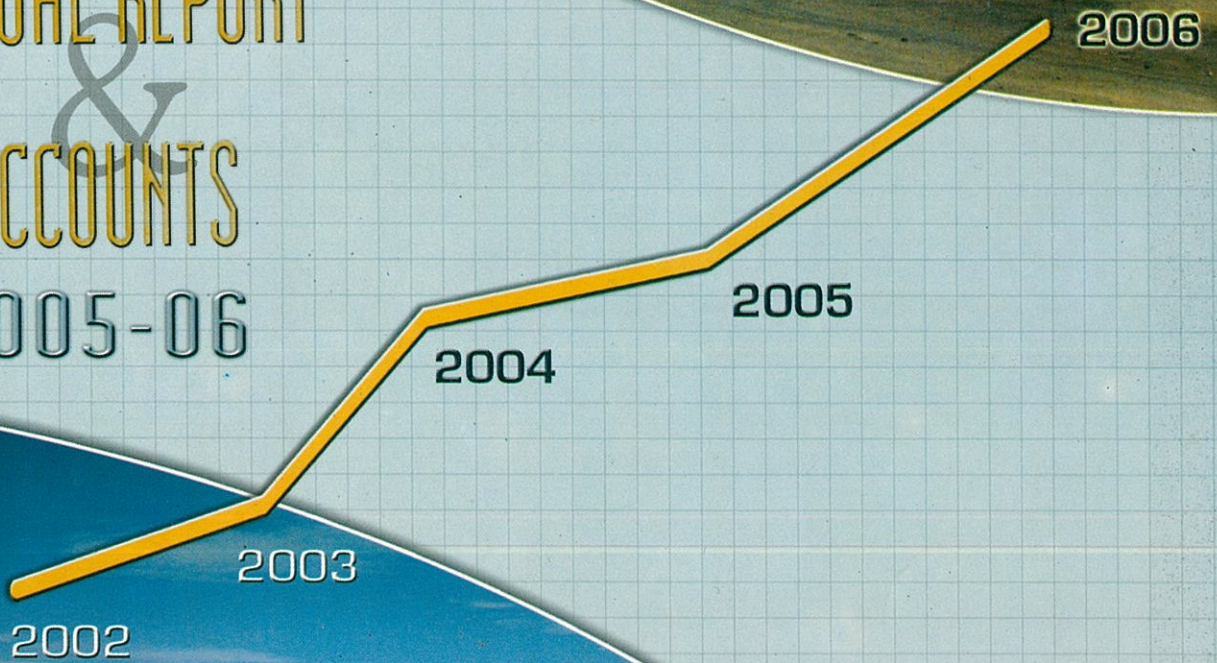


ANNUAL REPORT & ACCOUNTS

2005-06



Mahanadi Coalfields Limited



Coal India

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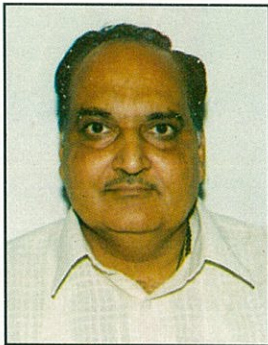
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Board of Directors

(As on 11.09.2006)



Shri Abhiram Sharma



Shri Rajiv Sharma



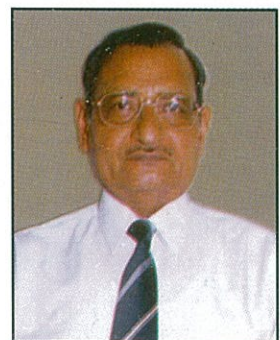
Shri K. Ranganath



Shri B. M. Nag



Shri G. D. Gulab



Shri V. K. Jain

MANAGEMENT DURING 2005-2006

- CHAIRMAN -CUM-MANAGING DIRECTOR : Shri Abhiram Sharma
- FUNCTIONAL DIRECTORS : Shri B.M. Nag,
Director (Finance)
- Shri A.K. Tripathi (up to 30.9.2005)
Director (Technical)
- Shri G.D. Gulab,
Director (Personnel)
- Shri V. K. Jain (w.e.f. 1.10.2005)
Director (Technical)
- PART TIME DIRECTORS : Shri D.K. Verma (up to 21.2.2006)
Director (Finance),
CIL, Kolkata.
- Shri Rajiv Sharma,
Joint Secretary,
Ministry of Coal, New Delhi.
- Shri K. Ranganath (w.e.f. 21.2.2006)
Director (Marketing),
CIL, Kolkata.
- COMPANY SECRETARY : Shri S.C. Behera

PRESENT MANAGEMENT

(As on 11.09.2006)

CHAIRMAN-CUM-MANAGING DIRECTOR : Shri Abhiram Sharma

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

Shri G.D. Gulab,
Director (Personnel)

Shri V. K. Jain,
Director (Technical)

PART-TIME DIRECTORS : Shri Rajiv Sharma,
Joint Secretary,
Ministry of Coal,
New Delhi.

Shri K. Ranganath
Director (Marketing)
CIL, Kolkata

Company Secretary : Shri 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
Andhra Bank

Statutory Auditors

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

Branch Auditors

M/s Singh Ray Mishra & Co.
Chartered Accountants,
Bhubaneswar.

Registered Office

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

NOTICE

FOURTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of Mahanadi Coalfields Limited will be held at 10.00 AM on Monday the 11th September, 2006 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, 2006, Report of the Auditors thereon and Directors' Report.
2. To declare Dividend.
3. To appoint a Director in place of Shri K. Ranganath, 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.

SPECIAL BUSINESS

Special Resolutions :

"RESOLVED THAT the existing Clause-4 under Main clause III A of the MOA be and is hereby approved to be re-numbered as 4(a) and the following clause be added sequentially as 4 (b), 4 (c) and 4 (d).

- To produce, process, store, distribute, sell, import, export or otherwise deal in gas and other by-products arising from the coal gassification process in India and abroad and for this purpose, to install, operate and manage all necessary plants, mines, establishments and works.
- To carry on in India and abroad all or any of the business of generation, purchase, production, manufacture processing, import, development, storage, accumulation, transmission, distribution, sale, export or otherwise dealing in all aspects of electricity (including products derived from or connected with any other forms of energy), including without limitation thermal (based on coal/gas), solar, hydro, wind, tidal, geo-thermal, biological and any other forms of energy through Conventional or Non conventional Renewable energy sources, construction, operation and maintenance, renovation and modernisation of power stations and projects, cables, wires, lines, accumulators, lamps and works and for that purpose, to promote, operate and carry on the business of coal washeries, liquified natural gas for supply of fuel to power stations and also to undertake in India and abroad the business of other allied/ancillary industries including those for utilisation of steam generated at power stations, coal ash and other by-products and install, operate and manage all necessary plants, establishments and works.

- To explore, produce, sell and distribute Coal Bed Methane Gas and its by products in India and abroad and for this purpose, to install, operate and manage all necessary plants, mines, establishments and works.”

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.
3. The Explanatory statement relating to resolutions mentioned in the notice as required by Sec. 173 (2) of the Companies Act, 1956, is annexed to the Notice.

Explanatory Statement

CIL and its subsidiaries have contemplated for diversification of its business in the fields of Coal Bed Methane Gas, Coal Gassification and Electric Power generation. On perusal of the Memorandum of Association of MCL, it has been observed that there is no specific provision in the Object Clause, through there is a general Clause under Object Clause (No. 49) of Memorandum of Association which reads as under "to undertake and carry on some business which under existing circumstances may conveniently or advantageously be combined with the business of the company"

In order to ascertain as to whether the coal companies can undertake the business of coal gassification and electric power generation on the basis of the above general Clause under Object Clause of MOA, it was decided to obtain expert opinion in this matter from a consultant by CIL. The Consultants have suggested that Coal Gassification and Electric power business are not covered by the Object clause of CIL as well as its Coal producing subsidiaries. The Object Clauses in the MOA which authorises the company to undertake and carry on some business which under existing circumstances may conveniently or advantageously be, combined with the business of the company is too broad and general and merely on the basis of this clause the company cannot undertake new business. Therefore, it has been suggested to insert specific clause under Object Clause of MOA of CIL and its coal producing subsidiaries in order to enable to undertaker the Coal Gassification and Electricity business.

Therefore, it is essential to amend the MOA of MCL as suggested by the consultant and as desired by the CIL, the Holding Company, to enable to undertake new business in the field of coal gassification, electric power and coal bed methane gas.

In view of the above and to enable MCL to pursue the new business in Coal Gassification, Electricity and Coal. Bed Methane Gas which are not covered in the Object Clause, amendments are to be carried out under Main Clause IIIA of the MOA of MCL. The existing Clause-4 is to be renumbered as clause 4(a) and the following clauses need to be added/inserted under Main Object Clause as Clauses 4b, 4c and 4d.

- To produce, process, store, distribute, sell , import, export or otherwise deal in gas and othe byproducts arising from the Coal gassification process in India and abroad and for this purpose, to Install, operate and manage all necessary plants, mines, establishments and works.
- To carry on in India and abroad all or any of the business of generation, purchase, production, manufacture, processing, import, development, storage, accumulation, transmission, distribution, sale export or otherwise dealing in all aspects of electricity, (including products derived from or connected with any other forms of energy), including without limitation thermal (based on coal/gas), solar, hydro, wind tidal, geo-thermal, biological and any other forms of energy through Conventional or Non Conventional Renewable energy sources, construction, operation and maintenance, renovation and modernisation of power stations and projects, cables, wires, lines, accumulators, lamps and works and for that purpose, to promote, operate and carry on the business of coal washeries, liquefied natural gas for supply of fuel to power station and also to undertake in India and abroad the business of other allied/ancillary industries including those for utilisation of steam generated at power stations, coal ash and other byproducts and install, operate and manage all necessary plants, establishments and works.
- To explore, produce, sell and distribute Coal Bed Methane Gas and its, byproducts in India and abroad and for this purpose, to install, operate and manage all necessary plants, mines, establishments and works.

As advised by CIL vide Company Secretary, CIL's letter No. CIL: XI(D) : 04120 : 1034 : 2005 dated 22nd December, 2005 actions are to be taken as per the provisions of Companies Act for amending the Object Clause of the Memorandum of Association (MOA) of MCL.

The above referred letter of Company Secretary, Coal India Limited and Memorandum of Association can be inspected at the Registered Office of the Company on any working day during the office hours. These will also be available at the meeting.

As per the amended provisions of the Companies Act, a Company has to file with the Registrar of Companies a Special Resolution to the effect of the Change of Memorandum of Association passed by the Company in its General Meeting.

None of the Directors are interested or concerned in the resolutions.

Company Secretary

DIRECTORS' REPORT

To

The Shareholders,
Mahanadi Coalfields Limited
Gentlemen,

I have great pleasure in presenting on behalf of the Board of Directors, the 14th Annual Report of your Company together with the audited Accounts for the year ended 31st March, 2006 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

The coal reserve of Mahanadi Coalfields Limited is spread over two coalfields viz. Talcher and Ib Valley with ten operating areas consisting of 8 underground and 13 opencast projects. The operating areas are as under :

- A. Talcher Coalfields
1. Jaganath Area
 2. Bharatpur Area
 3. Hingula Area
 4. Lingaraj Area
 5. Talcher Area
- B. Ib Valley Coalfields
1. Lakhanpur Area
 2. Ib Valley Area
 3. Basundhara-Garjanbahal Area
 4. Orient Area
 5. Talabira Area

3. HIGHLIGHTS OF PERFORMANCE

- The Company achieved all time high Gross Sales of Rs. 4135.90 crore against the previous year's Gross Sales of Rs. 3765.38 crore, registering a growth of 9.84% over previous year. There is continuous improvement in realisation. The realisation during the year is Rs. 4208.69 crore which is 101.75% of the current year's gross sales.

- The Company achieved a record production in the current year. The coal production during the year is 69.60 million tonne registering a growth of 5.34% over the previous year.
- The productivity in terms of output per manshift(OMS) has increased by 0.87 % in respect of Opencast Mines. The overall OMS of the current year is 13.30 tonne as compared to 12.93 tonne in previous year indicating a growth of 2.86%.
- The Profit Before Tax(PBT) during the year is Rs. 1837.21 crore against previous year's PBT of Rs.1469.36 crore.
- The Company has been consistent in payment of dividend since last seven years. The interim dividend of Rs. 185.00 crore has been paid on Equity share Capital. Further, Rs. 319.00 crore has been declared as proposed dividend on paid up Equity Share Capital.

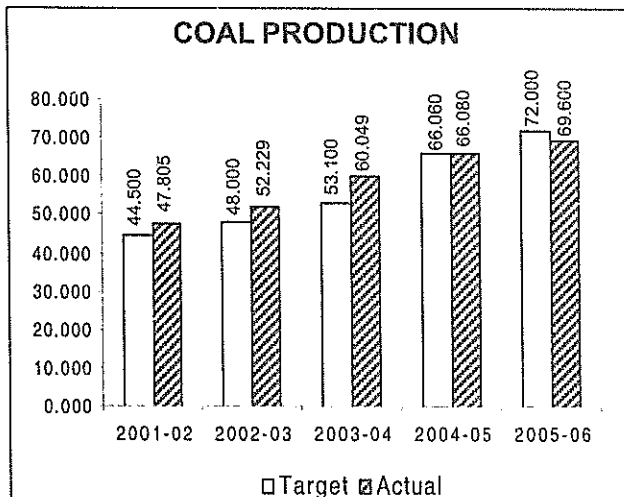
4. PRODUCTION PERFORMANCE

- 4.1 The production performance of your Company for the year 2005-2006 as compared to the target and achievement of the previous year is evident from the following table :

Production	2005-2006		2004-2005 Actual	%	%
	Target	Actual			
Coal (MT)					
Open-cast	69.80	67.59	63.90	96.83	5.77
Underground	2.20	2.02	2.18	91.64	-7.41
Total	72.00	69.60	66.08	96.67	5.34
OBR(M. Cum.)	55.00	51.42	49.81	93.49	3.23

- 4.2 MCL is increasing its Opencast Coal production by Surface Miner year by year. This year it has produced 31.09 MT of coal by surface miner which is 47.2% of total Opencast coal production of 67.59 MT

whereas it was 45.91% of total coal production of 63.90 MT during the period 2004-2005. There was 8.72% growth in coal production by Surface Miner over last year.

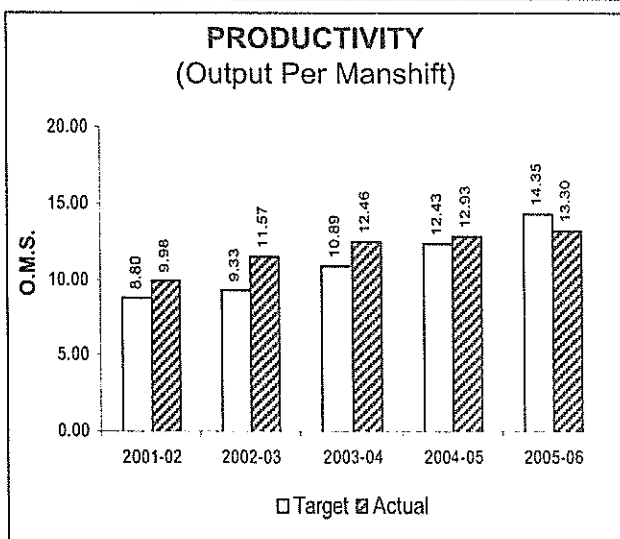


5. PRODUCTIVITY

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

Fig.in Tonne/Manshift

Productivity	2005-2006		2004-2005	% Achievement against target	% Growth over previous year
	Target	Actual	Actual		
Opencast	22.06	19.68	19.51	89.21	0.87
Underground	1.20	1.12	1.19	93.33	(-) 5.88
Overall	14.35	13.30	12.93	92.68	2.86



6. POWER

6.1 Talcher Coalfields : 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 Coalfields : 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 22.25 MVA.

6.3 Basundhara Coalfields: Basundhara Area 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	2005-06	2004-05
Contract Demand (MVA) **	52.65	50.40
Maximum Demand (MVA)	57.22	52.84
Energy Consumed (Million KWh)	289.32	282.46
Specific Energy Consumed (KWh/Tonne)		
Target	4.26	4.50
Actual	4.16	4.27
Energy Bill Paid (Rs. in Crore)	92.48	87.31

** C. D. has been enhanced to 52.65 MVA from Nov. '05.

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 are given below :

Availability and Utilisation achieved in actual :

Sl. No	Equipment	Population as on		%Availability in Absolute			%Utilisation in Absolute		
		2005-06	2004-05	2005-06	2004-05	CMPDIL Norm	2005-06	2004-05	CMPDIL Norm
		31.3.06	31.3.05	Actual (%)	Actual (%)	(%)	Actual (%)	Actual (%)	(%)
1	Dragline	7	7	80	81	85	64	64	73
2	Shovel	66	65	73	68	80	40	37	56
3	Dumper	340	354	70	64	67	29	28	50
4	Dozer	105	93	67	59	70	27	26	45
5	Drill	90	91	68	65	78	33	20	40
Total		608	610						

Working hours achieved :

Equipment	Work Hour 2005-2006	Work Hour 2004-2005
Dragline	29657	28067
Shovel	217049	219658
Dumper	713196	726189
Dozer	202128	192073
Drill	141882	132806
Total	1303912	1298793

7.2 The utilisation of HEMM is higher compared to last year. The availability of HEMM except dragline, are higher compared to last year. Availability of dragline is less due to shifting of 20/90 dragline from South Balanda to Bharatpur OCP. Necessary action has already been taken up to improve the availability and utilisation of HEMM.

Steps taken to improve Availability and Utilisation of HEMM.

1. Phasing out of old unreliable HEMM and induction of new higher capacity HEMM.
2. Introduction of incentive scheme for better productivity.
3. To boost morale of workforce, operators and supervisors who have achieved excellence in their

respective trade at Company level, have been awarded as MCL-Blazer-Holders. During the year, 30(thirty) persons in the above category, have been awarded as MCL-Blazer-Holders by CMD, MCL on May-Day celebration. Operators and supervisors who have achieved excellence in their respective trade in the project level have been awarded as MCL-Cap-Holders. Likewise operators with highest performance in every month in each project have been awarded with Jersey having MCL Logo.

4. Judicious management of spares in consultation with OEM.
5. Monitoring of working hours and production on daily basis.
6. Fitment of Air-conditioners in the operator cabins of major HEMM.
7. Provision of implementation of Truck Despatch System(TDS) for improvement of productivity, availability and utilisation of HEMM.

7.3 Breakdown status of HEMM

Equipment	Population		Breakdown over 3 months	
	As on 31.3.06	As on 31.3.05	As on 31.03.06	As on 31.03.05
Dragline	7	7	0	1
Shovel	66	65	2	1
Dumper	340	354	24	25
Dozer	105	93	11	8
Drill	90	91	11	5
TOTAL	608	610	48	40

Note : High breakdown of dumpers is due to non-availability of 21.00 x 35 size tyres.

7.4 Equipment Rehabilitated at CWS

Area	2005-2006	2004-2005
CWS-Talcher	26	13
CWS-Ib Valley	10	2
TOTAL	36	15

8. CAPACITY UTILISATION (OCPS)

Description	2005-2006 (based on capacity)	2004-2005	% Growth over Last Year
Departmental Capacity(M.cum)	56.75	49.96	13.59
System Capacity(M.cum)	91.31	80.91	12.85
Departmental Production (M.cum)	50.74	49.17	3.18
Total Production (M.cum.)	93.01	89.21	4.26
% Departmental Capacity Utilization	89%	97%	
% System Capacity Utilization	102%	109%	

9. POPULATION OF MAJOR UNDERGROUND EQUIPMENT OF MCL

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		2005-06		2004-05	
		05-06	04-05	% Avail.	% Util.	% Avail.	% Util.
1	Winder	6	6	100.00	91.64	100.00	100.00
2	Haulage(Main)	50	50	87.50	91.64	90.00	88.00
3	SDL	23	23	85.24	50.00	82.40	63.79
4	LHD	29	28	69.31	52.77	73.95	54.92
5	Main Pump	55	54	88.58	91.64	87.31	87.31
6	Vent. Fan	14	14	100.00	91.64	100.00	100.00
7	Belt Conv.	58	65	89.51	91.64	100.00	96.92
8	Transformer (Power)	94	84	94.24	91.64	100.00	97.62
9	Coal Tubs	1529	1538	88.22	91.64	97.33	92.78
10	Locomotive	7	7	75.00	91.64	71.43	71.43
11	Coal Drill	97	97	88.14	91.64	92.78	51.55
12	Mine Car	98	98	78.74	91.64	77.55	77.55

10. CAPITAL STRUCTURE

The Authorised Share Capital of the Company as on 31.3.2006 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.

