

ANNUAL REPORT & ACCOUNTS 2003-2004

Annual Report



MAHANADI COALFIELDS LIMITED

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Board of Directors



Shri B. M. Nag



Shri Rajiv Sharma



Shri D. K. Verma



Shri A. K. Tripathi



Shri G. D. Gulab

MANAGEMENT DURING 2003-2004

- CHAIRMAN -CUM-MANAGING DIRECTOR** : Shri R.K. Chechani
- FUNCTIONAL DIRECTORS** :
- Shri G.K. Choudhary,
Director (Personnel)
(upto 31.1.2004)
 - Shri B.M. Nag
Director(Finance)
 - Shri A.K. Tripathi
Director(Technical)
 - Shri G.D. Gulab
Director(Personnel)
(w.e.f. 1.2.2004)
- PART TIME DIRECTORS** :
- Shri APVN Sarma,
Joint Secretary,
Ministry of Coal
New Delhi.
 - Shri D.K. Verma,
Director(Finance),
CIL, Kolkata.
 - Shri Abdul Kalam,
Director(Technical),
CIL, Kolkata.
- COMPANY SECRETARY** : Shri S.C. Behera

PRESENT MANAGEMENT

(As on 20.09. 2004)

CHAIRMAN-CUM-MANAGING DIRECTOR : Shri B.M. Nag (Additional Charge)

FUNCTIONAL DIRECTORS : Shri B.M. Nag
Director(Finance)

Shri A.K. Tripathi,
Director(Technical),

Shri G.D. Gulab
Director (Personnel).

PART-TIME DIRECTORS : Shri D.K. Verma,
Director(Finance)
CIL, Kolkata.

Shri Rajiv Sharma,
Joint Secretary
Department of Coal
Ministry of Coal & Mines
New Delhi.

COMPANY SECRETARY : S.C. Behera

Bankers

State Bank of India

UCO Bank

Canara Bank

Punjab National Bank

United Bank of India

Indian Overseas Bank

Union Bank of India

Bank of India

ICICI Bank

Statutory Auditors

M/s Patro & Co.

Chartered Accountants, Bhubaneswar.

Branch Auditors

M/s A.K. Kar & Co.

Chartered Accountants, Bhubaneswar.

Registered Office

At/Po. Jagruti Vihar, Burla,
Sambalpur- 768020, Orissa

NOTICE

TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of Mahanadi Coalfields Limited will be held at 11.00 AM on Monday the 20th September, 2004 at the Registered Office of the Company, At/Po- Jagruti Vihar, Burla, Sambalpur-768020, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2004, Report of the Auditors thereon and Directors' Report.
2. To declare Dividend on :
 - (a) Preference Share Capital
 - (b) Equity Share Capital
3. To appoint a Director in place of Shri D.K. Verma, Director, who retires in terms of Article 34 e (iii) of the Articles of Association of the Company and is eligible for re-appointment.
4. To appoint a Director in place of Shri Rajiv Sharma, Director, who retires in terms of Article 34 e (iii) of the Articles of Association of the Company and is eligible for re-appointment.

By order of the Board of Directors
For Mahanadi Coalfields Limited

Sd/-
(S.C. Behera)
Company Secretary

REGISTERED OFFICE :

Jagruti Vihar, Burla, Sambalpur – 768020

NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The Shareholders are requested to give their consent for calling the Annual General Meeting at a shorter notice pursuant to the Provisions under Section 171(2)(i) of the Companies Act, 1956.

DIRECTORS' REPORT

To

The Shareholders,
Mahanadi Coalfields Limited

Gentlemen,

I have great pleasure in presenting on behalf of the Board of Directors, the 12th Annual Report of your Company together with the audited Accounts for the year ended 31st March, 2004 along with the report of the Statutory Auditors and the Comments of the Comptroller and Auditor General of India.

Your Company had a successful year on all fronts viz. production, despatches and profits.

2. ORGANISATION

In 2003-2004, MCL had 24 mines (15 opencast and 9 underground) situated in the Ib-Valley and Talcher Coalfields of Orissa State. For effective administrative control and efficient functioning of operational activities, mines are grouped into 10 areas viz. Ib-Valley, Orient, Lakhanpur, Basundhara and Garjanbahal in Ib-Valley Coalfield and Jagannath, Talcher, Kalinga, Lingaraj and Hingula in Talcher Coalfield.

3. HIGHLIGHTS OF PERFORMANCE

- The Company achieved all time high Gross Sales of Rs. 3161.00 crore against the previous year's Gross Sales of Rs. 2594.41 crore, registering a growth of 21.84 % over previous year. There is continuous improvement in realisation. The realisation during the year is Rs.3211.90 crore which is 101.61% of the current year's gross sales.
- The Company achieved a record production in the current year. The coal production during the year is 60.048 million tonne registering a growth of 14.97 % and in respect of Over Burden Removal 52.701 million Cu.m. during the year.
- The productivity in terms of output per manshift(OMS) has increased by 1.53 %

and 18.68 % over previous year in respect of Opencast and Underground Mines. The overall OMS of the current year is 12.46 tonne and 11.57 tonne in previous year indicating a growth of 7.69%.

- The Profit Before Tax(PBT) during the year is Rs. 1418.60 crore against previous year's profit of Rs. 882.31 crore.
- The Company has been consistent in payment of dividend since last six years. The interim dividend paid Rs.20.25 crore on Preference Share Capital and Rs.126.30 crore on Equity share Capital. Further, Rs.249.23 crore has been declared as proposed dividend on paid up Equity Share Capital.

4. PRODUCTION PERFORMANCE

- 4.1 Your Company has completed another year of successful operation in the field of production as is evident from the following table showing production performance for the year 2003-2004 as compared to the target and achievement of the previous year:

Production	2003-2004		2002-2003 Actual	% Achievement against target	% Growth over previous year
	Target	Actual			
Coal (MT)					
Opencast	51.200	57.999	50.470	113.279	14.918
Underground	1.900	2.049	1.759	107.842	16.487
Total	53.100	60.048	52.229	113.085	14.971
OBR(M. Cum.)	55.600	52.701	54.051	94.786	-2.498

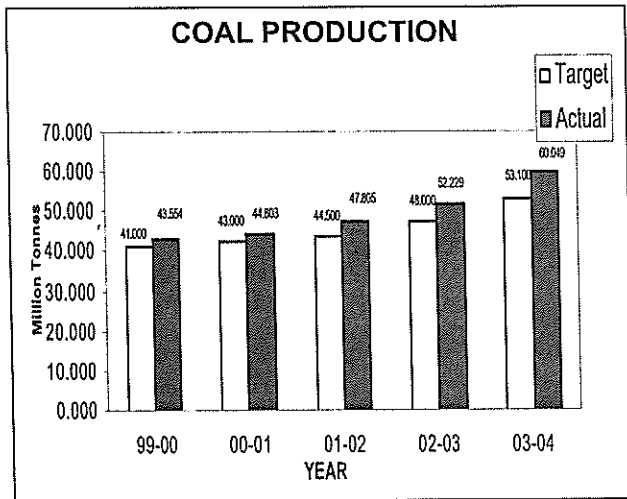
- 4.2 MCL has also moved towards more mechanization compared to last year in Opencast and Underground mines. The coal production from Surface Miner has been 38.85 % of total Opencast coal production in 2003-2004 compared to 32.07 % in 2002-2003 registering a growth of 21.14 %. Volumetrically the company has

produced from Surface Miner 22.535 MT of coal in 2003-2004 against 16.185 MT of coal in 2002-2003 registering a growth of 39.23 %.

Similarly in Underground mine also the company has moved towards loaderless mining achieving 85.75 % of total UG coal production from SDL/LHD in 2003-04 compared to 69.36 % in 2002-03 registering a growth of 23.63 %. Volumetrically the company has achieved 1.76 MT of coal from SDL/LHD in 2003-2004 against 1.22 MT in 2002-2003 registering a growth of 44.04 % over 2002-03.

Reasons for negative growth in OBR are :

- (i) Continuous rain till November, 2003 during the year.
- (ii) Delay in getting physical possession of land for mining operation.

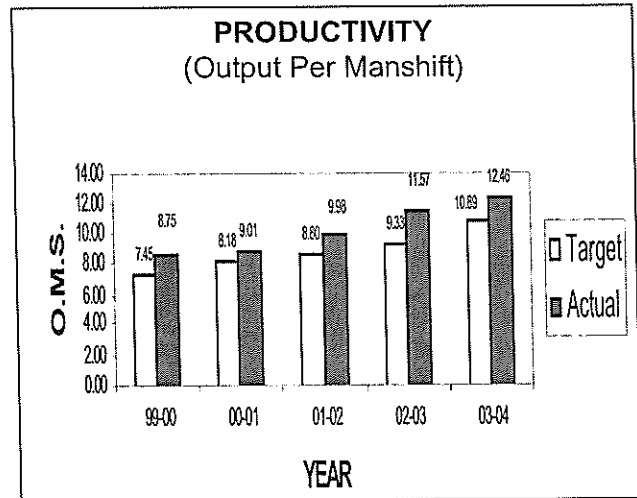


5. PRODUCTIVITY

Your Company has also made significant improvement in productivity in terms of output for manshift (OMS) as briefed hereunder:

Fig.in Tonne/Manshift

Productivity	2003-2004		2002-2003 Actual	% Achievement against target	% Growth over previous year
	Target	Actual			
Opencast	17.75	19.89	19.59	112.06	1.53
Underground	0.97	1.08	0.91	111.34	18.68
Overall	10.89	12.46	11.57	114.42	7.69



6. POWER

6.1 **Talcher Coalfield :** Power is received at Nandira 3 X 20 MVA, 132 / 33 KV, Grid Sub-station through a 11 Km. long 132 KV Double Circuit over-head transmission line from GRIDCO's Angul Sub-station, under the command area of Central Electricity Supply Company of Orissa(CESCO) with a Contract Demand of 28.0 MVA.

6.2 **Ib – Valley Coalfield:** Power is received at Jorabaga 3 X 20 MVA, 132 / 33 KV, Grid Sub-station through a 19 Km. long 132 KV Double Circuit over-head transmission line from GRIDCO's Budhipadar Sub-station, under the command area of Western Electricity Supply Company of Orissa (WESCO) with a Contract Demand of 17.5 MVA which has been enhanced to 20.0 MVA from March, 2004.

6.3 **Basundhara Coalfield:** Basundhara East OCP is receiving power from Garjanbahal Sub-station under the command area of Western Electricity Supply Company of Orissa (WESCO) at 33 KV with a Contract Demand of 1.0 MVA. A 3 X 20 MVA, 220/ 33 KV Sub-station at Basundhara and 220 KV Double Circuit Overhead transmission line connecting this Basundhara Sub-station from Budhipadar Sub-station of GRIDCO is under construction and nearing completion.

6.4 Availability of Power

Items	2003-04	2002-2003
Contract Demand (MVA) **	47.90	48.20
Maximum Demand (MVA)	50.29	48.10
Energy Consumed (Million KWh)	281.85	260.15
Specific Energy Consumed (KWh/Tonne)		
Target	5.25	5.35
Actual	4.70	4.98
Energy Bill Paid (Rs. in Crore)	89.04	84.33

** C.D has been enhanced to 50.40 MVA from March' 04

7. POPULATION AND PERFORMANCE OF HEMM

7.1 The details of availability and utilisation of HEMM showing target set by CMPDIL and achievement, together with fleet strength is being given below :

Availability and Utilisation achieved in actual :

Sl. No	Equipment	Population as on		%Availability in Absolute			%Utilisation in Absolute		
		2003-04	2002-03	CMPDIL	2003-04	2002-03	CMPDIL		
		31.3.04	31.3.03	Actual (%)	Actual (%)	Norm (%)	Actual (%)	Actual (%)	Norm (%)
1	Dragline	7	7	77	80	85	62	62	73
2	Shovel	67	75	69	71	80	35	36	58
3	Dumper	341	351	71	72	67	27	26	50
4	Dozer	102	112	63	67	70	21	21	45
5	Drill	96	103	69	74	78	17	16	40
	Total	613	648						

Equipment	Work Hour 2003-2004	Work Hour 2002-2003	% Growth Work Hour
Dragline	30478	30936	-1.48%
Shovel	226264	239893	-5.68%
Dumper	776791	789198	-1.57%
Dozer	201196	201330	-0.07%
Drill	135135	136090	-0.70%
Total	1369864	1397447	-1.97%

7.2 The availability of HEMM are less than last year. The utilization of dumper and drill are higher than last year Necessary action has already been taken - up to improve the availability and utilization of HEMM.

Steps taken to improve Availability and Utilisation of HEMM.

1. Reduction in repair time due to improved workshop facilities.
2. Infrastructure development at projects and planned addition of P&M.
3. Judicious management of spare parts in consultation with OEMs.
4. Phasing out of old equipment and procurement of HEMM against surveyed off equipment.
5. Formation of committee at Subsidiary as well as area level to monitor the utilisation of HEMM.

7.3 Breakdown status of HEMM at the end of Financial Year

Equipment	Population		Breakdown over 3 months		% Increase/Decrease
	As on 31.3.04	As on 31.3.03	As on 31.03.04	As on 31.03.03	
Dragline	7	7	1	1	0.00
Shovel	67	75	0	0	0.00
Dumper	341	351	3	3	0.00
Dozer	102	112	0	2	-100.00
Drill	96	103	7	3	133.33
TOTAL	613	648	11	9	22.22

7.4 Equipment Rehabilitated at CWS

Area	2003-2004	2002-2003	Growth over last year
CWS-Talcher	24	26	-7.69%
CWS-Ib Valley	7	15	-53.33%
TOTAL	31	41	-24.39%

8. SYSTEM CAPACITY UTILISATION (OCPS)

Description	2003-2004	2002-2003	%Growth over previous year
Departmental Capacity(M.cum)	56.55	56.16	0.69
System Capacity(M.cum)	83.99	81.12	3.54
Departmental Production (M.cum)	52.77	54.96	-3.98
Total Production (M.cum.)	88.46	86.48	2.29
% Departmental Capacity utilization	93%	98%	-4.64
% System Capacity utilization	105%	107%	-1.21

9. POPULATION OF MAJOR UNDERGROUND EQUIPMENT

9.1 The population of underground equipment and their availability during the year as compared to previous year are given hereunder :

Sl. No.	Name of the equipment	No. on Roll		2003-04		2002-03	
		03-04	02-03	% Avail.	% Util.	% Avail.	% Util.
1	Winder	6	4	100.00	100.00	98.00	86.00
2	Haulage(Main)	45	55	88.89	82.22	91.13	68.55
3	SDL	31	34	85.70	66.10	82.35	59.58
4	LHD	20	14	79.77	64.10	69.52	52.51
5	Main Pump	53	157	88.72	84.91	94.79	87.29
6	Vent. Fan	11	11	100.00	100.00	99.75	99.33
7	Belt Conv.	53	38	94.36	92.45	81.05	64.53
8	Transformer (Power)	114	52	93.86	92.98	99.80	97.72
9	Coal Tubs	1480	1696	94.38	78.24	91.20	61.70
10	Locomotive	7	7	71.43	57.14	98.00	90.00
11	Coal Drill	107	114	92.15	63.55	91.01	54.65
12	Mine Car	98	100	79.59	79.59	93.00	87.00

10. CAPITAL STRUCTURE

The Authorised Share Capital of the Company as on 31.3.2004 continued at Rs.500.00 crore, divided into 2958200 Equity Shares of Rs.1000/- each and 2041800 10% Cumulative Redeemable Preference Shares of Rs.1000/- each.

The paid up Equity Share Capital of the Company as on 31.3.2004 stands unchanged at Rs.186.40 crore. The entire Equity Share Capital are held by Coal India Limited(CIL) and its nominees.

10.1 The entire 2041800, 10% Cumulative Redeemable Preference Shares, nominal value of Rs.1000/- each amounting to Rs.204.18 crore issued on 29.3.1999 to CIL, have been redeemed in full in the current year.

11. FINANCIAL REVIEW

The Company has recorded the highest ever gross turnover of Rs.3161.00 crore against Rs.2594.41 crore of the previous

year. The Profit before Tax (PBT) has also gone up to Rs.1418.60 crore from Rs.882.31 crore in the previous year after absorbing escalation in the cost of various inputs. Profit after Tax (PAT) has increased from Rs. 502.01 crore in the previous year to Rs.932.34 crore this year. The financial results of 2003-04 as compared to 2002-03 are summarised below :

[Rs. in Crore]

	2003-2004	2002-2003
Gross Profit (Before Depreciation & Interest)	1561.75	1063.31
Less : Depreciation (Incl. Social Over head & PP)	137.04	172.40
Interest	6.11	8.60
Net Profit before Tax	1418.60	882.31
Less : Provision for Income Tax & deferred tax liability	486.26	380.30
Net Profit after Tax	932.34	502.01
Less : Transfer to General Reserve	96.00	60.00
Transfer to Capital Redemption Reserve	40.84	40.84
Interim Dividend on Preference Shares	20.25	20.42
Interim Dividend on Equity Shares	126.29	94.49
Proposed Dividend on Equity Shares	249.23	90.51
Provision for Tax on Dividend	50.71	26.32
Retained Profit	349.02	169.43

11.1 Transfer to Reserve

An amount of Rs.96.00 crore being 10.30% of Profit after Tax for the year has been transferred to General Reserve. Besides, 2041800 10% Redeemable Cumulative Preference Shares of Rs.1000/- each amounting to Rs.204.18 crore has been redeemed in the year 2003-04. An amount of Rs.40.84 crore has been transferred to Capital Redemption Reserve.

11.2 Dividend

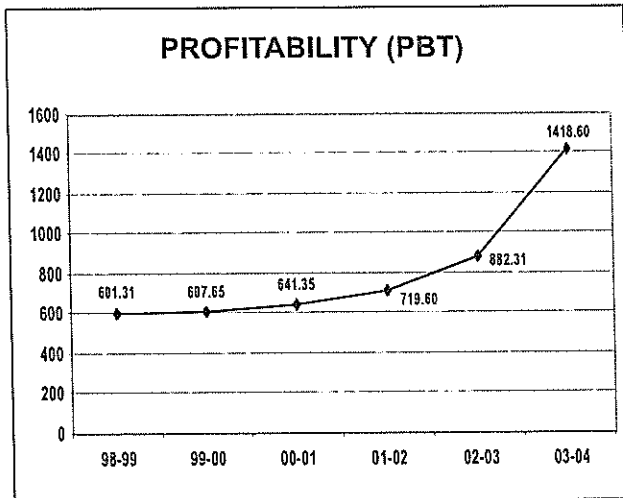
The Directors are pleased to recommend dividend of 201.46% (previous year 99.25%) of the paid up Equity Share Capital for the year amounting to Rs.375.53 crore

for your approval. The Directors also recommend for approval of Dividend of Rs.20.25 crore (including Interim Dividend of Rs.126.30 crore) on 2041800, 10% Redeemable Cumulative Preference Shares. Total payment on account of dividend for the year would be Rs.395.78 crore.

loan as on 31.03.2004 was Rs.32.85 crore. The amount due to M/s. Liebherr, France SA, France, stands at Rs.12.62 crore for supply of four Hydraulic shovels.

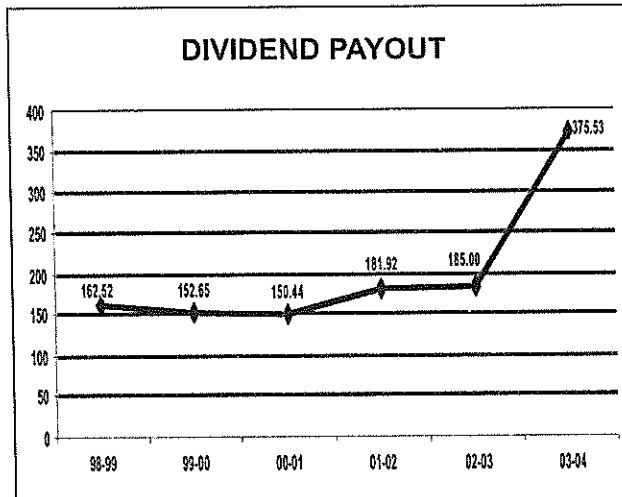
11.4 Investment

The investment of the Company in Government Securities (At cost) unquoted is in the form of 8.5% Tax Free Power Bonds made during 2003-2004. The nominal value of Bonds is Rs.344.32 crore against old outstanding dues as on 30th September, 2001 from three Power Houses (MSEB, TNEB and WBPDC) as per tripartite agreement with Power Houses. All the bonds are backed by the respective State Government guarantee and date of maturity is 30th September, 2016.



12. COAL PRICE

There was no change in basic price of coal during the year under report.



13. CAPITAL EXPENDITURE

Total Capital Expenditure during the year was Rs.93.55 crore against previous year's expenditure of Rs.139.83 crore.

14. SALES REALISATION

During the year, the gross sales of your Company remain Rs.3161.00 crore as compared to Rs.2594.41 crore in the previous year.

The realisation during the year was Rs.3211.90 crore which works out to 101.61% of the current year's gross sales.

11.3 Unsecured Loans

The amount due to Coal India Ltd. (CIL) as on 31.03.2004 stands at Rs.206.75 crore and the entire loans pertain to IBRD & JEXIM.

Three Rope Shovels, purchased in 1998 were tied up with a credit package for 85% of FOB price with M/s Toyoto Tsusho Corporation, Japan on Deferred Payment basis. The balance amount against the said

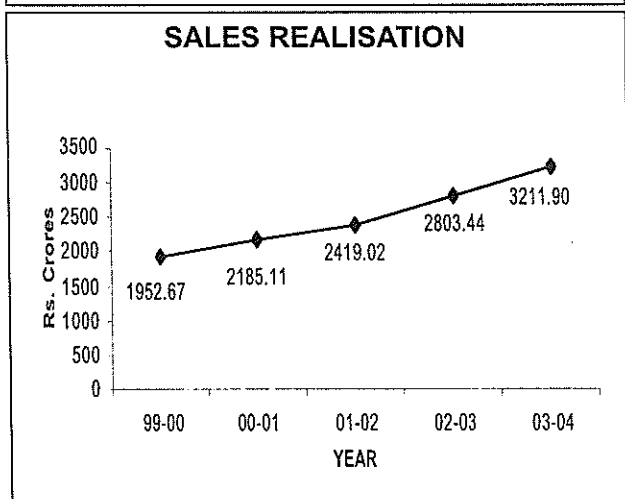
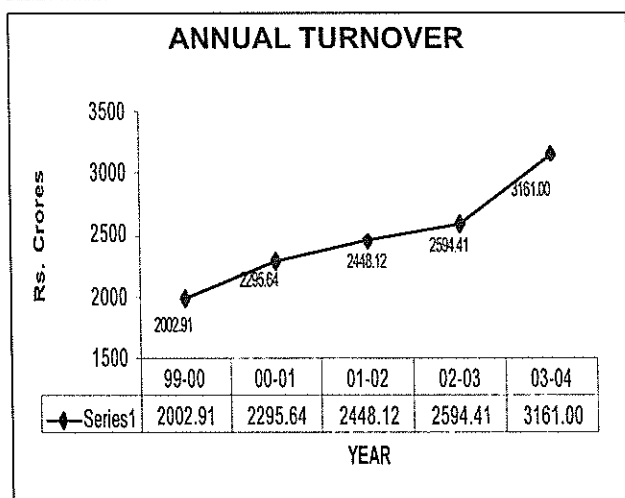
Net coal sales dues outstanding as on 31.03.2004 were Rs.62.93 crore (previous year Rs.236.63 crore) arrived at after providing for Rs.81.06 crore (previous year Rs. 174.83 crore) towards doubtful debts which is equivalent to 0.24 months' Gross Sales (previous year 1.09 months). The sector-wise position of dues are as under:

(Rs. in Crore)

[Rs. in Crore]

Sector	Dues as on 31.03.2004		Dues as on 31.03.2003	
	Gross	Net	Gross	Net
Power	102.20	47.25	368.54	219.72
Steel	35.26	12.82	33.38	11.87
Others	6.53	2.86	9.54	5.04
Total	143.99	62.93	411.46	236.63

	2003-04	2002-03
Royalty	403.13	310.60
Sales Tax	118.34	101.33
Stowing Excise Duty	38.89	17.95
Entry Tax	17.96	7.59
TOTAL	578.32	437.47



15. PAYMENT TO EXCHEQUER

Your Company continued to be a major contributory to the Central and State Exchequer.

The payment made by the Company on account of Royalty, Sales Tax, Stowing, Excise Duty and Entry Tax during the Year as compared to the payments made during previous year are as follows :

16. PROJECTS FORMULATION/CAPITAL PROJECTS

There are 25 sanctioned mining projects in MCL. The ultimate production capacity of these sanctioned projects is 65.81 Mty. with a sanctioned capital outlay of Rs. 2552.01 crore, out of which 16 have been completed with a sanctioned capital outlay of Rs. 1714.49 crore.

16.1 Completed Projects : 16 Numbers

Sl. No	Name of the projects	Capacity (Mty)	Capital Outlay (Rs. Crore)	Completed in
1.	Ananta O/C	4.00	156.49	03/1995
2	Ananta O/C Expn.	1.50	46.99	03/1997
3	Balanda O/C	1.00	36.87	03/1984
4	Basundhara East O/C	0.60	19.69	03/1998
5	Belpahar O/C	2.00	131.31 (RCE)	03/1994
6	Bharatpur O/C	3.50	158.97 (RCE)	03/1991
7	Bharatpur O/C Expansion (Incremental)	1.5	48.02	03/1998
8	Jagannath O/C	4.00	66.71	03/1991
9	Lajkura O/C	1.00	38.98 (RCE)	03/1991
10	Lilari O/C	0.80	19.78	03/1992
11	Lingaraj O/C	5.0	229.84	03/1998
12	Nandira U/G (Augmentation)	0.33	17.95	03/1995
13	Samaleswari O/C	3.00	126.85	03/1996
14	Kalinga OCP	8.00	345.96	03/2000
15	Lakhanpur OCP	5.00	221.51	03/2000
16	Hingula -II OCP	2.00	48.57	03/2002
TOTAL		43.23	1714.49	

The Production achieved from the above completed projects during 2003-2004 has been 45.35 MT. of coal against the P.R. Provision of 43.23 MT, thus giving a performance of 104.90%.

