1.25	1.00	0.75	0.50	Certification by Management
	B. Technology up-Gradation			5						
	B1	Deployment of Surface Miner	No.	5	2	1				Certification by Management
iii	**Leveraging Net Worth :**			15						
	a.	CAPEX (Annexure-'A')	Rs. Cr	15	600	572	541	518	487	Annual Report
iv	**Monitoring of Parameter:**			5						
	a.	Percentage of value of CAPEX contracts /projects running / completed during the year without cost overrun to total value of CAPEX contracts running/completed during the year (Annexure-'B')	%	5	100	90	80	70	60	Certification by Management
v	**Turnover from Operations:**			10						
	Revenue from Operations (Net of excise duty)		Rs. Cr	10	12002.68	11450.7	10305.63	9275.067	8347.5603	Annual Report
vi	**Operating Profit/ Surplus:**			10						
	Profit before Tax (excluding Other Income, extraordinary & exceptional items) as % of Revenue from Operations		%	10	24.30	23.58	21.22	19.10	17.19	Annual Report

Sl No.		Evaluation Criteria	Unit	Wt.	MoU Targets					Documentary evidence and source /origin of documents
					Excellent	Very Good	Good	Fair	Poor	
					100	80	60	40	20	
vii	**Early signs of weakness:**			5						
	a.	Reduction in Claims against the Company not acknowledge as debt over the previous year - CPSE & Others	%	5	5	4	3	2	1	Certification by Management
viii	**A. Marketing efficiency parameter**			5						
	A	Number of days of Inventory of finished goods and Work in progress to Sale of Products	No. of Days	5	40.15	42.05	43.05	44.05	45.05	Annual Report
	B. Marketing efficiency ratios			5						
	B	Trade Receivables as percentage of Revenue from Operations	%	5	9.74	9.84	10.09	10.34	10.59	Annual Report
ix	**Return on Investment**									
	a. Profit Earning CPSEs			20						
	i.	Dividend / PAT	%	5	69.80	67.09	63.74	60.55	57.53	Annual Report
	ii.	PAT / Net Worth	%	10	34.38	32.09	30.09	28.09	26.09	
	iii.	Dividend / Net Worth	%	5	24.00	21.53	19.41	17.44	15.62	
		Grand Total		100						

1. Where achievement is not verifiable from annual report of the CPSE, the same would be accepted on the basis of certification by way of resolution from Board of Directors.
2. Targets finalised are based on provisional / actual figures submitted by the company for FY 2015-16. In case of better performance of the CPSE during the year 2015-16 as compared to provisional / actual figures given, the difference shall be added to the targets of 2016-17.
3. MoU evaluation would be subject to compliance of additional eligibility criteria as contained in para 14.2 and 14.3 of MoU guidelines 2016-17.

(Gopal Singh)
Chairman Cum Managing Director
Central Coalfields Limited

(Sutirtha Bhattacharya)
Chairman
Coal India Limited

The target of Despatch of Non-Coking Coal (63.76 Mt) will be achieved provided construction of Tori-Shivpur Railway Line gets completed by June '2016. In case of non-completion of this Railway line by June' 2016, the targets of despatch of non-coking coal, related financial parameter and number of days of inventory of coal shall be calculated based on the corresponding target of despatch.

Actual Date of completion of Tori Shivpur Railway Line	Target for despatch of Non-Coking Coal in Mt
June'16 (Scheduled Date)	63.76
Sept' 16	62.00
Dec'16	60.00
Mar' 17	57.50

(Gopal Singh)
Chairman Cum Managing Director
Central Coalfields Limited

(Sutirtha Bhattacharya)
Chairman
Coal India Limited

MINISTRY : COAL

Company : CCL

Profit & Loss Statement

Bifurcation of MoU submitted

Production	61.324	23.643	40.840	67.000	68.000
Offtake	59.582	25.778	42.120	67.000	68.000