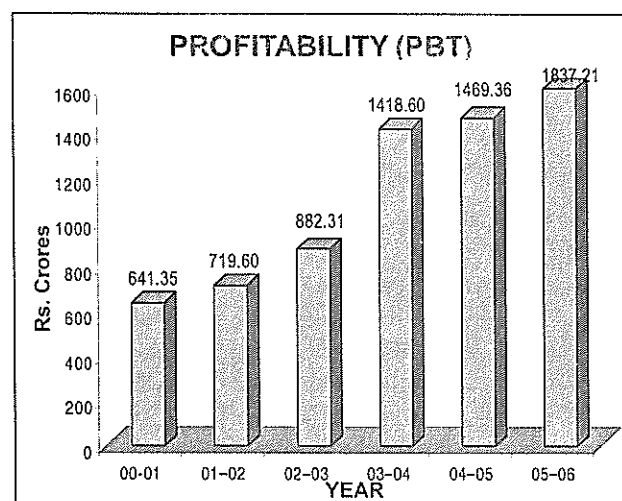
The paid up Equity Share Capital of the Company as on 31.3.2006 stand unchanged at Rs.186.40 crore. The entire Equity Share Capital are held by Coal India Limited(CIL) and its nominees.

11. FINANCIAL REVIEW

The Company has recorded the highest ever gross turnover of Rs.4135.90 crore against Rs. 3765.38 crore of the previous year. The Profit before Tax (PBT) has also gone up to Rs.1837.21 crore from Rs. 1469.36 crore in the previous year. Profit after Tax (PAT) for the year is Rs.1256.29 crore. The financial results of 2005-06 as compared to 2004-05 are summarised below :

[Rs. in Crore]

	2005-2006	2004-2005
Gross Profit(Before Depreciation and Interest)	1981.89	1609.38
Less : Depreciation (Incl. Social Over head and PP)	138.27	133.67
Interest	6.41	6.35
Net Profit before Tax	1837.21	1469.36
Less : Provision for Income Tax and deferred tax liability	580.92	542.18
Net Profit after Tax	1256.29	927.18
Less : Transfer to General Reserve	126.10	101.35
Interim Dividend on Equity Shares	185.00	180.00
Proposed Dividend on Equity Shares	319.00	225.20
Provision for Tax on Dividend	72.84	52.95
Retained Profit	553.35	367.68



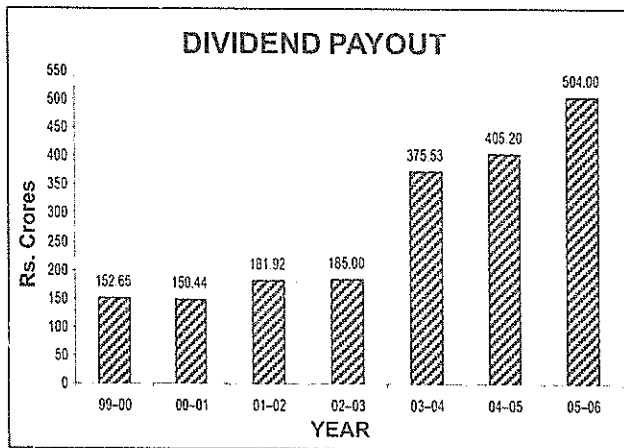
11.1 Transfer to Reserve

An amount of Rs. 126.10 crore being 10.04% of Profit after Tax for the year has been transferred to General Reserve.

11.2 Dividend

The Directors are pleased to recommend dividend of 270.38% (previous year 217.38%) of the paid up Equity Share Capital for the year amounting to Rs. 504.00 crore (inclusive of interim dividend of Rs.185.00 crore) for your approval.

The total outflow on account of dividend would be Rs.576.84 crore comprising Rs.504.00 crore as dividend and Rs.72.84 crore towards tax on dividend.



11.3 Unsecured Loans

The amount due to Coal India Ltd. (CIL) as on 31.03.2006 stands at Rs. 186.71 crore out of which loan of Rs.175.33 crore pertain to IBRD and JEXIM.

The balance amount due to M/s. Liebherr, France SA, France, stands at Rs.11.38 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 which remains unchanged in the current year. 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. However, additional revenue earning from e-marketing is Rs. 98.05 crore.

13. CAPITAL EXPENDITURE

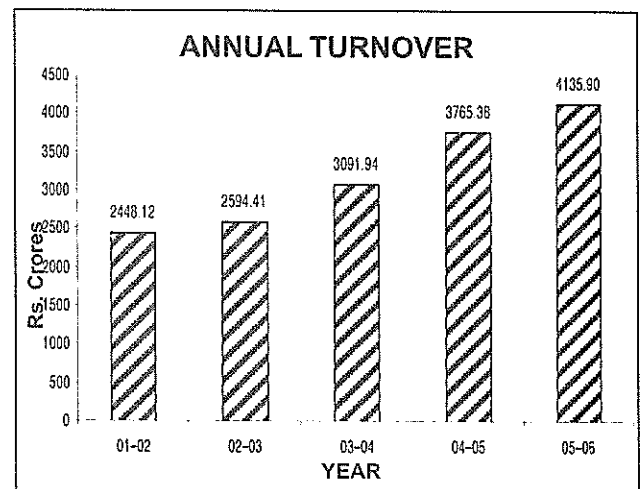
Total Capital Expenditure during the year was Rs.185.54 crore against previous year's expenditure of Rs. 142.66 crore.

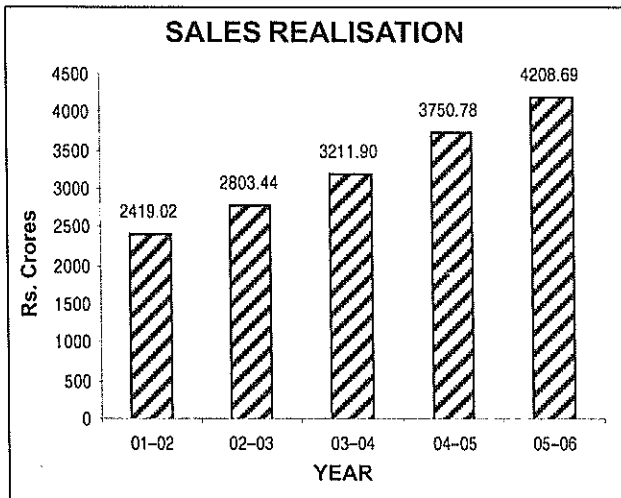
14. SALES REALISATION

During the year, the gross sales of your Company remain Rs.4135.90 crore as compared to Rs. 3765.38 crore in the previous year.

The realisation during the year was Rs. 4208.69 crore which works out to 101.75% of the current year's gross sales.

Net coal sales dues outstanding as on 31.03.2006 were Rs. 6.94 crore (previous year Rs. 69.61 crore) arrived at after providing for Rs.78.04 crore (previous year Rs. 88.87 crore) towards doubtful debts which is equivalent to 0.02 months' Gross Sales (previous year 0.22 months).





and 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)	1.50	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	5.00	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	

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 :

	[Rs. in Crore]	
	2005-06	2004-05
Royalty	503.86	460.43
Sales Tax/Orissa VAT	163.30	139.50
Stowing Excise Duty	68.16	61.81
Entry Tax	15.56	16.61
TOTAL	750.88	678.35

16. PROJECTS FORMULATION/CAPITAL PROJECTS

There are 33 sanctioned mining projects in MCL. The ultimate production capacity of these sanctioned projects is 103.31 Mty. with a sanctioned capital outlay of Rs. 3436.92 crore, out of which 16 have been completed with a capacity of 43.23 Mty

16.2 On going Projects

There are 17 on-going projects with a capital outlay of Rs.1722.43 crore with an ultimate capacity of 60.08 Mty.

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Sl. No	Name of the Projects	Capacity (Mty.)	Capital Outlay (Rs. Crore)	Scheduled date of Completion	Anticipated date of Completion
1.	Talcher (West) UG	0.52	85.08	03/2010	03/2010
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	Hingula-II OCP Expansion	2.00	89.78	03/2009	03/2009
5	Chhendipada OC	0.35	19.75	03/2002	03/2007
6	Lingaraj OC Expansion	5.00	98.89	03/2009	03/2009
7	Bharatpur OC Expn. Ph-II	6.00	95.87	3/2011	3/2011
8.	Basundhara(West) OCP	2.40	176.55	3/2008	3/2008
9.	Lakhanpur Expn.	5.00	98.74	3/2010	3/2010
10	Belpahar OC Expn.	1.50	35.47	3/2007	3/2007
11	Samleswari OC Expn.	1.00	28.69	3/2006	3/2007
12	Ananta OC Expn. Ph-II	6.50	35.88	3/2007	3/2007
13	Kulda OCP	10.00	302.96	3/2010	3/2010
14	Bhubaneswari OCP	10.00	336.68	3/2012	3/2012
15	Kaniha OCP	3.50	96.18	3/2009	3/2009
Sub Total		55.08	1673.38		

Projects approved during 2005-2006 and under implementation

16	Samaleswari OC Expn. Ph-II	1.00	13.38	03/2007	03/2007
17	Hingula-II OC Expn. Ph-II	4.00	35.67	03/2008	03/2008
Sub Total		5.00	49.05		
Total		60.08	1722.43		

16.3 Advance Action Proposals

Advance Action Proposals have been sanctioned for the following 3 (three) projects and are under implementation.

Sl. No	Name of the Projects	Ultimate Capacity (Mty)	Estimated Capital Outlay (Rs. Crore)	Advance Action Capital approved by GOI (Rs. Crore)
1	Garjanbahal OCP	10.00	600.59 (Aug.'05) (Coal Contractual Var.)	17.39
2	Gopalprasad OCP	12.00	697.18 (Aug.'02) (Coal Contractual Var.)	17.52
3	Talabira-III OCP	6.50	416.12 (Mar.'04) (Coal Contractual Var.)	17.82
4	Gopalpur-Manoharpur Railway Lines (Linking from Sardaga to Sharsaguda) in Ib-Valley CF		214.00	9.47
Total		28.50	1927.89	62.20

Advance Action Proposal processed for sanction from GOI during 2005-2006

Sl. No	Name of the Projects	Ultimate Capacity (Mty)	Estimated Capital Outlay (Rs. Crore)	Advance Action Capital approved by GOI (Rs. Crore)
1	Kaniha-II OCP	10.00	259.44 (July '05) (Coal and OB Out-Sourcing Var)	The AAP for an amount of Rs. 19.03 Crs. was approved in 79th MCL Board Meeting held on 12.01.2006 and has been sent to MOC on 22.03.06 for Govt. approval.

16.4 Projects formulated, withdrawn and under recasting :

Sl.	Name of the Projects	Capacity (Mty.)	Estimated Capital of the Project (Rs. Crore)	Remarks
1.	Gopalprasad OCP	12.00	697.18 (Aug.'02) (coal contractual Var.)	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 alongwith some clarification when EMP will be in advance stage of approval. However, PR is being recast in view of passing of 500KV DC Power line over the block. The original PR of 12.0 Mty has been withdrawn from MCL Board and ESC of CIL Board. As informed by MOC, it has been decided that Utkal-A and Gopalprasad west (Western part) to be worked jointly between MCL, JSW Steel Ltd/JTPCL, Jindal Stainless steel Ltd. and M/s, Shyam DRI Ltd. Draft PR(10-12Mty) combining western part of Gopalprasad(West) and Utkal-A blocks is under preparation by CMPDIL.
2.	Talabira-III OCP	6.50	416.12 (Mar.'04) (Coal Contractual Var.)	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. Planning Commission on 29.09.2004 has directed that the PR should be revised with higher capacity. The original PR has been withdrawn from MCL Board on 27.11.2004. As informed by MOC, it has been decided that both Talabira-II and III blocks to be worked jointly by MCL, NLC and Hindalco. Draft PR(15 Mty) combining Talabira-II and III blocks is under preparation by CMPDIL.

16.5 The following Project reports have been forwarded to Ministry of Coal for Government approval during 2005-06.

Sl.	Name of the Projects	Capacity (Mty.)	Estimated Capital of the Project (Rs. Crore)	Remarks
1.	Garjanbahal OCP	10.00	600.59 (Aug.'05) (Coal contractual Var.)	The PR was cleared in the fresh IMG meeting held on 27.06.05. Draft PIB Note along with UCE(Cost Base Aug'05) has been submitted to MOC. EMP cleared on 03.05.05. PIB Meeting is awaited. Forestry clearance proposal is under process of submission to MOEF by state Govt.(PCCF office).

MAHANADI COALFIELDS LIMITED

2.	Gopalpur-Manoharpur Railway Line (Linkage from Sardega to Jharsuguda) in Ib-Valley CF	214.00		The PR has been approved by MCL Board in the 72nd Meeting held on 27.11.2004, the PR has been sent to MOC on 01.02.2005 for IMG Meeting. MOC directed to revise the PR on the light of the observation of Planning Commission on 28.07.05. Matter taken up with RITES and CMPDIL. PR is under recast.	6	Central Hospital, Talcher	08/05/87	14.28	03/94
3.	Bhubaneswari	20.00 (10.00 Incr.)	449.35 (112.67 Incr.)	Proposal for enhanced capacity of 20.00 Mty. under Emergency Coal Production Plan of CIL has been cleared by PIB to be implemented within the sanctioned capital of 10.00 Mty., pending approval of 20.00 Mty. PR has been approved by MCL Board on 15.09.05.	7	Central Workshop, Talcher	25/03/89	17.83	12/95
4.	Kaniha	10.00 (6.50 Incr.)	412.44 (316.26 Incr.)	Proposal for enhanced capacity of 10.00 Mty. under Emergency Coal Production Plan of CIL has been cleared by PIB to be implemented within the sanctioned capital of 3.50 Mty., pending approval of 10.00 Mty. PR has been approved by MCL Board on 27.10.05.	8	Integrated Telecommunication System, Talcher	26/04/91	2.90	03/98
5.	Bharatpur OC Expn. Ph-III	20.00 (9.00 Incr.)	113.50	Proposal for enhanced capacity of 20.00 Mty. under Emergency Coal Production Plan of CIL has been cleared by PIB to be implemented within the sanctioned capital of 11.00 Mty., pending approval of 20.00 Mty. The PR has been approved by MCL Board on 12.01.06 and PIB Note has been submitted in March'06.	9	Integrated Telecommunication System, Ib-Valley	26/04/91	2.37	03/96
6.	Lakhanpur OC Expn. Ph-II	15.00 (5.00 Incr.)	63.85	Proposal for Enhanced capacity of 15.00 Mty. under Emergency Coal Production Plan of CIL has been cleared by PIB to be implemented within the sanctioned capital of 10.00 Mty. pending approval of 15.00 Mty. The PR has been approved by MCL Board on 12.01.06 and PIB Note has been submitted in March'06.	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 11 on-going non-mining projects with a total capital outlay of Rs.213.72 Crore. Brief details of the same are as under :

Sl. No.	Name of the Projects	No. of Projcts	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
9	Coal Transportation and Sito Loading arrangement at NTPC bulb, Lingaraj OCP.	1	62.91
Total			213.72

16.6 Non-Mining Projects :

Following are the 25 sanctioned non - mining projects with a total capital outlay of Rs. 376.90 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

16.7 Land acquisition during 2005-2006

The land acquired under head Tenancy land, Govt. non-forest land and Forest land was 661.97 acre, 67.56 acre and 2101.06 acre respectively.

16.8 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 was 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. Later on termination letter in respect of Kalinga CPP to Roberts & Schafer Engineering (India) Pvt. Ltd. has been sent on 08.04.2004 as per approval of MCL Board in its 65th Board meeting.

R&S Engineering (India) Pvt. Ltd. through Advocate of Honourable High Court of Orissa filed a case under W. P.(C) No.813/2004 – Vs-MCL and others on 15.3.2004.

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 and 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 was considered and got approved. As the case is under subjudice APGENCO was offered a land adjacent to the plot earmarked for Kalinga CPP. Land measuring 22.798 Ha. has been leased to APGENCO by MCL on 05.05.2004. Construction work of Kalinga Washery is in progress.

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 initialled 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 a washery for supply of washed coal to Simhadri TPS. As per their request, the matter was placed to 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 has also been approved. The termination letter in respect of Ananta-Bharatpur CPP to M/s Madhucon Project Ltd. has been sent on 8.4.2004.

M/s Madhucon Projects Ltd. submitted the Court's order of High Court of Orissa by Superintendent of High Court of Orissa under No. 11076 WP(C) 5466/04 on 30.6.2004 regarding non-allotment of the land of Ananta – Bharatpur Washery to any other operator. NTPC is conducting exercise to set up a 6 MTY through put capacity washery by their selected BOO Operator and asked for infrastructural facilities e.g. land, water, electricity, railway siding etc.

17. EXPLORATION

The details of geological exploration activities in MCL command area during 2005-2006 are summarised below:

Particulars	2005-2006		2004-2005
	Target	Actual	Actual
1. Total Drilling (metre)	36500.00	29208.85*	38477.90
2. Coal Reserves proved (M.Te)	—	556.77 (Proved) 664.97 (Indicated)	842.87 (Proved) 23.59 (Indicated)

* CIL Blocks only.

17.1 Foreign Collaboration, Modernisation and Technology Absorption.

Foreign Collaboration – During the year under report there has been no foreign collaboration in MCL.

Modernisation – 1. MCL Board has approved in principle, the deployment of Continuous Miner at Orient Colliery – 1 and 2 and Hirakhand Bundia Mine of Orient Area. Draft PR prepared and under study.

2. MCL Board has approved the proposal of Man Riding System at different mines of Orient Area. Price bid has been opened and TCR under process.

Garjanbahal OCP (10 Mty).

- Public Hearing is a pre-requisite for consideration of project proposal by MOEF for environment clearance. During the year (2005-2006), Public Hearing was conducted for four projects namely Samaleswari OCP-5 Mty, Jagannath UG Project- 0.67 Mty, Talcher (West) UG Project – 0.52 Mty and Ananta OC Expn. – 12 Mty.
- Similarly Grant of NOC by State Pollution Control Board is also a pre-requisite for consideration of project proposal by MOEF for environment clearance. During the year (2005-06), NOC has been obtained for six projects namely Samaleswari OCP-5 Mty, Jagannath UG Project – 0.67 Mty, Talcher (West) UG Project – 0.52 Mty, Ananta OC Expn. – 12 Mty, Bharatpur OC Expn. Project (15 Mty) and Lingaraj OC Expn. Project (13 Mty) .
- Application for Environment clearance were submitted to MOEF after conducting PH and grant of NOC in respect of three projects namely Ananta OC Expn. -12 Mty, Samaleswari OC Expn. -5 Mty and Natraj UG Project – 0.64 Mty.
- Environment related Temporary Working Permission (TWP) application were also submitted in respect of Ananta and Hingula opencast expansion projects during the year 2005-06.

18. ENVIRONMENT, ECOLOGY AND AFFORESTATION

18.1 Status of Environment Clearance

- Thirteen opencast and two underground mines are being operated with environmental clearance from the Union Ministry of Environment and Forests (MOEF) with the remaining six underground mines commissioned before enforcement of environmental clearance.
- Environment clearance has also been obtained for four new opencast mines namely Bhubaneswari (10 Mty), Kaniha (3.5 Mty), Garjanbahal (10 Mty) and Kulda(10Mty).
- During the year (2005-2006) environment clearance was obtained for 6 projects namely Bharatpur OC Expn. Project (15 Mty), Lingaraj OC Expn. Project(13 Mty), Ananta OC Expn. Project (08 Mty), Jagannath OC Expn. Project (06 Mty), BelpaharOC Expn. Project (4.5 Mty) and

- Flora and Fauna Study was conducted for 9 Projects for preparation of EIA-EMP (Orient Area-5, Lakhanpur, Lajkura, Bharatpur -20, Bhubaneswari -20).
- Work for baseline data generation taken up for 8 projects for preparation of EMP/TWP out of which data for 6 projects generated and incorporated in the EMP.

18.2 Statutory Compliance during Operation.

- 'Consent to Operate' has been obtained, or applied for in time with consent deemed to be obtained, from SPCB for all the operating mines in the year under consideration.
- Authorization under Hazardous Waste Rules has been obtained from SPCB for the year by the operating opencast mines having workshops (generating waste

batteries, oil and grease) and oil and grease trap for recovery of washed oil and grease. Half yearly returns for batteries and annual return for other hazardous waste (oil and grease, oil filter, etc.) was submitted to SPCB during the year in time.

- Annual Environmental Statement in form – V under Rule -14 of Environment Protection Rules were submitted to SPCB in time (by 30th September'05) during the year for all the 21 operating mines having 'consent to operate'.
- Half-yearly reports of compliance with the clearance conditions were submitted to MOEF in time and the officials from the Regional office of MOEF inspected the mines twice in the year for monitoring.
- Pre-project Community Health Status Survey were conducted for 3 Projects (Kulda, Basundhara (West) and Garjanbahal OCPs) in compliance with the condition of MOEF and the reports were submitted to MOEF and SPCB.
- Work Awarded for detailed Hydro geological Investigation for 9 locations in MCL covering Ib, Talcher and Basundhara Coalfields (Hingula, Bhubaneswari, Kaniha, Orient Colliery 1 and 2, 3, 4, HRC, HBI, Talabira, Lakhanpur and Siarmal).