16.2 On going Projects

There are 9 on-going projects with a capital outlay of Rs.837.52 crore with an ultimate capacity of 22.58 Mty.

Sl. No	Name of the Projects	Capacity (Mty.)	Capital Outlay (Rs. Crore)	Scheduled date of Completion	Anticipated date of Completion
1.	Chhendipada O/C*	0.35	19.75	03/2002	03/2005
2.	Natraj U/G	0.64	92.11	03/2008	03/2008
3.	Jagannath U/G	0.67	80.75	03/2010	03/2010
4.	Lingaraj Expansion	5.00 (Incr.)	98.89 (Incr.)	03/2007	03/2007
5.	Hingula-II Expansion	2.00 (incr.)	89.78 (Incr.)	03/2005	03/2005
6.	Talcher(West) UG	0.52	85.08	03/2010	03/2010
7.	Bharalpur Expn. Ph-II**	6.00 (Incr.)	95.87	3/2008	3/2008
8.	Basundhara(West) OCP**	2.40	176.55	3/2007	3/2007
9.	Lakhanpur Expn. **	5.00(Incr.)	98.74	3/2006	3/2006
Sub Total		22.58	837.52		
Total of completed projects		43.23	1714.49		
Total of all mining projects		65.81	2552.01		

* Chhendipada OCP has been delayed due to delay in land acquisition and grant of mining lease.

** Projects sanctioned during 2003-2004.

16.3 Advance Action Proposals

Advance Action Proposals have been sanctioned for the following 6 (six) projects and are under implementation.

Sl. No	Name of the Projects	Ultimate Capacity (Mty)	Estimated Capital Outlay (Rs. Crore)	Advance Action Capital (Rs. Crore)
1	Bhubaneswari OCP	10.00	607.68(Jan'04)	5.79
2	Garjanbahal OCP	10.00	547.51(Oct-03)	8.28
3	Kaniha OCP	3.50	171.89(Mar '04)	6.38
4	Kulda OCP	10.00	713.23(Jan '04)	8.62
5	Gopalprasad OCP	12.00	697.18(Nov'02)	8.52
6.	Talabira-III OCP	6.50	466.11(Nov '03)	17.82
Total		52.00	3269.63	55.41

16.4 The following four Project reports have been processed to Ministry of Coal for Government approval :

Sl.	Name of the Projects	Capacity (Mty.) the Project (Rs. Crore)	Estimated Capital of	Remarks
1	Kaniha OCP	3.50	171.89 (March '04)	Approved by MCL Board on 28.7.97, by CIL Board on 4.12.97 and sent to MOC for approval on 2.2.98. IMG cleared the project in the meeting held on 11.04.02. subject to certain clarification, the compliance report of which has been sent to DOC. Note for PIB has also been submitted to DOC in June' 02. Clarification to PIB note has been sent to DOC on 27.09.02. UCE (Sept' 02) of the PR has also been sent to DOC. Draft PIB note is submitted on July' 03. Reply to the PIB appraisal note from Planning Commission has been submitted to Advisor (Project) on 18.11.03. PIB note is reported to be circulated. Pre - PIB meeting held on 15.04.04. In view of the capital outlay comes below Rs. 200 Crs. In the latest UCE, EFC note to be submitted which is under preparation.
	2Bhubenswari OCP	10.0	607.68 (Jan' 04)	Approved by MCL Board on 28.7.97, by CIL Board on 4.12.97 and sent to MOC on 2.2.98. IMG cleared the project in the meeting held on 11.04.02. The UCE based HEMM norms has been submitted to MOC. As desired by MOC, IMG meeting held again on 29.9.03 which cleared the project subject to certain clarification. PIB note alongwith IMG clarification submitted to advisor (Projects) in October' 03 IMG compliance and PIB note based on January' 04 cost base UCE submitted on 16.1.04. JS & FA, MOC, asked for a discussion on the PIB note put up to him for F.C. Meeting held and the case was presented before him on 20.02.04. PIB note has been circulated.
3	Kulda OCP	10.00	713.23 (Jan' 04)	PR approved by MCL and CIL Board and sent to MOC vide letter dated 13.7.95. Certain modifications proposed in UCE of the PR. Modified PR was submitted to DOC in May' 02 IMG has cleared the PR in the meeting held on 26.8.02 subject to certain conditions. PIB note alongwith clarification of IMG submitted on 21/22.02.03. As desired by MOC, IMG meeting held again on 02.09.03 which cleared the project subject to certain clarification. PIB note along with IMG clarification submitted to Advisor (Projects) in October' 03 IMG compliance and PIB note based on January' 04 cost base UCE submitted on 16.01.04 JS & FA, MOC, asked for a discussion on the PIB note put up to him for F.C. Meeting held and the case was presented before him on 20.02.04. PIB note has been circulated.
4	Garjanbahal OCP	10.00 (Oct' 03)		547.51 PR has been approved by MCL Board on 17.06.99 and ESC of CIL Board in its 53rd meeting held on 05.05.2000 and 23.05.2000 with a capital outlay of 544.05 Crs. The PR has been approved by the CIL Board in its meeting held on 30.04.2001 and sent to MOCM for approval. IMG meeting held on 28.01.02 and IMG cleared the proposal subject to some clarification. Part clarification has been submitted in April' 02. UCE based on October' 03 cost base submitted to the Government on 19.11.03. Planning Commission has asked for certain clarification on the UCE based on Oct' 03 cost base, which is under preparation. Project will be considered after accordance of forestry and EMP clearance.
Total		33.50	2106.34	

16.5 Projects approved by MCL Board

Sl. No.	Name of the Projects	Capacity (Mty.)	Estimated Capital of the Project (Rs. Crore)	Remarks
1	Gopalprasad OCP	12.00	697.18 (Nov '02)	PR approved by MCL Board in Nov '02 and was put up in ESC of CIL Board in Feb '03 which has directed to put up the PR along with some clarification when EMP will be in advance stage of approval.
2	Talabira - III OCP	6.50	466.11 (Nov '03)	PR approved by MCL Board in its 67th meeting held on 24.03.2004 and copies of the Project Report and Plates sent to Advisor (Projects) for "In-Principle" approval of the Planning Commission on 12.04.04 and will be sent to CIL Board for approval.

16.6 Projects for which Projects report have been prepared and are being processed for approval.

Sl. No.	Name of the Projects	Capacity (Mty.)	Estimated Capital of the Project (Rs. Crore)	Remarks
1	Jagannath West U/G	0.52	81.38 (Mar '01)	Draft PR formulated. PR under scrutiny by CMPDI Hq. for stability of inclines.
2	Garjanbahal - A OCP (Karlikachhar OCP)	1.50	73.50 (Mar '02)	PR formulated. Deferred in the 66th FD's meeting held on 19.06.02.

16.7 Projects under formulation

Sl. No.	Name of the Projects	Capacity (Mty.)	Remarks
1	Kaniha - II OCP	12.00	Draft PR formulated. Final PR under preparation.
2	Siarnal OCP	8.00	GR available. Draft PR under formulation.
3	Talabira - II	4.00	PR will be prepared after release of the block from the Captive Mine block list by Screening Committee of MOC.

16.8 Non-Mining Projects

Following are the 24 sanctioned non-mining projects with a total capital outlay of Rs. 313.99 Crore, out of which 14 have been completed. Details are as under :

A. Major Completed Non-Mining Projects in M.C.L

There are 14 completed non-mining projects in MCL.

Sl.No.	Name of the Projects	Date of Approval	Sanctioned Capital (Rs. Crore)	Completed in
1	Central Workshop, Ib Valley	11/8/89	13.32	01/96
2	Power supply scheme Phase I, Ib-Valley	22/08/91	33.35	06/97
3	Regional Stores, Ib-Valley	26/11/85	3.33	03/92
4	Training (Excv.) Institute, Ib-Valley	13/07/89	5.25	10/93
5	Water Supply scheme, Ib-Valley	19/07/91	4.83	02/96
6	Central Hospital, Talcher	08/05/87	14.28	03/94
7	Central Workshop, Talcher	25/03/89	17.83	12/95
8	Integrated Telecommunication System, Talcher	26/04/91	2.90	03/98
9	Integrated Telecommunication System, Ib-Valley	26/04/91	2.37	03/96
10	Power supply scheme, Talcher, Phase-I	25/03/89	19.98	09/94
11	Water supply scheme at Talcher, Phase-I	11/01/83	5.83	12/95
12.	Integrated water supply scheme Phase-II for Talcher Coalfields	06/05/91	7.88	09/03
13	Augmentation of Central Workshop, Talcher	22/03/00	21.37 (Incremental)	03/04
14	Augmentation of Central Workshop, Ib-Valley	22/03/00	10.66 (Incremental)	03/04
Total			163.18	

B. Major On-going non-mining projects of MCL

Following are the 10 on-going non-mining projects with a total capital outlay of Rs. 150.81 Crore. Brief details of the same are as under :

Sl. No.	Name of the Projects	No. of Projects	Capital Outlay (Rs. Crore)
1	Sand Winning from Ib river of Ib-Valley Coalfields	1	5.35
2	Arterial Road for Ib-Valley and Talcher Coalfields	2	37.70 (17.80+19.90)
3	Improvement and Strengthening of Balinga-Himgir-Belpahar Road for Basundhara Area	1	42.32
4	Mining -cum-Excavation Training Institute at Talcher Coalfields	1	5.25
5	Environmental Laboratories at Ib-Valley and Talcher Coalfields	2	3.87 (1.82+2.05)
6	Construction of Railway line linking Kalinga CPP to existing Jagannath Spur, 3 and 4	1	11.18
7	Construction of balance railway line work of Bharatpur CPP yard. South Balanda connection and remodelling of South Balanda yard	1	13.81
8	Widening and Strengthening of Road from Sundergarh to Dudka Chowk of Basundhara Area	1	31.33
Total		10	150.81

16.9 Land acquisition during 2003-2004

No land was acquired during the year.

16.10 Coal Preparation Plant

A. Kalinga CPP (8.0 Mty. Throughput capacity) under Build Own Operate (BOO) basis :

The terms of agreement of Kalinga CPP between M/s. Roberts and Schafer Engineering (India) Pvt. Ltd. and MCL had been approved by MCL Board and CIL Board, Kalinga CPP is to produce 6.05 Mty. washed coal for supplies to HNPCL and others. HNPCL was issued a notice of termination of agreement on 04.12.2001 for washed coal supply from MCL due to an event of default on part of HNPCL.

Subsequently APGENCO has approached and expressed their interest to receive washed coal from this washery. At the later date, due to enhancement of their demand APGENCO floated a tender for setting of washery and requested MCL for providing land and other infrastructure facilities. This was put up in 64th MCL Board meeting held on 11th December, 2003 and was approved. In the 65th meeting of MCL Board of Directors held on 23.01.2004, the matter of termination of the earlier contract with M/s. Roberts Schafer Engineering (India) Pvt. Ltd. and offering the same land to Washery Operator of APGENCO were put up and was also approved.

B. Ananta-Bharatpur CPP (5.2 Mty. Throughput capacity) under Build Own Operate (BOO) Basis :

The terms of agreement of Ananta - Bharatpur CPP between MCL and M/s. Madhucon Projects Ltd. was initiated on 18.12.99 subject to approval of Board of Directors of MCL. Some legal observations/ remarks on the draft agreement have been received from MCL counsel and the same was discussed and accepted with minor changes in the meeting held on 26.06.2002 at MCL, HQ. with M/s. Madhucon Project Limited. The agreement was to be approved by MCL Board. The washery is to produce

3.78 Mty. of washed coal to meet the requirement of the power houses.

In the absence of commitment from customers to receive the washed coal, after the passage of 9 years from the date of issuance of LOI and due to certain changes in scope of work it was proposed to terminate the contract. In the mean time NTPC expressed its desire to set up washery for supply of washed coal to Simhadri TPS. As per their request, the matter was placed to the 65th MCL Board meeting and was approved. The matter of termination of contract with M/s. Madhucon Project Ltd. and offering the same land to NTPC was also approved.

17. EXPLORATION

The details of geological exploration activities in MCL command area during 2003-2004 are summarised below:

Particulars	2003-2004		2002-2003
	Target	Actual	Actual
1. Total Drilling (metre)	44500.00	42561.00	45314.20
2. Coal Reserves proved (M.Te)	—	547.48 (Proved) 966.235 (Indicated)	250.00

18. ENVIRONMENT, ECOLOGY AND AFFORESTATION

18.1 Status of Environment Clearance from MoEF and Consent by SPCB.

- Ministry of Environment and Forest(MoEF), Government of India has accorded environment clearance to 16 opencast projects and 2 underground projects of MCL. This year MoEF accorded environment clearance to Bhubaneswari OCP(10 Mty.).
- Environment clearance for three new opencast projects are under consideration at MoEF and SPCB. These are Garjanbahal (10Mty), Talabira-III (6.5 Mty) and Gopalprasad (12 Mty.) OCPs. Expert Committee (Mining) has already recommended Garjanbahal OCP for environment clearance subject to

submission of some clarifications/ clearances including Stage-I forest clearance. NOC has already been granted by SPCB and public hearing also conducted. Stage-1 forestry clearance is under consideration at State Government level. This year clearance from Central Ground Water Board has been obtained and clarifications/information desired by Wild Life Institute of India, Dehradun has been submitted. This year public hearing was conducted for Gopalprasad OCP and the public hearing panel recommended this project, NOC was also granted by SPCB. Application for Site Clearance was submitted to MoEF for Talabira-III OCP and revised application for grant of NOC and conducting public hearing was submitted to SPCB alongwith the requisite fees.

- Public hearing was conducted this year for expansion of five operating opencast projects namely Ananta (8 Mty), Jagannath(6 Mty), Bharatpur(7.5 Mty) Lingaraj(7.5 Mty) and Belpahar(4.5 Mty). NOC was also granted by SPCB this year. These projects are under consideration at MoEF for post-facto environment clearance. The case of Samaleswari Expansion Project(4 Mty) was rejected by MoEF and fresh proposal is under preparation at CMPDI, Bhubaneswar.
- Consent to operate was obtained from SPCB for all the 20 running mines of MCL for the year 2003-04.
- In respect of running projects regular monitoring is being done for compliance of the condition stipulated in the environment clearance letters and consent letters.

18.2 Measures taken to protect and improve the environment

Afforestation and land reclamation:

Afforestation drive in the mines of MCL continued and 75,000 saplings of mixed species have been planted during 2003-04 with 85% survival against the target of 2,60,000 and last year's plantation of 2,16,000. This was because State Government's Plantation Agency, Orissa

Forest Development Corporation(OFDC) refused to take up the plantation after the award of work. After their refusal, an alternative plantation agency of Chhatisgarh Government, namely Chhatisgarh Rajya Van Vikas Nigam Limited were awarded the plantation work. Following are the highlights of the special efforts towards afforestation and land reclamation.

- Use of Sewerage Treatment Plant sludge for soil amendment at all the mines. There are 7 such STPs operating successfully in MCL. The treated water from these STPs, which is rich in all the macro and micro-nutrients required for the plant growth, is also used for watering the plants.
- Work continued on the integrated land reclamation site at Samlewari opencast project over an area of 25 Ha dragline degraded land. The area is to be converted into a green oasis consisting of water pools, water ways, terrace garden, fruit orchard, agricultural plots, smoothly graded landscapes etc. During the year some technical reclamation work as well as some plantation work were taken up at this site and maintenance was taken up for plants raised earlier. Sunflower was also grown on experimental basis, with great success on 1 Ha agriculture plot after laying top soil.
- Special dragline land reclamation work at Balanda OCP and Jagannath OCP continued successfully.
- Medicinal and fruit bearing trees were planted on dumps as well as in block plantation and avenue plantation along with other multipurpose trees.
- Fruit bearing trees and medicinal trees were distributed and planted by the employees at MCL Hq. as well as at different mines during month long Van Mahotsava celebration in July, 2003.

18.3 Air Pollution control measures

To check air pollution following steps have been taken :

1. 14 numbers of Eco-friendly Surface Miners were deployed during the year which has produced 22.535 MT of coal out of total production of 60.05 MT in 2003-04. Thus about 38% coal production was through Eco-friendly surface miner machine. This machine has significant environmental benefits as it eliminates operations like drilling, blasting and crushing. Cutting drum is totally covered by the body of the machine and cutting drum cannot operate without the start of the integrated water sprinkling system, thus there is very limited scope of dust generation during coal cutting operation. As blasting is totally eliminated, there is no blasting induced cracks or fissures and thus ingress of O₂ is restricted resulting in drastic reduction in the spontaneous heating and bench fire problem. Selective mining i.e. mine the coal and remove the dirt band separately, reduces the ash content by about 3% resulting in reduction of fly ash generation and reduction in green house gases.
2. Black topping of roads and semi-permanent haul roads and metalling of haul roads. Maintenance and upkeep of all the black topped and metalled roads constructed during previous years.
3. Provision of fixed water sprinklers on roads, railway siding and CHPs. Maintenance and up-keep of all such fixed sprinklers installed during previous years.
4. Manual sweeping arrangement for cleaning of road side dust.
5. Pit-head railway siding was commissioned this year at Bharatpur OCP resulting in reduction of traffic through residential belts and reduction in transport distance thus reducing the overall pollution level.
6. High capacity tippers of 20 and 30 Te capacity were also introduced in place of the conventional 10 Te capacity tippers resulting in reduction of traffic volume and thereby reduction in air pollution.
7. Installation of Dust Control System and Dust Extraction System in CHPs and at transfer points elsewhere. Mist generators have been installed and transfer points and crushers have been fully covered to minimise dust generation at these points.
8. Wetting of roads by mobile water sprinklers of capacity 28,000 litres, 16,000 litres and 12,000 litres.
9. Environmental telemonitoring of underground environment from surface installed device at Orient Mines working satisfactorily.
10. Four instant shower systems installed at Ananta, Jagannath, Bharapur and Lingaraj OCPs are working satisfactorily. These are fully automatic, sensor operated, fine nozzle mounted, fixed sprinkler system which provide mist shower to the coal trucks when it enters the showering zone. The shower automatically stops once the truck leaves the showering zone, thus conserving water and energy.
11. The mobile nitrogen generating plant for fire prevention and fire fighting is operational in Orient Area.
12. Green belts have been created between residential area and mine infrastructure for dust control.

18.4 Water pollution control measures

1. Effluent from mines, workshop, settling ponds and spoil dumps are made to confirm to standards of MoEF before being discharged into the natural drains and streams/nalas. This year sedimentation pond has

been made at Lingaraj OCP siding, Hingula OCP and Balanda OCP. Mine effluent contains mainly suspended solids as impurity which is removed in sedimentation pond. No chemical or acidic impurity is found in the mine effluent. Workshop effluent contains suspended solids and oil and grease as impurities, which are removed in oil and grease trap.

2. Mine seepage water are made to settle in big sedimentation lagoons created in the quarry bed. Oil and Grease traps have been provided at the outlet of Workshop.
3. Garland drains have been provided near the toe of OB dump as well as quarry boundaries.
4. Water is monitored at all the discharge points and all the parameters remain within prescribed limit.
5. Sewerage treatment plant, for domestic waste water treatment, is operational at Nehru Satabdi colony, Bharatpur, Ananta Vihar Colony, Jagannath Colony, Samleswari Colony, Belpahar-Lakhanpur Colony, Kalinga Colony and Central Workshop Colony, Talcher, last two were commissioned this year.
6. Huge size quarry voids and dip side sumps are used as water harvesting structure for collection of rainwater and mine seepage water and subsequent recharging of the ground water table. Due to this reason ground water levels in the Coalfields area has remained, almost constant, as per the study of Central Ground Water Board.
7. In total 8 MLD capacity water treatment plants are operational under the integrated water supply scheme at Talcher and Ib-valley Coalfields supplying quality drinking water to its 22,000 families and nearby habitations.

18.5 Noise and ground vibration control measures

1. Green belts have been created between the residential colonies and the mines and their infrastructural facilities like CHPs, Railway Sidings, Workshops etc. to attenuate the noise level and to arrest the movement of dust.
2. Workers exposed to noise beyond permissible limits have been provided with earmuffs and ear plugs.
3. Non electric detonators(shock tubes) are used for blasting of the explosive resulting in less noise and vibration and better fragmentation.
4. Controlled blasting practice adopted wherever it is necessary.
5. Surface Miners are being used at Lakhanpur, Belpahar, Lingaraj, Kalinga, Bharatpur and Hingula mines, which effectively controls noise and ground vibration as drilling, blasting, crushing operations are totally eliminated.

18.6 Environment monitoring and environmental audit

1. Regular monitoring of Air, Water, Noise and Soil are carried out including micro meteorological studies through Government agencies whose laboratories are duly recognised by MoEF in this regard.
2. Methodology, frequency of monitoring etc. are strictly as per the latest Gazette Notification.
3. The results of monitoring are scrutinised by a senior officer at Headquarters and any upward trend is immediately brought to the notice of the project authorities for taking necessary corrective measures.
4. Results of monitoring are submitted to SPCB on monthly basis and to MoEF on half-yearly basis.

5. Environmental audit was conducted in each project by a multi disciplinary audit team and environmental statement was submitted to SPCB and MoEF.

18.7 Training and organisation

1. All the executives working in Environment Department have undergone tailor-made 6 weeks/13 weeks course in environmental management in mining areas at ISM, Dhanbad.
2. All the six World Bank aided projects of MCL have full-time environment office at project level and area level. Besides this full-time environment officers are posted at all opencast areas.
3. Three executives have already completed their M.Tech in environmental science and related topics.
4. Services of these officers are utilised at Headquarters and in opencast areas as nodal environment officers.

18.8 Environmental Telemonitoring

1. Environmental Telemonitoring system has been commissioned in Mine No. 3, Orient Area and it is working satisfactorily.
2. Further, all the underground mines of MCL are going to have the same system in due course.

18.9 Environmental Awareness

1. World Environment Day was celebrated on 5th June, 2003.
2. Van-Mahotsava-Week was also celebrated this year, which was inaugurated on 7th July, 2003 by Director(Technical), MCL.
3. Basically the programmes undertaken during the Environment Day/Van Mahotsav includes Hoisting of

Environment Flag, Distribution and plantation of fruit trees, Putting up of Environment Theme posters and banners, Painting/essay competition among the school children, Environmental slogan competition, wide circulation of environmental booklets, Training manuals etc.

4. For Environmental Awareness, Training programmes are arranged at regular interval for employees of MCL on the subject of Environmental Management in mining areas.

18.10 Environmental R&D

From MCL fund, R&D project named "Consultancy Research-cum-Demonstration Project-Bio-Technological Reclamation of Over Burden Dumps (OBDs), wasteland and vacant blocks in Talcher and Ib-Valley Coalfields of MCL through plantation of medicinal and other multi-purpose Indigenous species"- was started in October, 2001 and plantation work completed by CFRI, Dhanbad in 2002-2003. Post-plantation activities have been extended up to 2004-2005. The total outlay for the above research cum demonstration project, covering 100 ha., would be Rs.1.4 crore.

18.11 ISO-14001 Certification

Under institutional strengthening programme of ESMP, work has been awarded to CMPDI for implementation of ISO-14001 at Samleswari, Kalinga and Lakhanpur OCP. CMPDI completed two sub-tasks this year, field visit of the mines and preparation of Initial Environmental Review (IER)

19. SALES AND MARKETING PERFORMANCE

19.1 Marketing Points :

- MCL has not increased the basic price of coal since last revision dt.01.02.2001.
- MCL's coal is the cheapest among all

subsidiary companies and other coal producing Company viz. SCCL.

- MCL has entered into F.S.A. with all most all sponge iron units and with some of the major power utilities like APEGenco, NTPC, NALCO and negotiations are on with other State Electricity Boards like TNEB, MSEB, Kolaghat, KPCL etc.
- MCL is offering coal under Open Sales Scheme (OSS) both by Rail and Road to cater the needs of Brick Burners and other small consumers including traders.
- On persuasion by MCL railways had withdrawn siding charges in Ib-coalfield. As a result, consumers drawing coal from Ib-Valley got relief of about Rs. 22/- per tonne on railway freight charges there by reducing the landed cost to that extent.

19.2 Demand and Off-take

During 2003-2004 MCL has achieved an off-take of 59.36 MT against Annual Target of 53.1 M.T. which is 112 % of its Annual Action Plan target.

Against a demand of 53.1 million tonnes, MCL could achieve an off-take of 59.36 million tonnes. The sector-wise break up of demand vis-à-vis off-take during 2003-2004 as compared to 2002-2003 is as given in the table below.

