

MEMORANDUM OF UNDERSTANDING


BETWEEN

COAL INDIA LTD.

AND

MINISTRY OF COAL

2015-16

MoU 2015-16
Approved by DPE/TF
Signed 

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.


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.

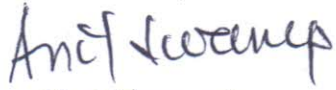
1.3 COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

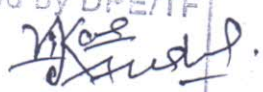
In order to enable CIL to achieve its objectives and the level of performance set in the MoU, the following support is essential from Ministry of Coal:

1. To facilitate 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 assist CIL in ensuring availability of 235 number of Railway Rakes per day on an annual average basis for raw coal from Railway Authorities for facilitating achievement of its off-take target for the year 2015-16.
7. 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 2015-16.

8. To assist the subsidiaries of CIL for improving law and order situation in operating areas in the States of West Bengal, Jharkhand and Orissa.
9. To assist in providing suitable land for R & R and assistance in convincing villagers to vacate land in different states.
10. To undertake timely action for filling up the post of Non-Official Directors on the Board of CIL and its Subsidiaries.


(Sutirtha Bhattacharya)
Chairman
Coal India Ltd.


(Anil Swarup)
Secretary
Government of India,
Ministry of Coal

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COAL INDIA LIMITED

ANNEXURE II

Evaluation Criteria	Unit	Weightage (In %)	MoU Target					Documentary evidence and source /origin of documents	
			Excellent	Very Good	Good	Fair	Poor		
			5	4	3	2	1		
1 Static / Financial Parameters									
Mandatory Parameters (SI no (I) - (III))									
(I)	Growth / Size / Activity								
	(a)	Sales Turnover (Net Sales)	Rs Crs	10	76354.38	75595.17	71815.41	68224.64	64813.41
	(b)	Gross Operating Margin Rate	Ratio	10	0.2296	0.2231	0.2119	0.2013	0.1913
(II)	Profitability								
	(a)	PAT / Net Worth	Ratio	5	0.2263	0.2194	0.2084	0.1980	0.1881
	(b)	EBITDA / Net Block	Ratio	7	0.9146	0.8978	0.8529	0.8102	0.7697
(III)	Costs and Output Efficiency								
	(a)	Sales Turnover / Net Block	Ratio	10	3.9063	3.9309	3.7343	3.5476	3.3702
Optional Parameters (SI no (v))									
(iv)	Efficiency of Asset Use (Liquidity/Leverage)								
	(a)	Debtor Turnover Ratio (Average Collection Period of Trade Receivables)	No of Days	8	29.96	30.61	32.1377	33.7446	35.4318
	Sub - Total			50					

Annual Report including Annual Accounts, Director's Report & Auditor's Report

Note:

- 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 off provision for bad & doubtful debts) have been considered.
- Impact of Penalty imposed by Competition Commission of India for Rs. 1773.05 crores has not been considered in the Targets of 2015-16 BE since the same has been appealed against by the company in the Competition Appellate Tribunal. Impact of the above penalty, if paid in 2015-16 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 2015-16.
- Impact of MMDR bill if becomes an act and implemented, its impact will be excluded.
- Impact of Post Retirement Medical Benefit scheme for Non-Executives has not been considered in preparation of MoU Targets for 2015-16.


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2 Dynamic/Non-Financial Parameters										
(i)	II Research & Development		3					Annual Report/External Agency/Certification by Management		
	a	Design, Develop and Demonstrate a Micro-Grid system for optimization and control of Multiple source of power supply	Date	1	Performance evaluation report of solar plant submitted by:					
					31 st July. 2015	14 th Aug.2015	31 st Aug.2015	15 th Sept.2015	30 th Sep.2015	
	b	Development of guidelines to predict distance between toe of the Shovel-Dumper dump and that of Dragline dump with consideration of safety and economical design of both Shovel-Dumper dump and Dragline dump.	Date	1	Determination of optimum distance between shovel-dumper dump and dragline dump of 8 dragline mines completed by :					
					14 th Feb. 2016	29 th Feb.2016	7 th Mar.2016	14 st Mar. 2016	21 st Mar.2016	
	c	Green house Gas Recovery from Coal Mines and Coal beds for conversion to Energy (GHG2E)	Date	1	Laboratory measurements of coal seam properties at two mines completed by:					
					30 th Jun 2015	7 th Jul 2015	14 th July 2015	21 st Jul 2015	31 st Jul 2015	
(ii)	III Initiatives of Growth		13						Annual Report/ Certification by Management	
	a	Acquisition of Land	Ha	6						
	i)	Notification under Sec. 9(1) of CBA		2	4000.00	3800.00	3610.00	3429.50	3258.03	
	ii)	Notification under Sec. 11(1) of CBA		2	4000.00	3800.00	3610.00	3429.50	3258.03	
	iii)	Possession of Land		2	3000.00	2800.00	2660.00	2527.00	2400.65	
	b	Supply of coal to Power (Utility)	Mt	2	435.00	430.00	408.50	388.08	368.67	Certification by Management
	c	Mineability Study of Coal Blocks 3450L and 3451L in Mozambique based on Geological Appraisal Report	Month	2	Oct. 2015	Nov. 2015	Dec. 2015	Jan. 2016	Feb.2016	Do
	d	Preparation of Sustainability Report/Business Responsibility Reports for 2015	Month	2	Dec. 2015	Jan. 2016	Feb. 2016	Mar. 2016		Do
	e	Afforestation - Plantation of Trees	lakhs	1	7.25	7.11	6.75	6.41	6.09	Do