18.3 Measures Taken to Protect and Improve the Environment.

18.3.1 Afforestation and Land Reclamation.

Afforestation drive in the mines of MCL continued and 3,69,268 saplings of mixed species have been planted during 2005-06 with 85% survival against the target of 3,00,000 and previous year's plantation of 2,77,000. This was executed through Orissa Forest Development Corporation (OFDC) in Talcher Coalfields and Chhatisgarh Rajya Van Vikas Nigam Limited in Ib-Valley Coalfields. 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.

- Special land reclamation works at Samelswari, Balanda and Jagannath OCMs continued successfully.
- Medicinal and fruit bearing plants were planted on dumps as well as in block and avenue plantation along with other multipurpose trees.
- Fruit bearing trees and medicinal plant species were distributed and planted by the employees at MCL Hq. as well as at different mines during Van Mahotsava celebration in July, 2005.
- Talcher Thermal Power Station Started filling the residual mine voids of 19 Mm³ in Balanda OCM with fly ash as per the MoU with NTPC.
- Out of total land 2456 ha. broken during mining operation by MCL, 1390 ha has been backfilled and biological reclamation has been made over 708 ha, balance void is required for safe mining operation including water harvesting in the mine sumps.

18.3.2 Air Pollution control measures

To check air pollution following steps have been taken :

- Out of the total coal production of 69.6 Mt. during the year, surface miner produced about 46%. Thus, there was large scale deployment of eco-friendly surface miners during this year for coal production. This has significant environmental benefits as it totally 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 vibration causing damage to properties, and thus, ingress of O₂ is restricted resulting in

drastic reduction in chance of spontaneous heating and bench fire. Selective mining of coal with this machine mining and removal of dirt bands separately reduces the ash content by about 3 to 4% resulting in reduction of ash generation and reduction in greenhouse gases.

- Black topping of permanent and semi-permanent roads and metalling of haul roads. Maintenance and upkeep of all the black topped and metalled roads constructed during previous years.
- Provisions of fixed water sprinklers on roads, railway siding and CHPs. Maintenance and up-keep of all such fixed sprinklers installed during previous years.
- Manual sweeping arrangement for cleaning of roadside dust.
- Pit-head railway siding resulting in reduction of traffic through residential belts and reduction in transport distance thus reducing the overall pollution level
- 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.
- 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.
- Wetting of roads by mobile water sprinklers of capacity 28,000 litres, 16,000 litres and 12,000 litres.
- Environmental telemonitoring of underground environment from surface installed device at Orient Mines working satisfactorily.
- The mobile nitrogen generating plant for fire prevention and fire fighting is operational in Orient Area.
- Green belts have been created between residential area and mine infrastructure for dust control.

18.3.3 Water pollution control measures

- Mine seepage and run – off water is made to settle in big sumps created in the quarry bed. Effluent from mines, workshop, settling ponds and spoil dumps are treated to confirm to standards of MOEF before being discharged into the natural drainage. Mine effluent contains mainly suspended solids as impurity, which is removed in Sedimentation Pond. No chemical or acidic pollutant is found in the mine effluent. Workshop effluent contains suspended solids and oils and grease as pollutants, which are removed in oil and grease trap.
- Garland drains have been provided near the toe of OB dump as well as around quarry boundaries.
- Water is monitored at all the discharge points and all the parameters remain within prescribed limit.
- Sewerage treatment plant, for domestic waste water treatment, is operational at Nehru Satabdi colony, Bharatpur, Ananta Vihar Colony, Jagannath Colony, Kalinga Colony Central Workshop Colony, Talcher and Samleswari Colony, Belphar-Lakhanpur Colony, Ib Valley.
- 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.
- 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.

18.3.4 Noise and ground vibration control measures

- 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.

- Workers exposed to noise beyond permissible limits have been provided with earmuffs and ear plugs.
- Non electric detonators(shock tubes) are used wherever necessary for blasting of the explosive resulting in less noise and vibration and better fragmentation.
- Controlled blasting practice adopted wherever it is necessary.
- Surface Miners are being used at Lakhanpur, Belpahar, Samaleswari, Basundhara(West), Lingaraj, Kalinga, Ananta, Bharatpur and Hingula mines, which effectively controls noise and ground vibration as drilling, blasting, crushing operations are totally eliminated.

18.3.5 Environmental monitoring

- Regular monitoring of Air, Water, Noise are carried out including micro meteorological studies through Government agencies whose laboratories are duly recognised by MOEF in this regard.
- Methodology, frequency of monitoring etc. are strictly followed as per the latest Gazette Notification.
- 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.
- Results of monitoring are submitted to SPCB on monthly basis and to MOEF on half-yearly basis.
- Monthly inspection of Environmental installations of all the OC mines by HQ. team and with constant monitoring the condition has substantially improved compared to previous year.
- Tender floated for procurement of 2 nos. Automatic Weather Monitoring Stations and technical scrutiny of the offers submitted to MM Deptt. for further action.

18.3.6 Environmental Awareness

- World Environment Day was celebrated on 5th June, 2005.

- Van-Mahotsava-Week was also celebrated during July,2005
- Basically the programmes undertaken during the Environment Day/Van Mahotsav includes hoisting of Environment Flag, distribution and plantation of fruit trees, Putting up of Environmental Theme posters and Banners, Painting/essay competition among the school children, Environmental slogan competition, wide circulation of environmental booklets, Training manuals etc.

19. SALES AND MARKETING PERFORMANCE

19.1 Demand and Off-take

Off-take during 2005-06 was 68.22 Million Tonnes as against Demand/Target of 72.00 Million Tonnes. The off-take has been 94.75% of the target. The growth in 2005-06 is 3% over last year. Sector-wise off-take is as under.

(Figs. In Million Tonne)

Sector	2005-2006			2004-2005
	Target	Actual	% Achieved	Actual
Power (Incl.CPP)	62.041	60.021	96.74	59.629
Cement	0.300	0.319	106.33	0.290
Others	9.650	7.873	81.59	6.371
Colly. Consumption	0.009	0.006	66.66	0.007
Total	72.000	68.219	94.75	66.297

19.2 Wagon loading

Daily average wagon loading in MCL during 2005-06 was 4684 FWW. Growth in wagon loading is 4.74% over last year. Field-wise target, offer and loading are appended as under:

(Figs. in FWW/Day)

Field	Target	Offer	Allotment	Supply	Loading
Ib-Valley	1990	2233	1869	2011	1997
Talcher	2984	2846	2986	2713	2687
Total	4974	5080	4855	4724	4684

19.3 E-Marketing

- Sale of coal through e-marketing was implemented in MCL in 2005-06.

- 58.74 Lakh Tonnes of coal was offered to the consumer by Rail and Road in 2005-06. Total booking under e-marketing was 44.27 Lakh Tonnes.
- MCL earned a profit of approx. Rs.99.00 crores through e-marketing.

19.4 New Sidings

During the year, two new sidings were added

1. Kanika siding was commissioned w.e.f. 24.12.2005.
2. Bharatpur Siding No.8 was commissioned w.e.f. 7.3.2006

20. COAL QUALITY IMPROVEMENT.

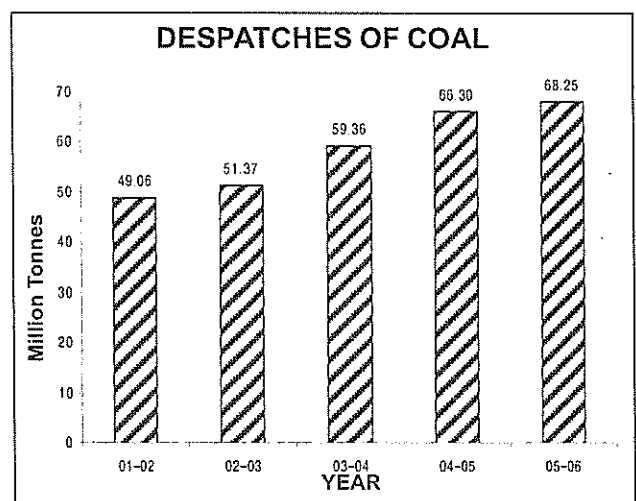
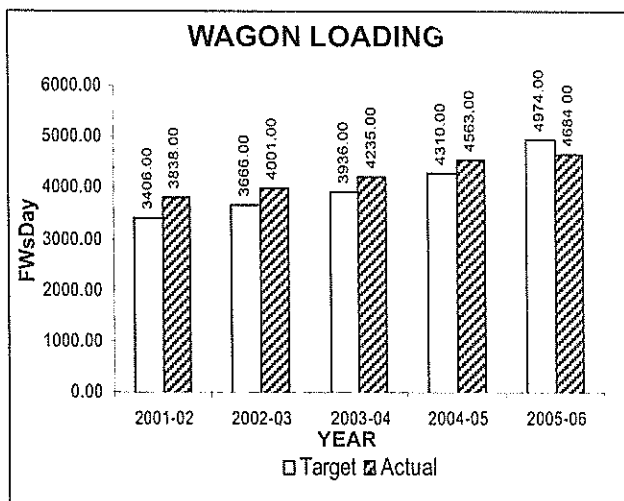
20.1 MCL has taken utmost care to improve the quality of coal supplies to different powerhouses and to fulfil the consumer satisfaction. During the year various measures for ensuring proper quality of coal despatched were intensified. As compared to previous year, this year MCL could achieve a record despatch of 68.25 Mt. against 66.31 Mt. So far quality complaints are concerned during the year the number of complaints received is 2(two) against 2(two) in the previous year.

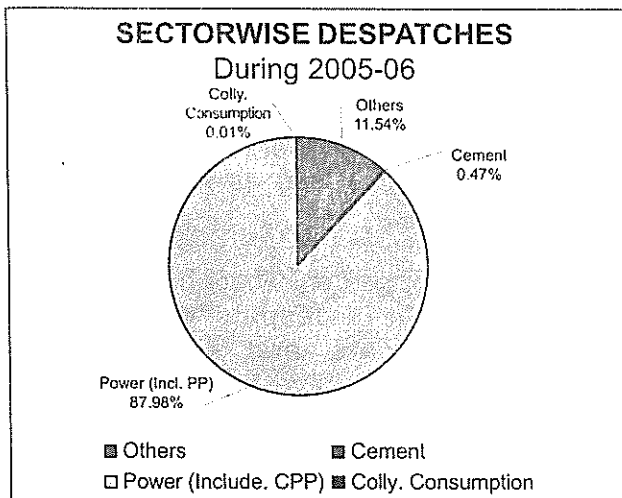
The following steps were taken by the Company to improve quality and consumer satisfaction.

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 as well as weigh bridges.
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, in the department 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 was being done by QC department 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 of QC department to ensure proper quantity and quality of coal despatched.





7. Frequent inspections of Weighbridges and Laboratories are being done regularly by QC department.
8. In case of any discrepancy or fault found in Laboratories, Weighbridges and Sidings, the same was communicated to the concerned CGM/GM of the Area for information and taking corrective measures.
9. Presently 3rd Party sampling and analysis of coal is being done with MSEB, WBPDC and RSP. Joint sampling is continuing for APGENCO, ICCL, TNEB, NTPC(Kanhia), TTPS, OPGC, NALCO, KPCL, NALCO(Dmj) and NTPC(Simhadri).
10. There are seven coal analysis laboratories at Orient, Ib-Valley, Jagannath, Lingaraj, Kalinga, Hingula and Lakhanpur Areas. Out of which four laboratories which are at Rampur colliery, Lajkura OCP, Jagannath OCP and Lingaraj OCP are well equipped with modern equipments like automatic proximate analyzer and electronic bomb calorimeter for determination of UHV and GCV for coal respectively.
11. These equipments 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 and Samleswari OCP.
13. By using surface miner the rejects are being separated from the coal seam 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 the target of 100% weignment.
15. The coal, which has been dispatched by rail, belt and MGR, was 100 % crushed by CHPs and Feeder Breakers. During this year your Company has supplied (-) 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 68.25 Mt. of coal 98.60 % of coal was weighed with electronic print out during the year against 98.65% of 66.31 Mt. coal compared to previous year.

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

31.232 Mt of crushed coal was despatched through CHP during the year against 31.161 Million Tonnes of Crushed Coal compared to previous year. 31.992 Mt of crushed coal was produced using "Surface Miner" during the year.

	2005-2006		2004-2005	
	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	31.232	44.70	31.161
% utilisation of Crushing Capacity of Plant		69.87		69.71
% decrease of utilisation of plant capacity during the year over previous year				0.23

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*
Bharatpur	Bharatpur OCP	3.5
Lakhanpur	Belpahar OCP	3.5**
Total		10.20

* Major CHP of Balanda OCP has become inoperative since July'05 due to closure of mine for the mine has completed it's useful life.

** 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	4.00
	Ananta OCP	7.00
	Balanda OCP	1.00
Hingula	Hingula OCP	2.00
	Balaram OCP	4.00
Ib-Valley	Lajkura OCP	2.00
	Samaleswari OCP	5.00
Lakhanpur	Belpahar OCP	2.00
	Lakhanpur OCP*	4.00
Lingaraj	Lingaraj OCP	6.00
Basundhara	Basundhara OCP	1.00
Total		38.00

* Out of four FB circuits at Lakhanpur OCP, three circuits including FBs have been released to Lingaraj, Hingula and Basundhara OCP's respectively, which are under the process of commissioning.

20.4 Details of Weighbridges

Sl. No	Types of weighbridges	2005-2006	2004-05
1.	Road weighbridges (Hybride)	1	1
2.	Road weighbridges (Electronic)	43	39
3.	Rail weighbridges (Electronic)	31	29
4.	% Weighment during the year (By rail)	97.71	97.77
5.	% Weighment during the year (Overall weighment)	98.60	98.65

The percentage of overall weighment of coal despatched to consumers achieved during the year is 98.60 % against 98.65 % compared to previous year whereas total rail despatch weighment achieved during the year is 97.71 against 97.77% 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 of MCL and to enhance the safety awareness amongst the workers and staffs of the Company. Regular interaction is continuing 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

- Scope and role of Pit Safety Committee is widened. SAFETY DAY is observed every month on a fixed day (7th) in all mines/projects of MCL.
- On the Spot Safety Talk to Contractor Worker engaged in Transportation.
- Training and retraining of workers and supervisors at training institutes, VTC and mine level.
- Training of contractor workers engaged in transportation by outside faculty.
- Brain storming session with supervisors, Safety Conference with executives, supervisors and workers and Bipartite Meeting with DGMS officials.

- Safety drives on different subjects.
- Safety Audit of mines.
- Risk Assessment and management plan.
- Determining RMR for all development districts and using steel supports.
- Check-survey to be conducted in each mine of MCL.
- Stress on implementation of Code of practice of various operations.
- Stress on quality supervision by Mining Sirdar, Overman and Junior Officers.
- Safety circulars are issued by ISO from time to time.

21.3 New Safety Technology Adopted.

- Identification of two UG mines for introduction of continuous miner to reduce exposure of work persons in hazardous area.
- Advance action for introduction of man riding system in UG mines.

21.4 Research & Development.

- A study to ascertain the safe limit of ground vibration produced in the underground workings of OC 1 and 2 due to heavy blasting in Lajkura OCP and HRC and HBM due to heavy blasting in Samleswari OCP was conducted.
- Study for determination of RMR of different districts of UG mines.
- Study on controlled blasting in Kalinga, Lingaraj OCP by CMPDI/CMRI.

21.5 Awards Related to Safety

- Lowest Injury Frequency Rate per Lakh Manshift (LIFRLM)- 2003- Winner- Opencast Coal Mines – Ananta OCP.
- Longest Accident Free Period (LAFP) – 2003- Winner- Opencast Coal Mines – Lakhanpur OCP.

21.6 Rescue.

- Mines Rescue Station at Brajrajnagar is serving mines of Ib Valley Coalfields Rescue

Room with Refresher Training (RRRT) is functioning at Talcher Coalfields. MRS Brajrajnagar is having permission under Rule 3(1) of Mines Rescue Rules to function as a full-fledged Rescue Station with Initial Training. MRS and RRRT are equipped with modern rescue apparatus like BG 174, Maxaman, Travox 120, Computerised testing quaster II etc. All the UG mines are within reach of 30 minutes from respective MRS/RRRT.

21.7 Accident Statistics

Sl No.	Particulars	2005-2006	2004-2005
1	No. of fatal accident	09	04
2	No. of fatality	09	04
3	No. of serious accident	14	14
4	No. of serious injury	14	14
5	Rate of fatality		
	Per. M. Te. Output	0.129	0.060
	Per 3 Lakh manshift	0.509	0.228
6	Rate of serious injury		
	Per M.Te. output	0.236	0.211
	Per 3 Lakh manshift	0.957	0.798
7	Place-wise fatality		
	UG	2 (2)	3 (3)
	OC	7 (7)	1 (1)
	AG	—	—
Total		9 (9)	4 (4)

22. COMPUTERISATION

Coalnet Phase – I – During this period most of the modules of Coalnet were made operational e.g. Finance, Personnel and Payroll, Sales & Marketing including e-auction, Production Information Systems, Equipment Monitoring Systmes, etc. LAN has been extended to Road Sales Section through fiber optic link which is outside the corporate building.

Coalnet Pilot Site – During the year, implementation of Coalnet Phase –II Application was started at the pilot site of

Talcher. Data from legacy system were ported into the Coalnet database and various modules were run, and reports were generated.

Coalnet Phase – II – Hardware and Oracle Software have been procured and installed at the three central locations of IB Valley, Jagannath and Basundhara Area for Coalnet Phase – II Implementation at entire IB Coalfields, Basundhara Coalfields and Talcher Coalfields. Data from legacy system are being ported in to the Coalnet system for speedier implementation of the Coalnet Phase – II applications at various Area Offices and Regional Stores. Procurement action for new PCs for Coalnet Phase – II has been completed and likely to be delivered soon.

File Tracking Software – A file tracking software has been developed which has been tested rigorously, and is ready for deployment. This software will keep track of movement of files. This has also been integrated with Coalnet application.

Speech Recognition Software – Speech recognition capabilities of Microsoft Office 2000 has been tested and given to five departments. They have been trained to use the software.

Training – Users have been imparted training on using e-mails and Coalnet applications. Competition was organized to popularize use of e-mail among employees. Executives of Systems discipline were imparted training on Oracle Database administration, and Network Security. During the year new Internet connections have been provided to employees.

Decentralization of Attendance Recording – Daily attendance recording has been made on-line and users are directly entering attendance from their clients. All users have been imparted training of the module, and proper security features have been kept in the system so that no malpractices can occur in recording attendance. This decentralization will help

attendance status by 10:30 every day morning, which was not possible earlier, as Systems department used to punch attendance of all employees.

Proposals moved ahead during 2005-2006

- Finalized tender for extension of LAN at all Area Offices for Coalnet Phase -II implementation. Work order has been placed on M/s. Intec Infonet Pvt. Ltd, New Delhi.
- Finalized tender for replacement of PCs and procurement of new PCs, Bi-lingual office suite. Work Order has been placed on M/s Webel Technologies, Kolkata.
- Board's approval was obtained for procurement of GPS based TDS for 5 OCPs, and indent was sent to CIL for taking necessary procurement action centrally.
- FD's approval was obtained for providing Internet facility, e-mail services, document management system for MCL users.
- Implementation of GIS has been planned for 5 OCPs of MCL, and CMPDIL has been asked to study and submit a proposal.
- Implementation of Coalnet Phase – III at Collieries/Projects has been planned. CMPDIL has been asked to carry out a study for establishing networking at Collieries and identify modes to be provided.

23. TELECOMMUNICATION

MCL is in a continuous process to upgrade its communication facility as per infrastructural demand for a reliable and efficient communication.

- 1) Following an increase in capacity of HQ, Jagruti Vihar EPABX by 100 lines, the demand of all internal telephones in the office and colonies of HQ has been fulfilled.
- 2) 20 nos BSNL land-lines and mobile phones of different S.Ps have been given to the key officials to give them access to easy communication.

- 3) Voice, Data(Internet), Video Communication through coalnet phase-I has been well established. Voice facility through coalnet has been extended in the office and residences of all HODs and Key Officials.
- 4) VHF communication has been strengthened.
- 5) Continuous endeavour has been made to arrange upgradation of BSNL Exchanges in the Coalfields Area as a result of which BSNL has upgraded a number of exchanges in coalfield area.
- 6) Proposal for outsourcing has been initiated for the cable TV service at Jagruti Vihar and Anand Vihar Colony.

24. DEVELOPMENT OF ANCILLARY INDUSTRIES

24.1 There are 78 proven ancillary units and 63 provisional ancillary units in the Company during the year.

24.2 During the year, MCL participated in the following vendor development programmes as Sponsor.

- a) Orissa Assembly of Small Scale and Medium Enterprises, Cuttack organised a one day programme titled "20th Annual State Level Convention and Seminar" on 12th August, 2005 at Cuttack, MCL participated in the programme and President, OASME lauded the services rendered by MCL in promoting the ancillary units of MCL.
- b) A national level vendor development programme-cum-Industrial Exhibition, at Bhubaneswar titled "Expo Orissa – 2005" was organised by Ministry of SISI, Department of Industries, State of Orissa, Cuttack from 5th to 7th October, 2005. MCL participated in the programme and displayed the panels/posters and explained the

various activities of ancillary cell of MCL to the VIPs and visitors. It was appreciated by all.