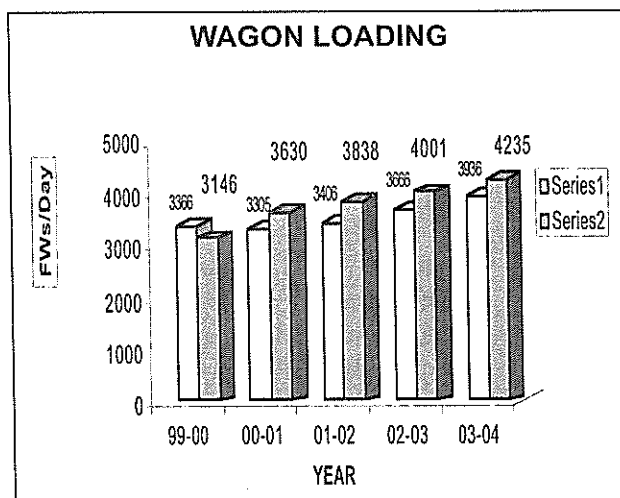
(Figs. In Million Tonne)

Sector	2003-2004			2002-2003
	Target	Actual	% Achieved	Actual
Power (Incl.CPP)	49.02	53.75	109.66	46.83
Cement	0.20	0.224	112.00	0.20
Others	3.870	5.373	138.52	4.33
Colly. Consumption	0.010	0.007	70.00	0.01
Total	53.10	59.359	111.79	51.37

19.3 Wagon loading

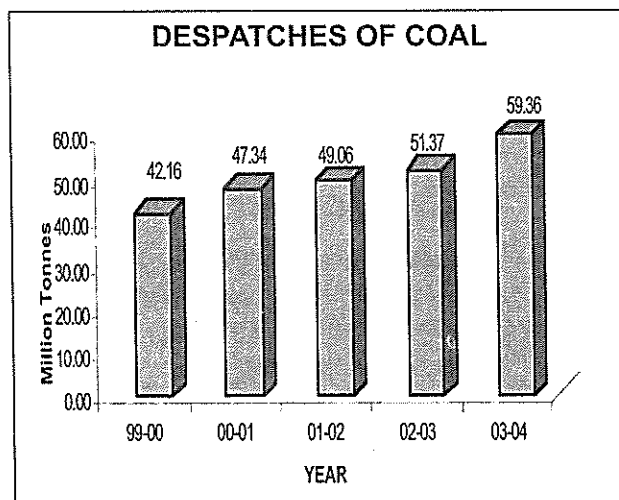
Daily average wagon loading achieved during the year is 4235 wagon/ Day, which is the highest since inception of MCL, against 4001 wagon/Day during 2002-2003.

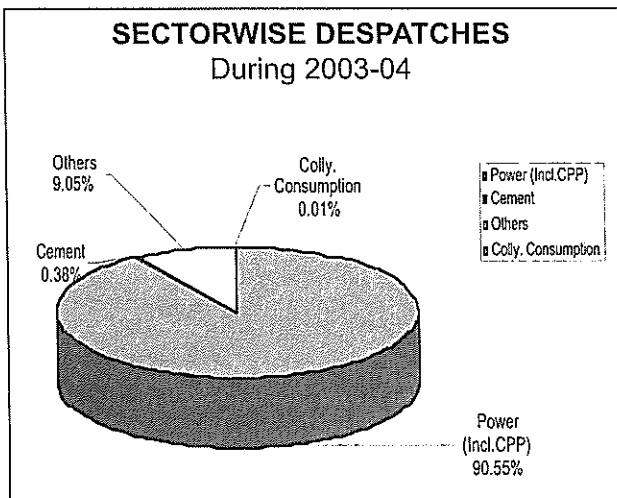
Field	Target	Offer	Allotment	Supply	Loading
Ib-Valley	1234	2008	1493	1427	1427
Talcher	2762	3010	2912	2821	2808
Total	3936	5018	4405	4248	4235



19.4 Marketing and modernisation in despatches

- MCL has introduced surface miners, a new technology for winning the coal (selective mining) in order to improve the coal quality.
- MCL is loading BOBR wagons from Talcher field for supply of (-) 100 MM size coal to TNEB through mechanised coal handling plant at Paradip Port. Similarly at Ib-valley field all the sidings except orient siding are loading(-) 100 MM size coal.





- Despatches to NTPC (Kaniha) is through MGR system and OPGC on UTLS.
- True weighing system installed in payloaders for truck loading resulting in prompt delivery of coal to road sale customers.
- Coal despatches account NALCO are through MGR rapid loading system from Bharatpur colliery.

20. COAL QUALITY IMPROVEMENT.

20.1 Your Company has taken utmost care to improve the quality of coal supplies to different powerhouses and to fulfil the consumer satisfaction. During the year various measures for ensuring proper quality of coal despatched were intensified. As compared to previous year, this year, MCL could achieve a record despatch of 59.359 Mt. against 51.37 Mt. during previous year. So far quality complaints are concerned this year the number of complaints received is 2(two) against 2(two) in the previous year.

20.2 The following steps were taken by the Company to improve quality and consumer satisfaction.

1. Frequent interactions with different consumers have been done to improve consumer satisfaction.
2. Consumers were encouraged and they were free for checking and supervising personally the coal loading sidings.

3. All sidings from where huge quantity of coal is despatched to major consumers and Core Sector industries have been put directly under the Nodal Officers who were specifically responsible for maintaining and ensuring proper quality, weightment and sizing of coal.
4. Whenever any complaint, major or minor in nature, received, the same had been enquired at the spot by officers of QC Department and the findings had been informed to the consumer from where complaint was received.
5. Constant monitoring are being done with all the railway sidings at area level about despatch of coal to all consumers.
6. Surprise inspections and analysis of coal from different sidings are being done regularly by teams of officers to ensure proper quantity and quality of coal despatched.
7. Frequent inspections of Weighbridges and Laboratories are being done regularly.
8. In case of any discrepancy or fault found in Laboratories, Weighbridges and Sidings, the same are being communicated to the concerned CGM/GM of the Area for information and taking corrective measures.
9. Presently 3rd Party sampling and analysis of coal are being done with MSEB, WBPDC and RSP. Joint sampling is continuing for APGENCO, ICCL, TNEB, NTPC(Kaniha), TTPS, OPGC, NALCO, KPCL, NALCO(Dmj) and NTPC(Simhadri).
10. There are eight coal analysis laboratories at Orient, Ib-Valley, Jagannath, Lingaraj, Kalinga, Hingula, Lakhanpur and Basundhara Areas. Out of which four laboratories which are at Rampur colliery, Lajkura OCP, Jagannath OCP and Lingaraj OCP are well equipped with modern equipment like automatic proximate analyzer and electronic bomb

- calorimeter for determination of UHV and GCV for coal respectively.
11. These equipment enable us to determine the grade of coal despatched to different consumers within a period of two hours. This has helped for quick monitoring of the quality of coal available in the colliery stocks, sidings and the quality of coal being mined.
 12. During this year also selective mining method of extraction of coal was being continued and accordingly surface miners were deployed at Lakhanpur OCP, Belpahar OCP, Lingaraj OCP, Bharatpur OCP, Kalinga OCP and Hingula OCP.
 13. By using surface miner the rejects are being separated from the coal seams which helps to maintain the quality of coal?
 14. Electronic Rail Weigh-Bridges with print out facility are existing at all sidings. Apart from this Company has provided standby weigh bridges for achieving maximum weighment.
 15. The coal, which has been despatched by rail, belt and MGR, are 100 % crushed by CHPs and Feeder Breakers. During this year Company is supplying (-) 100 mm size of coal to all major consumers. So there is 100 % satisfaction of dispatching sized coal to the consumers.
 16. Out of total dispatches of 59.359 Mt. of coal 99.07 % of coal was weighed with electronic print out during the year against 98.33 % of 51.37 Mt. coal during previous year.

20.3 Number of coal handling plants and weighbridges and their functioning points etc.

32.230 Mt of crushed coal was despatched through CHP during the year against 32.266 Million Tonnes of Crushed Coal compared to previous year. 22.538 Mt of crushed coal was produced using "Surface Miner" during the year.

	2003-2004		2002-2003	
	Crushing Capacity in Mty.	Coal Despatched through CHP (Mt.)	Crushing Capacity in Mty.	Coal Despatched through CHP (Mt.)
Coal Handling Plants/ Feeder Breakers	44.70	32.230	45.70	32.266
% utilisation of Crushing Capacity of Plant	72.10		70.60	
% Growth of utilisation of plant capacity during the year over previous year			(+) 2.125	

20.3.1 The functional points of these CHPs are as follows :

Major CHPs

Area	Location Of CHP	Capacity(Mty)
Jagannath	Jagannath OCP	2.0
	Balanda OCP	1.2
Kalinga	Bharatpur OCP	3.5
Lakhanpur	Belpahar OCP	3.5**
Total		10.20

** Belpahar CHP, Lakhanpur Area is for transportation and handling/ loading of coal (through UTLS) and not for crushing.

20.3.2 Mini CHPs/ Feeder Breakers

Area	Location Of CHP	Capacity(Mty)
Jagannath	Jagannath OCP	4.0
	Ananta OCP	7.0
	Balanda OCP	1.00
Kalinga	Kalinga OCP	4.0
	Ib-Valley	Lajkura OCP
Lakhanpur	Samaleswari OCP	5.0
	Belpahar OCP	2.0
Lakhanpur	Lakhanpur OCP	4.0
	Lingaraj	Lingaraj OCP
Basundhara	Basundhara OCP	1.0
Hingula	Hingula OCP	2.0
Total		38.0

20.4 Details of Weighbridges

Sl. No	Types of weighbridges	2003-2004	2002-03
1.	Road weighbridges (Hybride)	1	1
2.	Road weighbridges (Electronic)	35	35
3.	Rail weighbridges (Electronic)	26	26
4.	% Weighment during the year (By rail)	98.51	97.58
5.	% Weighment during the year (Overall weighment)	99.07	98.33

The percentage of overall weighment of coal despatched to consumers achieved during the year is 99.07 % against 98.33% compared to previous year whereas total rail despatch weighment achieved during the year 98.51% against 97.57% compared to the previous year.

21. SAFETY AND RESCUE

21.1 The goal of your Company is to strive continuously for improving the safety standard in all the mines and to enhance the safety awareness amongst the workers and staffs of the company. Regular interaction is continued with the workers representatives, DGMS officials and Corporate executives to maintain a high level of safety in all the spheres of working.

21.2 Steps taken for improving safety - 2003-2004

- All the fatal and serious accidents are analysed at every level to find out the cause and possible steps to be taken for their prevention.
- Regular safety committee meetings are being conducted at unit level with every section of workers.
- On-the-job training are being imparted to the HEMM operators and maintenance staffs by the site engineers of OEM.
- Every section of workers including contractors' workers are being trained at the GVTC/VTC.
- Three Safety drives were held in August' 03 October' 03 and January' 04 on different subjects.
- Annual Mines Safety week was observed between 18-01-04 to 24-01-04
- Trade test among group of workers of different categories was conducted during Annual Mines Safety Week - 2004.
- Rock Mass Rating of all development districts have determined.
- Timber support has been replaced by roof bolting and roof stitching in all development districts.
- To review the status of implementation of various safety aspects Seventh safety audit have been conducted by a Dy. DGMS(Rtd.).
- To develop better safety awareness amongst workers, supervisors and executives, Tripartite Safety Committee meeting at Company level and Area level are being held regularly.
- Periodic Medical Examination target was completed during the year.
- Internal and external safety circulars have been circulated upto unit level.
- Check-survey of all underground mines have been conducted during the year.
- Underground rest shelters have been wire netted to prevent roof-fall accident.
- Fluorescent paint display boards with safety slogan are provided within working area of mine.
- Workshops on "Risk Assessment and Accident Prevention" were organised at Ib-Valley Area and Basundhara Area.
- Replacement of conventional Tippers with heavy duty Tippers (20-30T) were made.
- Conducting mock rehearsals at mines and Mines Rescue stations for enhancing the level of preparedness amongst workmen, supervisors and executives were conducted.
- Use of non - electric shock detonating system in the blasts for controlled blasting

avoiding damages to the houses, buildings, structures etc. are in practice

- Introduction of fluorescent jackets for work persons of open cast-mines for spotting their presence during dark hours were in use.
- Use of dust suppression system like static water sprinklers, misters and mobile water sprinklers and introduction of chemical dust suppression to prevent raising of dusts on haul roads/sidings /stock yards are in practice.
- Intensive training were given to contractors' workmen at GVTC/VTC as well as at work site.

21.3 New Safety Technology Adopted

- Introduction of Universal Drilling machine for making drill holes for roof bolting system of support.
- Water-logged inter-mine barrier between Talcher and Handidhua underground mines have been proved by electrical resistivity survey method by CMRI and same system will be adopted to prove three inaccessible barrier at underground mines of Orient Area.

21.4 Research and Development

- Study of technical suitability and economic viability of resin bolts as system of roof support of Nandira underground mine.
- A study is conducted by CMRI to establish safe limit of ground vibration at underground workings of Orient Mine No. 2 due to blasting in Lajkura opencast mines.
- A study on slope stability at surface miner face of Hingula opencast mine was conducted by CMRI.

21.5 Rescue

One Mines Rescue Station has been established at Brajarajnagar for Ib -Valley coalfield serving 05 underground mines of Orient Area. One Rescue Room with Refresher Training facility (RRRT) is functioning at Talcher coalfield serving three

underground mines of Talcher Area. Mines Rescue Station, Brajarajnagar got permission under Rescue Rule3(1) to function as a full fledged Rescue Station with initial training facilities. Last year seven persons have imparted initial training. MRS, Brajarajnagar and RRRT, Talcher have been fully equipped with modern rescue apparatus e.g. BG - 174, Travox - 120, Computerised testing quaster - II etc. All the underground mines are within reach of thirty minute from respective MRS/RRRT.

21.6 Accident Statistics

Sl No.	Particulars	2003-2004	2002-2003
1	No. of fatal accident	08	03
2	No. of fatality	08	03
3	No. of serious accident	14	15
4	No. of serious injury	14	15
5	Rate of fatality		
	Per. M. Te. Output	0.133	0.057
	Per 3 Lakh manshift	0.490	0.193
6	Rate of serious injury		
	Per M.Te. output	0.233	0.287
	Per 3 Lakh manshift	0.858	0.969
7	Place-wise fatality		
	UG	—	—
	OC	8(8)	1(1)
	AG	—	2(2)
	Total	8(8)	3(3)

22. COMPUTERISATION

The achievements during the year in the field of information technology are as under:

22.1 Implementation of Oracle based applications : Oracle based Payroll, Financial Accounting has been implemented in Jagannath, Kalinga, Talcher, Lingaraj, Basundhara, CWS Ib-Valley, Orient, Ib-Valley and MCL Hqs. on a Client -Server architecture. Sales Billing has been implemented in all the areas.

22.2 OMMS : Oracle based OMMS is functioning

in Jagannath, Talcher, Kalinga, CWS Talcher, Samelswari, CWS Ib-Valley and Lakhanpur Central/ Regional Stores on a Client -Server architecture. The daily transactions are being carried out on-line in all these Stores, Codification cells are functioning in all Areas and MCL Hq. for uniform implementation of 11 digit standard item codes throughout MCL.

- 22.3 **New PCs** : 200 PCs have been installed in MCL during the year. Further, additional 69 numbers of PCs has been procured.
- 22.4 **Web hosting of tenders** : Your Company is posting all open, paper advertised tenders in the official web site "mahanadicoal.nic.in" as per the guidelines of CVC. Now the entire Tender document can be downloaded from the web site.
- 22.5 **Coalnet** : MCL Hq has established a LAN which can connect upto 250 nodes and has already started implementing Coalnet. As per the implementation strategy, Coalnet will be implemented in two phases namely :
- Phase - I** : This phase will be implemented in MCL Hq. The procurement action for the hardware required has already been initiated and is progressing very fast. The VSAT communication facility has been tested for voice and video connectivity. Data connectivity will be tested once NIC releases the necessary bandwidth. Till such time the new server is procured, one existing server at MCL Hqs. has been upgraded and IIT Kharagpur has started implementation of the Coalnet software.
- Phase - II** : In this phase, Coalnet will be implemented in all the Areas. This phase is expected to be completed by March, 2005.
- Further, a Steering Committee has been re-constituted under the Chairmanship of Director(Technical), for the smooth implementation and functioning of Coalnet.
- 22.6 **Training** : Users have been imparted training on Windows operating system, MS Office suite etc. to enable them to carry out their day-to-day business activities effectively.

23. TELECOMMUNICATION

The telecommunication network of the company has been upgraded keeping in view the increasing requirement of efficient and reliable communication.

1. One 600 line Digital Electronic Exchange caters the need of Corporate Office and Colony of MCL HQ. at Jagruti Vihar. One, 96 line EPABX meets the requirement at Anand Vihar Colony of Hq. These two exchanges are interfaced and provide both internal and external communication to the subscribers.
2. Decision has been taken to upgrade all the old/outdated telephone exchange at Areas with state-of-art technology in a phased manner.
3. Mobile communication has been introduced by M/s Reliance and M/s BSNL in this region. The Company has provided mobile telephones as alternative mode of communication to the key executives at Hq. as well as to the CGM/GM's of all Areas.
4. VHF communication system in MCL HQ. and in other areas is being strengthened. In this regard an additional frequency has been provided for Lingaraj Area to tide over the frequency jamming problem. Further it has been decided to increase the number of VHF sets for each area for better communication.
5. Under the Coalnet Phase - I of CIL, VSAT system has been installed at MCL Hq. resulting in establishment of VOICE communication between CIL, MOC and different subsidiary head quarters. Video conferencing has also been installed between MCL and CIL alongwith other subsidiary Hq.
6. Under Coalnet - II it has been planned for both voice and data communication between Areas and MCL Hq.

7. Underground communication system is being strengthened in underground mines of Talcher Coalfields by introducing intrinsically safe U/G Telephone Exchanges.

24. DEVELOPMENT OF ANCILLARY INDUSTRIES

24.1 There were 74 proven ancillary units and 21 provisional ancillary units in the company during last year. During the year one proven ancillary and twenty two provisional ancillary units have been added.

24.2 During the year, your Company has participated in the following vendor development programmes as Sponsor.

(a) Seminar and Vendor development Programme organised by Orissa Assembly of Small and Medium Enterprises on 12.08.2003 at Cuttack, MCL has been awarded as the best Ancillary Promoter during the year.

(b) National Seminar on Vendor Development Programme cum Buyer-Seller Meet and Industrial Exhibition organised by SISI at Balasore on 25th and 26th February '2003.

24.3 Your Company has organised an exhibition for displaying of spares of different open-cast and underground equipment on 23.09.2003 in which all proven and provisional ancillary units of MCL and different SSI units of Orissa have taken part.

24.4 Total amount of supply order and repair order placed to ancillary units (Proven and Provisional) and other SSI units of Orissa is to the tune of Rs. 5.26 crore during 2003-2004 compared to Rs. 5.97 crore during 2002-2003.

The off-take of Ancillary unit would have been much more but for :

- (a) Closure of Re-rolling mills at Hirakud which were supplying Torsteel.
- (b) Closure/non-compliance of order of ACSR conductor by HIW.

(c) Reduction in requirement of coal tubs, as MCL is going for mass scale conveyor transport and mechanical loading.

(d) Though RC for tyre retreading finalised but the ancillary units are not lifting the tyres for retreading.

(e) Non-participating or non-compliance of purchase orders by some ancillary units.

25. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY

25.1 During the year an amount of Rs.415.29 lakh was spent on Advertisement and Publicity against Rs. 483.15 lakh in previous year as briefed hereunder:

		(Rs. In lakh)	
		2003-04	2002-03
1.	Advertisement for :		
	(a) Tender	347.84	395.80
	(b) Other	4.39	8.03
2.	Publicity	63.06	79.32
Total		415.29	483.15

25.2 Public Relation

The main focus of Public Relation in your Company is to maintain harmonic relation with Print and Electronics media., Image building publication of journals, Advertisements and publication of various events of the company in media.

It is a constant endeavour to maintain constructive and harmonic relationship with Print and Electronics Media. Media is always briefed and properly feedbacked regarding various events/activities, occasions, development from time to time. Annual and Intermediary Press conferences/Meets are organised at Corporate as well as at field levels.

The following in-house journals/magazines are regularly published :

1. MCL NEWS : Various events, achievements, welfare measures.
2. PRATIVA : Publication of various write - ups of talents of MCL family members.
3. Important News, events, achievements etc. are regularly being sent for publication in "COAL INDIA NEWS" and "KHANAN BHARATI"
4. CORPORATE DOSSIER :- A monthly compiled in-house magazine pertaining to concurrent Corporate affairs.
5. Publication of various News/events/ activities are continued in Local, Regional, Hindi and National Newspapers.

In order to promote Hindi in our daily life, every day flashing of five words on the black board kept at the main entrance of Corporate building.

Advertisements :

- a. **Goodwill Advertisements :** For Image building and better corporate - media Relationship, Your Company is releasing Goodwill Advertisements in various print media.
- b. **Tender Publication and Web-page Hosting :** Tender advertisements in various newspapers as well as in web-site as per CVC guidelines are being timely published.

26. WORLD BANK ASSISTANCE

World Bank Assistance period under CSR and ESMP completed on 31st December, 2003 and 30th June, 2002 respectively. Implementation Completion Report (ICR) prepared in September, 2002 was revised after the World Bank Mission visit in November, 2003. World Bank Team periodically visit the mines to monitor the borrowers obligation beyond the project period and to oversee some ongoing activities relating to rehabilitation and

resettlement of project affected persons.

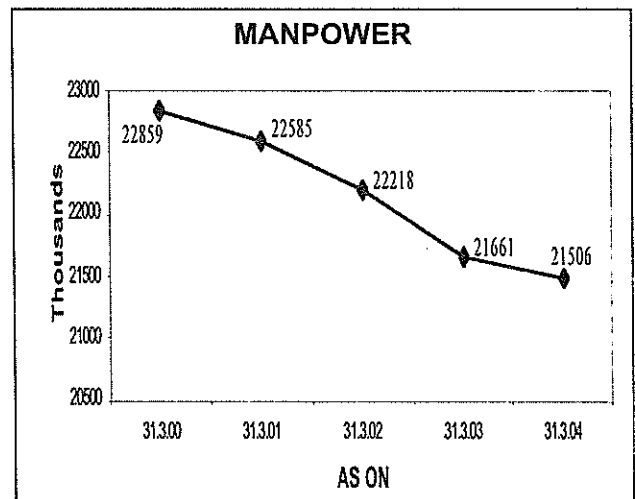
The World Bank loan was financed by JEXIM and IBRD Bank. The amount due on account of this loan is Rs.206.75 crore as at 31.3.2004 after repayment of Rs.11.57 crore made during the year.

27. HUMAN RESOURCE DEVELOPMENT

27.1 Manpower :

The Company's manpower as on 31.3.2004 compared to that of 31.3.2003 is indicated below :

Category	As at 31.03.2004	As at 31.3.2003
Executives	1299	1323
Supervisors	2050	1905
Highly skilled	6826	7253
Semi skilled : Time Rated	9005	7837
Piece Rated	653	1620
Ministerial	1603	1657
Badlies	0	9
Stipend Trainees	63	40
Ex.CMWO/Others	07	17
Total	21506	21661
Apprentices	08	7
Grand Total	21514	21668



27.2 During the year the main thrust of HRD activities has been to fulfil the need of skilled manpower. Belpahar Training Institute and MEETI, Talcher concentrated on initial training for dumper operator, dozer operator

and maintenance staff. Talcher and Orient areas imparted on the Job training to suitable existing employees for LHD/SDL operations.

For executives, General Management training, functional and x-functional training and technical updating programmes have been availed at IICM, Ranchi and other outside bodies.

Computer Awareness Programme at MTI has been very popular and 289 persons attended the programme during the year.

In all, the following number of persons attended various programmes including conferences and seminars this year:

27.3 In-company Training :

Employee Group	2003-04	2002-03
Executives	491	284
Supervisors	440	475
Workers	771	510
Total	1702	1269

27.4 Training Outside

Employee Group	2003-04	2002-03
Executives	736	884
Supervisors	101	52
Workers	238	147
Total	1075	1083

27.5 Trade Apprentices:

During this year, 162 persons who have given employment under land-losers scheme/provisions of NCWA have been registered with RDAT, Kolkata as Trade Apprentices and are undergoing training in different trades in different areas of MCL as detailed below:-

1. Amin trainee	11
2. Armature winder	1
3. Colliery Sirdar	53
4. Machinist	3
5. Diesel Mechanic	37

6. Electrician	10
7. Fitter	35
8. Turner	1
9. Tractor Mechanic	2
10. Surveyor	4
11. Welder(Gas & Elect)	2
12. Auto & Motor Electrician	2
13. Group C	1
Total :	162

As on 31st March 2004, there are 272 trade apprentices undergoing training in different trades.

Amins have been trained in Revenue Inspector Training Institute, Larpank, Sambalpur. First batch of 5 (five) persons have successfully cleared the examination conducted by the Board of Revenue Examination, Orissa and 4 (four) candidates have passed the Mining Sirdar Examination conducted by the Board of Mining Examination, Dhanbad.

In this year also, 24 of Trade Apprentices have passed the All India Trade Test, trade-wise details of which are as given below :

1. Electrician:	4
2. Auto Electrician:	5
3. Fitter:	10
4. Diesel Mechanic:	3
5. Welder (Gas&Elect):	1
6. Driver-Cum-Fitter:	1
Total :	24

In addition to above, 113 persons who have completed their job training have been posted in different Areas.

27.6 Management Training Institute(MTI)

During the year, Management Training Institute (MTI) of your Company organised the following Training Programmes.

Programme-wise, period-wise and number of participants trained at the management training institute during the year.

