Outstanding and Accomplished Performance of Coal India Limited

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Abstract: *This study is to evaluate and assess the Steady Growth Process and Performance of Coal India Limited, the biggest coal supplier in the world, the Indian State owned performer, with its best diligence-offering steady and careful operation of the Fact Sheet, operational analysis. Further, economic reforms and liberalization were directed to improve the performance of state-owned firm to induce efficiency gains in the future. The methodology is designed to provide a better picture and understand whether the state-owned sector is vital to generate pragmatic policy directives.*

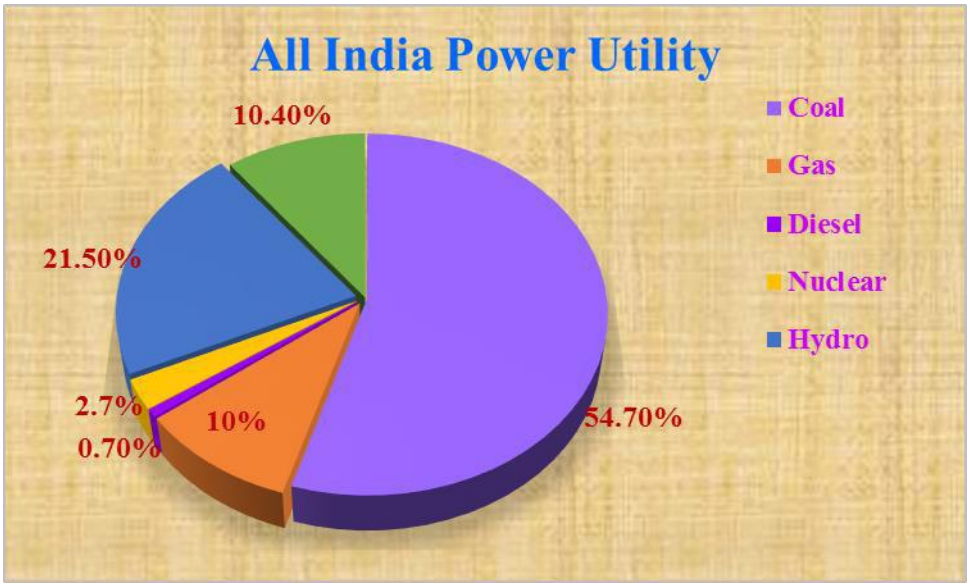
Key Words: *Coal India Limited, Energy Source, Government Projects, Central and State Owned Enterprises, Operations, Efficiency, Performance, SWOT, Competitors, Forecast.*

1. INTRODUCTION:

Institutional and Quantitative Snapshots of Indian energy

Improving the efficiency of the coal operated power plant, is vital to India's power sector performance. It stimulates better consumer benefits by reducing costs, enhancing energy stability and security, help decrease global pollution by efficient use of coal. The demand for energy is consistently rising in India, and coal forms a major fossil fuel playing the key role in such energy generating sector. Compared with crude oil, India has considerably huge coal reserves. In this study, let us evaluate to understand the major role Coal India Limited – CIL plays in India and on the global platforms (Dubash, 2011).

The Indian energy resources are restricted and that remains a constant and growing energy scarcity concern for India. Consequently, India is highly depending on the prevailing and future fossil fuels as shown in the below figure 1. As per the government projection, by 2032, coal requirement will quadruple to around 2.2 billion tonnes every year (Government of India, 2006, p. xiii). The main single concern driving India to rethink on energy matters is because, the Indian sources of coal are not sufficient to meet the future needs (Chand, 2008; Government of India, 2005).



***Source: Government of India, 2011 (*Dubash, 2011).**

2. COAL INDIA FACT SHEET:

CIL is involved in coal mining, dealing in coal related products, mining consultancy services in India and foreign countries. Having headquarters in West Bengal of India, they function through eight fully owned subsidiaries, namely, Bharat Coking Coal Ltd, Central Coalfield Ltd, Western Coalfield Ltd, Eastern Coalfield Ltd, Central Mine Design and Planning Institute Ltd, Northern Coalfield Ltd, at Singrauli, Mahanadi Coalfield Ltd, and Southern-Eastern Coalfield Ltd.

New Delhi News, January 19, 2017 report: CIL - Coal India Limited, a Maharatna Public Undertaking operating under the Coal Ministry, Government of India, as per the report, is the largest coal producer in the World, also, the biggest corporate employer of India with 3.2 Lakhs labor force (Shihabudeen, 2017).

CIL operates 413 mines, in 82 mining regions, around eight Indian states, Assam, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Orissa, Uttar Pradesh, and West Bengal. In the financial year 2015-16, CIL showed Rs.1,08,150.03 Crore gross sale, with PAT - Profit after Tax, Rs. 14,274.33 Crores, producing 84% of India's total coal output, helped in 72% power generation (Shihabudeen, 2017).

Coal India's dispatches grew by 7% every year, reaching in April 2017, 45 million, and if such trend continues, CIL will declare a remarkable growth in FY18 (Gupta, 2017).