24.3 The total amount of supply order and repair order placed on ancillary units (Proven and Provisional) and other SSI units of Orissa is to the tune of Rs. 5.93 crore during 2005-2006 compared to Rs. 6.37 crore during 2004-2005.

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

- a) Non-participating or non-compliance of purchase orders by some ancillary units.
- b) Reduction in requirement of coal tubs, as MCL is going for mass scale conveyor transport and mechanical loading.
- c) Closure/non-compliance of ACSR conductor by HIW.
- d) Closure of Re-rolling mills at Hirakud who were supplying Tor steel rods.

25. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY

25.1 During the year an amount of Rs. 346.80 lakh was spent on Advertisement and Publicity against Rs. 391.17 lakh in previous year as briefed hereunder:

		<i>(Rs. In lakh)</i>	
		2005-06	2004-2005
1.	Advertisement for :		
	(a) Tender	291.87	344.72
	(b) Other	7.84	3.87
2.	Publicity	47.09	42.58
Total		346.80	391.17

25.2 Public Relation

The main focus of Public Relations 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 through media.

Liaison : It is a constant endeavour to maintain constructive and Harmonic relationship with Print and Electronic Media. Media is always briefed and properly feed backed regarding various events/activities, occasions, development from time to time. Annual and Intermediary Press Conferences/Meets are held at Corporate as well as at fields.

Image Building Vis-à-vis Public Relations : PR department is regularly publishing the following in- house Journals/ Magazines.

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 current Corporate affairs.
5. Publication of various News/events/ activities in Local, Regional, Hindi and National Newspapers.
6. Performances, achievements and noteworthy events are informed to employees through Wall Paper "MAHANADI SE".
7. Leaflets on health and hygiene (bilingual) are distributed among employees for awareness and inculcating a descent culture.

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

Advertisements :

- a. Tender Publication and Web-page Hoisting :- PR Deptt. is timely publishing Tender advertisements in

various newspapers and also hoisting all the Tenders/Notices in website as per CVC guidelines.

- b. Exhibition : Stood 1st in National Level Vender Development (Ancillary) Exhibition at Cuttack. Participated in CII exhibition at Bhubaneswar.

26. HUMAN RESOURCE DEVELOPMENT

26.1. Manpower :

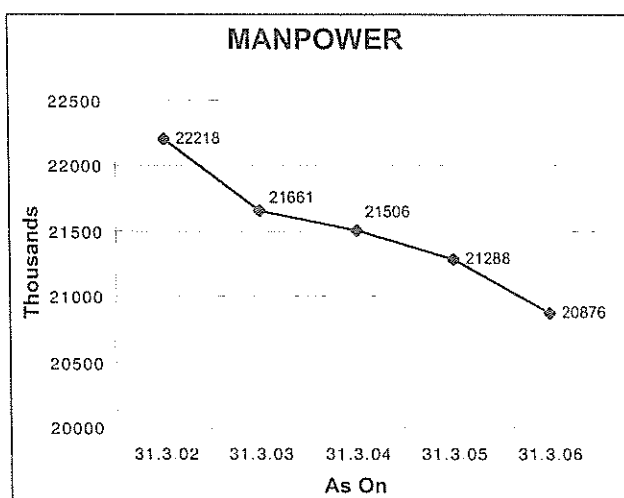
The Company's manpower as on 31.3.2006 compared to that of 31.3.2005 is indicated below:

Category	As at 31.03.2006	As at 31.3.2005
Executives	1246	1278
Supervisors	2058	2137
Highly skilled	6970	7227
Semi skilled : Time Rated	8466	8374
Piece Rated	337	523
Ministerial	1742	1670
Badlies	0	0
Stipend Trainees	52	73
Ex.CMWO/Others	05	06
Total	20876	21288
Apprentices	00	10
Grand Total	20876	21298

26.2 During the year 2005-2006 the main thrust of HRD activities has been to fulfil the need of skilled manpower, Belphar Training Institute and MEETI, Talcher conducted intensive training for 8 weeks for land oustees those who were selected as Mining Sirdar, Surveyor, Fitter, Electrician, Mechanic apprentice and other apprentices and Belphar Training Institute also conducted intensive training for 3 months for dumper operators.

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

Computer Awareness Programme at MTI has been very popular but during this year most of the scheduled Computer Training programmes had to be suspended due to



shifting of the Computers to System/MM department to tide over the crisis consequent upon damages caused by fire in System/MM departments. However, a number of Supervisory development programmes were successfully conducted at MTI and a total of 473 persons attended in different programmes at MTI in this year.

Seminars, Workshops at MTI and others in-house workshop programmes at BTI, TTI and areas conducted by OEM covered 626 executives, 59 supervisors and 365 Workers.

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

26.3 In-company Training (Training at MTI, BTI, TTI and Jagannath/Lakhanpur Areas)

Employee Group	2005-06	2004-05
Executives	850	674
Supervisors	498	589
Workers	922	923
Total	2270	2186

26.4 Training Outside (including training at IICM, Ranchi)

Employee Group	2005-06	2004-05
Executives	828*	738
Supervisors	120	67
Workers	85	115
Total	1033	920

Total Employee Trained :

2005-06	2004-05	% Growth
3303	3106	6.34

* One Senior Executive visited Australia on training during the year 2005-06.

In addition to the above training, the following training was also conducted at HRD department of MCL Hq. during this year.

26.5 Trade Apprentices:

As on 31st March, 2006 there are 148 trade apprentices undergoing training in different trades who have been 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. Surveyor	05
2. Colliery Sirdar	57
3. Amins (Comp. Own Trainees)	10
4. Fitter	35
5. Electrician	08
6. Diesel Mechanic	23
7. Fitter	10
Total :	148

Amins have been trained in Revenue Inspector Training Institute, Larpark, Sambalpur. Total 17 persons have successfully cleared the examination conducted by the Board of Revenue Examination, Orissa. And total 15 persons have passed in the Fitter and Electrician Examination in this year.

In addition to above, 251 persons who have completed their job training have been posted in different Areas.

26.6 Vocational Training :

We have given 340 numbers of Project, VT and Field visit training during the year 2005-2006 in different discipline.

26.7 Post Diploma Practical Training :

As per MCL quota, following numbers of PDPTs are given 1 year training in different units at MCL during this year also :

Mining : 25

E&M : 10

27. SCHEDULED CASTES AND SCHEDULED TRIBES

Total number of vacancies under Special Recruitment Drive -2005 was 21. Break up of which : Jr. Overman-1, Mining Sirdar- 6, Dy. Surveyor-1, Dozer Operator- 2, Dumper Operator- 6, Dragline Operator- 1, Drill Operator -1 and Staff Nurse – 3.

Out of 21 posts, 19 candidates were selected for appointment and for 2 posts of Dozer Operator(Trainee), no suitable candidate was found. After receipt of verification of caste certificates in respect of SC&ST, 14 candidates have been offered with appointment letters.

28. PARTICIPATIVE MANAGEMENT

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

- (a) Joint Consultative Committee
- (b) Welfare Board
- (c) Tripartite Safety Committee

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

Working Together :- A novel concept of participative management "Working Together" was put into effect by MCL from the year 2002. this was held at Gandhi Labour Foundation, Puri last year also. Over 100 participants both from the Management and Trade Unions including Functional

Directors deliberated various issue with the employees at grass root level. During deliberation a lot of information has been gathered about the working of the Company at various level, many problems are discussed threadbare and based on the conclusions, strategy to meet the challenges for the years ahead are formulated by the Company.

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

- (a) Production Committee
- (b) Pit Safety Committee
- (c) Consultative Committee
- (d) Canteen Management Committee
- (e) House Allotment Committee

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

29. INDUSTRIAL RELATION

The industrial relation in MCL remained cordial during the year except at times the operating Trade Unions, in support of call given by Central Trade Federations, shown solidarity and it was manifested in some form or other. On 29.09.2005 although the Federation, i.e. CITU/AITUC/HMS had given a call for strike, it was not reflected in MCL. But during the period from 27.03.2006 to 29.03.2006 the Trade Unions resorted to non-cooperation and obstruction of coal transportation demanding payment of arrear wages arising out of NCWA-VII (the matter deferred by CIL as election process had started and it would be violation of model code of conduct), the company sustained loss of production. In a stray incident in Basundhara-Garjanbahal Area demanding compassionate employment (which was held up due to non-finalization of NCWA-VII) the employees went on work stoppage on 05.07.2005 and 06.07.2005.

The total mandays/ production loss during 2005-2006 is as follows :

Coal : 2,02,292 Te
Mandays : 335

30. ABSENTEEISM

The overall absenteeism during the year was 16.09%. As regards to dealing with absenteeism among 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.

31. EMPLOYEES WELFARE AND SOCIAL AMENITIES

The position of Welfare and Social amenities like housing, water supply, medical, education etc. are as under:-

31.1 Particulars of social amenities

Items	Total at the end of 2005-06	Total at the end of 2004-05
Houses	16622	16612
% of satisfaction (Housing)	79.62%	75.03%
Water supply (total capacity generated)	15.70 MGD	15.70 MGD
Aided Educational Institutions :		
(i) D.A.V. Public School	09	09
(ii) Privately Managed Schools	19	19
(iii) Engineering School(Diploma)	02	02
(iv)Colleges(N.K. Mahavidyalaya)	01	01
Co-operative Stores	10	10
Bank Extension Counter	16	14
Extensin Counters	12	12
Ambulances	38	38
Dispensaries	16	16
Hospital	06	06
Hospital Beds	364	364
Canteens	34	34
Play Ground	13	12
Co-operative Societies (ECCS)	05	02
Bank Branches	16	16
Extension Counter	12	12

31.2 Payment of terminal benefits on the date of separation

Your Company is taking utmost care for payment of terminal benefits such as, Gratuity, Pension Pay Order and CMPF dues to the separated employees on the date of superannuation.

31.3 Family welfare

Your Company achieved 1410 family planning operation during the year against the target of 1300.

31.4 Cultural and recreational activities

In order to induce team sprits and to develop sense of fellow feeling amongst the employees, Social, Cultural and other recreational activities are being regularly conducted in different areas of MCL as well as at MCL HQ. Sports Calendar is being drawn out every year to conduct various Inter-Area Tournaments for the benefit of our employees. During the year MCL had organized Inter-Company Valley Ball Tournament at the MCL HQ. As per the CIL Sports Calendar our teams for various event/games were deputed to different subsidiaries to participate in CIL Tournaments. In CIL tournament the performance of MCL was very encouraging.

31.5 Sports for physically challenged students

Sports for physically challenged students of Sambalpur and Burla were organized during the month of February,2006 at Anand Vihar Ground.

31.6 Education

Although education is a state subject, as a part of our Welfare activities financial assistance is being rendered to the Educational Institution running in and around colliery areas in the form of financial grant to 20 Nos. of privately managed schools including NK Mahavidyalaya, Talcher. In order to have better educational facilities for our children, 9(Nine) numbers of DAV Public Schools is functioning in MCL, this includes a DAV High School

exclusively for girls student. During the year, Rs.393.00 lakh was sanctioned for DAV Public Schools towards Recurring and Non-recurring and Rs.23,05,180.00 has been provided to privately managed schools, functioning in different areas of MCL. In addition to above, 40% MCL share is being given against 40% seat reservation for employees' wards for admission into IGIT, Sarang and OSME, Keonjhar.

32. CAPITAL INVESTMENT ON SOCIAL AMENITIES

Details of Capital Investment on Social amenities as on 31.3.2006 vis-à-vis 31.3.2005 is briefed here under:

(Rs. in Crore)

Sl. No.	Particulars	Gross Value of fixed Assets	
		As at 31.3.2006	As at 31.3.2005
1	Buildings	317.22	315.78
2	Plant & Machineries	54.56	53.01
3	Furniture, fittings and equipment	6.22	6.17
4	Vehicle	3.40	3.40
5	Development	8.66	8.89
	Total	390.06	387.25

33. HINDI IN OFFICIAL WORK

In order to accelerate the progressive use of Hindi in the company as per directives/ instructions received from Deptt. Of Official Language, Ministry of Home Affairs and Ministry of Coal and Mines, Govt. of India, efforts were made towards promoting use of Hindi in the Company as follows :

1. Official Language Implementation Committee at HQ. as well as area level are co-ordinating the progress of Hindi through regular quarterly review meetings. During the year 16 meetings of OLIC were held in Company HQ. and Areas.
2. All possible efforts are being made to issue the documents bilingually under Section 3(3) of Official Language Act, 1963. All the letters issued 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.

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. Successful meetings were organized at MCL, HQ. on 21.6.2005 and 14.3.2006.
4. All the 682 computers have been loaded with Hindi software to ensure progress in Hindi correspondence.
5. Total 255 employees have passed Pragya Examination till date under Hindi Teaching Scheme. Classes are being conducted at Company HQ. and Areas. For the Session May,06. 168 Officers/Staff are to appear in Hindi Examination from MCL, HQ. and its Areas.
6. Rajbhasha Month was organized by HQ. as well as areas from 16.8.2005 to 14.9.2005. Like previous years various Hindi Competitions like Hindi Noting-Drafting, Translation, Hindi Typing on Computer were organized wherein large number of employees and students took active part. Successful candidates were honoured with prizes having minimum worth Rs.1000/- and above as per directives of the Ministry.
7. Besides, Inter Area Rajbhasha Competition was also organized at MCL, HQ. on 8th and 9th March, 2006 which was the 3rd attempt in its kind in Coal India Ltd. Prize winners at Area as well as Company HQ. level in Rajbhasha Month were the participants of this competition.

8. MCL HQ has a library, rich in having 1487 Hindi, 719 Oriya and 1108 English (Total 3314) books on various subjects. It has a Reading Room where Daily, Weekly, Fortnightly and Monthly News papers and Journals were made available for employees and their family members. As per Official Language Policy more than 50% of total expenditure on purchase of books were made available for Hindi books.
9. 21 days Hindi Translation Training Programme was organized at MCL, HQ. From 02.05.2005 to 26.05.2005 in which 13 participants took part and passed in the examination conducted by Training Agency i.e. Central Translation Bureau, Govt. of India, New Delhi and Kolkata.
10. As per Official Language Policy and Annual Programme of the Company Hindi Workshops are organized at HQ. and two Coalfields. During the year 09 Hindi Workshops were organized in which 274 employees were the beneficiaries.
11. "Pratibha" a literary quarterly house journal is published where in articles in Hindi, Oriya and English are published. Efforts are being made to include articles of technical nature in the Pratibha as per the directives of Higher management.

A monthly news magazine "MCL NEWS" related to various activities of MCL family is published tri-lingually in Hindi, English and Oriya.

Pamphlets related to Health, Hygiene and Moral Education under the title of 'MAHANADI SE' are being published tri-lingually. Wallpaper named 'MAHANADI SE' is being published with the highlights of the company in Hindi, English and Oriya language since December'05
12. Hindi, Oriya and English News Papers are displayed regularly on 3

News stands at the main entrance of the Corporate Office at Jagruti Vihar.

13. As per decision taken in OLIC meeting oral and written Hindi Competitions are organized bi-monthly on a Club –day at Anand Vihar Kala Kendra and Officers' Club, Jagruti Vihar in which Officers, Staff, Ladies and Students took part in huge numbers. Successful participants are honoured with prizes.
14. Some English words with their Hindi synonyms are written on the white Boards at the entrance of Corporate Office, Jagruti Vihar and Management Training Institute, Anand Vihar in order to motivate and help the employees to work in Hindi
15. Bi-lingual Website of MCL is available on 'mahanadicoal.nic.in.' which is updated time to time.

34. VIGILANCE ACTIVITIES

34.1 The table given below indicates the statistical view of the Department's performance during the year 2005-2006:

Particulars	Pending as on 31st March, 2005	New additions during 2005-06	Disposal during 2005-06	Pending as on 31st March, 2006
Complaints	14	47	43	18
Vigilance cases	03	24	22	05
Major penalty proceedings	10	10	04	16
Minor penalty proceedings	01	05	02	04

34.2 Punitive Vigilance

During the year under report 10 major and 5 minor penalty proceedings have been initiated against 40 employees. Disciplinary Proceedings in 6 cases have been completed during the year in which penalties have been imposed on 8 employees.

34.3 Preventive Vigilance

(i) **Inspections** : 39 Inspections have been conducted during the year.

Streamlining of system/procedure has been effected as a result of such inspections 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 road sale centres, publication of NIT, outsourcing of jobs at projects, contract for shifting of electrical overhead lines, overtime etc. have been effected.

34.4 Rotation of Employees

Company has a policy of rotating employees, particularly those who are working in sensitive posts / departments. During the year 103 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 2005.

34.5 Surveillance

Agreed List and List of Officers of Doubtful Integrity for the year 2005 were prepared and sent to MOC, CIL etc.

34.6 Vigilance Awareness Week

Vigilance Awareness Week 2005 was observed in MCL Headquarters as well as in all its Areas from 7th to 11th November 2005. Besides administering pledge, interactive sessions were held at various levels with contractors, suppliers and other customers where grievance redressal system in the Company and other related issues were explained to them. Elocution competitions were held in schools in and around the coalfield Areas and the Corporate office and prizes were awarded. A Vigilance Bulletin was brought out, which has been released by the CMD, MCL in the inaugural function of Vigilance Awareness Week at Headquarters on 07.11.2005. The Bulletin has been widely circulated in all the establishments of the Company.

35. JOINT VENTURES

In pursuance of allocation letter of MOC vide no. 13016/69/2003-CA-1 dtd.10.11.2005 for incorporation of Joint Venture Company amongst MCL, NLC and HIL for mining Talabira-II and Talabira-III coal blocks as a single mine, the action is in progress.

It is also intended to have Joint Venture in power between MCL and NLC for generation of 2000 MW Power at Ib Valley.

In pursuance of allocation letter vide no.13016/19/2003-CB-1 dtd.29.11.2005 from Ministry of Coal regarding incorporation of Joint Venture Company amongst MCL, (M/s JSWL Steel & M/s.JTPC Ltd.), M/s. JSS Limited & M/s. Shyam DRI Ltd for Coal Mining of Utkal Block-A and Gopal Prased (West), a draft MOU, prepared by MCL has been sent to aforesaid parties for their study and furnish their comments.

36. GLOBAL THINK TANK (GTT) AND LOCAL THINK TANK (LTT)

MCL Board in its 74th meeting held on 30th March 2005, Keeping in view the fact that think tank for MCL will enable foreseeing various issues and suggest appropriate remedial measures/actions to overcome hurdles, approved in principle, the constitution of two think tanks in MCL namely Global Think Tank(GTT) and Local Think Tank (LTT). The Global Think Tank commenced its functioning, with Dr. P.K. Mishra, IAS (Retd.), Ex-Secretary, Ministry of Coal as Chairman of the Committee and Shri C.R. Das, Ex-CMD, MCL and Shri S.N. Padhi, Ex-DGMS as Members. CMD, MCL is functioning as Member Secretary to Global Think Tank.

The Local Think Tank as proposed above is likely to be constituted shortly.

37. NEW INITIATIVES

Major initiatives taken during the year was follows :

Introduction of E-auction of coal; outsourcing of both Coal & OB for few new OCPs; identification of Fast Track Projects; realisation of dues from NTPC, TNEB and SAIL; A to Z inspection of mines by senior officers; cartel breaking in Surface Miner contract; new Incentive Schemes for Operators; Safety Day on 7th of each month; construction of ROB at Lajkura; creation of Diversification Cell; creation of Global and Local Think Tanks; Man Riding in all Underground Mines; objective assessment of performance of executives; ballastless track in Jagannath & Kanika Siding; Loaderless / Ropeless Underground Mines; Wee-Hour Weekly Meeting by each Functional Directors; introduction of continuous miners in the Underground Mines; doubling of track between Cuttack and Paradip Port; straightening of coal transportation road from Lakhanpur OCP to UTLS; Water Harvesting; steps taken for starting Jharsuguda-Manoharpur Railway Project for Basundhara Coalfield; MCL Archives; monthly Corporate Dossier; study of Conversion of UHV to GCV at Lakhanpur OCP and NTPC Simadri Power House. new eligibility criteria for Contract Manual; introduction of Hyva / Volvo Tippers; special move to plant one Million trees in 2006; conference of HEMM Operators; villagers' Conference; monthly Report for law & order related happenings to the concerned State Administration as well as State Government; Air-Conditioners in HEMM; To Do List for HODs; finger print and smart card reader based attendance system; augmentation of Rail Despatch to 100 MTY; provision of Tower Clock in each Mine; Health / Hygiene / Morale leaflets; fortnightly FDs' Meeting; siren System at each mine for shift timing; Bench Marking of Mines; coal Dispatch by Rail from IB to Talcher Coalfields; new Format for HEMM Performance monitoring; fixing the time limit for holding of official papers/ files on one table; commissioning of a maiden railway siding in Basundhara Coalfield of Sundergarh District; empowerment of physically challenged; first OB contract of

the Company; fortnightly wall paper; first ever direct communication to each employee of the Company in the form of new year's message; PIB of all the 4 Mines under emergency plan; new formats to monitor Operator's performance.