Sl. No.	Type of programme	No of participants trained	No of programme
1	General Management Programme	44	05
2	Computer awareness programme	288 (53+53+182)	25
3	Functional programme	52	08
4	Cross - functional programme	68	07
5	Short programme	64	05
6	Other programme	59 (19+15+25)	06
Total		575	56

The numbers shown in brackets indicate the number of executives, supervisors and workers trained. For the programmes at Sl. No. 1, 3, 4 and 5 the numbers indicate Executives.

Number of employees trained to Develop skill :	Ex	Sup	Wk	Total
	300	68	207	575

During the year a number of specially designed programmes were organised, which have been included in the above shown break-ups of programmes, which are as follows :

Induction Training Programmes for Amin and Survey Trainees were conducted in the month of May.

Overman coaching classes were conducted in the month of June.

A programme on optimum blasting in open cast mines was organised in the month of September, conducted by Gulf Oil Corporation Limited.

A programme on energy conservation was held in the month of February.

Besides the above programme, computer awareness programmes for housewives of employees (12 programme) were also conducted whereby 104 participants were trained.

Yoga training classes (7 programme) were also held in the Yoga "Prashikshan Kendra" whereby 66 participants were trained.

28. SCHEDULED CASTES AND SCHEDULED TRIBES

No outside recruitment action has been made during the year. We are following the instructions as per the Presidential directives issued by the Government of India in regard to employment of SCs/STs.

The percentage of SC/ST employees is as under :

Total employees as on	No. of		Percentage of	
	1.1.2004		SC	ST
21530	2059	1072	9.56	4.98

29. PARTICIPATIVE MANAGEMENT

In MCL, the following fora under Participative Management (Company level) have been functioning very effectively.

- Joint Consultative Committee
- Welfare Board
- Tripartite Safety Committee
- Sports Promotion Committee

All the above Committees are represented by members from both Trade Unions and Management. In the Tripartite Safety Committee, in addition to the Management and Union Representatives, Government Representatives (Directorate General of Mines Safety) are also members.

Besides, the above Committees at Company level, other fora under Participative Management functioning at Area/Unit level are :

- Production Committee
- Pit Safety Committee
- Consultative Committee
- Canteen Management Committee
- House Allotment Committee

All the above Committees/fora discuss and decide different aspects and issues relating to Production, Safety, Welfare etc.

30. INDUSTRIAL RELATION

During the year, there was no strike in MCL. Even the employees of MCL did not respond to strike which affected many subsidiaries of CIL on 21.5.2003

31. ABSENTEEISM

The overall absenteeism during the year was 16.80% of the total mandays. As regards dealing with absenteeism among PR workers, consistent efforts are being made to bring down the rate by way of persuading employees for being regular in their duties directly and through Union representatives. Punitive action like termination from service is also imposed in case of habitual and long absenteeism cases after conducting proper domestic enquiry.

32. EMPLOYEES WELFARE AND SOCIAL AMENITIES

The welfare and social amenities like housing, water supply, medical, education etc. may be summarised as under:

32.1 Particulars of social amenities

Items	As on 31.3.2004	As on 31.3.2003
Houses	16540	16540
% of satisfaction (Housing)	76.90	76.35
Water supply (total capacity generated)	14.10 MGD	8.34 MGD
Aided Educational Institutions :		
(i) D.A.V. Public School	09	09
(ii) K.V.	00	00
(iii) Privately Managed Schools	19	19
(iv) Engineering School(Diploma)	02	02
	<u>30</u>	<u>30</u>
(v) Colleges(N.K. Mahavidyalaya)	01	01
Co-operative Stores	10	10
ECC	02	02
Bank Branches	14	14
Extension counters	12	12
Ambulances	38	38
Dispensaries	16	16
Hospital	06	06
Hospital Beds	364	364
Canteens	34	34

32.2 During 2003-04 an amount of Rs.105.56 crore was spent on Revenue Heads and Rs. 8.76 crore on Capital Heads against the amount of Rs. 68.35 crore(Revenue) Rs. 16.10 crore (Capital) spent during the previous year on employees welfare and social amenities.

32.3 Family welfare

Your Company could achieve 892 numbers of family planning operation during the year against the target of 2350.

32.4 Cultural and recreational activities

Sports calendar is being drawn every year to conduct the Sports and Games and Cultural activities for the benefits of our employees. During the year MCL had organised various Inter-area and Inter-company tournaments. Some of our employees and a number of Sport teams were deputed for out side tournaments for better exposure. In some of the events coaching camps are being organised to impart training to our sports persons. During the year, MCL had organised Coal India Table Tennis tournament at MCL HQ. The Athletic Meet and Picnic were organised for physically handicapped school children of nearby schools of MCL HQ. Sri Kirtan Behera, Fitter Gr.II, CWS(X), Talcher represented Orissa Power Lifting Team in the National Meet at Hyderabad. He also secured 3rd position in the Master National Power Lifting Championship held at Titlagarh. He also bagged Gold Medal in the National Power Lifting Championship. Sri Kirtan Behera participated in the Asian Power Lifting Championship held at Almaty, Kazakhstan from 30.4.2003 to 4.5.2003 and bagged a Silver Medal for India.

32.5 Education

Although education is a state subject, as a social responsibility, your Company has extended financial assistance to privately managed schools/institutions like earlier years. During the year, MCL extended full grant-in-aid to nine DAV Public Schools. The

Company has sanctioned/spent Rs.3,05,09,593.00 for both privately managed and DAV public schools during the year compared to a sanction of Rs. 256.06 lakhs during previous year. In addition to above, MCL is bearing 40% recurring grant against 40% seat reservation for wards of the employees for Diploma courses at GIT, Sarang, Talcher and OSME, Keonjnar.

33. CAPITAL INVESTMENT ON SOCIAL AMENITIES

Details of Capital Investment on Social amenities as on 31.3.2004 vis-à-vis 31.3.2003 is briefed here under:

(Rs. in Crore)

Sl. No.	Particulars	Gross Value of fixed Assets	
		As at 31.3.2004	As at 31.3.2003
1	Buildings	314.91	309.35
2	Plant & Machineries	53.90	51.41
3	Furniture, fittings and equipment	5.97	5.83
4	Vehicle	3.31	3.30
5	Development	10.94	10.39
	Total	389.03	380.28

34. HINDI IN OFFICIAL WORK

In order to accelerate the progressive use of Hindi as per directives/ instruction received from Department of Official Language, Ministry of Home and Ministry of Coal & Mines, Government of India, continued efforts were made towards promoting use of Hindi in the Company.

34.1 Official Language Implementation Committee at HQ. as well as in area level are co-ordinating the progress of Hindi through regular review meetings. The meetings are attended by the observers nominated by Ministry of Coal and Mines as well as Directors of Official Language Department, Ministry of Home Affairs. The

meeting held on 14.5.2003 was attended by Hon'ble Sri Rama Chandra Khuntia, MP (Rajya Sabha) and Sri Kadaru Mallaya, Vice President, Dakshin Bharat Hindi Prachar Sabha.

34.2 All possible efforts are being made to issue the documents bilingually under Section 3(3) of Official Language Act. 1963. All the letters received in Hindi are replied to in Hindi only. Correspondence and noting in Hindi have increased considerably. Besides, all advertisements, Tender Notices and Press Releases are released for publication in Hindi, Oriya and English regularly.

34.3 As per official language policy and Directives of Department of Official Language, Ministry of Home Affairs, meetings of town official language implementation committee, Sambalpur are organized every year which are attended by heads of the establishments including Dy. Director, implementation (Eastern Region), Kolkata. A successful meeting was organized at MCL HQ. on 16.9.2003.

34.4 All the computers have been loaded with Hindi Software to ensure progress in Hindi correspondence and for its better use Hindi Software Training programme was organized from 15.3.04 to 20.3.04 in which 47 officers and staff were trained.

34.5 Total 68 employees (49 Pragya and 19 Praveen) have passed under Hindi Teaching Scheme till date from 2001. Classes are conducted at Co's HQ. by Rajbhasa Deptt. 91 employees are going to appear the said examination including 32 from HQ. and rest from Kalinga, Ib-Valley and Talcher Areas.

34.6 Rajbhasa Pakhwara was organized by HQ. and areas from 13.9.2003 to 28.9.2003. Like previous years various Hindi competitions like Hindi noting - drafting, Essay writing, Debate, Poetry, Antakshari etc. were organized where in employees, students and housewives took active part. Successful candidates were honoured with prizes having worth Rs.1000/- and above as per directives of the ministry.

- 34.7 Besides, Inter Area competitions was also organized from 18.10.2003 to 28.10.2003. it is first of it's kind in Coal India Ltd. prizes winners at area as well as HQ. level in Rahbjasa Pakhwara were the participants of this competition. Successful candidates were honoured with prizes and certificates by CMD, MCL and other dignitaries present on the occasion.
- 34.8 A two - day Coal India level Rajbhasa Seminar was organized on 21st and 22nd November, 2003. The representatives of almost all subsidiaries of CIL and well known faculties participated in the seminar.
- 34.9 A book named "Hindi Patrachar Sandarvika" published and distributed among the employees of MCL as Hindi correspondence tool.
- 34.10 Receipt and Despatch Registers with updated columns printed were distributed at HQ. and area level.
- 34.11 Cards having words for routine use and dictionaries were distributed at HQ and at area level as per decision taken in quarterly meeting.
- 34.12 In order to create favourable environment for Hindi, a grand Kavi Sammelan was organised at VSS Stadium of Ib-Valley Area, in which famous poets and poetess were invited and a huge number of audience was present on the occasion.
- 34.13 As per official language policy Hindi workshops were organised in every quarter at HQ and area offices. During the year 7 workshops were organised in which 163 employees had taken part.
- 34.14 'Pratibha' a quarterly literary house-journal is brought out where in articles in Hindi, Oriya and English are published.

A monthly magazine 'MCL News' related to various activities of MCL family are published trilingually. As per directives of the higher management, efforts are being made for inclusion of technical articles in this magazine.

- 34.15 As per decision taken in OLIC meeting, Hindi and Oriya competitions were organised on Club - days at Officers' Club, Jagruti Vihar and Anand Vihar Club in which employees, their wards took active part and winners were rewarded as per their performance.
- 34.16 English words with their Hindi synonyms under caption "Words of the Day" are written on the white Boards kept at the entrance of corporate building as well as Management Training Institute which inspires/facilitate the employees to work in Hindi.
- 34.17 MCL has its bilingual web site (mahanadi coal nic.in).

35. VIGILANCE ACTIVITIES AND ACHIEVEMENTS

35.1 The table given below indicates the statistical view of the Department's performance during the year 2003-2004 :

Particulars	Pending as on 31st March, 2003	New additions during 2003-04	Disposal during 2003-04	Pending as on 31st March, 2004.
Complaints	36	48	58	26
Vigilance cases	02	19	18	03
Major penalty proceedings	12	05	07	10
Minor penalty proceedings	0	05	04	01
Pending with Inquiring Authority in Departmental Enquiries.	12	03	09	06

35.2 Source Information :

On the basis of source information, enquiries were conducted and in 8 cases disciplinary proceedings were initiated under major and minor penalty proceedings. Out of these 8 cases, 5 officials have been imposed minor penalty. In 2 cases departmental enquiries are in progress.

35.3 Punitive Vigilance :

During the year under report 5 major and 5 minor penalty proceedings have been

initiated against 16 employees. Disciplinary Proceedings in 11 cases have been completed during the year in which major and minor penalties have been imposed on 44 employees.

35.4 Preventive Vigilance :

- (i) Inspections: 26 Inspections including 11 regular inspections have been conducted during the year. 7 Cases have been registered and action taken. In other cases streamlining of system/procedure has been effected wherever found necessary.
- (ii) System Improvement : As a result of Vigilance Inspections/scrutiny of files improvement in the system and procedures in various areas such as cash section, coal sale, finalisation of TCR, weighbridge, purchase of stores, diesel consumption, hiring of vehicle, capital works, issuance of work orders, single tender, measurement books, road works, service sheets, employment, maintenance of asset register etc. have been effected.

35.5 Rotation of Employees :

Company has a policy of rotating employees, particularly those who are working in sensitive posts/ departments. During the year 130 employees have been rotated. This includes those officers whose names were figuring in the Agreed List and List of Officers of Doubtful Integrity for the year 2003.

35.6 Surveillance :

Agreed List and List of Officers of Doubtful Integrity for the year 2004 prepared and sent to MOC, CIL etc.

35.7 CVC Matters:

- (i) During the year 04 cases for 1st stage and 06 cases for 2nd stage advice were referred to CVC. CVC advices are disposed off timely.
- (ii) CVOs of Eastern Zone at Kolkata

convened by CVC on 17.11.03, the CVO, MCL attended the meeting.

35.8 Parliament Questions :

Nine Parliament Questions were attended and materials for reply furnished.

35.9 Submission of Reports :

Monthly reports to CIL and CVC and Quarterly reports to CVC, MOC and CIL have been sent in time.

35.10 Vigilance Clearance :

During the year, vigilance clearance status in respect of 5801 employees (executives and non-executives) have been dealt with in relation to their promotion, probation closure, payment of terminal benefits etc.

35.11 Strengthening of Vigilance Department :

- (a) **Posting** : During the year 01 (one) executive has been posted in Vigilance Department in addition to the existing strength.
- (b) **Training** : 3 Executives attended Refresher Course on various vigilance related subjects outside the Company.

35.12 Vigilance Awareness Week :

Vigilance Awareness Week from 03.11.03 to 09.11.03 has been observed in all the Units of the Company by administering/ taking the prescribed pledge. At Corporate Office, the inaugural function was attended by the FDs, HODs, Officers and Staff. The celebrations were reported in the News Papers. Elocution competition was also held in the School on anti- corruption theme.

35.13 Major Achievement :

Infructuous expenditure : Vigilance has monitored works relating to monsoon preparation in various areas and 3 works of about Rs. 49 lakhs found avoidable have been reviewed and Infructuous expenditure prevented.

Recovery :As a result of study made by Vigilance Department in 2 cases, excess

payment found to have been made :- (i) in purchase under price fall clause the party has agreed to refund Rs. 6 lakhs and the matter is further pursued for more recovery,(ii) Under Depot Agreement also, it has been decided to assess such excess payment for the last 2 years. So far 6 months period has been covered and an amount of Rs.15 lakhs has been assessed and the recovery started.

Under-valuation of rental of workshop building has been detected and reassessment and recovery ordered.

Inventory :Assessment of non-moving inventory has been made and action has been taken for utilization of such items elsewhere and further disposal.

Contracts : In the matter of tenders for annual maintenance of weighbridge, CHP augmentation and stevedoring, certain modifications in the NIT clauses have been made to safeguard Company's interest better.

36. AUDITORS

36.1 Under Section 619(2) of the Companies Act, 1956, the following Audit Firms were appointed as Statutory/Branch Auditors for the year 2003-2004.

Statutory Auditors

M/s Patro & Co.,
Chartered Accountants,
Bhubaneswar.

Branch Auditors

M/s A.K. Kar & Co.
Chartered Accountants,
Bhubaneswar.

36.2 The Comptroller & Auditor General of India will be approached for appointment of auditors for the year 2004-2005.

37. FIXED DEPOSITS

Your Company has not accepted any deposit from the Public during the year as defined under Section 58 A of the Companies Act, 1956 and the rules made thereunder.

38. AWARDS

38.1 Environmental Award and Recognition

Your Company received the following awards during the year.

- **“Best Environmental and Ecological Implementation Gold Award”** under the National Awards for Excellence in Indian Industries for the last seven consecutive years (1996-1997 to 2002-2003) organised as Jawaharlal Nehru Memorial National Awards/Lalbahadur Shastri Memorial National Awards by International Greenland Society and AP Central Employees Federation, Hyderabad respectively.
- **“Greentech Environmental Excellence Award 2002-2003”** for outstanding achievement in the field of Environmental Management organised by Greentech Foundation New Delhi. Award was presented by Sri H.L. Bajaj, Chairman, Central Electricity Authority on 12th December, 2003 at Hotel Clarks, Khajuraho.
- Sri R.K. Chechani, CMD, MCL has been honoured with “Man of the Year” Award for the year 2002-2003 by gold Institution Building Programme, New Delhi for his outstanding contribution in the area of Mining Engineering and management under the Scheme of “Locating Talented Executives out of the existing Public Sector Personnel”. The Award was presented by Sri Nagmani Hon’ble Minister for Social Justice on the occasion of World Environment Day held at India International Centre on 5th June, 2003.
- Sri R.K. Chechani, CMD, MCL has been conferred with “Udyog Rattan Award” for notable contribution in the field of Industrial Development of the Country and MCL has been honoured with Excellence Award for outstanding performance in productivity, quality innovation and management by the Institute of Economic Studies, New Delhi. The awards were presented by Dr. Bhisma Narayan Singh, Honourable former Governor of Tamilnadu and Assam and Ambassador of Tunisia respectively.
- Sri G.K. Choudhary, Director (Personnel), MCL has been honoured with “Award for Personnel Managers for outstanding

contribution in developing employment opportunity and increasing human productivity" instituted by the Indian Society for Integrated Women and Child Development (ISI-WCD) jointly with the IAEWP-NGO affiliate of United Nation, ECOSOC and the Times Foundation(The times of India Group of Publication). The Award was presented by the Ambassador of Norway in a function held at New Delhi on 9th September, 2003.

- Rajiv Gandhi Jatheeya Paryavaran Award – Sri G.K. Choudhary, Director(Personnel), MCL has been honoured with the "Best Executive Gold Award" for the year 2002-2003 by Rajiv Gandhi Jateeya Paryavaran Award for Excellence in Indian Industries, Hyderabad.
- MCL joined and continued as a member of corporate roundtable on development of strategies for the environment (CORE), an exclusive group of companies including NTPC, TISCO, TELCO, ONGC under the leadership of TERI, New Delhi. TERI has not so far included CIL or any of its subsidiaries. MCL thus has the honour of being the first subsidiary of CIL to join this club.
- Kalinga OCP of MCL, an Opencast mine has been awarded the National Safety Awards(Mines) amongst coal mines for the year-2001 for longest accident free period. Similarly Samaleswari OCP of MCL an opencast mine is the winner of National Safety Award(Mines) amongst coal mines of the country for the year 2001 on the basis of per million cubic metre of output.

39. PARTICULARS OF INFORMATION U/S 217 OF THE COMPANIES ACT, 1956

The information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology and Outgo is given in annexure-I to this Report.

40. PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act,

1956 read with the Companies (Particulars of Employees), Rules, 1975, as amended are not given as your Company has not paid any remuneration attracting these provisions.

41. BOARD MEETINGS

Seven Board Meetings were held during the year.

42. BOARD OF DIRECTORS

42.1 The following persons, continued to be the Directors of your Company during the year under report.

1.	Shri R.K. Chechani	- Chairman- cum-Managing Director
2.	Shri B.M. Nag	- Director(Finance)
3.	Shri A.K. Tripathi	- Director(Technical)
4.	Shri APVN Sarma	- Director
5.	Shri D.K. Verma	- Director
6.	Shri Abdul Kalam	- Director

42.2 The following person appointed as Director of your Company during the year under report.

Shri G.D. Gulab - Director(Personnel)

42.3 The following person ceased to be Director of your Company during the year under report.

Shri G.K. Choudhary - Director (Personnel)

43. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed.

- (i) That in the preparation of the annual accounts for the financial year ended 31st March, 2004, the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- (ii) That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the

Company at the end of the financial year and of the profit or loss of the Company for the year under review ;

- (iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) That the directors had prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

44. AUDIT COMMITTEE

The Audit Committee has been formed and functioning in pursuance of excellence in Corporate Governance with the following members :

1. Nominee Director of the Ministry of coal on the Board of the Company.
2. Director(Finance), Coal India Limited, Kolkata.
3. Director (Technical), Coal India Limited, Kolkata.
4. Director (Technical), Mahanadi Coalfields Limited, Sambalpur.

The scope of work of the Audit Committee includes broadly the commercial aspects of the company. Four Audit Committee meetings were held during the year.

45. ACKNOWLEDGEMENTS

- 45.1 Your Directors express their sincere thanks to the Ministry of Coal and Mines, and Coal India Limited for their valuable assistance, support and guidance. Your Directors also thank the various Ministers of the Central Government and the State Government of Orissa for their valuable support. The Directors are thankful to the Sister Organisations for the co-operation and assistance rendered by them.

45.2 Directors place on record their deep sense of appreciation for the co-operation extended by the Trade Unions and Officers' Associations, the team spirit shown, valuable and sterling services rendered by the employees at all levels towards the achievement of the objectives of the Company and its all-round growth.

45.3 The Directors also thank the valued customers profusely for their continued support, patronage and encouragement but for which the Company would not have emerged strong with.

45.4 The Directors also record their appreciation of the services rendered by the Auditors, the Officers and staff of the Comptroller & Auditor General of India and Registrar of Companies, Orissa.

45.5 The Directors also extend their thanks to various important citizens of Sambalpur and also those residing in the Coalfield Areas of Orissa for their co-operation from time to time.

46. ADDENDA

The following papers are annexed.

1. Information as required to be given in the Directors' Report under Section 217(1)(e) of the Companies Act, 1956.
2. Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act 1956.
3. Review report of the Comptroller and Auditor General of India on the Accounts.
4. Addendum to the Directors' Report under Section 227(2) and 217(3) of the Companies Act 1956.

Sd/-
(B.M. Nag)
Chairman-cum-Managing Director

Sambalpur
Date : 14.9.2004

ANNEXURE – 1

ANNEXURE TO DIRECTORS' REPORT

Information as required to be given in the Directors' Report under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earning and outgo.

A. CONSERVATION OF ENERGY AND POWER ECONOMICS

(a) Energy Conservation Measures Taken

Electrical Energy

The highlights of this year's power position is given below with a comparative statement :

- (i) The gain in power factor rebate is Rs. 47.23 Lakh for 2003-2004 against Rs. 45.01 Lakh for 2002-2003 as per the existing tariff.
- (ii) The power factor penalty has been reduced from Rs. 0.39 Lakh for 2002-2003 to Rs. 0.03 Lakh for 2003-2004
- (iii) Specific consumption of Coal has come down from 4.98 KWh/T for 2002-03 to 4.69 KWh/T for 2003-2004.
- (iv) Specific cost of Coal has come down from Rs.16.14/T for 2002-2003 to Rs.14.83 /T for 2003-2004 and average cost of electricity has come down from Rs. 3.24/KWh for 2002-2003 to Rs.3.16/KWh respectively as per the existing tariff.
- (v) Representation has been made to different authorities and Orissa Electricity Regulatory Commission for waiver of anomalies in electricity tariff and OERC has accepted MCL's representation and removed major anomalies in their retail tariff order effective from 01/01/2004.
- (vi) Energy audit reports of HRC, HBI and Orient mine No. 2, 3 and 4 under-ground mines have been prepared by CMPDI, RI-VII, and MECON, Ranchi. Action has been taken for implementation of the recommendations.

(b) Additional Investment and proposal if any, being implemented for reduction of consumption of energy.

- (i) Action had been taken to have duplicate power supply system of individual project of underground and opencast mines to ensure uninterrupted power supply. The proposal had been finalised and in the final stage of implementation in the projects / units under the command area of Ib-valley coalfields, which is nearing completion and similar proposal is under consideration for the projects/units under the command area of Talcher coalfields.
- (ii) Domestic consumption is being regulated rationally. Steps have been taken to curb power theft by controlling pilferage and hooking of electricity by outsiders. In the theft prone areas, power distribution has either been changed from over-head conductors to cables to avoid over-head line distribution system wherever possible or by transmitting power at higher voltage over-head lines in those areas.

- (iii) To reduce energy consumption by industrial pumps, steps have been taken, such as, optimisation of delivery and suction sizes, use of floats, use of V.T pumps through bore-holes, deliveries and cables through bore-holes etc.
- (iv) To optimise power consumption, steps have been taken, such as, transmission of power at H.T as near to the underground face as allowed by rules to reduce transmission losses, use of H.T. motors beyond certain H.P., use of optimum sizes of cables and transformers, use of energy efficient lighting sources, use of bore-holes for use of cables and pump deliveries to reduce their lengths and hence reduce losses etc.

(c) Impact of measures of (a) and (b) for Energy Consumption and consequent impact on the parameters of production.

Description	2003 - 04	2002-03	% Increase or Decrease
Electrical Energy			
(i) Specific Consumption of Coal, in KWh/Tonnes	4.69	4.98	(-) 5.82
(ii) Specific Consumption of Composite Production (i.e. Coal + O.B removal), in KWh/Cu.M.	2.97	2.87	(+) 3.48
Fuel and Lubricants			
(i) Consumption of HSD, in ltrs/Cu.M of Composite Production excluding Dragline production.	0.444	0.46	(-) 3.48
(ii) Consumption of Liquid lubricants, in ltrs/Cu.M of Composite Production.	0.02387	0.02410	(-) 0.95
(iii) Consumption of Grease, in Kg/Cu.M of Composite production.	0.00120	0.00121	(-) 0.83

B. TECHNOLOGY ABSORPTION

Form 'B' is enclosed.

C. FOREIGN EXCHANGE EARNING & OUTGO

- (i) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products export activities services and export plans. : Company is not engaged in export activities
- (ii) Total Foreign Exchange used and earned :

(Rs. In lakh)

Sl. No.	Description	Current Year	Previous Year
(a)	Foreign Exchange used :		
(i)	CIF value of imports		
(a)	Components, Stores & Spare parts	8.05	234.73
(b)	Capital goods	67.69	107.20
(ii)	Travelling	NIL	NIL
(iii)	Interest	600.75	798.80
(iv)	Others	0.56	0.57
(v)	Commitment Charges	0.61	3.36
(b)	Foreign Exchange earned	No direct earning by the Company	

FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by Company :

R&D was carried out for bio-technological reclamation of over burden dumps, waste land and vacant space through plantation of medicinal and indigenous variety of plants with the help of CFRI, Dhanbad. This 3 year R&D project was started in October, 2001 and plantation activities completed in 2002-2003. Post-plantation and maintenance work extended up to 2004-2005.