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(iii)	IV Project Management & Implementation		11						Annual Report/ Certification by Management
	a Capacity addition through approval of projects	Mt	1	45.00	40.00	35.00	30.00	25.00	
	b Commissioning /Completion of Projects	No	1	8	6	5	4	3	
	c Completion of exercise for introducing Web based online monitoring of mining projects costing more than Rs. 100 Crs.	No	1	25	20	15	10	5	
	d Preparation of Report by Consultant for enhancement in UG Production	Month	2	Dec. 2015	Jan.2016	Feb.2016	March.2016		
	e Others Major Projects		4						
	i) Placement of orders of 60% of total value of indents, received till March, 2015 of OTR Tyres	Month	1	Sept. 2015	Oct. 2015	Nov. 2015	Dec. 2015	Jan. 2016	
	ii) Placement of orders of 60% of total value of indents, received till March, 2015 of Cartridge explosives & accessories	Month	1	Oct. 2015	Nov. 2015	De. 2015	Jan. 2016	Feb. 2016	
	iii) Placement of orders of 60% of total value of HEMM indents received till March,2015	Month	1	Nov. 2015	Dec. 2015	Jan.2016	Feb.2016	March 2016	
	iv) Review of ERP system and updating the same to international best practices	Month	1	31 st Dec 2015	15 th Jan 2016	31 st Jan 2016	15 th Feb 2016	29 th Feb 2016	
	f CAPEX	Rs Crs	2	5990.50	5485.93	5052.33	4638.07	4236.75	
(iv)	V Productivity and Internal Process		7						Annual Report/ Certification by Management
	a Review of norms for HEMM utilization across all subsidiaries by CMPDI	Month	1	30 th June '15	15 th July '15	31 st July 15	14 th Aug '15	31 st Aug '15	
	a Overall System Capacity Utilization	%	1	84.00	83.00	78.85	74.91	71.16	
	b Washed Coal Production	Mt	1	15.00	14.70	13.97	13.27	12.60	
	c Establishment of Cost Control Cell for improvement in financial scenarios	Month	1	Oct.2015	Nov.2015	Dec.2015	Jan.2016	Feb.2016	
	d Man productivity (Output /Manshift) (commensurate to corresponding production target)	Te/Manshift	2						
		Open Cast	1	13.11	13.09	12.44	11.81	11.22	
		Underground	1	0.85	0.84	0.80	0.76	0.72	
	e Redressal of Consumer Complaints within 3 months	% of total complaints	1	80	70	60	50	40	

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(v)	VI Technology, Quality, Innovative practices		3						Annual Report/ Certification by Management
	a Implementation of Digitization, Document Management & Archival Project (DDMA)	Month	1	Feb.2016	March 2016				
	b Safety Incidents Index		2						
	i) Reduction in Fatality Rate per million tonne of coal production w.r.t previous year	% of reduction	1	3	2	1	<1		
	ii) Reduction in Serious Injury Rate per million tonne of coal production w.r.t previous year	% of reduction	1	3	2	1	<1		
(vi)	VII Human Resource Management		4						Annual Report/ Certification by Management/External Agency
	a Induction of Medical Specialist for health related issues at mines (only 50 nos)	Month	1	Nov. 2015	Dec.2015	Jan.2016	Feb.2016	March 2016	
	b Succession Planning - Induction of General Advanced Management Programme for Junior/ Middle/ Senior Level Executives	No of Programmes	1	5	4	3	2	1	
	c Skill Upgradation Programme of 5 days duration for each employee	% of Employees	1	35	33	30	27	24	
	d Health Screening Test for Respiratory Diseases for all employees of CIL & its subsidiaries	% of Employees	1	33	30	27	24	21	
(vii)	VIII Sector/Enterprise Specific Parameters		9						Annual Report
	a Off-Take (Subject to Availability of 235 Railway Rakes/day on an Annual Basis and off season requisition not falling below 215 rakes/day for 'Excellent' & 210 rakes/ day for 'Very Good' target)	Mt	3	555.50	550.00	522.56	496.49	471.73	
	b Total Coal Production	Mt	6	555.50	550.00	522.56	496.49	471.73	
		Sub -Total	50						
		Grand Total	100						

Note:

Negative Marking for Non- Compliance of Corporate Governance : DPE has issued 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 2015-16, non-compliance of Corporate Governance will lead to negative marking and MoU Score will be decreased in the manner specified in Guidelines 15-16.

Negative Marking for Non- Compliance of other Guideline/ 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. 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 and 15th Sep. 2014. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark if there is any inconsistency between the compliance certificate submitted by CPSE and the observation in the report of the CAG for the year ended March 2014 and 2015 (if any), the CPSE will be penalized by reduction of 1 mark. c) **Non-compliance of CSR Guidelines:** CPSE will have to submit a certificate regarding compliance of the act, rules and guidelines issued by DPE in this regard. Non-compliance will be penalized upto 1 mark at the time of MoU evaluation. d) **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 has to give a certificate regarding compliance of directives of Government and requirement of regulators (Annexure - VIII)

1. Non-compliance of Guidelines on Corporate Governance will have negative marking and the MoU Score will be increased in accordance with DPE's OM 3 (12)/2012-DPE (MoU) dated 10th Jan 2013.

2. CPSEs have to give a Certificate regarding Implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin Dated 28th June 2011 and also a certificate from their auditors/Chartered Accountant in practice. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized upto 1 mark at the discretion of Task Force at the time of MoU Evaluation. (In other words, the MoU Ratings can be decreased by 0.04)

3. All internal documents to be signed at least by a Functional Director of Board.

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