38 AUDITORS

- 38.1 Under Section 619(2) of the Companies Act, 1956, the following Audit Firms were appointed as Statutory/Branch Auditors for the year 2005-2006.

Statutory Auditors

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

Branch Auditors

M/s Singh Ray Mishra & Co.
Chartered Accountants
Bhubaneswar.

39. 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.

40. AWARDS AND RECOGNITION

Your Company received the following award during the year.

"Greentech Environment Excellence Award" organized by Greentech Foundation, New Delhi was bagged by MCL for outstanding achievement in the field of Environmental Management.

41. 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.

42. 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.

43. BOARD MEETINGS

Six Board Meetings were held during the year.

44. BOARD OF DIRECTORS

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

- 1. Shri Abhiram Sharma – Chairman-cum- Managing Director
- 2. Shri B.M. Nag – Director(Finance)
- 3. Shri G.D. Gulab – Director(Personnel)
- 4. Shri Rajiv Sharma – Director

44.2 The following persons, appointed as Director of your Company during the year under report.

- 1. Shri V.K. Jain – Director(Technical)(from 1.10.2005)
- 2. Shri K. Ranganath – Director(from 21.2.2006)

44.3 The following persons, ceased to be Director of your Company during the year under report.

- 1. Shri A.K. Tripathi – Director(Technical) (up to 30.9.2005)
- 2. Shri D.K. Verma – Director (from 21.2.2006)

45. 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, 2006, 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, 2006 on a 'going concern' basis.

46. AUDIT COMMITTEE

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

- 1. Joint Secretary, Ministry of Coal , New Delhi. – Chairman
- 2. Director(Finance), Coal India Ltd., Kolkata – Member (upto 21.2.2006)
- 3. Director (Marketing), Coal India Ltd, Kolkata. – Member
- 4. Director(Technical), MCL, Sambalpur. – Member

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.

47. ACKNOWLEDGEMENTS

47.1 Your Directors express their sincere thanks to the Ministry of Coal 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.

47.2 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.

47.3 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.

47.4 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.

47.5 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.

48. 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. Addendum to the Directors' Report under Section 227(2) and 217(3) of the Companies Act, 1956.

Sd/-

(Abhiram Sharma)

Chairman-cum-Managing Director

Sambalpur

Date : 7th September, 2006

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 Company's (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

(a) Energy Conservation Measures Taken

1. Electrical Energy

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

- (i) The power factor rebate is Rs. 29.40 Lakh for 2005-2006 against Rs. 25.73 Lakh for 2004-2005 as per the existing tariff.
- (ii) The power factor penalty is NIL for 2005-2006 against Rs. 0.09 Lakh for 2004-05.
- (iii) Specific consumption of Coal has come down from 4.27 KWh/T for 2004-2005 to 4.16 KWh/T for 2005-2006.
- (iv) Specific consumption of Composite Production (i.e. Coal + O.B Removal) has come down from 3.14 kWh/Cu.M for 2004-05 to 3.09 kWh/Cu.M for 2005-06

2. Fuel and Lubricants

Following steps were taken for reduction of consumption of fuel and lubricants:

- (i) Periodical overhaul of engines and regular checking of filters, hoses and tyre pressure.
- (ii) Maintenance of haul roads.
- (iii) Periodical maintenance of batteries and regular checking of self-starters.
- (iv) Restriction of idle running of HEMM.

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

- (i) To ensure uninterrupted power supply, duplicate power supply system for individual projects of underground and opencast mines, under the command area of Talcher Coalfields, is under proposal in the similar line that had been implemented at Ib –Valley Coalfields.
- (ii) Domestic consumption constitutes about 25% of the total power consumption, as such, domestic load is being monitored regularly, 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.
- (v) To contain maximum demand as close as contract demand, scheduled load-shedding in colonies during peak hours are being exercised rationally, capacitors of appropriate specification are being used to enhance power factor as close as unity for dual benefit of reduced maximum demand as well as incentives on higher power factor by the Distribution Companies of Electricity.
- (vi) To ensure reliability of power supply system, 132 KV double feeders have been made operational in both the 132 KV Sub-stations at Talcher as well as Ib-Valley Coalfields, thereby facilitating availing power at either feeder in case of break down in the other.

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

Description	2005 - 06	2004-05	% Increase or Decrease
Electrical Energy			
(i) Specific Consumption of Coal, in KWh/Tonnes	4.16	4.27	(-) 2.58 (F)
(ii) Specific Consumption of Composite Production (i.e. Coal + O.B removal), in KWh/Cu.M.	3.09	3.14	(-) 1.59 (F)
Fuel and Lubricants			
(i) Consumption of HSD, in Itrs/Cu.M of Composite Production	0.447	0.428	(+) 4.44 (A)
(ii) Consumption of Liquid lubricants, in Itrs/Cu.M of Composite Production	0.02378	0.02180	(+) 9.08 (A)
(iii) Consumption of Grease, in Kg/Cu.M of Composite production	0.00125	0.00110	(+) 13.64 (A)

F – Favourable

A–Adverse

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.
2. **Benefits derived as a result of the above R&D** : Not applicable.
3. **Future plan of action** : Not applicable.
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** : Not applicable.
2. **Benefits derived as a result of the above effort** : Not applicable.
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	-	Not applicable.
(b) Year of Import	-	Not applicable.
(c) Has technology been fully absorbed	-	Not applicable.
(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of actions	-	Not applicable.

C. FOREIGN EXCHANGE EARNING AND 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) 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	11.77	168.08
(b)	Capital goods	Nil	Nil
(ii)	Travelling	Nil	2.08
(iii)	Interest	574.15	609.96
(iv)	Commitment Charges	0.13	Nil
(b)	Foreign Exchange earned	No direct earning by the Company	

**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, 2006**

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. 1 of the Auditors' Report to the Share Holders and Item No. 21 of the Notes on Accounts (Schedule-P), forming part of the accounts, which has the effect of decreasing the net profit for the year by Rs. 583.87 lakh, 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, 2006.

Sd/-

(B. Mazumdar)

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

Dated : 08.09.2006

Kolkata

BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE NO.	CURRENT YEAR (Rs. In lakh)	PREVIOUS YEAR (Rs. In lakh)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	A	18640.09	18640.09
(b) Reserves and Surplus	B	329776.25	261830.87
2. Loan Funds			
(a) Secured loans		Nil	Nil
(b) Unsecured loans	C	18671.32	20407.44
3. Deferred Tax Liability (Net)			
		2057.86	2808.43
TOTAL		369145.52	303686.83
II. APPLICATION OF FUNDS			
1. Fixed Assets			
(a) Gross Block	D	262418.28	248789.02
(b) Less : Depreciation & Provision for Impairment of Assets		139818.53	130329.29
(c) Net Block		122599.75	118459.73
(d) Capital work-in-progress	E	22535.31	22737.55
(e) Discarded/Surveyed Off Assets	F	407.77	299.22
		145542.83	141496.50
2. Investment			
	G	34432.00	34432.00
3. Current Assets, Loans and advances			
a) Inventories	H	19050.87	16374.36
b) Sundry Debtors	I	693.83	6961.46
c) Cash and Bank Balances	J	189755.34	107596.98
d) Other Current Assets	K	5327.93	7602.43
e) Loans and Advances	L	206615.43	192668.22
		421443.40	331203.45
Less : Current Liabilities and Provisions	M	232272.71	203445.12
Net Current Assets		189170.69	127758.33
4. Miscellaneous expenditure (to the extent not written off or adjusted)			
	N	Nil	Nil
TOTAL		369145.52	303686.83
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/-
M. P. Kurian
General Manager (Finance)

Sd/-
B. M. Nag
Director (Finance)

Sd/-
Abhiram Sharma
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 : 4th September, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE NO.	CURRENT YEAR (Rs. In Lakh)	PREVIOUS YEAR (Rs. In Lakh)
Income :			
Sales	1	315966.75	289767.00
Coal issued for other purpose	2	60.61	64.08
Accretion/(Decretion) in Stock	3	4149.28	601.57
Other Income	4	57590.43	48380.56
Total Income		377767.07	338813.21
Expenditure			
Internal Consumption of Coal	5	60.61	63.59
Stores & Spare parts consumed	6	35181.10	28976.91
Power & Fuel Expenses	7	8120.37	7896.92
Employees Remuneration & Benefits	8	44575.63	52973.65
Contractual Expenses	9	42713.78	38036.27
Repair Expenses	10	8534.04	8694.49
Social Facilities Expenses	11	9549.76	9309.92
Other Expenditure	12	12877.28	10754.55
Overburden Removal Adjustment	13	19672.78	12768.69
Interest	14(A)	641.21	634.96
Financial Charges	14(B)	298.50	326.64
Depreciation	15	13081.08	12446.92
Provisions	16(A)	64.55	1950.85
Write off	16(B)	-71.55	19.61
Contribution to Rehabilitation Fund		4092.18	3977.52
Total Expenditure		199391.32	188831.49
Profit for the year		178375.75	149981.72
Prior period adjustment	17	-5345.07	3045.53
Profit before Tax		183720.82	146936.19
Provision for Income Tax			
Current Year		62985.03	56093.15
Prior period (Adjustment)		-4516.85	63.39
Fringe Benefit Tax		373.87	0.00
Deferred Tax Asset/Liability -			
Current Year		-750.57	-1938.81
Profit after Tax		125629.34	92718.46
Profit brought forward from previous year		192120.75	155352.75
Profit available for Appropriation		317750.09	248071.21
APPROPRIATIONS:			
General reserve		12610.00	10135.00
Interim Dividend:			
Equity share		18500.00	18000.00
Proposed dividend :			
Equity share		31900.00	22520.00
Tax on dividend		7068.61	5295.46
Current Year			
Prior Period (Adjustment)		215.35	0.00
		<u>70293.96</u>	<u>55950.46</u>
Balance Carried to Balance Sheet		247456.13	192120.75
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/-
M. P. Kurian
General Manager (Finance)

Sd/-
B. M. Nag
Director (Finance)

Sd/-
Abhiram Sharma
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 : 4th September, 2006

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE – A SHARE CAPITAL

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Authorised		
(i) 2041800 10% Cummulative 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		
1864009 Equity Shares of Rs.1000 each fully paid up in cash (Previous Year - 1864009 Shares)	18640.09	18640.09
TOTAL	18640.09	18640.09

Note: Entire Share Capital is held by Holding Company - Coal India Ltd. and/or its nominees.

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006**SCHEDULE - B
RESERVES AND SURPLUS**

<i>(Rs. in Lakh)</i>				
Particulars	As at 01.04.2005	Additions During the Year	Deductions/ Adjustment during the Year	As at 31.03.2006
1. Capital Redemption Reserve	20418.00	0.00	0.00	20418.00
2. General Reserve	49292.12	12610.00	0.00	61902.12
3. Profit & Loss Account	192120.75	55335.38	0.00	247456.13
Total	261830.87	67945.38	0.00	329776.25
Previous year	215674.90	46903.00	-747.03	261830.87

**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	17533.24	19154.40
2. Liability for Deferred Payment		
M/S Liebherr France S.A., France	1270.26	1422.84
Less: Interest on Deferred payment	132.18	169.80
	<u>1138.08</u>	<u>1253.04</u>
TOTAL	<u>18671.32</u>	<u>20407.44</u>

Note : Unsecured Loan repayable within 1 year is Rs. 1250 .00 lakh (Previous year Rs. 1232.52 lakh)

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE – D ASSETS

(Rs. in Lakh)

PARTICULARS	GROSS BLOCK				DEPRECIATION				Provision Impairment of Assets upto end of the for year	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 31.3.2006	As at year end 31.3.2005
COMPLETED ASSETS :											
1. Land :											
(i) Freehold	258.50	0.30	0.00	258.80	0.00	0.00	0.00	0.00	0.00	258.80	258.50
(ii) Lease hold	20168.92	2520.78	-148.50	22541.20	6443.63	1100.11	-20.40	7523.34	0.00	15017.86	13725.29
2. Buildings :											
(i) Township	31150.22	362.19	-45.17	31467.24	4702.76	534.26	-4.12	5232.90	0.00	26234.34	26447.46
(ii) Other than Township	12037.29	152.53	-6.88	12182.94	3011.89	364.23	1.65	3377.77	0.00	8805.17	9025.40
(iii) Roads & Culverts (Mining Area)	7454.50	9.96	-9.89	7454.57	2194.64	324.00	0.00	2518.64	0.00	4935.93	5259.86
3. Plant & Machinery	143119.10	12085.01	-4830.77	150373.34	95734.97	9673.45	-4297.01	101111.41	0.00	49261.93	47384.13
4. Furniture & Fittings and Office Equipments	3428.96	316.75	-4.97	3740.74	2197.64	203.99	0.73	2402.36	0.00	1338.38	1231.32
5. Railway Siding	10821.05	264.67	0.00	11085.72	3649.90	523.03	0.00	4172.93	0.00	6912.79	7171.15
6. Vehicle	2307.66	18.30	-58.52	2267.44	1866.76	106.51	-59.51	1913.76	0.00	353.68	440.90
7. Prospecting & Boring	1460.82	1138.37	18.91	2618.10	1044.05	110.71	-9.50	1145.26	2.28	1470.56	414.49
8. Development Expenditure	16582.00	1449.51	396.68	18428.19	8637.32	898.27	0.02	9535.61	882.27	8010.31	7101.23
TOTAL	248789.02	18318.37	-4689.11	262418.28	129483.56	13838.56	-4388.14	138933.98	884.55	122599.75	118459.73
Previous Year	240044.31	13535.85	-4791.14	248789.02	120710.60	13385.17	-4612.21	129483.56	845.73	118459.73	119333.71

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE – E CAPITAL WORK-IN-PROGRESS

(Rs. in Lakh)

PARTICULARS	COST				PROVISION				NET ASSET
	Upto the beginning of the year (01.04.2005)	Additions During the Year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2006)	Upto the beginning of the year (01.04.2005)	Additions during the year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2006)	Upto the end of the year (31.3.2006)
1. Buildings under Construction									
(i) Township	413.94	71.14	-272.72	212.36	2.64	11.34	-2.10	11.88	200.48
(ii) Other than Township	123.84	106.02	-92.77	137.09	0.82	0.13	0.00	0.95	136.14
iii) Roads & Culverts (Mining Area)	95.56	35.62	-10.89	120.29	0.00	0.00	0.00	0.00	120.29
2. Plant & Machinery									
(i) Under erection/Installation	2247.77	659.36	-209.83	2697.30	276.11	101.25	123.36	500.72	2196.58
(ii) In Stores	341.65	10936.54	-10903.87	374.32	54.39	5.71	55.43	115.53	258.79
(iii) In transit & awaiting inspection	771.28	1.29	-571.97	200.60	0.00	0.00	142.50	142.50	58.10
3. Railway Siding under Construction	3357.01	1426.46	-252.85	4530.62	0.00	0.00	0.00	0.00	4530.62
4. P&B for Dev Mines	9486.51	730.78	-1166.77	9050.52	0.00	0.00	0.00	0.00	9050.52
5. Dev Exp of Non-Rev Mines	5594.82	1243.59	-1286.97	5551.44	0.00	0.00	0.00	0.00	5551.44
6. Capital Goods in Stock	639.13	112.93	-319.71	432.35	0.00	0.00	0.00	0.00	432.35
GRAND TOTAL	23071.51	15323.73	-15088.35	23306.89	333.96	118.43	319.19	771.58	22535.31
Previous Year	22341.73	13752.07	-13022.29	23071.51	549.22	108.07	-323.33	333.96	22737.55

SCHEDULE – F DISCARDED/SURVEYED OFF ASSETS

(Rs. in Lakh)

PARTICULARS	COST				PROVISION				NET ASSET
	Upto the beginning of the year (01.04.2005)	Additions During the Year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2006)	Upto the beginning of the year (01.04.2005)	Additions during the year	Transfer/ Adjustment during the year	Upto the end of the year (31.03.2006)	Upto the end of the year (31.3.2006)
Surveyed Off/ Discarded Assets	482.31	212.09	-13.87	680.53	183.09	83.43	6.24	272.76	407.77
GRAND TOTAL	482.31	212.09	-13.87	680.53	183.09	83.43	6.24	272.76	407.77
Previous Year	356.51	152.61	-26.81	482.31	152.31	32.10	-1.32	183.09	299.22

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE – G

INVESTMENTS

(Long Term other than Trade)

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

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE – H INVENTORIES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
A. Stock of Stores & Spares	8909.90	10334.97
Stock of Medicine	60.10	23.10
Less:		
(i) Provision for obsolescence	1030.16	1002.06
(ii) Provision for Difference/Shortage	78.68	73.95
	1108.84	1076.01
Sub Total	7861.16	9282.06
Add:		
In transit/Under Inspection	240.15	292.01
Add: Loss of Assets	0.00	103.82
	240.15	395.83
Less: Provision for loss of Assets	0.00	103.82
	240.15	292.01
TOTAL (A)	8101.31	9574.07
B. Stock of Coal		
1. Revenue Mines	9729.52	5451.88
2. Capital Mines	21.33	47.25
Sub Total (1+2)	9750.85	5499.13
Less: Provision for Deterioration	162.94	45.85
Rehandling Charges	13.77	10.23
	176.71	56.08
TOTAL (B) [As per Annexure H (I) & H (II)]	9574.14	5443.05
C. Workshop Job		
Manufactured items	479.58	468.27
Work in progress	895.84	888.97
TOTAL (C)	1375.42	1357.24
GRAND TOTAL (A+B+C)	19050.87	16374.36

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 (Previous year Rs. 31500.00 lakh).

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

PARTICULARS IN RESPECT OF COAL STOCK AS ON 31ST MARCH, 2006

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 1.4.2005 (Book Stock)						
(a) Revenue Mines	30.08	5451.88	0.00	0.00	30.08	5451.88
(b) Development Mines	0.07	47.25	0.00	0.00	0.07	47.25
Total	30.15	5499.13	0.00	0.00	30.15	5499.13
2. Add Production for the Year						
(a) Revenue Mines	696.05	320279.08	0.00	0.00	696.05	320279.08
(b) Development Mines	0.00	0.00	0.00	0.00	0.00	0.00
Total	696.05	320279.08	0.00	0.00	696.05	320279.08
3. Sub Total (1+2)	726.20	325778.21	0.00	0.00	726.20	325778.21
4.(A) Less Offtake for the Year						
(i) Outside Despatch						
(a) Revenue Mines	682.16	315966.75	0.00	0.00	682.16	315966.75
(b) Development Mines	0.00	0.00	0.00	0.00	0.00	0.00
Total	682.16	315966.75	0.00	0.00	682.16	315966.75
(ii) Consumption of Boiler and Domestic Coal						
(a) Revenue Mines	0.05	60.61	0.00	0.00	0.05	60.61
(b) Development Mines	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.05	60.61	0.00	0.00	0.05	60.61
Total: (4A)	682.21	316027.36	0.00	0.00	682.21	316027.36
4.(B) Stock Written Off	0.00	0.00	0.00	0.00	0.00	0.00
Total (4A+4B)	682.21	316027.36	0.00	0.00	682.21	316027.36
5. Derived Stock (3-4)						
(a) Revenue Mines	43.99	9750.85	0.00	0.00	43.99	9750.85
(b) Development Mines	0.00	0.00	0.00	0.00	0.00	0.00
Total	43.99	9750.85	0.00	0.00	43.99	9750.85
6. Measured Stock						
(a) Revenue Mines	43.26	9533.34	0.00	0.00	43.26	9533.34
(b) Development Mines	0.00	0.00	0.00	0.00	0.00	0.00
Total	43.26	9533.34	0.00	0.00	43.26	9533.34
7. Difference (5-6)	0.73	217.51	0.00	0.00	0.73	217.51
8. Break Up of Difference:						
(A) Excess within 5%						
(B) Shortage within 5%	1.66%	2.23%			1.66%	2.23%
(C) Excess beyond 5%						
(D) Shortage beyond 5%						
9. Closing Stock adopted in Accounts (5 above)	43.99	9750.85	0.00	0.00	43.99	9750.85

Contd...