2. Benefits derived as a result of the above R&D :

Plantation has been made through bio-technological approach using farm yard manure, humic acid, fly ash etc. Benefits of such plantation will be brought out in form of a report by CFRI after the completion of this R&D project. However, it has been claimed that growth and survival of the plantation will increase through this biological approach of plantation.

3. Future plan of action :

If benefits will be derived from this R&D project this technology will be applied in future plantation.

4. Expenditure on R&D :

(a)	Capital	-	NIL
(b)	Recurring	-	NIL
(c)	Total	-	NIL
(d)	Total R&D expenditure as percentage of total turn over	-	NIL

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. EFFORTS IN BRIEF, MADE TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

Surface Mining technology has been absorbed for mining of coal at various mines, innovative changes have been made to maximise the profitability.

2. Benefits derived as a result of the above effort :

(a) Improvement of coal quality, reduction in ash % is about 3%.

- (b) Reduction in fly ash.
- (c) Reduction in dust generation.
- (d) Reduction in green house gases.
- (e) Drilling and blasting is totally eliminated by use of surface miners.
- (f) Crushing of coal and installation of coal handling plant (CHP) is eliminated.
- (g) Fire and spontaneous heating problem is reduced significantly basically due to non induction of blasting cracks in the coal benches.

3. IN CASE OF IMPORTED TECHNOLOGY (IMPORTED DURING THE LAST 5 YEARS RECKONED FROM THE BEGINNING OF THE FINANCIAL YEAR) THE REQUISITE INFORMATION ARE GIVEN BELOW:

- (a) Technology imported — Surface Miners from Writgen, Germany.
- (b) Year of Import — 1999.
- (c) Has technology been fully absorbed — Yes, for coal winning.
- (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of actions — Surface Miner is also planned to be extended for over burden removal. Presently, it is not being used for this operation because the cutting drum teeth are not capable of cutting such hard material. R&D is going on for developing such cutting teeth which may be capable of cutting the over burden at an economical price.

**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956
ON THE ACCOUNTS OF MAHANADI COALFIELDS LIMITED
FOR THE YEAR 31ST MARCH, 2004**

In view of the revisions made in the Accounts of the Company as a result of the observations made by the Comptroller & Auditor General of India as indicated in Para No. 5 of the Auditors' Report to the Share Holders and Item No. 24 of the Notes on Accounts (Sch-P), forming part of the accounts, which has the effect of decreasing the profit by Rs. 4167.45 lakh (before tax), there are no further comments to offer upon or supplement to the Auditors' Report under section 619 (4) of the Companies Act, 1956 on the Accounts of the Mahanadi Coalfields Limited for the year ended 31st March, 2004.

Sd/-

(B. Mazumdar)

*Principal Director of Commercial Audit
And Ex-Officio Member, Audit Board – II
Kolkata*

Dated:

Kolkata, September 16, 2004

ANNEXURE
REVIEW OF ACCOUNTS OF MAHANADI COALFIELDS LIMITED FOR
THE YEAR ENDED 31ST MARCH, 2004
BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Note : Review of Accounts has been prepared without taking into account comments under section 619(4) of Companies Act 1956 and qualification contained in the Statutory Auditors' Report.

1. FINANCIAL POSITION

(Rs in Lakh)

	2001-2002	2002-03	2003-04
LIABILITIES			
(a) Paid up Capital	39058.09	39058.09	18640.09
(i) Others (All shares are held by Coal India Ltd., Holding Company) 10 % Cumulative Redeemable Pref. Shares	20418.00	20418.00	0.00
(ii) Equity Shares	18640.09	18640.09	18640.09
(b) Reserves & Surplus			
(i) Free Reserves & Surplus	127811.30	150755.14	195256.90
(ii) Capital Redemption Reserve	12250.80	16334.40	20418.00
(c) Borrowings From:			
(i) Coal India Ltd., Holding Company			
(a) For Loans from IBRD & JEXIM	21572.22	22014.82	20674.57
(b) For other Loan	0.00	0.00	0.00
(ii) Foreign Currency Loans (Credit) (Deferred payment liabilities)	5978.73	6093.64	4546.50
(d) (i) Current Liabilities & Provisions (Excluding Provision for Gratuity)	92935.95	106670.03	129988.63
(ii) Provision for Gratuity	7262.68	7741.12	9488.28
(e) Deferred Tax Liability	0.00	2352.97	4747.24
TOTAL	306869.77	351020.21	403760.21
ASSETS			
(f) Gross Block	232404.30	238304.26	240044.31
(g) Less: Cumulative depreciation	97362.80	111944.12	120710.60
(h) Net Block	135041.50	126360.14	119333.71
(i) (a) Capital Work-in-Progress	20751.95	23068.73	21792.51
(b) Discarded / Surveyed off Assets	200.31	262.55	204.20
(j) Investments	0.00	0.00	34432.00
(k) Current Assets, Loans & Advances	148713.79	198459.64	227997.79
(l) Deferred Tax Assets	0.00	0.00	0.00
(m) Misc. expenditure not written off	2162.22	2869.15	0.00
TOTAL	306869.77	351020.21	403760.21
(n) Working Capital [(K-d)(i)]	55777.84	91789.61	98009.16
(o) Capital Employed(h + n)	190819.34	218149.75	217342.87
(p) Net Worth [a+b(i)-m]	164707.17	186944.08	213896.99
(q) Net Worth per Rupee of paid up capital (in Rs.)	4.22	4.79	11.48

2. WORKING RESULTS:

The working results of the company for the last three years ending 31.03.2004 are given below :

	(Rs. in Lakh)		
	2001-2002	2002-03	2003-04
(i) Sales (Net of statutory levies and transportation charges)	193222.98	200410.21	233643.84
(ii) Other miscellaneous Income	24804.80	32500.09	43103.88
(iii) Profit before Tax & Prior Period Adjustments	71744.20	92632.71	133363.22
(iv) Prior Period Adjustments	- 215.87	4401.41	-8496.80
(v) Profit Before Tax	71960.07	88231.30	141860.02
(vi) Tax Provision	24632.36	35677.17	48626.16
(vii) Profit after Tax	47327.71	52554.13	93233.86
(viii) Proposed Dividend	20234.24	20541.80	39577.61

3. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last three years are as under:

	(In Percentage)		
	2001-2002	2002-03	2003-04
A. Liquidity Ratio			
Current Ratio $[k / \{d(i) + c(vi)\}]$	160.02	186.05	175.40
B. Debt Equity Ratio			
Long term debt to equity [c(i) & c(ii) excluding short term loan/a]	147.80	150.80	135.31
C. Profitability Ratios			
(a) Profit before tax to			
(i) Capital Employed	37.71	40.45	65.27
(ii) Net worth	43.69	47.20	66.32
(iii) Sales	37.24	44.03	60.72
(b) Profit after tax to Equity	253.90	281.94	500.18
(c) Earning per share (in Rupees) (Profit after preference dividend/No. of Equity Share)	2429.49	2695.84	4879.24

4. SOURCES AND UTILISATION OF FUNDS

Funds amounting to **Rs.73848.70** lakh from internal and external sources were generated and utilised during the year as per details given below:

(Rs. in Lakh)

SOURCES OF FUNDS:

(a)	Funds from operations :	
	(i) Profit after tax	93233.86
	(ii) Add:Depreciation	8766.48
(b)	Deffered Tax Liability	2394.27
(c)	Misc. Expenditure to the extent not written off	2869.15
		107263.76

APPLICATION OF FUNDS:

(a)	Additions to Fixed Assets & Capital Work-in-progress	405.48
(b)	Increase in Working Capital (Including provision for Gratuity)	4472.39
(c)	Decrease in borrowing	2887.39
(d)	Proposed Dividend	39577.61
(e)	Provision for Income Tax on Proposed Dividend	5070.89
(f)	Redemption of Pref. Share Capital	20418.00
(g)	Increase in Investment	34432.00
		107263.76

5. INVENTORY LEVELS

The Inventory levels of stock of stores & spares work-in-progress and coal etc., at the end of three years ending 31st March,2004 are as under:

(Rs in Lakhs)

	2001-2002	2002-03	2003-04
(a) Stock of Stores & Spares & Medicines	9864.27	7893.70	8176.96
(b) Work in progress	164.30	453.44	783.43
(c) (i) Stock of coal & coke etc.,	3509.69	6079.73	5477.13
(ii) Provision for deterioration	350.60	607.60	100.06
	2001-2002	2002-03	2003-04
(i) Stock of Stores & Spares to Consumption	4.43	3.22	3.28
(ii) Stock of Coal & Coke to Sales	0.21	0.37	0.28

6. SUNDRY DEBTORS

The Sundry Debtors vis-a-vis Sales in the last three years ending 31st March 2004 as follows:

(Rs in Lakhs)

Year as on	Considered good	Sundry Debtors Considered Doubtful	Total	Sales	%age of Debtors to Sales
31.3.2002	37486.88	12418.71	49905.59	193222.98	25.83
31.3.2003	23662.52	17483.57	41146.09	200410.21	20.53
31.3.2004	6292.78	8106.15	14398.93	233643.84	6.16

The age-wise break-up of Sundry Debtors as at the end of the year 2003-2004 is as follows :

(Rs in Lakhs)

Debtors outstanding for	Dues from PSUs/ Corporation/Board	Dues from Private Parties	Total
Less than 6 months	6544.00	287.00	6831.00
More than 6 months but less than 1 year	599.00	0.00	599.00
More than 1 year but less than 3 years	2609.00	0.00	2609.00
Above 3 years	3994.00	365.93	4359.93
TOTAL	13746.00	652.93	14398.93

Sd/-

(B. Mazumdar)

*Principal Director of Commercial Audit
& Ex-Officio Member,
Audit Board - II, Kolkata*

Kolkata
The September 16, 2004

BALANCE SHEET AS AT 31ST MARCH, 2004

	<u>SCHEDULE NO.</u>	<u>CURRENT YEAR (Rs. In lakh)</u>	<u>PREVIOUS YEAR (Rs. In lakh)</u>
I. SOURCES OF FUNDS			
I. Shareholders' Funds			
a) Share Capital	A	18640.09	39058.09
b) Reserves and Surplus	B	215674.90	167089.54
2. Loan Funds			
a) Secured loans		Nil	Nil
b) Unsecured loans	C	25221.07	28108.46
3. Deferred Tax Liability (Net)			
		4747.24	2352.97
Total		264283.30	236609.06
II. APPLICATION OF FUNDS			
1. Fixed Assets			
(a) Gross Block	D	240044.31	238304.26
(b) Less : Depreciation		120710.60	111944.12
(c) Net Block		119333.71	126360.14
(d) Capital work-in-progress	E	21792.51	23068.73
(e) Discarded/Surveyed Off Assets	F	204.20	262.55
		141330.42	149691.42
2. Investment			
	G	34432.00	Nil
3. Current Assets, Loans and advances			
a) Inventories	H	13810.66	13361.91
b) Sundry Debtors	I	6292.78	23662.53
c) Cash and bank balances	J	16606.44	7487.45
d) Other current assets	K	4798.78	840.54
e) Loans and Advances	L	186489.13	153107.21
		227997.79	198459.64
Less : Current Liabilities and Provisions	M	139476.91	114411.15
Net Current Assets		88520.88	84048.49
4. Miscellaneous expenditure (to the extent not written off or adjusted)			
	N	Nil	2869.15
Total		264283.30	236609.06
Accounting Policies	O		
Notes on Accounts	P		

The Schedules referred to above form integral part of the Accounts

Sd/-
S.C. Behera
Company Secretary

Sd/-
R.N. Pattnaik
General Manager(Finance)

Sd/-
A. K. Tripathi
Director(Technical)

Sd/-
B. M. Nag
Chairman-Cum-Managing Director

In terms of our report of even date
For PATRO & CO.,
Chartered Accountants
Sd/-

(Rajendra Patro)
Partner
(Membership No. 19423)

Place : Bhubaneswar
Date: 11th September, 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	SCHEDULE NO.	CURRENT YEAR (Rs. In Lakh)	PREVIOUS YEAR (Rs. In Lakh)
Income :			
Sales	1	233643.84	200410.21
Coal issued for other purpose	2	58.28	74.54
Accretion/(Decretion) in Stock	3	227.27	2587.37
Other Income	4	43103.88	32500.09
Total Income		277033.27	235572.21
Expenditure			
Internal Consumption of Coal	5	57.59	58.78
Stores & Spare parts consumed	6	29482.47	28897.53
Power & Fuel Expenses	7	8234.86	7651.21
Employees Remuneration & Benefits	8	41232.09	36787.85
Contractual Expenses	9	29089.39	29295.56
Repair Expenses	10	11917.07	8664.69
Social Facilities Expenses	11	10147.80	6813.67
Other Expenditure	12	9081.74	8445.13
Overburden Removal Adjustment	13	699.40	-1557.80
Interest	14(A)	610.53	860.38
Financial Charges	14(B)	349.74	384.20
Depreciation	15	12340.85	12489.49
Provisions	16(A)	-8991.40	5666.11
Write off	16(B)	-3590.14	-1517.30
Contribution to Rehabilitation Fund		3008.06	—
Total Expenditure		143670.05	142939.50
Profit for the year		133363.22	92632.71
Prior period adjustment	17	-8496.80	4401.41
Profit before Tax		141860.02	88231.30
Provision for Income Tax			
Current Year		47783.10	36271.25
Prior period (Adjustment)		-1551.21	-594.08
Deferred Tax Asset/Liability -			
Current Year		2394.27	-3802.77
Profit after Tax		93233.86	56356.90
Profit brought forward from previous year		120450.99	103507.15
Deferred Tax Asset/Liability -			
Earlier Years		0.00	-6155.74
Profit available for Appropriation		213684.85	153708.31
APPROPRIATIONS:			
Capital redemption reserve		4083.60	4083.60
General reserve		9600.00	6000.00
Interim Dividend:			
(a) Preference share		2025.02	2041.80
(b) Equity share		12629.59	9449.42
Proposed dividend :			
(a) Preference share		0.00	0.00
(b) Equity share		24923.00	9050.58
Tax on dividend		5070.89	2631.92
		58332.10	33257.32
Balance Carried to Balance Sheet		155352.75	120450.99
Accounting Policies	O		
Notes on Accounts	P		

The Schedules referred to above form integral part of the Accounts

Sd/-
S.C. Behera
Company Secretary

Sd/-
R.N. Pattnaik
General Manager(Finance)

Sd/-
A. K. Tripathi
Director(Technical)

Sd/-
B. M. Nag
Chairman-Cum-Managing Director

In terms of our report of even date
For PATRO & CO.,
Chartered Accountants

Sd/-
(Rajendra Patro)
Partner

(Membership No. 19423)

Place : Bhubaneswar
Date: 11th September, 2004

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE – A SHARE CAPITAL

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Authorised		
(i) 2041800 10% Cumulative Redeemable Preference Shares of Rs.1000 each (Previous Year - 2041800 Shares)	20418.00	20418.00
(ii) 2958200 Equity Shares of Rs.1000/- each (Previous Year - 2958200 Shares)	29582.00	29582.00
	50000.00	50000.00
Issued, Subscribed & Paid up		
(i) 2041800 10% Cumulative Redeemable Preference Shares of Rs. 1000 each fully paid up (Previous Year - 2041800 Shares)	0.00	20418.00
(ii) 1864009 Equity Shares of Rs.1000 each fully paid up in cash (Previous Year - 1864009 Shares)	18640.09	18640.09
Total	18640.09	39058.09

- Note: (i) Entire Share Capital is held by Holding Company - Coal India Ltd. and/or its nominees.
(ii) The Preference Shares have been issued on 29.03.99 against conversion of loan & redeemed in the year 2003-04.

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004**SCHEDULE - B
RESERVES AND SURPLUS**

<i>(Rs. in Lakh)</i>				
Particulars	As at 01.04.2003	Additions During the Year	Deductions/ Adjustment during the Year	As at 31.03.2004
1. Capital Redemption Reserve	16334.40	4083.60	—	20418.00
2. General Reserve	30304.15	9600.00	—	39904.15
3. Profit & Loss Account	120450.99	34901.76	—	155352.75
Total	167089.54	48585.36	0.00	215674.90
Previous year	140062.10	27027.44	—	167089.54

**SCHEDULE – C
UNSECURED LOANS**

	<u>Current Year</u> <i>(Rs. in Lakh)</i>	<u>Previous Year</u> <i>(Rs. in Lakh)</i>
1. Loans and advances from Holding Company		
For Loans from IBRD & JEXIM	20674.57	22014.82
2. Liability for Deferred Payment		
a) M/S Toyato Tsusho Corporation, Japan	3513.98	4008.32
Less: Interest on Deferred payment	229.34	487.08
	<u>3284.64</u>	<u>3521.24</u>
b) M/s Tevetmet Prem Export, Moscow	0.00	1299.73
Less: Interest on Deferred payment	0.00	0.00
	<u>0.00</u>	<u>1299.73</u>
c) M/s Liebherr France S.A., France	1465.40	1501.04
Less: Interest on Deferred payment	203.54	228.37
	<u>1261.86</u>	<u>1272.67</u>
Total	<u>25221.07</u>	<u>28108.46</u>

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE – D

ASSETS

(Rs. in Lakh)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost As at beginning of year	Additions During the Year	Deletion/ Adjustment during the year	Cost As at Closing of year	Provided upto beginning of year	For the year	With-drawn/ Adjust-ment during the year	Provided upto end of the year	As at year end 31.3.2004	As at year end 31.3.2003
A. COMPLETED ASSETS :										
1. Land :										
(i) Freehold	249.71	0.00	-0.01	249.70	0.00	0.00	0.00	0.00	249.70	249.71
(ii) Lease hold	16963.59	2033.16	-272.01	18724.74	3772.40	1475.99	0.00	5248.39	13476.35	13191.19
2. Buildings :										
(i) Township	29683.69	1327.75	-264.09	30747.35	3716.20	487.49	-20.31	4183.38	26563.97	25967.49
(ii) Other than Township	11413.07	311.54	5.41	11730.02	2358.80	335.60	-28.23	2666.17	9063.85	9054.27
(iii) Roads & Culverts (Mining Area)	7165.23	202.11	58.06	7425.40	1606.69	250.66	-1.59	1855.76	5569.64	5558.54
3. Plant & Machinery	137874.18	3383.08	-3772.06	137485.20	84148.09	8638.32	-2598.01	90188.40	47296.80	53726.09
4. Furniture & Fittings and Office Equipments	3098.65	78.08	1.73	3178.46	1780.84	195.73	0.56	1977.13	1201.33	1317.81
5. Railway Siding	8025.76	2325.53	0.01	10351.30	2627.94	517.55	-0.02	3145.47	7205.83	5397.82
6. Vehicle	2284.87	1.61	-18.47	2268.01	1696.65	107.31	-17.47	1786.49	481.52	588.22
7. Prospecting & Boring	1440.56	0.00	-0.01	1440.55	960.61	60.56	-0.01	1021.16	419.39	479.95
8. Development Expenditure	16384.90	798.89	-740.21	16443.58	7497.98	1629.62	-489.35	8638.25	7805.33	8886.92
Total (A)	234584.21	10461.75	-5001.65	240044.31	110166.20	13698.83	-3154.43	120710.60	119333.71	124418.01
B. Cap. Exp. On Assets not belonging to the Company										
	3720.05	0.00	-3720.05	0.00	1777.92	0.00	-1777.92	0.00	0.00	1942.13
Total (B)	3720.05	0.00	-3720.05	0.00	1777.92	0.00	-1777.92	0.00	0.00	1942.13
Grand Total (A + B)	238304.26	10461.75	-8721.70	240044.31	111944.12	13698.83	-4932.35	120710.60	119333.71	126360.14
Previous Year	232404.30	11512.11	-5612.15	238304.26	97362.80	17267.88	-2686.56	111944.12	126360.14	135041.50

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE – E

CAPITAL WORK-IN-PROGRESS

(Rs. in Lakh)

PARTICULARS	COST				PROVISION				NET ASSET
	Upto the beginning of the year (01.04.2003)	Additions During the Year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2004)	Upto the beginning of the year (01.04.2003)	Additions during the year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2004)	Upto the end of the year (31.3.2004)
1. Buildings under Construction									
(i) Township	1487.58	-365.15	-492.04	630.39	1.28	0.45	0.00	1.73	628.66
(ii) Other than Township	177.40	156.50	-156.46	177.44	0.53	0.15	0.00	0.68	176.76
iii) Roads & Culverts (Mining Area)	86.46	163.21	-194.85	54.82	0.00	0.00	0.00	0.00	54.82
2. Plant & Machinery									
(i) Under erection/Installation	3692.04	771.78	-255.40	4208.42	280.70	169.87	43.77	494.34	3714.08
(ii) In Stores	396.54	2667.00	-2764.80	298.74	97.71	7.62	-52.86	52.47	246.27
(iii) In transit & awaiting Inspection	36.86	551.33	-580.50	7.69	0.00	0.00	0.00	0.00	7.69
3. Railway Siding under Construction	4857.41	765.82	-2296.12	3327.11	0.00	0.00	0.00	0.00	3327.11
4. P&B for Dev Mines	8214.27	253.23	-60.12	8407.38	0.00	0.00	0.00	0.00	8407.38
5. Dev Exp of Non-Rev Mines	3751.93	897.93	64.18	4714.04	0.00	0.00	0.00	0.00	4714.04
6. Capital Goods in Stock	748.46	269.43	-502.19	515.70	0.00	0.00	0.00	0.00	515.70
Grand Total	23448.95	6131.08	-7238.30	22341.73	380.22	178.09	-9.09	549.22	21792.51
Previous Year	20977.71	8535.68	-6064.44	23448.95	225.76	202.85	-48.39	380.22	23068.73

SCHEDULE – F

DISCARDED/SURVEYED OFF ASSETS

(Rs. in Lakh)

PARTICULARS	COST				PROVISION				NET ASSET
	Upto the beginning of the year (01.04.2003)	Additions During the Year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2004)	Upto the beginning of the year (01.04.2003)	Additions during the year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2004)	Upto the end of the year (31.3.2004)
Surveyed Off/ Discarded Assets	395.28	36.96	-75.73	356.51	132.73	21.82	-2.24	152.31	204.20
Grand Total	395.28	36.96	-75.73	356.51	132.73	21.82	-2.24	152.31	204.20
Previous Year	200.31	194.97	0.00	395.28	0.00	132.73	0.00	132.73	262.55

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004
SCHEDULE – G**INVESTMENTS****(Long Term other than Trade)**

	<u>Current Year</u> <i>(Rs. in Lakh)</i>	<u>Previous Year</u> <i>(Rs. in Lakh)</i>
1. Investments in Govt. Securities (At Cost)		
Unquoted		
8.5% Tax free Power Bonds :		
Maharastra State Electricity Board	11386.00	0.00
Tamil Nadu State Electricity Board	11730.00	0.00
West Bengal Power Dev. Corpn.	11316.00	0.00
(All bonds backed by respective State Govt. guarantee)	<u>34432.00</u>	<u>0.00</u>
(Date of maturity – 30th September, 2016)		
TOTAL	<u>34432.00</u>	<u>0.00</u>

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE – H INVENTORIES

	<u>Current Year</u> <i>(Rs. in Lakh)</i>	<u>Previous Year</u> <i>(Rs. in Lakh)</i>
A. Stock of Stores & Spares	8123.22	7876.46
Stock of Medicine	53.74	17.24
Less:		
(i) Provision for obsolescence	777.55	629.94
(ii) Provision for Difference/Shortage	73.89	64.52
	<u>851.44</u>	<u>694.46</u>
Sub Total	<u>7325.52</u>	<u>7199.24</u>
Add:		
In transit/Under Inspection	333.44	256.27
Add: Loss of Assets	103.82	103.82
	<u>437.26</u>	<u>360.09</u>
Less: Provision for loss of Assets	103.82	103.82
	<u>333.44</u>	<u>256.27</u>
Total (A)	<u><u>7658.96</u></u>	<u><u>7455.51</u></u>
B. Stock of Coal		
1. Revenue Mines	5477.13	6079.73
2. Capital Mines	—	—
Sub Total (1+2)	<u><u>5477.13</u></u>	<u><u>6079.73</u></u>
Less: Provision for Deterioration	100.06	607.60
Non-vendable Stock	0.00	3.75
Rehandling Charges	8.80	15.41
	<u>108.86</u>	<u>626.76</u>
Total (B) [As per Annexure H (I) & H (II)]	<u><u>5368.27</u></u>	<u><u>5452.97</u></u>
C. Workshop Job		
Manufactured items	296.37	161.00
Work in progress	487.06	292.43
Total (C)	<u><u>783.43</u></u>	<u><u>453.43</u></u>
Grand Total (A+B+C)	<u><u>13810.66</u></u>	<u><u>13361.91</u></u>

NOTE : The Book Debts and Inventories are hypothecated in favour of State Bank of India for the consortium loan taken by Coal India Limited to the tune of Rs.31500.00 lakh.

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

PARTICULARS IN RESPECT OF COAL STOCK AS ON 31ST MARCH, 2004

SCHEDULE – H (CONTD....)

