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'52 coal projects to power 1-bn-tonne goal by 2026'

National miner Coal India Limited (CIL) has set 2025-26 as the target year to achieve the ambitious 1 billion-tonne (BT) coal production target. Responding to the increasing power demand, the company has stepped on the gas. From approving the highest ever mine projects to enhanced mechanisation and outsourcing, CIL is aiming to boost production while keeping its cost in check. **PRAMOD AGARWAL**, chairman and managing director of CIL, speaks to **Shreya Jai** on the road to 1 billion tonne. Edited excerpts:

Q&A

PRAMOD AGARWAL
Chairman & MD, CIL

What operational level changes were made to achieve the coal production target last fiscal?

Systemic improvement measures initiated some time back helped in overcoming the daunting target of 700 million tonne (MT). There was support from the government in obtaining environment and forest clearances including land-related issues. Firming up contracts, sub-delegating powers to managements of our subsidiary companies for quicker decision making, flexibility in contracts of coal production and overburden, persistent coordination with state authorities and ministries of railways, power, environment, and forests in identifying potential bottlenecks and levelling them were some of the other catalytic measures.

By when does the company expect to achieve the 1 billion-tonne coal production target? What's the framework for it?

We are aiming to achieve it by 2025-26. In a two-pronged approach, we are pushing for capacity augmentation through expansion of existing mines and operationalisation of greenfield projects. We have approved 52 coal mining projects (the highest so far) which will incrementally contribute an aggregate 378 million tonnes per annum in a phased manner. Of these 13 are new and the balance are expansion projects. In pursuit of the 1 BT, these will contribute incremental projected production of 102 MTs in FY 2025-26. We have worked out year wise production plans till 2026 for monitoring them closely. Mahanadi, South Eastern and Central Coalfields Ltd will be significant contributors.... Mahanadi alone will contribute about 29 per cent towards the 1 billion-tonne plan.

What are your export plans?

We will look at exports after fulfilling the fuel supply commitments and meeting the domestic coal demand of both the power and non-regulated sectors.

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"TO TAKE ON THE CHALLENGING OUTPUT AND OFFTAKE TARGETS, IT IS ESSENTIAL THAT SUITABLE CAPITAL IS IN STORE TO INVEST IN MINING AND RAIL EVACUATION PROJECTS"

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'75% of our coal excavation is outsourced'

Q&A

PRAMOD AGARWAL
Chairman & MD, Coal India

By when is CIL planning to revise the coal price? What is the reason for taking up this exercise now?

CIL's previous price increase was in January 2018. Since then, we have absorbed much of the inflationary costs, especially on diesel and explosives, without revisiting our prices. CIL, as a whole, has been able to sustain a strong financial bottom line so far. But only some of the CIL's arms are achieving profits, others especially Eastern and Western Coalfields Ltd, Bharat Coking Coal are feeling the financial pinch and may not be able to finance their future projects unless there is adequate compensation.... To take on the challenging output and offtake targets, it is essential that suitable capital is in store to invest in mining and rail evacuation projects. There is a credible argument for price revision. However, we will take a balanced approach as an increase in coal price will have a cascading effect on various commodities. We will take a call on coal pricing with stakeholders on board. The aim is to protect our EBITDA and shield the nation from the impact. To fix a timeline for coal price revision would not be proper.

What are the profit and revenue maximisation plans?

The twin keys are increased production and improved supplies. Higher sales would convert the product into profits. About 80 per cent of our supplies cater to the power sector which we sell at about 17 per cent less than the price offered to the non-power sector. We are planning to produce 780 MTs in the ongoing fiscal. When this happens, output cost per tonne of coal will go down. Secondly, more coal will be available for selling in the non-power segment and in e-auctions, where we earn a premium. Our fixed cost being high, any maximization of revenue will lead to higher profit.

How will the company bring down the output cost?

Adoption of digitalisation and automation processes, infusion of cost-effective energy efficient technologies, greater operational efficiency, and improving coal quality will help lower our production costs. Outsourcing has also played a role, close to 75 per cent of our coal excavation is outsourced. Our excavation part is already mechanised, we are aiming to have the full supply chain till siding also fully mechanised by 2027-28. Also, our manpower has been decreasing in the range of 12,000-13,000 every year. But the wages have increased. So, our bottom line will remain the same or reduce.

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FOCUS ON ABANDONED MINES

Slew of sops likely for underground coal mining

Open market sale to be allowed; revenue sharing proposed

MANISH GUPTA
New Delhi, April 30

IN AN EFFORT to promote environment-friendly underground coal mining, which still accounts for less than 5% of the country's total coal output, the government is considering a slew of proposals including keeping fuel produced from underground mines away from the notified price regime.

Private players are also being incentivised to revive abandoned coal mines of Coal India on a revenue sharing model with land given on a long term lease, with the condition that underground mining technology will be employed by them.

"The entire coal produced from underground mines will be put to auction, so that it gives higher premium for the investors," an official, with knowledge of the matter said. Not only state-run Coal India (CIL), but private coal miners will also be given the incentive.

"Certain abandoned coal mines of CIL have been put on the revenue-share model. The developer does not have to incur initial capex on them as the land is there and the mine is partially developed. The miners can start production with huge savings on capex and time," he said.

Considering the advantages of underground mines for their better grade of coal and lesser impact on environment, the government aims to reduce the share of opencast mining, currently more than 90%, as these require a lot of land and cutting of forests.

The first round of the auction of abandoned mines has been completed and about 10 mines have already been allocated.

Coal India will get coal on revenue sharing basis and it can sell the coal through auction in the open market and not in the notified segment.

The CIL has lined up another set of 10 abandoned mines for offer. With minimum entry and financial barriers, this initiative will help increase the coal output, the official said. Extractable reserves in these mines is around 380 million tonne.

Further, the government has constituted a committee to promote manufacturing of heavy earth moving machineries under the 'Make in India' campaign to fulfil the vision of 'Atmanirbhar Bharat'. The committee submitted its report last week.

The mining ministry is also in consultation with various stakeholders to ease out the environmental clearances norms, which has been one of the key challenges.

The government aims to minimize the import of thermal coal, of which there is a large reserve in India but needs to be extracted and made available.

India is the second largest producer, consumer and importer of coal in the world after China.

The ministry has set a coal production target of one billion tonne in FY24 and 1.31 billion tonne in FY25.

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Coal minister Pralhad Joshi recently said that the country would have surplus domestic supplies and would start exporting coal by FY26.

"Technological intensity and mechanisation is much more in underground coal mining. It is more suited for big players like Rio Tinto and BHP. Despite 100% FDI allowed in coal mining, none of the big players took part in the auctions probably due to the regulatory landscape and the law and order issues. Best way forward can be JVs between technology providers and local partners for managing local issues," Ritabrata Ghosh, vice president and sector head at ICRA Ltd said.

Currently, most underground coal mines in India are not profitable, he added.

% share of underground coal mines