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006**PARTICULARS IN RESPECT OF COAL STOCK AS ON 31ST MARCH, 2006****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	43.99	9750.85	30.15	5499.13
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	0.00	0.00
Less :				
Charge for rehandling of pithead stock		13.77		10.23
Less:				
Provision made in the Accounts to take care of future deterioration in Coal stock		162.94		45.85
Stock as per Accounts after all provisions	43.99	9574.14	30.15	5443.05

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE – I SUNDRY DEBTORS

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Outstanding for over six months	6833.10	8907.73
Other debts	1665.00	6941.00
Sub Total	8498.10	15848.73
Less: Provision for Doubtful Debts	7804.27	8887.27
TOTAL	693.83	6961.46
Classification :		
1 Considered good and in respect of which the Company is fully secured	50.22	155.76
2 Considered good for which the Company holds no security other than Debtors personal Security	643.61	6805.70
3 Considered Doubtful	7804.27	8887.27
TOTAL	8498.10	15848.73

NOTE:

- (1) Secured amount includes Rs. 50.22 lakh (Previous year - Rs. 79.31 lakh) covered by Bank Guarantees.
- (2) Due from company under the same management : Nil (Previous year Nil).
- (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 (Previous year Rs.31500.00 lakhs).

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006**SCHEDULE – J****CASH & BANK BALANCES**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
A. (i) Cash/Stamp in hand	4.65	4.49
(ii) Cheques/Demand Drafts in hand	11.90	28.87
(iii) Cash balance with Imprest Holder	5.19	0.37
B. Remittance-in-Transit	40.47	425.27
C. Balance with Scheduled Banks		
(i) Current Account	10217.89	24181.04
(ii) Deposit Account	179475.24	82956.94
TOTAL	189755.34	107596.98

SCHEDULE – K**OTHER CURRENT ASSETS**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Claims Receivable:		
1. Railways	20.54	18.48
Less : Provision	20.54	0.00
	<u>0.00</u>	<u>18.48</u>
2. Insurance Company	3.64	3.64
3. Income Tax	0.00	4035.47
4. Fidelity	0.67	0.67
5. Interest on Bank Deposits	3745.05	838.12
6. Interest on Power Bonds	1463.36	1884.56
7. Sales Tax	0.00	16.99
8. Suspense - A/c Loss of Cash	15.97	15.97
Less : Provision for loss of Cash	15.97	15.97
	<u>0.00</u>	<u>0.00</u>
9. Cess on Coal	0.00	688.00
10. Others	115.21	116.50
TOTAL	5327.93	7602.43

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006**SCHEDULE – L****LOANS & ADVANCES**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A) Capital Advances :		
(1) P & M Advance	61.03	627.02
(2) Land Advance :	3803.55	3525.05
TOTAL (A)	3864.58	4152.07
(B) Advance to Suppliers (Stores)	1091.26	1112.70
TOTAL (B)	1091.26	1112.70
(C) Advance to Contractors:	515.79	1277.96
TOTAL (C)	515.79	1277.96
(D) Advance to Employees:		
(1) House Building Advance	309.56	362.73
(2) Motor Car Advance	8.36	37.80
(3) Motor Cycle, Scooter Advance	0.11	0.11
(4) Pay Advance	-0.24	6.32
(5) Medical Advance	52.36	41.33
(6) Flood /Drought Relief	0.05	0.14
(7) Local Purchase Adv.	3.90	2.89
(8) Misc. Advance	65.63	54.60
(9) Travelling Advance	78.23	92.89
(10) LTC Advance	21.05	16.07
(11) Advance (Others)	100.95	196.79
(12) Freight Advance	0.09	0.06
(13) Study Advance/Self Development Loan	30.85	0.03
(14) Other Receivables	250.31	361.23
(15) Group Insurance	13.06	13.06
TOTAL (D)	934.27	1186.05
(E) Advance to Others:		
1. Advance to Co-operative Society	0.47	0.45
2. Tax deducted at Source	3327.29	1421.17
3. Advance Income Tax	55900.00	60400.00
4. Advance Wealth Tax	6.50	6.50
5. Income Tax(Company) under protest	24236.95	10786.17
6. (a) Advance Sales Tax	198.08	123.09
(b) Advance Royalty on Coal	0.00	14.14
7. Sales Tax deposit under protest	979.50	951.30
8. Advance Receivable from Govt.	4.01	4.01
9. Other receivables	448.65	387.95
10. Advance to others	15.17	0.00
11. Fringe Benefit Tax	364.00	0.00
TOTAL (E)	85480.62	74094.78

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006**SCHEDULE – L (CONTD.....)****LOANS & ADVANCES**

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(F) Deposit		
(i) With P & T Deptt.	29.66	3.71
(ii) With Elec. Boards.	690.98	619.25
(iii) Surplus Fund with CIL (Holding Co.) ³	111103.42	107091.14
(iv) With Others	28.89	29.30
TOTAL (F)	111852.95	107743.40
(G) Prepaid Expenses	52.85	46.36
TOTAL (G)	52.85	46.36
(H) Current Account Balance with Sister Subsidiaries & Holding Company		
Coal India Ltd	3261.02	3334.42
South Eastern Coalfields Ltd.	-0.74	0.00
TOTAL (H)	3260.28	3334.42
GRAND TOTAL (A TO H)	207052.60	192947.74
Less : Provision for Doubtful Advances	437.17	279.52
Net Total	206615.43	192668.22
Classification:		
(a) Considered good in respect of which the company is fully secured	318.03	400.64
(b) Considered good for which the company holds no security other than Party's Personal security	206297.40	192267.58
(c) Considered doubtful	437.17	279.52

NOTE:

1. Amount due from an officer of the Company is Rs. Nil (Previous Year Nil).
Maximum amount due at any time during the year is Rs. Nil (Previous year Nil)
2. Amount due from Director of the Company is Rs.Nil (Previous Year - Nil).
3. Short Term deposit with CIL (Holding Co.) includes Rs. 35028.80 lakh (Previous Year Rs. 35028.80 lakh)
which is non-interest earning.

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

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	907.39	1467.47
For Stores	2791.91	3622.89
TOTAL (A)	3699.30	5090.36
B. Sundry Creditors for Expenses		
Contractual Expenses:		
Capital	4191.37	3773.07
Revenue	2807.90	2670.58
Power & Fuel	1001.15	979.36
TOTAL (B)	8000.42	7423.01
C. Employees Remuneration and Benefits		
Salaries, Wages, Allowance	19685.70	19066.46
Attendance Bonus	443.28	275.11
Ex-gratia	742.59	732.66
Unpaid Salaries & Wages	36.38	32.28
Gratuity	12866.48	11049.49
D L I	2.01	1.65
Leave Encashment	2646.91	3327.29
VRS	107.36	53.63
TOTAL (C)	36530.71	34538.57
D. Other Expenses		
Contractual Expenses	3687.10	1988.72
Demurrage	0.35	0.35
Acceptance	-25.39	2.52
Audit Fee & Expenses	5.76	6.82
Repair & Maintenance	824.77	651.55
Others	1100.22	993.69
TOTAL (D)	5592.81	3643.65
(E) Statutory Dues		
Sales Tax :		
Central	102.28	141.36
State/Orissa VAT	150.47	186.82
Royalty on Coal	4132.42	3880.73
Cess on Coal	1840.38	705.54
Stowing Excise Duty	1720.56	1715.02
Others	14.72	0.16
Provident Fund	716.60	390.85
Pension Fund	88.61	84.99
Professional Tax	0.30	0.31
Income tax:		
Employees	3.84	3.15
Contractors	4.23	2.97
Other Statutory Dues	45.02	56.80
Orissa Entry Tax	338.96	437.20
Service Tax	899.11	0.00
TOTAL (E)	10057.50	7605.90

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE – M (CONTD.....)

CURRENT LIABILITIES AND PROVISIONS

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
F. Other Liabilities		
(i) L.I.C.Premium(SSS)	-0.58	-0.50
(ii) C.T. D Post Office	0.23	0.11
(iii) Prime Minister's Relief Fund	48.79	49.86
(iv) Dues to Canteen	0.07	0.00
(v) Dues to Co-operative Societies	2.58	2.71
(vi) Benevolent Fund	3.05	2.49
(vii) Welfare Fund	0.16	0.07
(viii) Others	502.30	323.57
TOTAL (F)	556.60	378.31
G. Advances and Deposits		
Advance from Customers	13818.22	7875.30
Deposits from Contractors & Others	3605.65	5279.56
Unutilised Govt. Subsidy	96.11	95.99
TOTAL (G)	17519.98	13250.85
H. Overburden Removal		
Ratio Variance Reserve	60750.36	42855.83
Less: Closing Advance Stripping	15521.38	17299.64
	45228.98	25556.19
TOTAL (H)	45228.98	25556.19
TOTAL CURRENT LIABILITIES (A TO H)	127186.30	97486.84
Provisions :		
(a) Reclamation of Land	5353.53	4680.17
(b) Taxation	67832.88	60758.11
(c) Dividend	31900.00	40520.00
Total Provisions	105086.41	105958.28
GRAND TOTAL	232272.71	203445.12

- NOTE: 1. Out of Sundry Creditors of Rs. 11699.72 lakh (Previous year Rs. 12513.37 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, 2006**SCHEDULE – N****MISCELLANEOUS EXPENDITURE****(To the extent not written off or adjusted)***(Rs. in Lakh)*

Particulars	As at 01.04.2005	Additions During the Year	Deductions/ Adjustment During the Year	As at 31.03.2006
1. HEMM Rehabilitation Expenses	0.00	0.00	0.00	0.00
2. VRS Scheme	0.00	0.00	0.00	0.00
3. Preliminary Expenses	0.00	0.00	0.00	0.00
Grand Total (1+2+3)	0.00	0.00	0.00	0.00
Previous year	0.00	0.00	0.00	0.00

**SCHEDULE TO PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006**

SCHEDULE – 1

SALES

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Quantity (Lakh Tonne)		<u>682.16</u>	<u>662.86</u>
(A) Gross Sales Value	413589.56	376538.42	
Less: Transportation Charges	<u>19076.18</u>	<u>18640.89</u>	
		394513.38	357897.53
Less: Statutory Levies:			
Royalty on Coal	50637.50	46573.36	
Stowing excise Duty	<u>6821.40</u>	<u>6299.77</u>	
		57458.90	52873.13
Sales Tax :			
Central	7804.97	5262.48	
State/Orissa VAT	8449.34	8661.62	
Orissa Entry Tax	1457.71	1333.30	
ORISED	<u>3375.71</u>	<u>0.00</u>	
		21087.73	15257.40
(B) Total Levies		<u>78546.63</u>	<u>68130.53</u>
(C) Transfer to Development		<u>0.00</u>	<u>0.00</u>
(D) Basic Value (A-B-C)/Net Value		<u>315966.75</u>	<u>289767.00</u>

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)	0.05	0.00	0.05	0.07	0.01	0.08
Gross Value	69.37	0.00	69.37	72.82	0.49	73.31
Less:						
Royalty on Coal	8.76	0.00	8.76	9.23	0.00	9.23
Net Value	<u>60.61</u>	<u>0.00</u>	<u>60.61</u>	<u>63.59</u>	<u>0.49</u>	<u>64.08</u>

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 3

ACCRETION/(DECRETION) IN STOCK

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Closing Stock			
(A)	Raw Coal	9750.85	5499.13
	Less: Provision for		
	Deterioration	162.94	45.85
	Rehandling	13.77	10.23
		<u>176.71</u>	<u>56.08</u>
	TOTAL (A)	<u>9574.14</u>	<u>5443.05</u>
(B)	Workshop Job		
	Work-in-progress	1375.42	1357.23
	TOTAL (B)	<u>1375.42</u>	<u>1357.23</u>
(C)	TOTAL (A+B)	<u>10949.56</u>	<u>6800.28</u>
Opening Stock			
(D)	Raw Coal	5499.13	5477.13
	Less: Provision for		
	Deterioration	45.85	100.06
	Rehandling	10.23	8.80
		<u>56.08</u>	<u>108.86</u>
	TOTAL (D)	<u>5443.05</u>	<u>5368.27</u>
(E)	Workshop Job (W.I.P.)	1357.23	783.19
	TOTAL (E)	<u>1357.23</u>	<u>783.19</u>
(F)	Total (D+E)	<u>6800.28</u>	<u>6151.46</u>
	TOTAL (C-F)	<u>4149.28</u>	<u>648.82</u>
	Less: Transfer to Development	0.00	47.25
	Accretion(+)/Decretion(-) in Stock	<u>4149.28</u>	<u>601.57</u>

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 4 OTHER INCOME

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Stowing Subsidy	63.87	227.00
Transportation Charges	19076.18	18640.89
Value of Workshop job done	6403.77	6329.94
Rent (outsider)	73.81	58.30
Charges for Vehicle	1.25	0.88
Interest Received on		
1 Bank Deposits	10750.32	2755.09
2 Loans & Advances to Employees	62.79	109.81
3 On Surplus Fund with Coal India Limited	4168.26	4208.85
4. Investment	2926.72	2926.72
5. Income Tax Dept.	686.32	0.00
Discount, Rebate & Allowances	0.00	12.80
Liquidated Damages/Penalty	403.14	145.85
Others:		
Tender Fee	31.56	31.54
Service Charges from Customers on joint sampling	613.25	596.14
Sale of scrap	124.95	225.40
Profit on sale of Utkal Blocks	0.00	345.77
Crushing Charges	11744.63	11203.04
Other Misc. receipts	459.94	563.96
Sub Total	57590.76	48381.98
Less: Transfer to Development	0.33	1.42
NET TOTAL	57590.43	48380.56

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 5

INTERNAL CONSUMPTION OF COAL

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Quantity (Lakh Tonne)	0.05	0.07
Gross Value	69.37	72.82
Less: Royalty on Coal	8.76	9.23
Net Value	60.61	63.59

SCHEDULE – 6

STORES & SPARE PARTS CONSUMED

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Explosives	5971.67	5280.14
Timber	39.70	65.62
Petrol, Oil & Lubricants	14182.76	9903.84
HEMM Spares	10120.67	9811.37
Other Stores & Spares	5413.24	4369.46
Sub Total	35728.04	29430.43
Less : Transfer to		
Social Facilities	86.87	69.57
Other Expenditure	458.64	376.15
Development	1.43	7.80
Sub Total	546.94	453.52
TOTAL	35181.10	28976.91

SCHEDULE – 7

POWER & FUEL EXPENSES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Purchase of Electricity	9287.79	8750.21
Less: Transfer to		
Social Facilities	1167.01	852.76
Development	0.41	0.53
	1167.42	853.29
TOTAL	8120.37	7896.92

**SCHEDULE TO PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006**

SCHEDULE – 8

EMPLOYEES REMUNERATION AND BENEFITS

	<u>Current Year (Rs. in Lakh)</u>	<u>Previous Year (Rs. in Lakh)</u>
A. Salaries, Wages & allowances		
Piece Rated Wages	282.57	371.30
Time Rated Wages	18458.02	26223.17
Interim relief	363.99	1155.42
Executives Salary	4966.45	4610.37
Salary & Wages for Safety	1226.72	1065.51
Leave Wages	1409.88	1212.10
Paid Holiday Wages	444.31	280.64
Leave Encashment	323.98	1204.90
Nightshift Allowance	63.36	48.92
House Rent Allowance	130.53	113.45
Transport Subsidy	523.56	427.48
Incentive Bonus/Reward	232.13	15.22
Special Incentive	55.33	3.06
Other Allowances	69.73	66.36
TOTAL (A)	28550.56	36797.90
B.		
Normal Overtime	3821.21	3933.97
Sunday Overtime	2502.13	2080.85
Fall Back Wages	0.00	0.01
Attendance Bonus	1639.36	1094.67
Ex-gratia	737.44	736.81
Provident Fund	4355.59	5047.86
Pension Fund	285.68	203.62
LLTC	518.10	691.53
RRF	76.41	121.03
Pension	183.45	198.41
Gratuity	3033.25	3162.55
Workmen Compensation	24.06	16.90
D.L.I	31.15	25.56
Life Cover Scheme	58.66	50.17
Voluntary Retirement Scheme	200.33	186.05
Other Retirement Benefits	2.26	0.00
ToTAL (B)	17469.08	17549.99
C.		
Less: Transfer to		
Social Facilities	1254.97	1148.02
Development	189.04	226.22
	<u>1444.01</u>	<u>1374.24</u>
TOTAL (C)	1444.01	1374.24
NET TOTAL (A+B-C)	44575.63	52973.65

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 9 CONTRACTUAL EXPENSES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Transportation Charges:		
Coal	32266.73	28659.23
Sand	9.73	136.51
Others	223.90	75.99
Hire Charges of HEMM	270.99	39.36
Surface Miner	5704.75	4764.42
Other Contractual Works	4249.89	4429.00
Sub Total	42725.99	38104.51
Less: Transfer to Development	12.21	68.24
TOTAL	42713.78	38036.27

SCHEDULE – 10 REPAIR EXPENSES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A) Township	1026.80	954.70
Hospital, Educational & Other Welfare Build.	133.41	178.18
Factory & Office Buildings	446.73	284.90
Plant & Machinery	1408.81	2041.48
Office Equip. & Furnitures	42.32	35.89
Hospital Equipment	5.33	4.56
Heavy Vehicles	50.72	50.48
Cars & Jeeps	124.29	110.67
Safety Items	26.72	37.46
SOH Vehicles	15.14	18.33
HEMM Rehabilitation expenses written off	1514.27	761.70
Workshop Job done	4641.31	4986.08
Siding Maint. Charges	375.16	480.99
TOTAL	9811.01	9945.42
Less: Transfer to		
Social Facilities	1166.06	1131.09
Other Expenses	104.14	97.97
Development	6.77	21.87
NET TOTAL	8534.04	8694.49

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 11

SOCIAL FACILITIES EXPENSES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A) Salaries, Wages & Allowances (Contra)	1254.97	1148.02
Free issue of Coal to employees/Gas	517.24	471.21
Medical Reimbursement	656.01	564.15
Medicine & Diet Expn.	258.73	276.66
Grant to Schools & Inst.	459.39	435.41
Sports, Rec. expenses & Grants	49.67	41.64
Canteen upkeep	6.77	8.94
Purchase of Water	74.36	62.08
Power (Contra)	1167.01	852.76
TOTAL (A)	4444.15	3860.87
(B) Repairs:		
Township Repair (Contra)	1000.61	957.63
Repair of Hospital, School & Wel. Building (Contra)	126.76	153.36
Hospital Equip. (Contra)	5.33	4.56
TOTAL (B)	1132.70	1115.55
(C) Cons. of Stores & Spares SOH services (Contra)	42.63	18.95
Maintenance of Vehicles:		
Stores & Spares for SOH Vehicles (Contra)	32.03	54.81
Repairs of S.O.H. Vehicles (Contra)	23.04	12.23
Road Tax	1.87	0.24
Insurance	0.09	0.12
	57.03	67.40
Training Expenses	380.20	370.00
Depreciation	920.86	902.39
Community Development	1064.59	697.79
Resettlement Expenses	30.60	191.98
Assets not belonging to Company	1015.75	1465.34
Environment/Ecology Improvement	346.09	377.94
Technical Assistance ESMP	0.00	0.22
Guest House Expenses	30.46	27.25
Others	239.39	352.49
TOTAL (C)	4127.60	4471.75
TOTAL (A+B+C)	9704.45	9448.17
(D) Less : Recoveries		
Vehicle	2.87	1.39
House Rent	23.44	25.16
Hospital Charges	57.59	60.94
School Bus, Elect. & Water charges	22.60	21.31
Guest House/Transit Flat	4.23	4.01
Others	1.91	1.85
	112.64	114.66
TOTAL (D)	112.64	114.66
(E) Less: Transfer to Development	42.05	23.59
NET TOTAL (A+B+C-D-E)	9549.76	9309.92

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 12 OTHER EXPENDITURE

		Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
(A)	Travelling	437.72	450.53
	Printing & Stationery	147.20	224.60
	Books & Periodicals	9.60	9.10
	Postage & Telephone	142.89	152.64
	Bank Charges	145.21	4.08
	Advertisement for :		
	(i) Tender	291.87	344.72
	(ii) Others	7.84	3.87
	(iii) Publicity	47.09	42.58
		<u>346.80</u>	<u>391.17</u>
	Freight Charges	11.42	7.43
	Under Loading Charges	1578.73	830.14
	Demurrage	111.78	12.31
	Donation & Subscriptions	11.07	9.66
	Security Expenses	1176.00	1080.58
	Rescue & Safety	38.80	91.83
	Expenses on Meeting	92.32	103.29
	Expenses for Safety	18.10	113.60
	Hire Charges for :		
	(i) Computer	172.95	201.80
	(ii) Others	354.16	300.30
		<u>527.11</u>	<u>502.10</u>
	Computer Software Charges	6.44	65.32
	Maintenance of Cars & Jeeps :		
	(i) P.O.L.& Spares(Contra)	458.64	376.91
	(ii) Repairs(Contra)	124.30	110.67
	(iii) Vehicle Tax	94.22	149.82
	(iv) Insurance	13.00	14.01
		<u>690.16</u>	<u>651.41</u>
	TOTAL (A)	<u>5491.35</u>	<u>4699.79</u>
(B)	Royalty & Cess	10.74	16.05
	Insurance	0.21	0.25
	Rent, Rates & Taxes	852.20	726.75
	Auditors Remuneration:		
	(i) Audit Fee	3.12	2.72
	(ii) Tax Audit Fee	0.60	0.51
	(iii) Travelling & Out of Pocket Exp	2.93	1.62
		<u>6.65</u>	<u>4.85</u>

(Contd.....)