ANNEXURE – H (I)

Particulars	Overall Stock		Provision for Non Vendable Stock		Vendable Stock	
	Quantity (L Te)	Value (L Rs)	Quantity (L Te)	Value (L Rs)	Quantity (L Te)	Value (L Rs)
Reconciliation of Book Stock and Measured Stock						
1. Opening Stock as on 1.4.2003 (Book Stock)	25.16	6079.73	0.01	3.75	25.15	6075.98
2. Add Production for the Year	600.48	233099.52			600.48	233099.52
3. Sub Total (1+2)	625.64	239179.25	0.01	3.75	625.63	239175.50
4.(A) Less Offtake for the Year						
(i) Outside Despatch	593.51	233643.84			593.51	233643.84
(ii) Consumption for Boiler and Domestic Coal	0.08	58.28			0.08	58.28
Total: (4A)	593.59	233702.12			593.59	233702.12
4. (B) Stock written off			0.01	3.75	-0.01	-3.75
Total: (4A + 4B)	593.59	233702.12	0.01	3.75	593.58	233698.37
5. Derived Stock (3-4)	32.05	5477.13	0.00	0.00	32.05	5477.13
6. Measured Stock	31.65	5444.07			31.65	5444.07
7. Difference (5-6)	0.40	33.06	0.00	0.00	0.40	33.06
8. Break Up of Difference:						
(A) Excess within 5%						
(B) Shortage within 5%	1.25%	0.60%			1.25%	0.60%
(C) Excess beyond 5%						
(D) Shortage beyond 5%						
9. Closing Stock adopted in Accounts (5 above)	32.05	5477.13	0.00	0.00	32.05	5477.13

Contd...

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004**PARTICULARS IN RESPECT OF COAL STOCK AS ON 31ST MARCH, 2004****SCHEDULE – H (CONTD....)****ANNEXURE – H (II)**

Particulars	Current Year		Previous Year	
	Quantity (Lakh Tonne)	Value (Rs. in Lakh)	Quantity (Lakh Tonne)	Value (Rs. in Lakh)
Reconciliation of Closing Stock adopted in Accounts with Books Stock as at the end of the year				
Stock as per Books	32.05	5477.13	25.16	6079.73
Less:				
Non-vendable stock including mixed stock and stock on fire for which provision equivalent to the value has been made in Accounts but Qty. not adjusted in book stock as well as Accounts	0.00	0.00	0.01	3.75
Less:				
Charge for rehandling of pithead stock		8.80		15.41
Less:				
Provision made in the Accounts to take care of future deterioration in Coal stock		100.06		607.60
Stock as per Accounts after all provisions	32.05	5368.27	25.15	5452.97

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004**SCHEDULE – I
SUNDRY DEBTORS**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Outstanding for over six months	7567.93	17474.28
Other debts	6831.00	23671.81
Sub Total	14398.93	41146.09
Less: Provision for Doubtful Debts	8106.15	17483.56
Total	6292.78	23662.53
Classification :		
1 Considered good and in respect of which the Company is fully secured	350.80	515.07
2 Considered good for which the Company holds no security other than Debtors personal Security	5941.98	23147.46
3 Considered Doubtful	8106.15	17483.56
Total	14398.93	41146.09

NOTE:

- (1) Secured amount includes Rs.302.32 lakh (Previous year - Rs.251.58 lakh) covered by Bank Guarantees.
- (2) Due from company under the same management : Rs.25.96 lakhs.
- (3) The Book Debts and Inventories are hypothecated in favour of State Bank of India for the consortium loan taken by Coal India Limited to the tune of Rs.31500.00 lakh.

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004**SCHEDULE – J****CASH & BANK BALANCES**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
A. (i) Cash/Stamp in hand	5.13	3.25
(ii) Cheques/Demand Drafts in hand	35.56	0.81
(iii) Cash balance with Imprest Holder	2.17	1.83
B. Remittance-in-Transit	38.14	18.01
C. Balance with Scheduled Banks		
(i) Current Account	8840.19	7347.30
(ii) Deposit Account	7685.25	116.25
Total	16606.44	7487.45

SCHEDULE – K**OTHER CURRENT ASSETS**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Claims Receivable:		
1. Stowing & Protective Subsidy	0.00	0.00
2. Railways	53.92	33.38
3. Insurance Company	3.64	3.64
4. Fidelity	0.67	0.67
5. Sales Tax	2.52	2.52
6. Suspense - A/c Loss of Cash	15.97	15.97
Less : Provision for loss of Cash	15.97	15.97
	0.00	0.00
7. Cess on Coal	688.00	688.00
8. Others	4050.03	112.33
TOTAL	4798.78	840.54

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE – L LOANS & ADVANCES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A) Capital Advances :		
(1) P & M Advance	72.42	124.12
(2) Land Advance :	3306.27	2111.81
Total (A)	3378.69	2235.93
(B) Advance to Suppliers (Stores)	753.81	570.63
Total (B)	753.81	570.63
(C) Advance to Contractors:	971.38	710.93
Total (C)	971.38	710.93
(D) Advance to Employees:		
(1) House Building Advance	419.32	453.60
(2) Motor Car Advance	89.55	164.55
(3) Motor Cycle, Scooter Advance	00.07	0.08
(4) Other Conveyance Advance	—	—
(5) Pay Advance	18.62	4.63
(6) Medical Advance	52.19	43.76
(7) Flood /Drought Relief	0.24	0.27
(8) Local Purchase Adv.	3.18	2.84
(9) Misc. Advance	50.74	56.37
(10) Travelling Advance	95.53	108.82
(11) LTC Advance	14.90	11.17
(12) Advance (Others)	105.49	133.78
(13) Freight Advance	0.05	0.05
(14) Study Advance/Self Development Loan	0.04	0.00
(15) Other Receivables	284.20	277.74
Total (D)	1134.12	1257.66
(E) Advance to Others:		
1. Advance to Co-operative Society	0.45	0.48
2. Tax deducted at Source	1202.59	604.81
3. Advance Income Tax	48900.00	35000.00
4. Advance Wealth Tax	6.50	6.50
5. Income Tax(Company) under protest	8410.51	5622.65
6. (a) Advance Sales Tax	175.00	50.00
(b) Advance Royalty on Coal	153.52	100.00
7. Sales Tax deposit under protest	944.73	908.80
8. Advance Receivable from Govt.	3.19	2.98
9. Other receivables	401.82	391.95
Total (E)	60198.31	42688.17

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004**SCHEDULE – L (CONTD.....)****LOANS & ADVANCES**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(F) Deposit		
(i) With P & T Deptt.	3.70	3.40
(ii) With Elec. Boards.	620.45	579.63
(iii) Short Term Deposit With CIL (Holding Co.) ³	114668.97	101855.34
(iv) With Others	29.19	27.75
Total (F)	115322.31	102466.12
(G) Prepaid Expenses	50.65	46.19
Total (G)	50.65	46.19
(H) Current Account Balance with Sister Subsidiaries & Holding Company		
Coal India Ltd	4886.03	3306.44
Bharat Coking Coal Ltd.	1.44	0.00
CMPDI Ltd.	0.08	0.00
Northern Coalfields Ltd.	0.08	0.00
Total (H)	4887.63	3306.44
Grand Total (A to H)	186696.90	153282.07
Less : Provision for Doubtful Advances	207.77	174.86
Net Total	186489.13	153107.21
Classification:		
(a) Considered good in respect of which the company is fully secured	508.94	618.23
(b) Considered good for which the company holds no security other than Party's Personal security	185980.19	152488.98
(c) Considered doubtful	207.77	174.86

NOTE:

1. Amount due from an officer of the Company is Rs. 0.03 lakh (Previous Year Rs.0.35 lakh).
Maximum amount due at any time during the year is Rs. 0.12 lakh (Previous year Rs.0.40 lakh)
2. Amount due from Director of the Company is Rs.Nil (Previous Year - Nil).
3. Short Term deposit with CIL (Holding Co.) includes Rs.36038.41 lakh (Previous Year Rs. 38713.51 lakh)
which is non-interest earning.

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE – M CURRENT LIABILITIES AND PROVISIONS

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Current Liabilities:		
A. Sundry Creditors - for Goods		
For Capital	924.26	986.25
For Stores	3312.75	3627.20
Total (A)	4237.01	4613.45
B. Sundry Creditors for Expenses		
Contractual Expenses:		
Capital	2770.08	3423.27
Revenue	2000.17	2049.71
Power & Fuel	952.65	950.40
Total (B)	5722.90	6423.38
C. Employees Remuneration and Benefits		
Salaries,Wages,Allowance	7324.79	4653.88
Attendance Bonus	276.31	268.46
Ex-gratia	696.40	679.98
Unpaid Salaries & Wages	41.50	38.85
Gratuity	9488.28	7741.12
D L I	2.83	1.74
Leave Encashment	3131.98	2536.93
VRS	111.93	344.13
Total (C)	21074.02	16265.09
D. Other Expenses		
Contractual Expenses	1944.11	2068.68
Demurrage	0.35	12.48
Acceptance	-16.31	16.37
Audit Fee & Expenses	5.46	3.88
Repair & Maintenance	568.27	457.25
Others	945.58	764.63
Total (D)	3447.46	3323.29
(E) Statutory Dues		
Sales Tax :		
Central	236.43	240.59
State	162.82	133.48
Royalty on Coal	3489.80	2059.47
Cess on Coal	705.54	928.00
Rescue Cess	0.00	0.02
R & W Cess	0.00	0.10
Stowing Excise Duty	1596.45	493.76
Others	4.33	4.05
Provident Fund	224.33	234.57
Pension Fund	84.98	84.68
Profession Tax	0.26	0.25
Income tax:		
Employees	5.93	3.62
Contractors	4.12	4.33
Other Statutory Dues	317.58	96.89
Orissa Entry Tax	765.15	1153.79
Total (E)	7597.72	5437.60

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE – M (CONTD.....)

CURRENT LIABILITIES AND PROVISIONS

	<u>Current Year (Rs. in Lakh)</u>	<u>Previous Year (Rs. in Lakh)</u>
F. Other Liabilities		
(i) L.I.C.Premium(SSS)	-0.40	0.00
(ii) C.T. D Post Office	0.20	0.30
iii) Prime Minister's Relief Fund	48.68	0.00
(iv) Dues to Canteen	0.49	0.29
(v) Dues to Co-operative Societies	3.39	1.81
(vi) Benevolent Fund	1.76	11.71
(vii) Welfare Fund	0.00	0.07
viii) Others	262.26	250.98
Total (F)	316.38	265.16
G. Advances and Deposits		
Advance from Customers	5190.81	2996.70
Deposits from Contractors & Others	3081.98	3617.62
Unutilised Govt. Subsidy	69.83	69.83
Total (G)	8342.62	6684.15
H. Interest accrued but not due on Loan	45.70	50.93
Total (H)	45.70	50.93
I. Current Account Balance with Sister Subsidiaries & Holding Company		
South Eastern Coalfields Limited	0.21	0.00
TOTAL (I)	0.21	0.00
J. Overburden Removal		
Ratio Variance Reserve	38082.23	38871.98
Less: Closing Advance Stripping	25294.71	26974.75
	12787.52	11897.23
Total (J)	12787.52	11897.23
Total Current Liabilities (A to J)	63571.54	54960.28
Provisions :		
(a) Taxation	50982.37	38909.07
(b) Dividend	24923.00	20541.80
Total Provisions	75905.37	59450.87
Grand Total	139476.91	114411.15

- NOTE: 1. Out of Sundry Creditors of Rs. 9959.99 lakh (Previous year Rs. 10589.71 lakh) (A+B), total outstanding dues of small scale industrial undertakings are Rs. Nil (Previous year Rs. Nil).
2. There is no small scale industrial undertaking to whom the Company owe a sum exceeding Rs. 1.00 lakh which is outstanding for more than 30 days.

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2004**SCHEDULE – N****MISCELLANEOUS EXPENDITURE****(To the extent not written off or adjusted)***(Rs. in Lakh)*

Particulars	As at 01.04.2003	Additions During the Year	Deductions/ Adjustment During the Year	As at 31.03.2004
1. HEMM Rehabilitation Expenses	2310.33	0.00	2310.33	0.00
2. VRS Scheme	558.82	0.00	558.82	0.00
3. Preliminary Expenses	0.00	0.00	0.00	0.00
Grand Total (1+2+3)	2869.15	0.00	2869.15	0.00
Previous year	2162.22	2338.52	1631.59	2869.15

**SCHEDULE TO PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2004**

SCHEDULE – 1

SALES

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Quantity (Lakh Tonne)		593.51	513.74
(A) Gross Sales Value	316099.57	259440.77	
Less: Transportation Charges	22778.59	14381.74	
		293320.98	245059.03
Less: Statutory Levies:			
Royalty on Coal	41689.80	31698.71	
Stowing excise Duty	4991.17	1798.09	
		46680.97	33496.80
Sales Tax:			
Central	6745.81	6197.20	
State	4952.78	4001.86	
Orissa Entry Tax	1297.58	952.96	
		12996.17	11152.02
(B) Total Levies		59677.14	44648.82
(C) Basic Value (A-B)/Net Value		233643.84	200410.21

SCHEDULE – 2

COAL ISSUED FOR OTHER PURPOSES

(Rs. in Lakh)

	Current Year			Previous Year		
	Colly Cons.	Free Issue to Empl.	Total	Colly Cons.	Free Issue to Empl.	Total
Quantity (Lakh Tonne)	0.08	0.00	0.08	0.08	0.04	0.12
Gross Value	72.24	0.69	72.93	67.62	17.29	84.91
Less:						
Royalty on Coal	14.65	0.00	14.65	8.84	1.53	10.37
Net Value	57.59	0.69	58.28	58.78	15.76	74.54

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 3 ACCRETION/(DECRETION) IN STOCK

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Closing Stock			
(A)	Raw Coal	5477.13	6079.73
	Less: Provision for		
	Deterioration	100.06	607.60
	Non Vendable Stock	0.00	3.75
	Rehandling	8.80	15.41
		<u>108.86</u>	<u>626.76</u>
	Total (A)	<u>5368.27</u>	<u>5452.97</u>
(B)	Workshop Job		
	Work-in-progress	735.63	450.80
	Total (B)	<u>735.63</u>	<u>450.80</u>
(C)	Total (A+B)	<u>6103.90</u>	<u>5903.77</u>
Opening Stock			
(D)	Raw Coal	6079.73	3510.23
	Less: Provision for		
	Deterioration	607.60	350.52
	Non Vendable Stock	3.75	3.75
	Rehandling	15.42	2.72
		<u>626.77</u>	<u>356.99</u>
	Total (D)	<u>5452.96</u>	<u>3153.24</u>
(E)	Workshop Job (W.I.P.)	423.67	163.16
	Total (E)	<u>423.67</u>	<u>163.16</u>
(F)	Total (D+E)	<u>5876.63</u>	<u>3316.40</u>
	Total (C-F)	<u>227.27</u>	<u>2587.37</u>
	Less: Transfer to Development		
	Accretion(+)/Decretion(-) in Stock	<u>227.27</u>	<u>2587.37</u>

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 4 OTHER INCOME

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Stowing Subsidy	176.89	111.04
Transportation Charges	15873.45	14381.74
Value of Workshop job done	6937.16	6634.64
Rent (outsider)	56.13	40.56
Interest Received on		
1 Bank Deposits	28.38	9.03
2 Loans & Advances to Employees	49.34	67.77
3 Loans & Advances to Contractors	0.00	16.62
4. Current Account / Short Term Deposit with Coal India Limited	5837.75	2877.42
5. Investment	2926.72	0.00
Discount, Rebate & Allowances	0.00	15.69
Liquidated Damages/Penalty	91.43	75.56
Others:		
Tender Fee	35.96	48.86
Service Charges from Customers on joint sampling	518.83	22.44
Sale of scrap	137.12	200.09
Reimbursement of Admn. Charges	0.00	0.00
Profit on sale of Utkal Blocks	0.00	0.00
Crushing Charges	8886.41	7159.44
Other Misc. receipts	1548.48	839.65
Sub Total	43104.05	32500.55
Less: Transfer to Development	0.17	0.46
Net Total	43103.88	32500.09

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 5

INTERNAL CONSUMPTION OF COAL

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Quantity (Lakh Tonne)	0.08	0.08
Gross Value	72.24	67.62
Less: Royalty on Coal	14.65	8.84
Net Value	57.59	58.78

SCHEDULE – 6

STORES & SPARE PARTS CONSUMED

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Explosives	5186.00	4963.54
Timber	62.38	38.02
Petrol, Oil & Lubricants	8775.07	7822.89
HEMM Spares	11015.16	11748.00
Other Stores & Spares	4889.32	4825.63
Sub Total	29927.93	29398.08
Less : Transfer to		
Social Facilities	69.18	53.22
Other Expenditure	362.19	432.27
Development	14.09	15.06
Sub Total	445.46	500.55
Total	29482.47	28897.53

SCHEDULE – 7

POWER & FUEL EXPENSES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Purchase of Electricity	8925.82	8493.36
Less: Transfer to		
Social Facilities	690.19	841.45
Development	0.77	0.70
	690.96	842.15
Total	8234.86	7651.21

**SCHEDULE TO PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2004**

SCHEDULE – 8

EMPLOYEES REMUNERATION AND BENEFITS

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
A. Salaries, Wages & allowances		
Piece Rated Wages	572.76	970.73
Time Rated Wages	15875.81	15709.66
Interim relief	1589.84	—
Executives Salary	4526.60	4315.03
Leave Wages	1237.57	1106.85
Paid Holiday Wages	232.64	251.18
Leave Encashment	1760.59	1459.81
Nightshift Allowance	50.47	53.87
House Rent Allowance	104.93	117.62
Transport Subsidy	411.19	395.12
Incentive Bonus/Reward	0.44	1.80
Special Incentive	0.22	0.19
Other Allowances	51.14	19.98
Total (A)	26414.20	24401.84
B.		
Normal Overtime	3639.05	3010.59
Sunday Overtime	1853.08	1608.10
Fall Back Wages	0.35	0.95
Attendance Bonus	1091.39	1079.49
Ex-gratia	675.93	690.24
Provident Fund	3912.09	3337.99
Pension Fund	176.37	169.28
LLTC	891.49	798.31
RRF	17.37	20.82
Pension	258.78	519.53
Gratuity	2727.20	1935.54
Workmen Compensation	30.50	17.64
D.L.I	25.60	25.31
Life Cover Scheme	35.71	31.75
Voluntary Retirement Scheme	866.47	141.60
Other Retirement Benefits	0.00	132.43
Total (B)	16201.38	13519.57
C.		
Less: Transfer to		
Social Facilities	979.24	940.55
Development	404.25	193.01
	1383.49	1133.56
Total (C)	1383.49	1133.56
Net Total (A+B-C)	41232.09	36787.85

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 9

CONTRACTUAL EXPENSES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Transportation Charges:		
Coal	22778.59	20053.30
Sand	101.04	84.13
Others	48.31	5.41
Hire Charges of HEMM	2795.82	4866.02
Other Contractual Works	3524.95	4310.95
Sub Total	29248.71	29319.81
Less: Transfer to Development	159.32	24.25
Total	29089.39	29295.56

SCHEDULE – 10

REPAIR EXPENSES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A) Township	899.95	728.50
Hospital, Educational & Other Welfare Build.	204.67	154.21
Factory & Office Buildings	262.13	257.00
Plant & Machinery	2726.95	2412.73
Office Equip. & Furnitures	58.66	68.97
Hospital Equipment	3.44	4.68
Heavy Vehicles	47.39	52.67
Cars & Jeeps	150.13	130.81
Safety Items	36.87	33.23
SOH Vehicles	13.52	8.01
HEMM Rehabilitation expenses written off	3865.87	1427.68
Workshop Job done	4491.01	4351.84
Siding Maint. Charges	417.20	154.33
Total	13177.79	9784.66
Less: Transfer to		
Social Facilities	1094.45	973.20
Other Expenses	150.13	129.60
Development	16.14	17.17
	1260.72	1119.97
Net Total	11917.07	8664.69

**SCHEDULE TO PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2004**

SCHEDULE – 11

SOCIAL FACILITIES EXPENSES

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A)	Salaries,Wages & Allwances(Contra)	979.24	940.55
	Free issue of Coal to employees/Gas	466.04	392.00
	Medical Reimbursement	406.24	331.48
	Medicine & Diet Expn.	245.83	220.20
	Grant to Schools & Inst.	323.46	266.15
	Sports,Rec. expenses & Grants	47.87	47.88
	Canteen upkeep	7.72	7.65
	Purchase of Water	43.15	53.96
	Power (Contra)	690.19	841.45
	Total (A)	3209.74	3101.32
(B)	Repairs:		
	Township Repair(Contra)	889.23	728.50
	Repair of Hospital, School & Wel,Building (Contra)	191.28	154.21
	Hospital Equip.(Contra)	3.44	4.68
	Total (B)	1083.95	887.39
(C)	Cons. of Stores & Spares SOH services (Contra)	33.46	25.17
	Maintenance of Vehicles:		
	Stores & Spares for SOH Vehicles(Contra)	35.73	28.05
	Repairs of S.O.H. Vehicles (Contra)	10.50	22.82
	Road Tax	0.13	0.31
	Insurance	0.38	0.12
		46.74	51.30
	Training Expenses	337.88	332.44
	Depreciation	946.54	1617.53
	Community Development	356.17	468.25
	Resettlement Expenses	438.66	0.00
	Assets not belonging to Company	3125.69	0.00
	Environment/Ecology/ Improvement	440.02	279.04
	Technical Assistance ESMP	0.00	14.07
	Guest House Expenses	23.48	23.85
	Others	215.30	158.55
	Total (C)	5963.94	2970.20
	Total (A+B+C)	10257.63	6958.91
(D)	Less : Recoveries		
	Vehicle	6.59	1.37
	House Rent	25.59	28.19
	Hospital Charges	45.34	37.70
	School Bus,Elect. & Water charges	20.48	54.47
	Guest House/Transit Flat	3.83	1.94
		101.83	123.67
	Total (D)	101.83	123.67
(E)	Less: Transfer to Development	8.00	21.57
	Net Total (A+B+C-D-E)	10147.80	6813.67

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 12

OTHER EXPENDITURE

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A) Travelling	432.74	384.96
Printing & Stationery	204.69	271.79
Books & Periodicals	8.17	11.33
Postage & Telephone	154.23	143.89
Bank Charges	7.11	14.02
Advertisement for :		
(i) Recruitment	0.12	0.23
(ii) Tender	347.84	395.80
(iii) Others	4.27	7.80
(iv) Publicity	63.06	79.32
	415.29	483.15
Freight Charges	11.12	12.75
Under Loading Charges	363.20	323.49
Demurrage	27.15	14.12
Donation & Subscriptions	17.80	13.94
Security Expenses	1037.06	831.59
Rescue & Safety	117.48	77.56
Expenses on Meeting	132.98	136.70
Expenses for Safety	274.41	246.41
Hire Charges for:		
(i) Computer	208.89	227.01
(ii) Others	236.31	243.15
	445.20	470.16
Maintenance of Cars & Jeeps:		
(i) P.O.L.& Spares(Contra)	362.18	432.27
(ii) Repairs(Contra)	148.70	129.60
(iii) Vehicle Tax	99.59	124.46
(iv) Insurance	8.41	6.08
	618.88	692.41
Total (A)	4267.51	4128.27
(B) Expenses on closed/suspended mines	0.00	0.00
Royalty & Cess	16.80	20.83
Insurance	0.27	0.57
Rent,Rates & Taxes.	613.87	429.61
Auditors Remuneration:		
(i) Audit Fee	2.72	2.17
(ii) Tax Audit Fee	0.51	0.41
(iii) Travelling & Out of Pocket Exp	1.62	1.29
	4.85	3.87

(Contd.....)

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 12 (Contd.....)