Sl. No.	Particulars (Production/Offtake)	Unit	CCL 2015-16 Act 61.324 / 59.582	CCL 2016-17 Act H1 23.643 / 25.778	CCL 2016-17 Act 9M 40.84 / 42.12	CCL MoU 2016-17 Very Good 67 / 67	CCL MoU 2016-17 Excellent 68 / 68
1	Gross Sales	Rs. Crs	13,658.96	6,166.46	10,273.32	15,652.01	16,408.02
2	Less: Excise duties & Others	Rs. Crs	3,106.59	1,753.36	3,122.55	4,478.70	4,705.11
3	Net sales / Sale of Products	Rs. Crs	10,552.37	4,413.10	7,150.77	11,173.31	11,702.91
4	Other Operating Revenue (Gross)	Rs. Crs	304.18	175.78	272.72	301.82	326.17
5	Other Operating Revenue (Net)	Rs. Crs	281.14	162.47	252.08	277.40	299.77
6	**Revenue from Operations (Net)**	Rs. Crs	10,833.51	4,575.57	7,402.85	11,450.70	12,002.68
7	Cost of Materials Consumed	Rs. Crs	807.85	330.07	546.27	904.73	920.93
8	Accretion/Depletion to Stock	Rs. Crs	(135.99)	118.58	21.43	(56.53)	(56.53)
9	Power & Fuel	Rs. Crs	294.48	138.91	212.99	327.32	333.22
10	Employee Benefit Expenses	Rs. Crs	3,944.69	2,091.80	3,213.29	4,219.07	4,364.88
11	Depreciation/Impairment/Amortization	Rs. Crs	325.52	176.96	274.14	355.65	355.65
12	Other Expenses	Rs. Crs	2,937.22	1,148.02	1,972.79	3,000.86	3,168.07
13	**Total Expenditure**	Rs. Crs	8,173.77	4,004.34	6,240.91	8,751.11	9,086.23
14	**Operating Profit**	Rs. Crs	2,659.74	571.23	1,161.94	2,699.60	2,916.46
15	Other Income	Rs. Crs	464.10	217.79	287.25	408.13	410.10
16	Prior Period Adjustments	Rs. Crs	(5.10)			-	-
17	Exceptional & Extra-ordinary Items (Net)	Rs. Crs	-	-		-	-
18	**Profit Before Tax (PBT)**	Rs. Crs	3,118.74	789.02	1,449.19	3,107.73	3,326.55
19	Provision for tax (including MAT/ deferred tax)	Rs. Crs	(1,204.04)	(261.32)	(551.90)	(1,062.01)	(1,152.46)
20	P&L from discontinued ops / Minority Int	Rs. Crs					
21	**Net Profit / Profit after Tax (PAT)**	Rs. Crs	1,914.70	527.70	897.29	2,045.72	2,174.09
22	**Dividend Paid**	Rs. Crs	1,457.00	-	-	1,372.41	1,517.42
23	Tax on Dividend	Rs. Crs	296.61	-	-	272.30	307.87
24	Retained Profit	Rs. Crs	161.09	527.70	897.29	401.01	348.80