**SCHEDULE TO PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006**

SCHEDULE – 12 (Contd.....)

OTHER EXPENDITURE

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Internal Audit Fee & Expenses	25.10	18.86
Legal Expenses	162.11	104.74
Apex Office Expenses	3480.19	3305.00
Loss on Sale/Discard of Assets	5.40	0.67
Office Contingency	38.97	42.56
Prospecting & Boring	890.45	1112.56
CSRP Technical Assistance	8.92	6.00
Wealth Tax	5.20	6.00
Service Tax	754.72	0.00
Others	1163.22	776.06
TOTAL (B)	7404.08	6120.35
TOTAL (A+B)	12895.43	10820.14
(C) Less : Transfer to Development	18.15	65.59
NET TOTAL (A+B-C)	12877.28	10754.55

SCHEDULE – 13

OVER BURDEN REMOVAL ADJUSTMENT

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Expenditure Charged to Coal	87545.96	72800.28
Less :		
Expenditure incurred	67873.18	60031.59
TOTAL	19672.78	12768.69

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

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	542.26	405.97
On deferred payment	31.89	203.99
Other Interest	67.06	25.00
Sub Total	641.21	634.96
Less:		
Transfer to development	0.00	0.00
Net Total	641.21	634.96

SCHEDULE – 14(B)

FINANCIAL CHARGES

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
1. Commitment Charges (IBRD & JEXIM)	0.13	46.67
2. Guarantee fees (IBRD & JEXIM)	263.00	240.76
3. Swap Charges	35.37	39.21
TOTAL	298.50	326.64

SCHEDULE – 15

DEPRECIATION

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Depreciation	13838.56	13385.17
Less : Transfer to		
(a) Social Overhead	920.86	902.39
(b) Prior Period Adjustment	-175.12	18.09
(c) Development	11.74	17.77
	<u>757.48</u>	<u>938.25</u>
NET TOTAL	13081.08	12446.92

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 16(A)

PROVISIONS

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Provision for Doubtful debts	-1083.00	781.11
Obsolescence of Stores	28.10	225.66
Reclamation of Land	673.36	634.63
Shortage of Stores	4.73	0.06
Provision for Capital-Work-in-Progress	118.43	108.04
CHP & IWSS pending installation	0.00	0.00
Doubtful Advances	169.05	71.87
Retired/Surveyed-off Assets	95.30	30.78
Non Vendable Stock	0.00	0.00
Impairment of Assets	38.82	98.70
Claims Receivable	20.54	0.00
Sub Total	65.33	1950.85
Less: Earlier Provision no longer required	0.78	0.00
TOTAL (A)	64.55	1950.85

SCHEDULE – 16(B)

WRITE OFF

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
Bad Debts Written off	-71.55	10.59
Stores & Spares	0.00	9.02
Total (B)	-71.55	19.61

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 17

PRIOR PERIOD ADJUSTMENT

	<u>Current Year (Rs. in Lakh)</u>	<u>Previous Year (Rs. in Lakh)</u>
(A) Debit		
Employees remuneration & benefits	-35.99	-417.15
Social Overhead	0.00	4.94
Consumption of Stores & spare parts	-306.40	3.55
Repairs & Maintenance	-1.63	0.00
Depreciation	-175.12	18.09
Contractual expenses	-72.37	-43.58
Rates & taxes	144.39	57.89
Power and Fuel	0.00	-14.07
Reclamation of Land	0.00	4045.54
Others	98.10	-10.22
TOTAL (A)	-349.02	3644.99
(B) Credit		
Sales	4969.76	0.00
Other Income	26.29	599.46
TOTAL (B)	4996.05	599.46
NET TOTAL (A-B)	-5345.07	3045.53

SCHEDULE –O

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; and
 - 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 Income" and the expenses are debited to the respective heads.

5.0 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:** Except otherwise stated in the Project Report to determine the commercial readiness of the Project to yield production on a sustainable basis and completion of required development activity during the period of construction, projects and mines under development are brought to Revenue :
- a) From 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 of 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 & 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/disposed 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. Where there is an indication that an asset is impaired, the recoverable amount, if any, is estimated and the impairment loss is recognized to the extent carrying amount exceeds recoverable amount.

8. INVESTMENTS :

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

9. 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.

10. INVENTORIES

- 10.1 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 realizable value or cost whichever is lower, cost being ascertained on annual average basis.
- 10.2 Provision at the rate of 10% on the value of Closing stock 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.

- 10.3 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.
- 10.4 Stores & Spare parts include loose tools.
- 10.5 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.
- 10.6 Stock of stationery (other than lying at Printing Press), bricks, sand, medicine,(except at Central Hospitals) and scraps are not considered in inventory.

11. FOREIGN CURRENCY TRANSACTIONS

- 11.1 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.
- 11.2 Monetary current assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at the yearend 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.

12. 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.

13. INCOME TAX

- 13.1 Current tax is determined as the amount of tax payable to the taxation authorities in respect of taxable income for the period.
- 13.2 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.

14. 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 transaction booked in current account is shown under current liabilities / current assets.

15. APEX OFFICE AND INTEREST CHARGES TO HOLDING COMPANY

- 15.1 Apex office charges as levied by Holding Company is allocated to revenue mines on the basis of coal production.
- 15.2 Interest on loans through Holding Company for procurement of specific assets is accounted for as per terms of loan agreement and corresponding memos from them.

16. 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 : Over Burden) 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 Over Burden is considered in the accounts where the variance between reported quantity and measured quantity is within the permissible limit 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.

17. Rehabilitation Expenditure of Heavy Earth

Moving Machinery (HEMM) /Expenditure on Assets not belonging to the Company/ Expenditure on Voluntary Retirement Scheme.

- 17.1 Expenditure on rehabilitation of HEMM is charged off in the year in which it is incurred.
- 17.2 Expenditure on Assets not belonging to the Company are fully charged to revenue in the year in which it is incurred.
- 17.3 Terminal benefits over and above related grants received under Voluntary Retirement scheme is charged to revenue in the year in which it is incurred.

18. CONTINGENT LIABILITY

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****1.0 CONTINGENT LIABILITIES**

1.1 Claims against the Company not acknowledged as debt Rs.15017.54 lakh (previous year Rs.13238.35 lakh),

1.2 Disputed Sales tax liability to the extent of Rs.1896.99 lakh (previous year Rs.1876.68 lakh),

1.3 Disputed Income Tax Liabilities, Rs.26599.81 lakh (previous year Rs.17272.93 lakh),

1.4 Disputed Claims for enhancement of compensation for land acquired from private parties, and

1.5 CAPITAL COMMITMENTS: Estimated amount of contracts remaining to be executed on Capital Account for Rs.28751.78 lakh (previous year Rs.14555.56 lakh).

2.0 RESERVES AND SURPLUS**2.1 General Reserve**

Rs.12610.00 lakh (previous year Rs.10135.00 lakh) being 10.04% of profit after tax is transferred to General Reserve during the year.

3.0 UNSECURED LOANS

Loans of Rs.17533.24 lakh (Previous Year Rs.19154.40 lakh) 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 (Schedule C).

4.0 FIXED ASSETS

4.1 The Assets and Liabilities taken over from coal Mines Labour Welfare Organisation and Coal Mines Rescue Organisation for which no quantitative details are available have not been incorporated in the accounts pending determination of value thereof.

4.2 Some of the areas have verified the Fixed

Assets (like Plant & Machinery and Vehicles) other than Capital Work in Progress and Discarded/Surveyed off Assets.

4.3 Conveyancing of land in favour of the Company are pending for execution in most of the cases.

4.4 The Company has the practice of capitalizing interest paid on enhanced compensation to land owners in respect of land acquired under Coal Bearing Areas(Acquisition and Development) Act, 1957 and Land Acquisition Act, 1984 since inception. The interest element forming part of cost of land after possession has not been quantified nor ascertained.

4.5 Out of Rs.582.59 lakh spent for Coal Net system, Rs.514.38 lakh has been capitalized. Balance Rs.68.21 lakh has been kept in Capital Work in Progress. Development expenditure of Rs.64.89 lakh related to Oracle Software Development included in the capitalized amount of Rs.514.38 lakh, is amortised over a period of 5 years.

5.0 INVESTMENT

5.1 As per tripartite agreement with power houses, in the year 2003-04 the Company had received 8.5% Tax Free Power Bonds (unquoted long term investment) of nominal value Rs.34432.00 lakh (Previous Year Rs.34432.00 lakh) against old outstanding dues as on 30th September, 2001 from three power houses (MSEB, TNEB and WBPDC).

5.2 Interest amounting to Rs.2926.72 lakh (Previous Year Rs.2926.72 lakh) accrued during the year on the above investment.

6.0 INVENTORIES**6.1 Stores and spares**

6.1.1 The closing stock of stores and spares have been considered in the accounts as per

balance appearing in the books and the discrepancy arising out of physical verification is under reconciliation.

6.1.2 In respect of stores and spares not moved for more than five years, an ad hoc provision of 50% is held as per Accounting Policy 10.5 and no provision is held for slow moving stores and spares other than those unmoved as aforesaid. In no case the net realizable value is ascertained for the purpose of provisioning .

6.1.3 The Company has not carried out exercise for identification of unserviceable and obsolete stores items at five out of eleven areas. Consequently the adjustment that might arise on such identification and financial impact thereon has not been considered in the accounts for the year.

6.2. Coal Stock :

Stock of coal is valued separately for each mine at Cost or Net Realisable Value (NRV), whichever is lower.

The closing stock of coal as on 31st March, 2006 of the Company constitutes as follows :

Name of Mines	Basis of valuation (Cost /NRV)	Quantity [Lakh MT]	Rate [Rs]	Value [Lakh Rs.]
Nandira	NRV	0.20	915.70	183.14
Talcher	NRV	0.29	1052.79	305.31
Deulbera	NRV	0.09	1102.56	99.23
Lingaraj O C P	Cost	3.32	157.51	522.94
Orient mine No. 2	NRV	0.26	781.77	203.26
Orient mine No. 3	NRV	0.31	780.16	241.85
Orient mine No. 4	Cost	0.01	338.00	3.38
H R C	NRV	0.15	777.20	116.58
H B I	Cost	0.72	602.78	434.00
Belpahar OCP	Cost	2.16	250.82	541.78
Lakhanpur OCP	Cost	6.92	175.70	1215.83
Lilari OCP	NRV	1.15	392.96	451.90
Lajkura OCP	Cost	1.65	294.31	485.61
Samleswari OCP	Cost	7.29	257.03	1873.77
Balanda OCP	Cost			
Jagannath OCP	Cost	2.49	129.11	321.48

Ananta OCP	Cost	2.47	94.32	232.98
At Paradeep [for Jagannath]	Cost	0.01	166.00	1.66
Bharatpur OCP	Cost	4.75	126.19	599.38
Kalinga OCP	Cost	4.79	291.14	1394.54
Basundhara East OCP	Cost			
Basundhara West OCP	Cost	1.75	105.37	184.40
Hingula OCP	Cost	3.15	100.48	316.50
Chendipada OCP	NRV	0.06	355.50	21.33
Total		43.99	221.66	9750.85

However, if valuation of coal is done as a whole for the Company rather than valuing it unit wise as per the uniform accounting policy of Coal India Limited, the value of coal stock would have been Rs. 9665.18 lakh.

7.0 SUNDRY DEBTORS

7.1 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 replies are yet to be received.

7.2 Provision for doubtful debts :

50% provision is made for disputes in quantity and penalty on overloading. 100% provision is made for disputed deduction in other cases.

Cumulative provision as on 31.3.2006 stand at Rs.7804.27 Lakh (Previous Year Rs.8887.27 lakh).

8.0 CASH AND BANK BALANCES

Cash and Bank balances include:

- (i) Balance with Schedule Bank in Deposit account amounting to Rs.83.92 lakh (previous year Rs.79.45 lakh) which is under lien to Hon'ble District Court of Sundergarh.
- (ii) Cash balance with imprest holder Rs.5.19 lakh (previous year Rs.0.37 lakh) maintained with various branches of Coal India Limited.
- (iii) Rs.40 lakh being fixed deposit with

State Bank of India, MCL Complex Branch on account of corpus fund of Navakrushna Chowdhury Centre for Development Studies and Utkal Rangamanch Trust.

of modalities for refunding the same to the customers / parties is yet to be done.

9.0 LOANS AND ADVANCES

- 9.1 Certain credit/debit balances in current assets/liabilities under some head of account have been netted pending linking of the same.
- 9.2 Out of total Loans & Advances of Rs. 207167.06 lakh (Previous year Rs. 192947.74 lakh) Rs.437.17 lakh (Previous year Rs.279.52 lakh) has been provided as doubtful against old advances.
- 9.3 Confirmation of balances of loans and advances have not been made.
- 9.4 Other Receivables under "Loans and advances" include Rs.278.05 lakh (net of amount received Rs.86.29 lakh) being the amount reimbursable from Prime Minister's National Relief Fund towards construction cost of Schools in Cyclone affected areas of Orissa.
- 9.5 During the year 2004-05, Rs.492.16 lakh was deposited with SEC Railway for railway overbridge out of which Rs.246.08 lakh has been adjusted during this financial year as asset not belonging to the Company. The balance of Rs.246.08 lakh is to be adjusted on completion of the job / receipt of CCDA subsidy.

- (ii) Rs.1.18 lakh (Previous Year Rs.1.18 lakh) towards Coal Sale Deposit which is appearing in HQ Accounts and is under reconciliation / adjustment .
- (iii) Current Liabilities includes Rs.48.00 lakh being the unspent balance on account of Flood Relief Fund out of contribution of Rs.50.00 lakh from Coal India Limited(CIL) and Rs.61.95 lakh from employees (by way of deduction from their salary) aggregating to Rs.111.95 lakh. As per the condition of grant by CIL, the amount should be either spent for Flood Relief or be contributed to Chief Minister's Relief Fund. However, the unspent balance of Rs.48.00 lakh is yet to be disposed off / contributed to Chief Minister Relief Fund by the Company.
- (iv) Liability for Orissa Entry Tax includes Rs.321.10 lakh (Rs.138.48 lakh for Kalinga Area, Rs.116.00 lakh for Lingraj Area and Rs.66.62 lakh for Talcher Area) are disputed and hence not deposited.
- (v) Current Liabilities and Provisions include provision of Rs.899.11 lakh (Previous Year –Nil) towards Service Tax on Transportation of Coal (including Rs.144.39 lakh for the period from 1st January, 2005 to 31st March, 2005 charged to Prior Period Adjustment account). The company has not yet deposited the same amount with the Service Tax Department.

10.0 CURRENT LIABILITIES AND PROVISIONS

Current liabilities include-

- (i) The liability on account of Cess on Coal includes principal amount Rs.822.74 lakh (net), interest amount Rs.947.11 lakh (net) against receipts from Government of Orissa and unreconciled amount amount Rs.17.53 lakh which are refundable to customers. The Company has not fully identified customers / parties to whom the refund is due. Finalization

11.0 PROFIT AND LOSS ACCOUNT

- 11.1 Arrear depreciation on adjustment in value of existing fixed assets is provided from the year of use .
- 11.2 Depreciation on Coal Handling Plant has

been provided on the basis of certificates received from concerned technical department .

- 11.3. During the year an amount of Rs.9.99 lakh (previous year Rs.86.30 lakh) has been charged to revenue in respect of expenditure on construction of primary school buildings under Prime Minister National Relief Fund scheme. The same is to be accounted for as income only on actual receipt of the same from the Government.
- 11.4 A total amount of Rs.899.11 lakh (previous year : nil) has been provided in the accounts towards Service Tax . However, the same is yet to be deposited.
- 11.5 Sales include an amount of Rs.1,60,349.00 lakh (previous year : Rs. 1,60,374.00 lakh) representing 50.83% (previous year 55.35%) of the total sales to the customers with whom the Company has no Fuel Supply Agreement.
- 11.6 An amount of Rs.64.89 lakh incurred towards implementation of coal net systems wrongly charged to revenue in the previous year, has been capitalised in the current year.(Please also refer to Note No.4.5).
- 11.7 Lingraj Area has billed Surface Transportation Charges @ Rs.30/- per tonne for Coal supply to NTPC (Kaniha) from November, 2005 onwards, aggregating Rs.1466.03 lacs(including OVAT and OET) on the ground that the distance between coalface to Lingraj MGR siding is more than 3 Kms. However, NTPC (Kaniha) has denied the liability of Surface Transporttion charges in terms of Coal Supply Agreement, clause 1,2,3 & Price Notification No.CIL / GM(F)/ Pricing / 597 dated 17.08.2002. The area has subsequently reversed / withdrawn the Additional Surface Transportation charges levied to NTPC (Kaniha) by reversing the statutory levies thereon.
- 11.8 During the year, Chhendipada OCP under Hingula Area which was a Development Project till previous year has been treated as a revenue project as it is satisfying the

criteria of Accounting Policy No.5.5 (c) for becoming a revenue project.

12.0 RETIREMENT BENEFITS

- 12.1 **Gratuity** : Incremental Gratuity liability for the year amounting to Rs. 1597.62 lakh (Previous year decremental Rs.257.38 lakh) has been provided for on the basis of actuarial valuation.
- 12.2 **Leave Encashment** : Liability of Rs.1630.97 lakh (previous year 2211.48 lakh) represents earned leave encashment benefit and Rs. 906.47 lakh (previous year Rs.869.02 lakh) represents half pay leave encashment benefit of employees based on actuarial valuation as at the year-end.
- 12.3 The expenditure of Rs.183.45 lakh (Previous year Rs.198.41 lakh) on account of Pension to Ex-NCDC employees have been charged to Revenue on cash basis under the head Pension under Employees Remuneration and Benefits (Schedule 8).
- 12.4 Pension management in respect of employees of the Company, is done by Coal Mines Provident Fund authority (an independent body).The Company contributes 1.16% of employees salaries and wages to this Fund.

13.0 REVIEW OF STRIPPING RATIOS FOR OVER BURDEN REMOVAL ADJUSTMENT

As per CMPDIL study report, the Company revised the stripping ratios of Bharatpur, Ananta, Belpahar and Samaleswari OCPs in the year 2000-01 while that of Lakhanpur and Kalinga OCPs remaining unchanged as per that study.

In case of Hingula OCP and Basundhara (West) started production during the year 1999-2000 and 2004-05 respectively, the stripping ratio is continued as originally envisaged in the Project Report.

During the year there have been further change in standard stripping ratios in respect of Samaleswari OCP (ratio revised to 2.02:1 from 1.090:1), Lakhanpur OCP

(ratio revised to 1.25:1 from 1.01:1) and Belpahar OCP (ratio revised to 2.11:1 from 1.513:1).

14.0 TRANSACTIONS RELATING TO HOLDING COMPANY

- 14.1 Apex office charges amounting to Rs.3480.20 lakh (Previous year Rs.3305.00 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.
- 14.2 Indian Institute of Coal Management charge amounting to Rs.348.02 lakh (Previous year Rs.330.50 lakh) is levied by the Holding Company @ Rs.0.50 per tonne of coal produced.
- 14.3 As per CIL Board resolution in its 214th meeting held on 12.2.2004, the Company has charged Rs.4092.18 lakh (Previous year Rs. 3977.52 lakh) @ Rs.6/- per tonne on despatch of coal towards Rehabilitation Fund set up by Coal India Limited.
- 14.4. The current account with Coal India Ltd.(CIL) has a net difference of Rs.1.51 lakh (previous year Rs.4.78 lakh) pending settlement / acceptance of debit / credit notes. The Company has a current account balance of Rs.3261.02 lakh (Previous year Rs.3334.42 lakh) with CIL under the head Loans & Advances(Schedule L).

15. 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 decreased by Rs.449.68 lakh (previous year decrease Rs.276.79 lakh). This decrease has been adjusted in the carrying cost of the fixed assets to the extent of Rs.358.78 lakh (previous year Rs.207.38 lakh) and Rs.90.90 lakh (previous year Rs.69.41 lakh) has been credited to revenue.

16.0 COMPLIANCE OF ACCOUNTING STANDARDS

- 16.1 **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.
- 16.2 **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
- 16.3 **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.

16.4 **AS-20** : Earning per share.

	<u>Current year</u>	<u>Previous year</u>
(i) Profit after Tax(L.Rs.)	125629.34	92718.46
Less: Preference Dividend (L Rs)	NIL	NIL
Tax on Preference Dividend (L Rs)	NIL	NIL
Profit attributable to ordinary Shareholders (L Rs)	125629.34	92718.46
(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.)	Rs.6739.74	Rs.4974.14

- 16.5 **AS-28 : Impairment of assets** : In Coal Industry, fixed assets are classified under the major heads viz., Land, Building, Plant & Machinery, HEMM, Exploration, Boring and Development. In case of Land and Building, there is universally upward trend in valuation. Unless there is damage to Building , there is no need to make any provision. Similarly, in case of Machinery there is no downward trend in price as per RBI Index, hence no impairment unless Asset is obsolete or damaged.