OTHER EXPENDITURE

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Internal Audit Fee & Expenses	26.49	43.66
Legal Expenses	88.24	111.50
Consultancy fees and expenses	—	—
Apex Office Expenses	3002.45	2611.47
Loss on Sale/Discard of Assets	0.37	0.17
Office Contingency	41.24	49.63
Prospecting & Boring	536.28	637.27
CSRP Technical Assistance	5.13	18.62
ESMP Expenses	2.85	32.39
Wealth Tax	5.63	4.83
Others	554.39	390.15
Total (B)	4898.86	4354.57
Total(A+B)	9166.37	8482.84
(C) Less : Transfer to Development	84.63	37.71
Net Total (A+B-C)	9081.74	8445.13

SCHEDULE – 13

OVER BURDEN REMOVAL ADJUSTMENT

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Expenditure Charged to Coal	63161.64	48174.62
Less :		
Expenditure incurred	62462.24	49732.42
Total	699.40	-1557.80

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 14(A)

INTEREST

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
On dues to Coal India Ltd., Holding Co.			
For Loans from IBRD & JEXIM	325.26	493.60	
For other Loans	0.00	0.00	
		325.26	493.60
On deferred payment		275.49	305.20
Other Interest		9.78	61.58
Sub Total		610.53	860.38
Less:			
Transfer to development		0.00	0.00
Net Total		610.53	860.38

SCHEDULE – 14(B)

FINANCIAL CHARGES

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
1. Commitment Charges (IBRD & JEXIM)		0.61	3.36
2. Guarantee fees (IBRD & JEXIM)		310.12	330.22
3. Swap Charges		39.01	50.62
TOTAL		349.74	384.20

SCHEDULE – 15

DEPRECIATION

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Depreciation		13698.81	17267.88
Less : Transfer to			
(a) Social Overhead	946.54	1617.53	
(b) Prior Period Adjustment	417.10	3133.45	
(c) Development	-5.68	27.41	
		1357.96	4778.39
Net Total		12340.85	12489.49

**SCHEDULE TO PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2004**

SCHEDULE – 16(A)

PROVISIONS

		<u>Current Year (Rs. in Lakh)</u>	<u>Previous Year (Rs. in Lakh)</u>
Provision for Doubtful debts	-8600.41	5064.86	
Less: Earlier Provision no longer required	<u>777.00</u>	<u>0.00</u>	
		-9377.41	5064.86
Obsolescence of Stores		147.61	147.52
Shortage of Stores		9.37	11.48
P&M in stores pending installation		178.09	175.61
CHP & IWSS pending installation		0.00	2.45
Doubtful Advances		32.86	132.51
Retired/Surveyed-off Assets		21.83	131.68
Non Vendable Stock		-3.75	—
Total (A)		<u>-8991.40</u>	<u>5666.11</u>

SCHEDULE – 16(B)

WRITE OFF

		<u>Current Year (Rs. in Lakh)</u>	<u>Previous Year (Rs. in Lakh)</u>
Bad Debts Written off		-3672.86	-1517.30
Stores & Spares		1.05	—
Stock		3.75	—
Prospecting & Boring		2.66	—
Development Expenses written off		75.26	—
Total (B)		<u>-3590.14</u>	<u>-1517.30</u>

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE – 17

PRIOR PERIOD ADJUSTMENT

	<u>Current Year (Rs. in Lakh)</u>	<u>Previous Year (Rs. in Lakh)</u>
(A) Debit		
Employees remuneration & benefits	-3.39	44.22
Social Overhead	1.13	0.00
Consumption of Stores & spare parts	22.21	-0.57
Repairs & Maintenance	-1.55	3.34
Depreciation	417.10	3133.45
Contractual expenses	18.49	212.80
OBR Adjustment	190.91	0.00
Rates & taxes	0.00	962.19
Power and Fuel	0.45	0.00
Others	-41.01	55.47
Total (A)	<u>604.34</u>	<u>4410.90</u>
(B) Credit		
Sales	0.00	0.00
Interest	7865.08	0.00
Other Income	1236.06	9.49
Total (B)	<u>9101.14</u>	<u>9.49</u>
Net Total (A-B)	<u>-8496.80</u>	<u>4401.41</u>

SCHEDULE – P

ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

1.1 Financial statements are prepared on historical cost convention and accrual basis of accounting following going concern concept, accounting standards and generally accepted accounting principles except otherwise stated in the Accounting Policy.

1.2 The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

2. BASIS OF ACCOUNTING

2.1 All expenses and income are booked initially in the natural heads of accounts and then transferred to functional heads wherever required.

2.2 Accrual basis of accounting has been followed except in the following cases:

- (a) Demurrage, Liquidated damages/ Penalty.
- (b) Insurance/Railway claims and escalation claims; and
- (c) Additional liability for royalty, cess etc.
- (d) Subsidy receivable from Government.
- (e) Pension and Gratuity paid to ex-NCDC employees.

2.3 All expenses under Community Development Programme are charged to revenue as and when incurred.

3. SALES

Sales are stated at invoiced value of goods sold, net of transportation Charges and statutory levies viz., Royalty on Coal, Stowing Excise Duty, Sales Tax – both Central and State and Orissa Entry Tax.

4. SUBSIDY/ GRANTS FROM GOVERNMENT

4.1 Subsidy/Grants on Capital Accounts are deducted from the cost of respective assets

to which they relate. The unspent amount at the year-end, if any, is shown as Current Liabilities.

4.2 Subsidies/Grants on Revenue Account are credited to Profit & Loss Account under the head "Other Receipts" and the expenses are debited to the respective heads.

5. FIXED ASSETS

5.1 All fixed assets are stated at cost less depreciation.

5.2 **Land:** Land includes cost of acquisition, compensation and rehabilitation expenses incurred for concerned displaced persons. Other expenditure incurred on acquisition of land viz. Resettlement cost, Cash compensation in lieu of employment etc. are, however, treated as Revenue Expenditure in the year in which it is incurred.

5.3 **Plant and Machinery:** Plant and Machinery include cost and expenses incurred for erection/installation and other attributable costs of bringing those assets to working conditions for their intended use.

5.4 **Railway siding:** Pending commissioning, payment made to the Railway Authorities for construction of railway siding are shown under Capital Work-in-progress.

5.5 **Development:** Expenses net of income of the project/mines under development are booked to Development account and grouped under Capital work-in-progress till the projects/mines are brought to Revenue.

Projects/mines under development are brought to revenue:

- (a) From the beginning of the financial year immediately after the year in which the project achieves physical output of 25% of rated capacity as per approved project report, or
- (b) 2 years of touching coal, or

- (c) From the beginning of the financial year in which value of production is more than total expenses, whichever event occurs first.

5.6 Prospecting & Boring and other Development Expenditure : The cost of exploration and other development expenditure incurred in one five year plan period is kept in Capital Work-in-Progress till the end of subsequent two five-year-plan periods for formulation of projects beyond which it is written off except in the case of blocks identified for sale or proposed to be sold to outside agency.

6. DEPRECIATION

- 6.1 Depreciation on fixed assets is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956, except for telecommunication and electronic equipments. Depreciation on such equipment is charged over the technically estimated life, at higher rates, viz., @ 15.83% and @ 10.55%. Depreciation on the assets added/dropped off during the year is provided on pro-rata basis with reference to the month of addition/disposal.
- 6.2 Value of land acquired under Coal bearing Area (Acquisition & Development) Act, 1957 are amortised on the basis of life of the Project. Value of leasehold land is amortised on the basis of lease period or life of the Project whichever is earlier.
- 6.3 "Prospecting, Boring and other Development Expenditure" being capital in nature of revenue mines are amortised over a period of 20 years or working life of the mines whichever is less.
- 6.4 Assets attracting 100% depreciation, other than items costing Rs.5,000/- are taken out from the Accounts after expiry of two years following the year in which these are fully depreciated.
- 6.5 In case of Plant & Machinery, which is kept in plant pending installation and at store for more than 3 years, provision equivalent to depreciation is made from the 4th year

followed by action for formal write-off, where necessary. If any such plant & machinery is put to use afterwards i.e., after provisions have already been made, depreciation charged in the first year of use is depreciation for the year plus provision already made against the item with due accounting adjustments between depreciation & such provision.

7. INVESTMENTS

Long term Investments are valued at cost unless there is a permanent decline in value thereof.

8. RETIREMENT BENEFITS

Provision for gratuity and leave encashment due to employees at the end of the year is made on the basis of independent actuarial valuation.

9. INVENTORIES

- 9.1 Book stock of coal/coke is considered in the Accounts where the variance between book stock and measured stock is up to $\pm 5\%$ and in case where the variance is beyond $\pm 5\%$ the measured stock is considered. Such stocks are valued at net realisable value or cost whichever is lower cost being ascertained on annual average basis.
- 9.2 Provision at the rate of 10% on the value of Closing stocks of Coal is made to take care of deterioration of stock due to fire and longer period of stocking etc. where the stock is valued at Net realisable value. No such provision is made where the stock is valued at cost.
- 9.3 Stock of stores & spare parts at Central & Area Stores are valued at cost calculated on the basis of the weighted average method. The year-end inventory of stores & spare parts lying at collieries/sub stores/ consuming centers, initially charged off, at issue price of Area Stores are valued at cost/ estimated cost. Workshop jobs including work-in-progress are valued at cost.
- 9.4 Stores & Spare parts include loose tools.

9.5 Provisions are made at the rate of 100% for unserviceable damaged and obsolete stores and 50% for stores & spares not moved for 5 years excepting insurance items.

9.6 Stock of stationery, (other than lying at Printing Press), bricks, sand, medicine, (except at Central Hospitals) and scraps are not considered in inventory.

10. FOREIGN CURRENCY TRANSACTIONS

10.1 Foreign currency loans in respect of fixed asset, outstanding on the Balance Sheet date are translated at the exchange rate prevalent on that day and any loss or gain arising out of such transactions is added/ deducted from the cost of the fixed assets.

10.2 Monetary current assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at the year end rates. The difference in translation of monetary current assets and liabilities and realised gains and losses on foreign exchange transactions are recognised in the Profit & Loss Account, except those relating to acquisition of Fixed Assets which are capitalised.

11. BORROWING COST

Borrowing Costs relating to the acquisition/ construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other Borrowing Cost are charged to Revenue.

12. INCOME TAX

12.1 Current tax is determined as the amount of tax payable to the taxation authorities in respect of taxable income for the period.

12.2 Deferred tax is recognised subject to consideration of prudence on timing difference being differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

13. BALANCE WITH COAL INDIA LIMITED (HOLDING COMPANY)

Amount due to Coal India Limited on account of loan after adjustment for conversion to equity or vice-versa from time to time is shown as Unsecured Loan. Amount due/receivable for transactions booked in Current Account is shown under Current Liabilities/Current Assets.

14. APEX OFFICE CHARGES AND INTEREST TO HOLDING COMPANY

14.1 Apex office charges as charged by Holding Company is allocated to revenue mines on the basis of coal production.

14.2 Interest on loans through CIL for procurement of specific assets is accounted for as per terms of loan agreement and corresponding memos from CIL.

15. OVERBURDEN REMOVAL (OBR) EXPENSES

In Opencast mines with rated capacity of 1 million tonnes and above, the cost of OBR is charged on average ratio (Coal : OB) at each mine with due adjustment for advance stripping and ratio variance account after the mines are brought to revenue. Net of balances of advance stripping and ratio variance at the end of the year is shown as Deferred Revenue Expenditure or Current Liabilities, as the case may be.

The reported quantity of overburden is considered in the Accounts where the variance between reported quantity and measured quantity is within the permissible limits as detailed hereunder:

Annual Quantum of OBR of the Mine	Permissible limits of variance (whichever is less) %	Quantum (in Mill.cu. Mtr.)
Less than 1 Mill. Cu. M	± 5%	0.03
Between 1 and 5 Mill. Cu. M	± 3%	0.20
More than 5 Mill. Cu. M.	± 2%	Nil

If the variance between reported quantity and measured quantity is more than the above tolerance limit, measured OBR quantity is considered for the ascertainment of ratio variance.

16. REHABILITATION EXPENDITURE OF HEMM/EXPENDITURE ON ASSETS NOT BELONGING TO THE COMPANY/ EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME

- 16.1 Expenditure on rehabilitation of HEMM is charged off in the year in which it is incurred..
- 16.2 Expenditure on Assets not belonging to the Company are fully charged to revenue in the year in which it is incurred.

16.3 Terminal benefits over and above related grants received under Voluntary Retirement Scheme is charged to revenue in the year in which it is incurred.

17. CLAIMS

Claims against the Company not acknowledged as Debts are disclosed in Contingent Liability after a careful evaluation of the facts and legal aspects of the matter involved.

SCHEDULE - P

NOTES ON ACCOUNTS

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| <p>1.0 CONTINGENT LIABILITIES</p> <p>1.1 Claims against the Company not acknowledged as debt Rs. 11805.53 lakh (previous year Rs.11270.64 lakh).</p> <p>1.2 Sales tax claims to the extent of Rs.1853.06 lakh (previous year Rs.1772.05 lakh) has not been acknowledged as debts by the Company.</p> <p>1.3 Claims made by the Income Tax authorities, Rs.13173.96 lakh (previous year Rs.5360.39 lakh) has not been acknowledged as debts as appeals are pending.</p> <p>1.4 Claims for enhancement of compensation for land acquired from private parties could not be ascertained in some cases where the matter is sub-judice.</p> <p>1.5 Claim for Motor vehicle Tax of Rs.759.59 lakh under Motor Vehicle Act has not been acknowledged as a Debt (Previous year Rs.730.76 lakh).</p> <p>1.6 Guarantee given by the Company : The Book Debts and Inventories are hypothecated in favour of State Bank of India for the consortium loan taken by Coal India Limited to the tune of Rs.31500.00 lakh.</p> <p>2.0 CAPITAL COMMITMENTS</p> <p>Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs.6374.69 lakh (previous year Rs.2756.00 lakh) net of advance.</p> <p>3.0 REDEMPTION OF PREFERENCE SHARE CAPITAL</p> <p>2041800(Twenty lakh forty-one thousand eight hundred) nos. of 10% Cumulative Redeemable Preference Shares of Rs.1000 (Rupees one thousand) each amounting to Rs.20418.00 lakh have been redeemed during the year.</p> | <p>4.0 RESERVES AND SURPLUS</p> <p>4.1 Capital Redemption Reserve</p> <p>In pursuance of Section 80(1)(d) of The Companies Act, 1956 the Company has transferred Rs.4083.60 lakh during the year Capital Redemption Reserve so as to constitute balance in the Capital Redemption Reserve as on 31.03.04 equal to the nominal amount of Preference Shares redeemed during the year.</p> <p>4.2 General Reserve</p> <p>Rs.9600.00 lakh (previous year Rs.6000.00 lakh) being 10.30% of profit after tax is transferred to General Reserve during the year.</p> <p>5.0 UNSECURED LOANS</p> <p>5.1 Loans availed from IBRD & JEXIM under CSR scheme of World Bank based on back-to-back agreement between the Company, Coal India Ltd. and the lending agencies are disclosed as unsecured loan.</p> <p>6.0 FIXED ASSETS</p> <p>6.1 Land acquired under Coal Bearing Area (Acquisition & Development) Act, 1957 has been shown as "Land-Leasehold" in Fixed Assets (Schedule-D).</p> <p>6.2 The Assets and Liabilities taken over from coal Mines Labour Welfare Organisation and Coal Mines Rescue Organisation have not been incorporated in the accounts pending determination of value thereof.</p> <p>6.3 Fixed assets have been physically verified by the Company. However, reconciliation of the same with plant cards is under progress and the adjustment in the books of account for discrepancies, if any, shall be carried out only after complete reconciliation.</p> |
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6.4 Conveyancing of land in favour of the Company are pending for execution in most of the cases.

6.5 Out of Rs.1358.71 lakh being the negative balance appearing in some Projects under the head Development Expenditure since pre-incorporation period, an amount of Rs.765.24 lakh has been adjusted against unamortized Development Expenditure as at 31.3.2004 leaving a balance of Rs.593.47 lakh which is yet to be adjusted.

7.0 INVESTMENT

7.1 Non-trade Investments (unquoted)

As per tripartite agreement with power houses, the Company has received 8.5% Tax Free Power Bonds of nominal value Rs.34432.00 lakh against old outstanding dues as on 30th September, 2001 from three power houses (MSEB, TNEB and WBPDC). Out of Rs.34432.00 lakh, Rs.30957.00 lakh has been received towards outstanding dues and Rs.3475.00 lakh has been received towards interest on delayed payment which has been taken to Prior Period Adjustment (Sch.17) under the sub-head Interest Income.

Interest on Power Bonds for the period 1st October, 2001 to 31st March, 2003 @ 8.5% amounting to Rs.4390.08 lakh has been accounted for under Prior Period Adjustment (Sch.17) under the sub-head Interest Income. Further, Interest amounting to Rs.2926.72 lakh for the current year has been accounted for as Other Income.

8.0 INVENTORIES

8.1 Stores and spares

8.1.1 The closing stock of stores and spares have been considered in the accounts as per balance appearing in the Financial ledger and the discrepancy arising out of physical verification is under reconciliation.

8.1.2 Provision of Rs.147.61 lakh (previous year Rs.147.52 lakh) has been made during the

year for slow moving and obsolete stores. Cumulative provision against such stores stands at Rs777.55 lakh (previous year Rs.629.94 lakh) as on 31.03.04 which is considered adequate.

8.1.3 Provision of Rs.9.37 lakh (previous year Rs.11.48 lakh) has been made during the year for difference / shortage of stores . Cumulative provision against such stores stands at Rs.73.89 lakh (previous year Rs.64.52 lakh) as on 31.03.04 which is considered adequate.

8.2.0 Coal Stock :

8.2.1 Stock of coal is valued separately for each mine at cost or net realisable value, whichever is lower.

8.2.2 Provision of Rs.100.06 lakh has been made during the year towards deterioration of stocks valued at net realisable value.

9.0 SUNDRY DEBTORS

9.1 The company has regular procedure of carrying out joint reconciliation of balance with major customers. In other cases letters have been sent for confirmation of balance for which reply is yet to be received.

9.2 Provision for doubtful debts is made in case of dispute in quantity and penalty on overloading @50% and in case of others @100% resulting in cumulative provision of Rs.8106.15 lakh as on 31.03.04 (previous year Rs.17483.56 lakh).

9.3 During the year excess provision for doubtful debts have been reversed to the tune of Rs.9377.41 lakh (net) (previous year nil) on account of settlement with customers and adjustment of power bonds received against securitisation of dues upto September, 2001.

9.4 During the year debts amounting to Rs.3672.86 lakh (net of write off) (previous year Rs.1517.30 lakh), which were written off in earlier years have been written back following settlement with customers and adjustment of power bond received against

securitisation of dues up to September 2001.

10.0 CASH AND BANK BALANCES

Cash and Bank balances include:

- (i) Balance with Schedule Bank in Deposit account Rs.75.60 lakh (previous year Rs.71.41 lakhs) which is under lien to Hon'ble District Court of Sundergarh.
- (ii) Cash balance with imprest holder Rs.2.17 lakh (previous year 1.83 lakh) maintained with various branches of Coal India Limited

11.0 LOANS AND ADVANCES

- 11.1 Certain credit balances in current assets under same head of account have been netted pending linking of the same.
- 11.2 Loans & Advances amounting to Rs.186665.61 lakh (previous year Rs.153282.07 lakhs) being advance under various heads which are in process of reconciliation against which additional provision of Rs.32.91 lakh (previous year 132.51 lakh) has been made during the year.
- 11.3 Confirmation of balances is pending in most of the cases.
- 11.4 Deposits include Rs.114668.97 lakh (previous year Rs.101855.34 lakh) with Coal India Limited as short-term deposit, which comprises Rs.78630.56 lakh (previous year Rs.63141.83 lakh) as interest earning and Rs.36038.41 lakh (previous year Rs.38713.51 lakh) as non-interest earning deposits.

11.5 Loans and advances include :

- (i) Rs.8410.51 lakh (previous year Rs.5622.65 lakh) being the Income Tax paid under protest against claims of Rs.13173.96 lakh pending at various forums.
- (ii) Rs.944.73 lakh (previous year Rs.908.80 lakh) being the sales tax paid under protest against claims of Rs.1853.06 lakh pending at various forums.

- 11.6 Loans and advances include Rs.348.58 lakh (net of Rs.86.29 lakh received from Prime Minister's National Relief Fund) (previous year Rs.312.33 lakh) being expenditure incurred for construction of Schools in Cyclone affected areas of Orissa, the amount being reimbursable from the "Prime Minister's National Relief Fund". This includes Rs.70.53 lakh (previous year Rs.34.28 lakh) being the excess amount over and above the sanctioned amount of Rs.364.45 lakh.

12.0 OTHER CURRENT ASSETS

- 12.1 Other current assets include Rs.15.97 lakh (previous year Rs.15.97 lakh) accounted for as suspense account "Loss of Cash" being the amount of money misappropriated/ defalcated against which full provision has been made.
- 12.2 Other current assets include Rs.688.00 lakh (Previous year Rs.,688.00 lakh) being the amount claimed by the Company from the Government of Orissa towards refund of Cess paid under protest to the Government subsequent to 4th April, 1991 in consonance with the Judgement dated 31.07.2001 by the Hon'ble Supreme Court of India in the case of District Mining Officer & Ors vs. Tata Iron & Steel Company and Another.

13.0 CURRENT LIABILITIES AND PROVISIONS

Current liabilities and provisions include -

- (i) Rs.705.54 lakh (previous year 928.00 lakh) appearing under the head "Cess on Coal" (Schedule-M) represents, amounts billed to customers towards cess under the Orissa Cess Act. Consequent upon the judgement of the Hon'ble Supreme Court of India in the case of "District Mining Officer & Ors vs. Tata Iron & Steel Company and Another" the Company is required to pay to the Government of Orissa such amount billed prior to 4th April, 1991 and refund the amount collected from customers subsequent to that date. Based on such decision of Hon'ble Supreme Court

Rs.688.00 lakh (previous year Rs.688.00 lakh) paid under protest has been claimed from the Government of Orissa. During the year an amount of Rs.222.46 lakh (Previous year NIL) has been adjusted leaving a balance of Rs.705.54 lakh under reconciliation.

- (ii) Rs.18.26 lakh (previous year 18.26 lakh) being certain unreconciled balances which are under the process of reconciliation. Adjustments in the accounts, if any, shall be made after such reconciliation.
- (iii) Further provision of Rs.2628.07 lakh (previous year Rs.1105.72 lakh) for ad-hoc provision towards likely upward wage revision since July, 2001 for non-executives under NCWA VII.
- (iv) Advance & Deposit Cash sale Rs.1.18 lakh (previous year Rs.1.18 lakh) relating to IB-Valley and Jagannath Area transactions pending for reconciliation and adjustment.
- (v) Rs.765.15 lakh (previous year Rs.1153.79 lakh) being the Orissa Entry Tax payable has not been deposited pending adjustment/collection from the parties.

14.0 PROFIT AND LOSS ACCOUNT

- 14.1 **Gratuity** : Incremental Gratuity liability for the year amounting to Rs.1590.70 lakh (Previous year 475.89 lakh) has been provided for on actuarial valuation.
- 14.2 **Leave Encashment** : Liability of Rs.2167.95 lakh (previous year 1839.21 lakh) represents earned leave encashment benefit and Rs.716.07 lakh (previous year Rs.645.51 lakh) represents half pay leave encashment benefit of employees based on actuarial valuation as at the year-end.
- 14.3 During the year there has been a reversal of the liability for deferred credit of Rs.1299.73 lakh originally created on account of provision for exchange rate fluctuation for a Dragline purchased from abroad and installed in 1989-90 as the same is no longer payable. As a result of this, profit for the year has increased by

Rs.1234.74 lakh arising due to credit for accumulated depreciation taken to Prior Period Adjustment (Schedule 17) under the sub-head Other Income.

- 14.4 Provision for Income tax includes credit of Rs 1551.21 lakh (Previous year Rs.594.08 lakh) under Prior Period adjustment representing the balance arrived after adjustment of refunds / advance tax paid against provisions held in the books upto the financial year 2003-04.
- 14.5 Pending receipt of final bill, assets are capitalised on provisional basis. Thereafter on settlement of bill, differential value of fixed asset is capitalised and depreciation on this value is charged from the year of capitalisation under Prior period Adjustment account.
- 14.6 Depreciation on CHP has been charged on the basis of certificates received from E&M Department.

15.0 RETIREMENT BENEFITS

- 15.1 In case of Ex-NCDC employees, the actual expenditure of Rs.166.67 lakh (Previous year Rs.252.84 lakh) on account of pension payments have been charged to Revenue.
- 15.2 As per statute, pension management in respect of employees of the Company, is done by CMPF authority (an independent body).The Company contributes 1.16% of employees Salaries and Wages towards the pension fund to CMPF authority. The Company has no further liability towards the payment of pension for the employees apart from the aforesaid contribution.

16.0 TRANSACTIONS RELATING TO HOLDING COMPANY

- 16.1 Apex office charges amounting to Rs.3002.45 lakh (Previous year Rs.2611.47 lakh) is levied by the Holding Company @ Rs.5 per tonne of coal produced towards rendering various services like procurement, foreign contract, marketing and Corporate Service based on agreement entered on 1st July, 1998.

- 16.2 IICM charge amounting to Rs.300.25 lakh (Previous year Rs.261.15 lakh) is levied by the Holding Company @ Rs.0.50 per tonne of coal produced.
- 16.3 As per CIL Board resolution in its 214th meeting held on 12.2.2004, the Company has charged Rs.3008.06 lakh (Previous year Rs. NIL) @ Rs.6/- per tonne on despatch of coal w.e.f. 1st June, 2003 towards Rehabilitation Fund set up by Coal India Limited.
- 16.4 The current account with Coal India Ltd. has a net difference of Rs.39.49 lakh(previous year Rs.23.68 lakh) pending settlement/ acceptance of debit/credit notes. The Company has a current account balance of Rs.4886.03 lakh with CIL under the head Loans & Advances (Schedule L). There are some memos on which action is yet to be taken by CIL which include :
- Rs.5.17 lakh for amount debited by CIL but not taken by the Company as the corresponding memos have not been received from CIL.
 - Rs.84.32 lakh for amount debited by the Company on account of some counter - debits against CIL debit and some expenditure made on behalf of CIL. This includes Rs.50 lakh towards amount receivable from CIL for Orissa Relief fund. Further, Rs.49.37 lakh has been credited to CIL partially on account of memos issued by CIL which has not been accounted by CIL itself.
- 17.0 CHANGES IN ACCOUNTING POLICIES/ ESTIMATES**
- 17.1 Voluntary Retirement Scheme : Till the year 2002-03 the Company had a policy of amortizing the VRS expenditure over a period of five years. With the recent change in Uniform Accounting policy, the Company has fully charged the expenditure during the year including opening balance of Rs.558.82 lakh resulting in decrease in profit by Rs.615.10 lakh for the year.
- 17.2 Assets not belonging to Company : Till the year 2002-03 the Company used to amortize the value of Assets not belonging to Company over a period of five years. In view of the recent change in Uniform Accounting policy of CIL, the Company has fully charged the expenditure of the current year including the opening balance being carried forward from earlier years. This has resulted in decrease in profit of the Company to the tune of Rs.2390.04 lakh.
- 17.3 Rehabilitation expenditure on HEMM & Other machineries: Till the year 2002-03 the Company used to amortize Rehabilitation expenditure on HEMM over a period of four years. In view of the recent change in Uniform Accounting policy of CIL, the expenditure of the current year has been fully charged including the opening balance being carried forward as Deferred Revenue Expenditure from earlier years. This has resulted in decrease in profit of the Company to the tune of Rs.248.00 lakh.
- 17.4 Cash Compensation in lieu of employment which was earlier being capitalised under the head 'Land' have been recognised as Revenue expenditure during the year in view of recent change in Uniform Accounting policy from CIL resulting in decrease in profit to the tune of Rs.1.99 lakh.
- 17.5 Resettlement expenditure for Land which was earlier treated as expenditure on Capital Assets not belonging to the Company and amortized over a period of five years have now been recognised as Revenue expenditure in view of the change in Uniform Accounting policy of CIL and hence, the expenditure for current year have been fully charged in the accounts resulting in decrease in profit to the tune of Rs. 484.38 lakh. However, the opening balance continues to be amortised as per earlier policy.
- 17.6 Due to change in Accounting Policy, no provision has been made for deterioration of stock of coal valued at cost as against earlier practice of providing 10%. As a result of this profit for the year has increased by Rs.451.23 lakh with corresponding increase in the value of Inventories.