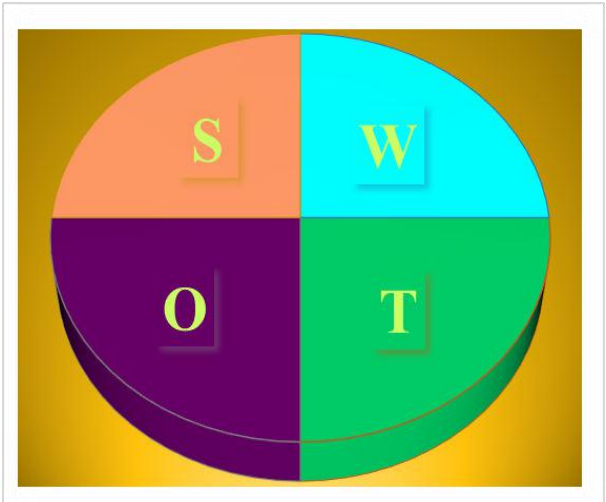
The major developmental aim of Coal India as of August, 2010 was to increase coal – production for the Indian Power Sector, because L&T company procured an aggregate of INR 7.45 Billion from CIL (Mallah, & Bansal, 2010). As per Allirajani's statement in the Times of India Business review, ICRA said in May, 2017, the latest Coal Alloting Policy have benefitted six private IPPs, as they collectively had 29 GW capacity. The Shakti, a new scheme or the coal allocating policy provided transparency in Indian coal business formation showing positive progress to generate 29 GW capacity domestic thermal power, as stated by the ICRA rating agency. The CCEA – Cabinet Committee on Economic Affairs has approved the scheme with FSA – Fuel Supply Agreement with LoA – Letter of Assurance from CIL. They have further introduced a new mechanism of the Transparent Bidding system for the fresh coal linkage. However, this was badly affected in the absence of proper FSAs in PPAs – the Power Purchase Agreement and those without them (Mallah, & Bansal, 2010).

However, the extreme ash generation level of Indian coal industry is causing concern due to higher coal cost and movement, and related impact on the environment. The September, 1997 notification states that the location of power plants in sensitive metropolitan cities, residential areas, should distant from the coal field, while the coal ash produced should be <34%. (Mathur, Chand & Tezuka, 2003). Since then, a negligible progress was made in this direction. Several consumers have started complaining and importing non-coking coal to blend, to meet their needs and to comply with the environmental norms. The significance of transportation and optimum use of proper planning, the value of thermal coal should not be underestimated, particularly when the Indian coal mining and business industry is struggling with tough competition from increasing non-coking importation of coal (Mathur, Chand & Tezuka, 2003). However, there is a growing demand and stress to modify the existing coal movement pattern for overall economic gains (Mathur, Chand & Tezuka, 2003).

3. COAL INDIA LTD., AND ITS DILIGENCE:

Coal India Limited- CIL coal production was 495 million tonnes in the year of 2014–15, and earned ₹955 billion revenue. On April 2011, they were awarded Maharatna status conferred by the Indian Union Government. In October 2015, they earned market capitalization value of ₹ 2.21 trillion, to make CIL, the 8th Indian, the most valuable and preferred company based on its market value (Prabhakar & Mishra, 2015).

4. COAL INDIA SWOT ANALYSIS:



Strength	Weakness
Ease of Labor Availability	Poor facility of infrastructure
Low custom duty on capital equipments	Labor force in inexperienced and unskilled
Tax holiday	Mining underground dangers
Better Access to Raw Material	Stress of High Debt
Strong Brand Value	Possible Operational Inefficiencies

Better Access to Talent pool	Coal Produces High Coal Ash
Risk Mitigating Talents	Inadequate R&D or Product Innovation capability
Presently CIL exports coal to neighboring countries to meet their coal demands	No adequate facilities to face and encounter possible floods and natural calamities
Bangladesh, Bhutan and Nepal are traditional CIL coal buyers.	Labor union dangers and strikes possibilities
CIL exported 65,840 tonnes of coal in 2010-2011.	Possibilities of trapping in mines
	Institutionalized corruption, breaking laws are pervasive in India

Opportunities	**Threat**
Competitive Advantage of having Value of Size	Cap on mining activities, in Political and Social Scenario
High scope for extensive research and study, good potential for innovations and better use of coal for various different applications.	Barriers like lack good legislation, little attention to environmental awareness, lack of attention to society positions
Possible growth of infrastructures in India	Technology is Advancing
Opportunity for High pricing in foreign markets	Global competition
Possible movement along the Value Chain front	Regulatory norms and requirements
Can set up additional units in the country	Increasing coal cost
High Export potential	Foreign investment
High employment opportunity in research sectors	Strict environmental rules
Can format, a world class laboratory facility for testing and improvement of coal usage.	High accident rates
Coal can be converted to Liquid fuel. Also, CO2 reduction can be achieved by improving efficiency.	India has not yet undertaken a very stringent effort to reduce gas emissions, and atmospheric pollution formed due to coal.