MINISTRY : COAL

Company : CCL

BALANCE SHEET DATA

Sl. No.	Particulars (Production/Offtake)	Unit	CCL 2015-16 Act 61.324 / 59.582	CCL 2016-17 Act H1 23.643 / 25.778	CCL 2016-17 Act 9M 40.84 / 42.12	CCL MoU 2016-17 Very Good 67 / 67	CCL MoU 2016-17 Excellent 68 / 68
	EQUITY AND LIABILITIES						
1	Paid-up Capital	Rs. Crs	940.00	941.29	940.00	941.29	941.29
2	Reserve & Surplus	Rs. Crs	5,033.47	5,709.53	6,079.39	5,434.48	5,382.27
3	Net Worth	Rs. Crs	5,973.47	6,650.82	7,019.39	6,375.77	6,323.56
4	Capital Reserves	Rs. Crs	0.00	0.00		0.00	0.00
5	Shareholders fund	Rs. Crs	5,973.47	6,650.82	7,019.39	6,375.77	6,323.56
6	Long Term Borrowing	Rs. Crs				0.00	0.00
7	Deffered Tax Liability	Rs. Crs					
8	Other Non-Current Liabilities	Rs. Crs	2,190.65	2,645.85	2,469.69	2,548.52	2,571.07
9	Minority Interest/Non Controlling Interest	Rs. Crs		-0.25	1.05		
10	Current Liabilities	Rs. Crs	5,201.51	4,460.01	4,893.46	3,942.96	3,961.77
	Total Equity & Liabilities	Rs. Crs	13,365.63	13,756.43	14,383.59	12,867.25	12,856.39
	ASSETS						
11	Gross Block (Tangible & Intangible)	Rs. Crs	6,033.20	6,924.25	6,992.29	6,696.85	6,696.85
12	Less : Depreciation, Impairment & Provisions	Rs. Crs	-3,917.35	-4,296.67	-4,374.42	-4,173.00	-4,173.00
13	Net Block	Rs. Crs	2,115.85	2,627.58	2,617.87	2,523.85	2,523.85
14	Capital Work-in-Progress & Intangible Assets under Development	Rs. Crs	498.20	368.99	975.41	607.89	607.89
15	Non-Current Investment	Rs. Crs	0.00			0.00	0.00
16	Deferred Tax Assets	Rs. Crs	725.03	867.86	802.05	782.31	782.31
17	Long-Terms Loans & Advances	Rs. Crs	137.27	1,558.13	639.89	623.25	623.25
18	Other Non-Current Assets	Rs. Crs	1,374.39	161.17	787.00	1,594.29	1,594.29
19	Inventories (Coal Stock) (Net)	Rs. Crs	1,313.62	1,400.46	1,491.72	1,287.35	1,287.35
20	Trade Receivables	Rs. Crs	1,365.58	1,259.43	1,455.88	1,570.42	1,629.40
21	Cash & Cash equivalents	Rs. Crs	4,188.61	3,425.56	3,497.54	1,792.51	1,798.50
22	Other Current Assets	Rs. Crs	1,647.08	2,087.25	2,116.23	2,085.38	2,009.55
	Total Current Assets	Rs. Crs	8,514.89	8,172.70	8,561.37	6,735.65	6,724.79
	Total Assets	Rs. Crs	13,365.63	13,756.43	14,383.59	12,867.25	12,856.39

MINISTRY : COAL

Company : CCL

MANAGEMENT RATIOS

Sl. No.	Particulars (Production/Offtake)	Unit	CCL 2015-16 Act 61.324 / 59.582	CCL 2016-17 Act H1 23.643 / 25.778	CCL 2016-17 Act 9M 40.84 / 42.12	CCL MoU 2016-17 Very Good 67 / 67	CCL MoU 2016-17 Excellent 68 / 68
1	Inventories	Rs. Crs	1,313.62	1,400.46	1,491.72	1,287.35	1,287.35
2	Net sales / Sale of Products	Rs. Crs	10,552.37	4,413.10	7,150.77	11,173.31	11,702.91
3	Trade Receivables	Rs. Crs	1,365.58	1,259.43	1,455.88	1,570.42	1,629.40
4	Revenue From Operations (Gross)	Rs. Crs	13,963.14	6,342.24	10,546.04	15,953.84	16,734.19
5	Dividend	Rs. Crs	1,457.00	-	-	1,372.41	1,517.42
6	PAT	Rs. Crs	1,914.70	527.70	897.29	2,045.72	2,174.09
7	Net Worth	Rs. Crs	5,973.47	6,650.82	7,019.39	6,375.77	6,323.56
8	Revenue from Operations (Net)	Rs. Crs	10,833.51	4,575.57	7,402.85	11,450.70	12,002.68
9	Operating Profit	Rs. Crs	2,659.74	571.23	1,161.94	2,699.60	2,916.46
10	Reduction in Claims against the Company not Acknowledged as Debts over the previous year-CPSE & Others					4%	5%
11	No. of Days of Inventory to Sale of Products	Days	45.44	115.83	76.14	42.05	40.15
12	Trade Receivables as % of Revenue From Operations (Gross)	%	9.78%	19.86%	13.80%	9.84%	9.74%
13	Dividend / PAT	%	76.10%	0.00%	0.00%	67.09%	69.80%
14	PAT / Net Worth	%	32.05%	7.93%	12.78%	32.09%	34.38%
15	Dividend / Net Worth	%	24.39%	0.00%	0.00%	21.53%	24.00%
16	Operating Profit as % of revenue from operation	%	24.55%	12.48%	15.70%	23.58%	24.30%