17.7 On account of change on Estimate with respect to ad hoc provision towards likely upward wage revision since July, 2001 for non-Executives pending execution of NCWA-VII from 10% to 15% on basic wages, an amount of Rs.1557.96 lakh has been further provided in the Accounts.

17.8 During the year survey was carried out to ascertain the coal reserves of Basundhara (East) Mine. As per the survey report there cannot be further production beyond December 2004 and only 5 lakh tonnes of coal is expected to be extracted during the year 2004-05. However, from the inception, life of the said mine was estimated at 11 years as per the project report. Accordingly unamortised Prospecting and Boring and Development expenditure appearing in Area Office unit exclusively for Basundhara (East) Mine has been charged off after deferring proportionate amount on the basis of balance life of the mine. Due to such change in estimate an extra amount of Rs.177.41 lakh has been charged in the Accounts.

18. EXCHANGE RATE FLUCTUATION

Consequent upon realignment of the value of foreign currency loans, the rupee liability of the Company in respect of such loans has increased by Rs.362.54 lakh (previous year Rs.712.65 lakh). This increase has been adjusted in the carrying cost of the fixed assets to the extent of Rs.303.62 lakh (previous year Rs.578.35 lakh) and Rs. 58.92 lakh (previous year Rs.134.30 lakh) has been charged to revenue.

19.0 COMPLIANCE TO ACCOUNTING STANDARDS

19.1 AS-16 : Borrowing Cost - There are no qualifying assets for which interest has been borne by the Company, as such no borrowing cost has been capitalized.

19.2 AS-17 : Segment Reporting - The Company is primarily engaged in a single segment business of production and sale of coal. There is no reportable primary segment identifiable in accordance with AS-17

19.3 AS-18 : Related Party Disclosures - In view of the exemption granted to State controlled

enterprises as regards related party relationship with other State controlled enterprises and transactions with such enterprises, no disclosure under the AS-18 is made, being not applicable to the Company.

19.4 AS-20 : Earning per share.

	<u>Current year</u>	<u>Previous year</u>
(i) Profit after Tax(L.Rs.)	93233.86	57802.77
Less :Preference Dividend(L Rs)	2025.02	2041.80
Tax on Preference Dividend(L Rs)	259.46	261.60
Profit attributable to ordinary Shareholders. (L Rs)	90949.38	55499.37
(ii) No.of Ordinary Shares for Basic and diluted EPS (Nos)	1864009	1864009
(iii) Nominal value of ordinary shares(Rs.)	1000	1000
(iv) Basic & Diluted Earning per ordinary shares	Rs. 4879.24	Rs. 2977.42

20.0 ACCOUNTING FOR TAXES ON INCOME

20.1 In accordance with the requirement of Accounting Standard 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, there is a Net Deferred Tax Liability of Rs.4747.24 lakh as on 31st March, 2004. During the year Deferred tax liability (net) of Rs.2394.27 lakh has been provided in the accounts under 'Provision for Taxation'. The Deferred Tax liability (asset) comprises of tax effect of timing differences on account of :

	<u>Rs.</u> <u>in lakh</u>	<u>As on</u> <u>31.03.04</u> <u>Rs.in lakh</u>	<u>As on</u> <u>01.04.03</u> <u>Rs.in lakh</u>
Deferred Tax Liability			
Fixed Assets excess of net block over written down value as per the provisions of the Income-tax Act, 1961	12905.76	12905.76	13812.63
Deferred Tax Asset			
Provision for Doubtful Debts	2930.65		6294.80
Provision for Leave Encashment	1133.78		917.31
Provision for Gratuity	3395.41		2768.61
Employee Separation and Retirement	302.92		70.90
Provision for Doubtful Advances	75.64		63.82
Disallowance u/s.43B of the Income-tax Act, 1961	73.98		70.87
Other Provision / Misc. items	246.14		1273.35
Sub-Total		8158.52	11459.66
NET DEFERRED TAX LIABILITY		4747.24	2352.97

21. GENERAL

21.1 Confirmation of balances of Sundry Debtors, Sundry Creditors, various advances and deposits etc. has not been obtained in all the cases.

21.2 There are no Small Scale Industries to whom the Company owes a sum exceeding Rs.1.00 lakh, which is outstanding for more than 30 days at the Balance Sheet date. The above information and that given in Schedule – M "Current Liabilities" regarding Small Scale Industrial Undertaking has been determined to the extent such parties have been identified on the basis of information available with the Company.

22.0 PREVIOUS YEAR'S FIGURES

Previous year's figures have been re-arranged, re-grouped, wherever necessary, to make them comparable with those of current year.

23.0 OTHERS

A. Directors' Remuneration

	(Rs. In Lakh)	
	Current Year	Previous Year
Salary	19.34	24.66
P.F.	2.29	2.96
Perquisites	1.20	2.15
Total	22.83	29.77

Note:

- i. Perquisites do not include value/charges for house rent/electrical energy, which has been recovered as per rules of the Company and value of free medical facilities in Company hospitals/dispensary.
- ii. The Chairman-cum-Managing Director and full time Directors have the option to use the staff car for purposes other than official duty up to a ceiling of 750 Kms per month, on payment at concessional rate, in accordance with the provisions of Government of India, Ministry of Finance, Bureau of Public Enterprises O.M. No.2(18)/PC-64 dated 20.11.1964 as amended from time to time.

B. Capacity

- (a) Licensed Capacity - Not applicable
- (b) Installed Capacity - Not applicable

C. Imports

		(Rs. In Lakh)	
C.I.F. value of imports		Current Year	Previous Year
(i)	Stores & Spares	8.05	234.73
(ii)	Capital Goods	67.69	107.20

D. Expenditure in Foreign Currency

		(Rs. In Lakh)	
		Current Year	Previous Year
(i)	Travelling	Nil	Nil
(ii)	Commitment charges	0.61	3.36
(iii)	Interest	600.75	798.80
(iv)	Others	0.56	0.57

E. Value of imported/indigenous Raw materials and Stores & Spares consumed

(i)	Raw Materials	Nil	Nil
(ii)	Stores & Spares	Not ascertainable	Not ascertainable

F. Statement of Opening Stock, Production, Off-take and closing stock

	Current Year		Previous Year	
	Quantity (L.MT)	Value (L.Rs.)	Quantity (L.MT)	Value (L.Rs.)
OPENING STOCK:				
(a) Revenue Mines	25.16	6079.73	16.73	3509.69
(b) Development mines	—	—	—	—
Total	25.16	6079.73	16.73	3509.69
PRODUCTION:				
(a) Revenue mines	600.48	233099.52	522.29	203054.79
(b) Development mines	—	—	—	—
Total	600.48	233099.52	522.29	203054.79
SALES:				
(a) Revenue mines	593.51	233643.84	513.74	200410.21
(b) Development mines	—	—	—	—
Total	593.51	233643.84	513.74	200410.21
Ownconsumption (Revenue)	0.08	58.28	0.12	74.54
Handling Loss on despatch to Paradip Port (Revenue)	—	—	—	—
CLOSING STOCK:				
Revenue mines	32.05	5477.13	25.16	6079.73
Development mines	—	—	—	—
Total	32.05	5477.13	25.16	6079.73

CASH FLOW STATEMENT FOR THE YEAR 2003-04

	Current Year	Previous Year
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	141860.02	88231.30
Adjustment for :		
Depreciation	8766.48	14581.32
Foreign Exchange	303.62	134.30
OBR Adjustment	890.29	-1557.80
Interest / Dividend (Received)	0.00	0.00
Interest / Dividend (Paid)	960.27	1244.58
AMisc.Expenditure to the extent not written off (Sch. N)	2869.15	-706.93
Provision against debtors/Inventories/Other CA/Loans&Adv.	-9516.84	5897.88
Differed Text Liability	-2394.27	-2352.97
Operating Profit before Working Capital changes	143738.72	105471.68
Adjustments for :		
Changes in Investments		0.00
Changes in Inventories	-87.83	-870.14
Changes in Sundry Debtors	26747.16	8759.50
Changes in other current assets	-3958.24	36.02
Changes in Loans and Advances	-3315.56	407.66
Changes in Current Liabilities	7662.05	3130.31
Cash generated from operations	170786.30	116934.43
Direct taxes paid	-56515.12	-36474.06
Deferred Tax Liabilities	-2394.27	2352.97
Cash Flow before extraordinary items	116665.45	82813.34
Extraordinary items	0.00	0.00
Net Cash from operating activities	116665.45	82813.34
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-897.68	-8700.47
Short Term Deposit with CIL	-12813.63	-51574.71
Miscellaneous receipts	0	0
Acquisition of Companies	0	0
Changes in Investments	-34432.00	0.00
Interest received	0.00	0.00
Dividend received	0.00	0.00
Net Cash used in investing activities	-48143.31	-60275.18
C.. CASH FLOW FROM FINANCING ACTIVITIES		
World Bank Loan through CIL	-1340.25	442.60
Deferred Credit Loan	-1547.14	114.91
Exchange Rate Fluctuation	58.92	-812.65
Repayment of CIL Loan		
Redemption of preference share capital	-20418.00	
Interest paid	-960.27	-1244.58
Dividend paid (Including tax on dividend)	-35196.41	-20234.24
Net Cash used in financing activities	-59403.15	-21733.96
Net increase in cash and cash equivalents	9118.99	804.20
Cash and cash equivalents as at 1st April	7487.45	6683.25
Cash and cash equivalents as at 31st March	16606.44	7487.45

The aforesaid statement is prepared on indirect method

The figures of the previous year have been reclassified to conform to current year classification.

Sd/-
S.C. Behera
Company Secretary

Sd/-
R. N. Pattnaik
General Manager (Finance)

Sd/-
A. K. Tripathi
Director (Technical)

Sd/-
B. M. Nag
Chairman-Cum-Managing Director

In terms of our report of even date attached herewith
For Patro & Co.

Chartered Accountants

Sd/-

Rajendra Patro

Partner

(Membership No. 19423)

Place: Bhubaneswar
Date :11th September 2004

ADDENDUM TO DIRECTOR'S REPORT

(UNDER SECTION 227 (2) AND 217 (3) OF THE COMPANIES ACT, 1956)

AUDITORS' REPORT

MANAGEMENT'S REPLY

To

The Member of
Mahanadi Coalfields Ltd.,
Jagriti Vihar, Burla
Sambalpur.

1. We have audited the attached Balance Sheet of Mahanadi Coalfields Limited as at 31st March, 2004, the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the reports and financial statements of five mine areas and one central workshop of Talcher region audited by a Branch Auditor. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditors' Report) Order, 2003 issued by the Central

AUDITORS' REPORT

MANAGEMENT'S REPLY

Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure 'A' a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Our observations and comments on the accounts are:

4.1 *The effect of the following items on the accounts for-*

- (a) *non-accounting for Demurrage, Liquidated Damages / Penalty, Insurance / Railway claims, Escalation claims, Additional Liability for Royalty, Cess etc., Subsidy receivable from Government, Pension and Gratuity paid to ex-NCDC employees and sale of scrap on accrual basis which is not in consonance with the provisions of the Act (Refer Para 2.2 of Accounting Policies, Schedule - 'O');*
- (b) *liability that might arise on account of claim for enhancement of compensation of land acquired from private parties (Refer Para 1.4 of Notes on Accounts, Schedule - 'P');*
- (c) *adjustments that might arise on reconciliation/settlement/confirmation from Sundry Debtors, Sundry Creditors, various advances and deposits (Refer Para 21.1 of Notes on Accounts, Schedule 'P');*
- (d) *non provision on Slow Moving Stores and Spares and adequacy of provision @50% on stores unmoved for more than 5 years (Refer Para 8.1.2 of Notes on Accounts, Schedule 'P');*

The matter has adequately been disclosed in the Accounting Policies Schedule 'O' and being consistently followed.

The liability (enhancement of compensation for land) could not be ascertained and some cases being subjudice, has been suitably disclosed as contingent liability vide note No.1.4 of Notes on Accounts (Schedule 'P').

The Company is having the same system of periodic joint reconciliation with customers. Periodic correspondences are being made for confirming the balances.

The provisions are taken as per uniform accounting policy.

AUDITORS' REPORT

MANAGEMENT'S REPLY

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| <p>(e) <i>non reconciliation/adjustment of liability of Rs.705.54 lakhs on account of Cess on Coal and consequential liability to refund the Cess collected to the concerned parties along with possible interest. (Refer Para 13.(i) of Notes on Accounts, Schedule 'P');</i></p> | <p>As per the verdict of Hon'ble Supreme Court, claim of Rs.688.00 lakh has been lodged with the State Government. The balance of Rs.17.54 lakh is under reconciliation and action will be taken accordingly. For more disclosures Note No.13(i) of Notes on Accounts, Schedule 'P' may be referred to.</p> |
| <p>(f) <i>non adjustment of advances against land amounting to Rs.584.79 lakhs lying since long (Refer Para 11.2 of Notes on Accounts, Schedule 'P');</i></p> | <p>Since State Government have not yet handed over the possession, it is lying as Advance. The matter shall be taken up with State Government for taking the possession.</p> |
| <p>(g) <i>non inclusion of Transportation charges, Entry Tax and other incidental charges on cost of inventory of stores and spares in some cases which is not in consonance with Accounting Standard AS-2 on valuation of inventories issued by the Institute of Chartered Accountants of India ;</i></p> | <p>In most of the cases the inventories are received on F.O.R. destination basis. However, considering the materiality, in respect of the nominal balance quantity, incidental charges are not included for inventory valuation but charged in the Accounts.</p> |
| <p>(h) <i>computation of depreciation on Coal Handling Plant (CHP) on the basis of certificates received from E&M department not supported by shift wise working records. (Refer Para 14.6 of Notes on Accounts, Schedule 'P');</i></p> | <p>The shift wise working records are maintained at the site where the CHP are installed. Hence, depreciation is calculated on the basis of certificate received from E&M Department.</p> |
| <p>(i) <i>non payment / deposit of Entry Tax to the Revenue Authorities amounting to Rs.765.15 lakhs along with possible interest liability pending adjustment / reconciliation with the concerned parties (refer Para 13.(v) of Notes on Accounts, Schedule 'P') is not ascertainable.</i></p> | <p>Pending adjustment / collection from parties, the Orissa Entry Tax has not been deposited</p> |
| <p>4.2 <i>Change in Accounting Policy in respect of Voluntary Retirement Scheme, Assets non belonging to the Company, Rehabilitation expenses of HEMM & other machineries, cash compensation in lieu of employment and resettlement expenditure for land has resulted in understatement of profit by Rs.3739.51 lakhs (Refer Para 17.1, 17.2, 17.3, 17.4,</i></p> | <p>Statement of fact. In the current year due to change in Uniform Accounting Policy as circulated by Coal India Limited, the changes have been incorporated in the accounts.</p> |

AUDITORS' REPORT

MANAGEMENT'S REPLY

- and 17.5 respectively of Notes on Accounts, Schedule 'P'). Further non-provision of 10% of the value of stock towards deterioration as practiced in earlier years has resulted in overstatement of profit by Rs.451.23 lakhs (refer Para 17.6 of Notes on Accounts, Schedule - 'P').
- 4.3 *Change in Accounting Estimate in respect of Adhoc Provision for wage revision under NCWA - VII and quantum of coal reserves at Basundhara (E) Mine has resulted in understatement of profit by Rs.1735.37 lakhs (Refer Para 17.7 and 17.8 respectively of Notes on Accounts Schedule - 'P').* Statement of fact. In the current year Adhoc provision towards likely upward Wage revision since July, 2001 has been increased from 10% to 15% of Basic Wages.
- 4.4 *Non accountal of contribution to Rehabilitation Fund amounting to Rs.3008.06 lakhs as an item of Appropriation below the line has resulted in understatement of profit by the same amount (Refer Para 16.3 of Notes on Accounts, Schedule - 'P').* This, being a charge levied by Coal India Ltd., the Holding Company, has been shown as expenditure above the line.
- 4.5 *Netting off negative balance in the Development Account being excess of income over expenditure prior to declaration of mines as revenue, has resulted in understatement of the Fixed Assets (Schedule-D) and Reserves and Surplus (Schedule-B) by Rs.593.47 lacs. (Refer Para 6.5 of Notes on Accounts Schedule - 'P').* Statement of fact.
- 4.6 *The risks and returns of the enterprise are influenced by the geographical location of its operations (where its products are produced) as per Accounting Standard AS-17 on Segment reporting issued by the Institute of Chartered Accountants of India. Thus in our opinion geographical segment should be considered as a reportable segment for the company and segment disclosures as per the requirement of the standard should have been complied. Non compliance of the* There is no reportable primary segment identifiable in accordance with AS-17.

AUDITORS' REPORT

MANAGEMENT'S REPLY

same is violation of the Accounting Standard AS-17 "Segment Reporting" (Refer Para 19.2 of Notes on Accounts, Schedule - 'P').

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| 5 | The Statement of Accounts together with notes thereon and Cash Flow statement approved by the Board of Directors in their meeting held on 18th June, 2004 and reported thereon by us on 26th June, 2004 have been revised. As a result of such revision / amendment the changes have been incorporated in the accounts. (Refer Note No.24 of Schedule 'P' Notes on Accounts). | No comments. |
| 6. | Further to our comments in the Annexure referred to in paragraph 3 and in paragraph 4 above, we report that : | No comments. |
| | (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit; | |
| | (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from branches not visited by us; | |
| | (c) The Balance Sheet, Profit and Loss Account and Cash Flow statement referred to in this report are in agreement with the books of account and with the audited statement of accounts received from branches; | |
| | (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; | |
| | (e) As all the Directors are appointed by | |

AUDITORS' REPORT

MANAGEMENT'S REPLY

the Central Government, provisions of clause (g) of sub-section 1 of section 274 of the Act pertaining to disqualification of Directors is not applicable to the Company as per Department of Company Affairs Circular No. 8 / 2002, dated 22.03.2002.

- (f) In our opinion and to the best of our information and according to the explanation given to us, the financial statement read with the Significant Accounting Policies and Notes thereon, give the information required by the Act in the manner so required and give, a true and fair view in conformity with the accounting principles generally accepted in India :
- (i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (ii) In the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - (iii) In case of Cash Flow Statement, of the Cash flows for the year ended on that date.

for **PATRO & CO**
Chartered Accountants

Sd/-

Bhubaneswar,
Date : 11/09/2004.

Rajendra Patro
Partner

ANNEXURE 'A' TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of the Auditors' Report of even date to the members of Mahanadi Coalfields Ltd. on the financial statements for the year ended March 31, 2004)

AUDITORS' REPORT	MANAGEMENT'S REPLY
1.(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except <i>in case of some of the assets at Kolkata Sales Office and Head Office. The location of fixed assets within Area Units have not been specified in some cases.</i>	Noted for action.
(b) As explained to us by the management, physical verification of fixed assets worth Rs.1.00 lakhs and above have been carried out during the year, which in our opinion is reasonable having regard to the size of the company and nature of its assets. <i>However, in the absence of reconciliation statement, we are unable to comment on the discrepancies, if any, that would arise from such verification.</i>	Noted for action.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.	Statement of fact..
2. (a) Physical verification of sock of coal has been conducted by the management and stock of stores and spares by independent outside agencies at the year end. In our opinion the frequency for carrying out such verification needs to be increased having regards to the size and nature of the business of the company.	Noted for action.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.	No comments.
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of	This is in compliance with Uniform Accounting Policy of Coal India Limited, the Holding Company.

AUDITORS' REPORT

MANAGEMENT'S REPLY

inventory. As per the policy of the Company book stock of coal is considered in the accounts where the variation between book stock and measured stock is up to $\pm 5\%$. The closing stock of coal at the year end is the sum total of stock at each mine valued separately.

In case of stores and spares, as the physical verification reports were not available in many of the areas, the discrepancy if any on such verification could not be ascertained.

Noted for action.

3. As informed to us the Company has neither granted nor taken any loans, secured or unsecured to/from Companies, firms or other parties listed in the register maintained under section 301 of the Act and accordingly paragraphs 4(iii) (b),(c) and (d) of the order are not applicable. Statement of fact.
4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards to purchase of inventory, fixed assets and with regard to the sale of goods. However, we are of the opinion that the internal control in the following areas needs to be strengthened for further improvement. Noted for action.
- (i) *The Company's policy for monitoring, supervision and control of sales transaction needs to be improved for expeditious identification of losses arising out of variation in quantities and qualities. Frequency and coverage of reconciliation with the parties should also be strengthened.*
- (ii) *No proper analysis is carried out for identifying store items having negligible movement.*
- (iii) *It was observed that the Company had preferred to take computers along with the*

AUDITORS' REPORT**MANAGEMENT'S REPLY**

peripherals on hire basis instead of owning them in line with the policy of Coal India Ltd. We are of the opinion that, the policy needs to be reviewed by the Company before taking any further decision for hiring of equipments.

- (iv) *In some cases, unusual delay was observed in execution/completion of capital works including Plant and Machinery, thus necessitating escalation, blockage of fund and allied pecuniary losses arising there from.*
- (v) *Strengthening of the procedure relating to purchase of stores and spares to avoid their accumulation and consequent blockage of funds.*
- (vi) *Obtaining of periodic confirmation of outstanding balances, reconciliation of debtors, inter unit and other sensitive heads of accounts.*
- (vii) *Strengthening the procedures relating to measurement of Overburden Removed (OBR) to have better control on the reported expenditure incurred on removal of such Overburden.*
- (viii) *Periodic reconciliation should be carried out for Manpower paid for with the Manpower list.*

Further, on the basis of our examination of the books and records of the company and according to the information and explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures.

- 5.(a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of section 301 of the Act has been so entered. Statement of fact.

AUDITORS' REPORT

MANAGEMENT'S REPLY

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| (b) | In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contract or arrangement entered into the register maintained under section 301 of the Act and exceeding the value of Rupees Five lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. | Statement of fact. |
| 6. | The company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act and the rules framed there under. | Statement of fact. |
| 7. | The Company does have a system of internal audit conducted by outside agencies. <i>However, the effectiveness and coverage of such audit is not commensurate with the size and nature of the business of the Company. We had specifically observed that -</i> | Noted for action. |
| (a) | <i>Most of the internal audit / transaction audit reports pertaining to the financial year under audit including Head Office were not received and as such the financial implications arising on the findings of these reports have not been considered while forming an opinion on the financial statement.</i> | |
| (b) | <i>The time and manpower devoted by the internal / transaction auditors were not commensurate with the assignment/ scope of work.</i> | |
| (c) | <i>The job entrusted to the internal / transaction auditors covered a period of 9 months i.e. upto 31st December, 2003. As such the balance period of 3 months i.e. upto 31st March 2004 has not been covered by audit.</i> | |
| (d) | <i>The follow-up measures / compliance on the observations of the internal / transaction audit report needs to be further strengthened.</i> | |

AUDITORS' REPORT**MANAGEMENT'S REPLY**

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| 8. | According to the information and explanations given to us, Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act. | No comments. |
| 9. (a) | According to the information and explanation given to us and the records of the Company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. | Statement of fact. |
| (b) | According to the information and explanation given to us and the records of the company examined by us, the particular of dues of sales tax, income tax, wealth tax, custom duty, cess and excise duty as at March, 31, 2004 which have not been deposited on account of dispute, are referred to in Annexure 'B'. | No comments. |
| 10. | The company has no accumulated losses as at March 31, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year. | Statement of fact. |
| 11. | According to the records of the Company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date. | Statement of fact. |
| 12. | The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. | Statement of fact. |
| 13. | The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company. | No comments. |

AUDITORS' REPORT**MANAGEMENT'S REPLY**

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| 14. | In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments. | Statement of fact. |
| 15. | In our opinion and according to the information and explanation given to us, the company has given guarantee for loan taken by Coal India Ltd. (Holding Company) from Banks, during the year. In our opinion the terms and conditions of the said guarantee given by the Company are not prejudicial to the interest of the Company. | Statement of fact. |
| 16. | According to the information and explanations given to us, the company has not taken any term loan during the year. | Statement of fact. |
| 17. | On the basis of overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, no fund have been raised on a short term basis during the year. | Statement of fact. |
| 18. | The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. | Statement of fact. |
| 19. | The company did not have any outstanding debentures during the year. | Statement of fact. |
| 20. | The company has not raised any money by public issues during the year. | Statement of fact. |
| 21. | We have been informed by the management of three cases of alleged misappropriation of stores by the employees during the year and the amount involved is Rs.6.15 lacs as estimated by the management. | |

for **PATRO & CO**
Chartered Accountants

Sd/-

Rajendra Patro

Partner

Bhubaneswar,
Date : 11/09/2004.