5. COAL INDIA COMPETITORS AND INDUSTRY ANALYSIS:

Consumption of world coal will increase by 2.2% to 2030 (Ritschel & Schiffer, 2007). And Coking coal production and consumption will increase due to the production of pig-iron. There is a rapid coal production expansion in China. To meet the growing demand of hard coal, the International Hard Coal Traders play a prominent role. But, the transportation and shipping of ores and coal creates a bottleneck problem. The logistic infrastructure is lagging behind increasing demand. China and the US are the biggest competitors, because they meet the urgent needs of coastal regions. In South and Central America, the coal needs of the power plants are met instantly by the USA. The maximum gains in the supply of steam coal were made by Indonesia and Australia. In the Atlantic Region, the needs were met by Colombia and Russia. In 2006, Indonesia supplied 32-Mt to Atlantic market. (Ritschel & Schiffer, 2007). Concerning coking coal, 67% market share is captured by Australia. (Ritschel & Schiffer, 2007).

Coal India Limit offers Semi, and non Coking Coal, Beneficiated and Washed Coal, Rejects, Coal Fines and Coke Fines, Heavy oil, Tar, Light Oil, Soft Pitch, and Middlings for power generation applications, for cement plants and in brick production units (Ritschel & Schiffer, 2007).

Presently, GSCM - Green Supply Chain Management has captured much attention, particularly from mining Industry sector like Coal India Ltd, who were provoked by new green fever. There are several identified barriers like lack of good legislation, little attention to society and environmental awareness (Barve & Muduli, 2013). Institutionalized corruption and bribing is prevailing in Indian economy. Paying off individuals and government servants, to negotiate business and bureaucratic mazes continues smoothly, unhindered, while India's half economical activities function in the informal sectors, because businessmen, politicians, and connected people generate black money and use them with ease (Miklian & Carney, 2013).

6. RESEARCH AND MARKETS: INDIAN COAL INDUSTRY FORECAST

Coal operated power plants are greenhouse gas emission contributors to cause climatic problems. 65 countries produce coal and 105 countries consume them (Yang & Cui, 2012). As per WRI – World Resource Institute, 1.200 coals operated plants, totaling 1,401,300 MW- megawatt stalled capacity will be installed globally (Yang & Cui, 2012). They are spread in 60 countries. India and China collectively will have 76% coal powered capacity (Yang & Cui, 2012). Around the world, 485 power companies have planned coal-fired plants in the future, and China will be the world's largest coal operated power producer (Yang & Cui, 2012).

Between 2008 and 2010, due to extreme demand, 20 new coal mines started functioning in Australia, while India and China have invested in Australia (Yang & Cui, 2012). As per IEA estimate, this has added 50 million tonnes coal production and further 126 Mtpa- million tonnes per annum is proposed (Yang & Cui, 2012).

The ambitious goal of India concerning renewable energy derives that the high debt cost of India, inferior debt terms will increase the renewable energy cost by almost 28%, in comparison with the U.S. (Shrimali, Nelson, Goel, Konda & Kumar, 2013). Considering debt analysis, revenue support duration, certainty, perception of investor-risk, cost-certainty evaluation should bring to 3 to11% renewable energy costs (Shrimali, Nelson, Goel, Konda & Kumar, 2013). Hence, the interest subsidy rate will reduce the debt cost burden by almost 15%. The policy makers of India should prioritize the need for long term, low-cost, debt for the successful deal (Shrimali, Nelson, Goel, Konda & Kumar, 2013).

7. CONCLUSION:

As stated by Mumbai, PTI, in April, 2016, the record production of coal by the biggest global coal miners, CIL- Coal India Ltd, helped the Indian economy by reducing importation bills of around Rs 28,000 Crore dry fuel in 2015 (DNA, 2016).

Besides enhancing the coal operated power plant efficiency, CIL should take up considerable measures with R&D for an effective performance measurement framework, and for better healthcare process, while subsequent changes should be implemented to improve the Internal and External organizational environment. They should make use of the advanced technology, or the mercury adsorption technique to curtail coal forming fly ash, specifically using the adsorption model of Freundlich. For environmental safety, new innovative methods should be applied to generate an added value for CIL generated coal (Purbey, Mukherjee & Bhar, 2007).

CIL- Coal India Ltd will surely improve their financial performance as the CIL board has approved forgiving performance incentive to supply higher coal grades, of quality above G5, for non-power and power segments immediately so that additional sale is predicted, as told by the Chairman while filing regulatory statement to BSE (Vishwagujarat, 2016).

Piyush Goyal, Minister of Coal, Power, New and Renewable Energy, Government of India stated in April, 2016 that the Indian government has committed to increase the production capacity of Coal India by 2019, to nearly 1 billion tonnes.

In the year 2015-16, the CIL, 'Maharatna' gained a notable 536 MT- million tonnes production, that was almost 42 MT increase than what was achieved in the past fiscal.

The production capacity increased by 8.5% every year. The CIL accounts almost 80% of Indian domestic production of coal, producing 550 MT in the year 2015-16 (DNA, 2016).

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