In Coal Industry, only Prospecting, Boring and Development Expenses can be prima facie considered to have been impaired in continuous loss making mines, provided there is no clear indication for its revival in near future.

Accordingly for loss making mines the unamortized balance in Prospecting, Boring and Development Expenses have been provided as impairment loss. During the year, Rs.38.82 lakh (Previous Year Rs.98.70 lakh) has been provided, thereby increasing the total provision to Rs.884.55 lakh (Previous Year Rs.845.73 lakh).

In respect of other assets in loss making mines the value in use of the mines continues to be more than the carrying amount of the assets of the respective mines. As such no impairment loss has been recognized for those mines.

The test of impairment loss has not been carried out for debit balance in Ratio Variance Reserve pertaining to some of the revenue mines as the balance may go either way as a part of the OBR adjustment accounting. In other words the effect of impairment loss has been considered as not required as regards OBR accounting.

- 16.6 **Accounting Standard 29** : In compliance of AS – 29, pending review of technical assessment of required back filling (reclamation of land) and other corrective EMP activities as per EMP/ EIA plan, a total provision of Rs.4680.17 lakh equivalent to Re.1/- per tonne of coal production from 1994-95 to 2004-05 have already been provided in the Accounts in the year 2004-05 in respect of the opencast mines where EMP is applicable.

Accordingly for the current year Rs.673.36 lakh (Previous Year Rs.634.63lakh) has been provided (Schedule 16A) making the total provision at Rs.5353.53 lakh (Previous Year Rs.4680.17 lakh) (Schedule M).

17. ACCOUNTING FOR TAXES ON INCOME

17.1. 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.2057.86 lakh (Previous Year Rs.2808.43 lakh) as on 31st March, 2006. During the year Deferred tax asset (net) of Rs. 750.57 lakh (Previous Year Rs.1938.81 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>31.03.06</u> <u>Rs.in lakh</u>	<u>As on</u> <u>01.04.05</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	10219.46	10219.46	12036.48
Deferred Tax Asset			
Provision for Doubtful Debts	2851.94		3216.48
Provision for Leave Encashment	1214.59		1214.59
Provision for Gratuity and	4578.30		3966.70
Employee Separation and Retirement	216.46		260.53
Provision for Doubtful Advances	158.84		101.94
Disallowance u/s.43B of the Income-tax Act, 1961	98.45		89.35
Other Provision / Misc. items	- 956.98		378.46
Sub-Total		8161.60	9228.05
NET DEFERRED TAX LIABILITY		2057.86	2808.43

18.0 GENERAL

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

18.2 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 and Provisions" 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.

19. 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.

20.0 OTHERS

A. Directors' Remuneration

	(Rs. In Lakh)	
	Current Year	Previous Year
Salary	20.71	13.91
P.F.	2.35	1.64
Perquisites	0.80	1.17
Total	23.86	16.72

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)	
	Current Year	Previous Year
C.I.F. value of imports		
(i) Stores & Spares	11.77	168.08
(ii) Capital Goods	NIL	NIL

D. Expenditure in Foreign Currency

	(Rs. In Lakh)	
	Current Year	Previous Year
(i) Travelling	NIL	2.08
(ii) Commitment charges	0.13	NIL
(iii) Interest	574.15	609.96
(iv) Others	NIL	NIL

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

(i) Raw Materials	Nil	Nil
(ii) Stores & Spares	Rs. 6595.84 lakh	Rs. 5219.90 lakh

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	30.08	5451.88	32.05	5477.13
(b) Development mines	0.07	47.25	—	—
Total	30.15	5499.13	32.05	5477.13
PRODUCTION:				
(a) Revenue mines	696.05	320289.46	660.73	289780.17
(b) Development mines	Nil	Nil	0.07	47.25
Total	696.05	320289.46	660.80	289827.42
Write Back of stock at Paradip Port (Revenue)	Nil	Nil	0.24	25.66
SALES:				
(a) Revenue mines	682.16	315966.75	662.86	289767.00
(b) Development mines	Nil	Nil		
Total	682.16	315966.75	662.86	289767.00
Ownconsumption (Revenue)	0.05	60.61	0.08	64.08
CLOSING STOCK:				
(a) Revenue mines	43.99	9750.85	30.08	5451.88
(b) Development mines	Nil	Nil	0.07	47.25
Total	43.99	9750.85	30.15	5499.13

NOTE:

- i. *Opening and Closing stock values are before adjustment of provision for shortage, deterioration and re-handling charges (refer to Schedule H).*
- ii. *Production figures are derived from the records of dispatches, internal consumption etc., and adjustment for opening and closing stocks. Value of production represents value of sales and internal consumption adjusted with accretion/ decretion to stocks.*

21.0 EFFECT OF CHANGES IN ACCOUNTS DUE TO REVISION

The Accounts together with Accounting Policies and Notes on Accounts approved by the Board of Directors on 19.7.2006 and reported upon by the Statutory Auditors on 29.7.06, have been revised in pursuance of memos issued by the Comptroller and Auditor General of India u/s 619 (4) of the Companies Act, 1956.

As a result of revision, the following changes have been made in the Accounts:

<u>Profit & Loss Account</u>	<u>Rs. In Lakh.</u>
Decrease in Profit Before Tax	583.87
Less :Decrease in Provision for Income Tax	196.55
Decrease in Profit after Tax	387.32

Sd/-
S.C. Behera
Company Secretary

Sd/-
M. P. Kurian
General Manager (Finance)

Represented by Changes in Balance Sheet:	
Net Block	1682.40
Capital Work in Progress	-1729.60
Net Current Assets	- 396.17
Change in Deferred Tax Liability	56.05
Net decrease in Assets / Increase in Liabilities	387.32

Apart from above, in Schedule P Note No. 1.5, 2.1, 4.5, 6.2, 9.2, 11.6, 12.1, 12.2, 16.4, 17.1, 20 F, the General Business Profile and Cash Flow Statement have been suitably revised and Note No.9.5 and 11.8 have been inserted afresh.

Consequent upon revision, the figures in Classification No. (b) of Schedule-L and Footnote No.1 of Schedule M have been changed.

Sd/-
B. M. Nag
Director (Finance)

Sd/-
Abhiram Sharma
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 : 4th September, 2006

**BALANCE SHEET ABSTRACT
AND
COMPANY'S GENERAL BUSINESS PROFILE**

I. REGISTRATION DETAILS

Registered No. : 15 - 03038 State Code : 15
Balance Sheet Date : 31.03.2006

II. CAPITAL RAISED DURING THE YEAR (AMOUNT RS. IN LAKH)

Public issue : Nil Right Issue : Nil
Bonus issue : Nil Private Placement : Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS(AMOUNT RS. IN LAKH)

Total Liabilities	: 369145.52	Total Assets	: 369145.52
Source of Funds	:		
Paid-up Capital	: 18640.09	Reserve & Surplus	: 329776.25
Secured Loans	: Nil	Unsecured Loans	: 18671.32
Deferred Tax Liability	: 2057.86		
Application of Funds	:		
Net Fixed Assets	: 145542.83	Investments	: 34432.00
Net Current Assets	: 189170.69	Misc. Expenditure	: Nil
Accumulated Losses	: Nil		

IV. PERFORMANCE OF COMPANY (AMOUNT RS. IN LAKH)

Turnover (Total Income)	: 377767.07	Total Expenditure (incl PP Adjustment)	: 194046.25
Profit / (Loss) before Tax	: 183720.82	Profit / (Loss) after Tax	: 125629.34
Earning Per Share (Rs.)	: 6739.74	Dividend Rate % (Excl. Tax on Dividend)	: 270.38

V. GENERIC NAMES OF PRINCIPAL PRODUCT OF COMPANY

Item Code No. : 270112.00
Product Description : COAL

Sd/-
S.C. Behera
Company Secretary

Sd/-
M. P. Kurian
General Manager (Finance)

Sd/-
B. M. Nag
Director (Finance)

Sd/-
Abhiram Sharma
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 : 4th September, 2006

CASH FLOW STATEMENT FOR THE YEAR 2005-06

	Current Year (Rs. in Lakh)	Previous Year (Rs. in Lakh)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	183720.82	146936.19
Adjustment for :		
Depreciation & Impairment	9489.24	8871.66
Exchange rate fluctuation	-90.90	207.38
OBR Adjustment	19672.79	12768.67
Interest / Dividend (Received)	18531.62	9890.66
Interest/Dividend (Paid)	886.71	961.60
Provision against Debtors/Inventories/Other CA/Loans&Adv.	-244.60	840.18
Differed Text Liability	750.57	1938.81
Operating Profit before Working Capital Changes	232716.25	182415.15
Adjustments for :		
Changes in Inventories	-2829.97	-2735.49
Changes in Sundry Debtors	7350.63	-1449.80
Changes in other current assets	2274.50	-2803.65
Changes in Loans and Advances	1128.32	265.57
Changes in Current Liabilities	10790.93	25757.39
Cash generated from operations	251430.66	201449.17
Direct taxes paid	-70272.14	-65770.50
Deferred Tax Liabilities	-750.57	-1938.81
Cash Flow before extraordinary items	180407.95	133739.86
Net Cash from operating activities	180407.95	133739.86
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-14421.64	-9807.67
Short Term Deposit with CIL	-4012.28	7577.83
Interest received	-18531.62	-9890.66
Net Cash used in investing activities	-36965.54	-12120.50
C. CASH FLOW FROM FINANCING ACTIVITIES		
World Bank Loan through CIL	-1621.16	-1520.17
Deferred Credit Loan	-114.96	-3293.46
Exchange Rate Fluctuation	358.78	69.41
Interest paid	-886.71	-961.60
Dividend paid	-59020.00	-24923.00
Net Cash used in financing activities	-61284.05	-30628.82
Net increase in cash and cash equivalents	82158.36	90990.54
Cash and cash equivalents as at beginning of the year	107596.98	16606.44
Cash and cash equivalents as at end of the year	189755.34	107596.98

The aforesaid statement is prepared on indirect method

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

Sd/-
S.C. Behera
Company Secretary

Sd/-
M. P. Kurian
General Manager (Finance)

Sd/-
B. M. Nag
Director (Finance)

Sd/-
Abhiram Sharma
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 : 4th September, 2006

ADDENDUM TO DIRECTORS' 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, SAMBALPUR as at 31st March, 2006, and the Profit & Loss Account for the year ended on that date annexed thereto and the Cash flow statement for the year ended on that date in which are incorporated the Returns from five mine areas and one central workshop of Talcher Field audited by another auditor. The reports of the other auditor have been furnished to us, and in our opinion, in so far as it relates to the amounts included in the financial statements in respect of these areas, is based solely on the reports of the other auditor. These accounts were approved by the Board of Directors on 19th July, 2006 and reported by us on 29th July, 2006. The accounts have been revised and approved by the Board of Directors on 3rd September, 2006 consequent upon the observations of the Comptroller and Auditor General of India during the course of audit u/s 619(4) of the Companies Act, 1956 in reference to Note No.21 on Notes on Accounts, Schedule 'P' and resultant requisite appropriation. These financial statements are the responsibility of the Company's management. 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

AUDITORS' REPORT

MANAGEMENT'S REPLY

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 management, as well as evaluating the overall financial statement presentation. 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 Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order to the extent possible.
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 community development programme expenses on accrual basis which is not in consonance with the provisions of Section 209 (3) (b) of the Companies Act, 1956 (Refer Para 2.2. & 2.3 of Accounting Policies, Schedule - 'O')*

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

(b) *Adjustments that might arise on reconciliation/settlement/confirmation of various advances and deposits and sundry creditors*

The Company is having the system of periodic joint reconciliation with the customers. Moreover reconciliation for other advances / deposits are made from time to time.

AUDITORS' REPORT

MANAGEMENT'S REPLY

and consequent provision arising thereon (Refer Para 9.1, 9.3 and 18.1 of Notes on Accounts, Schedule – 'P');

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| <p>(c) <i>Adjustments that might arise on payment / reconciliation of statutory dues – Central Sales Tax Rs. 75.44 lacs, Orissa Sales Tax Rs.22.38 lacs, Royalty Rs.9.19 lacs, Cess Rs.17.53 lacs, Stowing Excise Duty Rs.9.21 lacs, Provident Fund Rs.22.77 lacs, Pension fund Rs.45.70 lacs, Orissa Entry Tax Rs.0.24 lacs, Tax Deducted at Source Rs.2.66 lacs lying for a period of more than one year under current liabilities Schedule-'M';</i></p> | Noted for action. |
| <p>(d) <i>Inadequate provision on slow moving stores and spares, stores unmoved for more than 5 years, obsolete and unserviceable stores and spares items at some coal field areas on ascertainment of net realizable value in aforesaid cases as mandated by Accounting Standard AS-2 on Valuation of Inventories issued by the Institute of Chartered Accountants of India (Refer Para 6.1.2 and 6.1.3 of Notes on Accounts, Schedule 'P');</i></p> | The provisions are being made as per uniform accounting policy. However, necessary exercise will be carried out in rest five Areas and impact will be given in the accounts accordingly. |
| <p>(e) <i>Provision for reclamation / backfilling made by the Company on an estimate basis @ Re.1/ per tonne of coal produced to meet the expenditure for mine closure activity as against ascertaining by technical review as required by Accounting Standard AS-29 on Provisions, Contingent liabilities and Contingent Assets issued by the Institute of Chartered Accountants of India, (Refer Para 16.6 of Notes on Accounts, Schedule 'P');</i></p> | Adequate provision is being made in the accounts and suitably disclosed in Note No.16.6 of Notes on Accounts Schedule 'P'. |
| <p>(f) <i>Capitalization of interest paid on enhanced compensation to land owners after the date of possession instead of charging the same to</i></p> | This has been consistently followed over years and adequately disclosed in Note No. 4.4 of Notes on Accounts Schedule 'P'. |

AUDITORS' REPORT

MANAGEMENT'S REPLY

revenue (Refer Para 4.4 of Notes on Accounts, Schedule 'P');

Is not ascertainable.

4.2. Further in our opinion.

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|---|--|
| <p>(a) Accountal of contribution of Rs.4092.18 lakh to Rehabilitation Fund as an item of expenditure has resulted in understatement of profit by the same amount (Refer Para 14.3 of Notes on Accounts, Schedule- 'P');</p> | <p>This being a charge levied by Coal India Ltd. the Holding Company has been shown as expenditure above the line.</p> |
| <p>(b) Non charging / amortization of debit balances in prospecting, boring and other development expenses not represented by any physical assets of revenue mines and debit balances in ratio variance reserve (arising out of over burden removal accounting) is not in consonance with Accounting Standard AS-28 on Impairment of Assets issued by the Institute of Chartered Accountants of India (Refer Para 16.5 of Notes on Accounts, Schedule 'P');</p> | <p>This has been adequately disclosed in Note No.16.5 of Notes on Accounts Schedule 'P'.</p> |
| <p>(c) Valuing closing stock of coal at cost or net realizable value whichever is lower separately arrived at each mine instead of at cost for whole company has resulted in overstatement of profit by Rs.85.67 lacs (Refer Para 6.2 of Notes on Accounts, Schedule 'P');</p> | <p>This is as per the Uniform Accounting Policy of the Company and properly disclosed in 10.1 of Accounting Policies Schedule 'N' and being consistently followed.</p> |
| <p>(d) Non-deposit of Rs.899.11 lakh with appropriate authority being the Service Tax liability on transportation of coal is not in accordance with the provisions of Service Tax Act and Rules framed there under. (Refer Para 10(v) of Notes on Accounts Schedule- 'P');</p> | <p>Deposit of Service Tax will be done only after confirmations that it is applicable for transport of coal in the mining industry.</p> |
| <p>(e) Non-deposit of Rs.822.74 lakhs and Rs.321.10 lakhs together with possible interest on account of Cess on coal and Entry Tax respectively to</p> | <p>Noted for action.</p> |

AUDITORS' REPORT

MANAGEMENT'S REPLY

the concerned parties or deposit of the said amount with government authorities are in contrary to the provisions of statutes. (Refer Para 10 (i) and (iv) and of Notes on Accounts, Schedule 'P').

5. Further to our comments in the Annexure referred to in paragraphs 3 & 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 the books and proper returns adequate for the purposes of our audit have been received from branches not visited by us. The Branch Auditor's Report has been forwarded to us and appropriately dealt with ;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) The clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 pertaining to disqualification of Directors is not applicable being a Government Company.
 - (f) In our opinion, and to the best of our

AUDITORS' REPORT

MANAGEMENT'S REPLY

information and according to the explanations given to us , the said accounts give the information required by the Companies Act, 1956, 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
- (ii) In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and
- (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for **PATRO & CO**
Chartered Accountants

Sd/-

Rajendra Patro
Partner
Membership No. 19423

Bhubaneswar,
Date : 4th September, 2006

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, 2006)

AUDITORS' REPORT

MANAGEMENT'S REPLY

The nature of the Company's business activities during the year was such that clauses (iii), (v), (vi), (viii), (xii), (xiii), (xiv), (xvi), (xvii), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(i) In respect of its fixed assets :

<p>(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. <i>The locations of fixed assets within Area /Units have not been specified in some cases.</i></p>	<p>Noted for action.</p>
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<p>(b) <i>As explained to us, physical verification of fixed assets (excluding Civil Works, Capital Work in Progress and Discarded / Surveyed off Assets) worth Rs.1.00 lakh and above has been carried out during the year at few Areas only. As such, we are unable to comment on the discrepancies, if any, that would arise on verification at other Areas and the items not physically verified as aforementioned. (Refer Para 4.2 of Notes on Accounts, Schedule 'P')</i></p>	<p>Noted for action.</p>
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<p>(c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.</p>	<p>Statement of facts.</p>
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(ii) In respect of its inventories;

<p>(a) As explained to us, physical verification of stock of coal has been conducted by the</p>	<p>Noted for action.</p>
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AUDITORS' REPORT

MANAGEMENT'S REPLY

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.*

- | | | |
|-------|---|-------------------|
| (b) | In our opinion, the procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. | No comments. |
| (c) | The Company is maintaining proper records of inventory. As explained to us, no material discrepancies were noticed on physical verification during the year and as per the Accounting Policy 10.1 of the Company, book stock of coal is considered in the accounts where the variation between book stock and measured stock is up to $\pm 5\%$. | No comments. |
| (iii) | We have observed the continuing failure to correct the following weaknesses in internal control for : | Noted for action. |
| | <ul style="list-style-type: none"> ● <i>follow-up of advances to the suppliers;</i> ● <i>abnormal delay in adjustment of certain advances after receipt of items in some areas;</i> ● <i>non linking of advances with corresponding liabilities thereby resulting in non-adjustment of liabilities;</i> ● <i>non receipt of confirmation from the sundry debtors, the suppliers and contractors;</i> ● <i>unusual delay in execution / completion of capital works including plant & machineries, thus necessitating escalation, blockage of</i> | |

AUDITORS' REPORT

MANAGEMENT'S REPLY

fund and allied pecuniary losses arising there from;

- *the procedure relating to purchase of stores and spares to avoid their accumulation in one area while the same lying in some other area unutilized and consequent blockage of funds;*
- *the wrong billing of sales invoices in excess of actual amount in contrast to the policy of the Company in one area;*
- *non refund of the earnest money /security deposits received timely from the private parties received on tender of coal etc. and*
- *non settlement of the disputes arising mostly supplies of the coal to the Electricity Board and others in absence of written supply agreement.*

On an overall basis, we are of the opinion that internal control system as regards to the purchase of inventories and fixed assets and for sale of goods needs to be streamlined and strengthened to make it commensurate with the size of the Company and nature of its business.

- iv. The internal audit system of the Company consists of wage audit, internal audit and stores audit which are entrusted to the outsiders and we opine that ;

Noted for action.

- *the timely submission of report and its coverage in relation to the period and pre decided scope need to be strengthened;*
- *the period of internal audit is not synchronized with the financial years followed by the Company. As a result , internal audit reports for the period from January, 2006 to March, 2006 were not available.*

AUDITORS' REPORT

MANAGEMENT'S REPLY

- *The stores audit were mostly conducted in the month of May / June, 2006 as the auditors are being appointed after close of the financial year.*

On an overall view, we are of the opinion that internal audit system needs to be strengthened and its scope be widened to make it commensurate with the size of the Company and nature of its business.

v. In respect of Statutory Dues :

- | | |
|--|---------------------|
| <p>(a) According to the information and explanation given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance income tax, sales tax, wealth tax, custom duty, excise duty and other statutory dues as applicable with the appropriate authorities during the year except <i>the arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable are Cess on coal of Rs.822.74 lacs, Entry tax Rs.321.10 lacs and Service Tax Rs.402.94 lacs appearing under Current Liabilities Schedule – 'M' (Refer para 10(i), 10(iv) and 10(v) of Notes on Accounts, Schedule 'P').</i></p> | Noted for action. |
| <p>(b) According to the information and explanation given to us and the records of the Company examined by us, the particular of dues of income tax, sales tax, royalty and entry tax as at March 31, 2006 , which have not been deposited on account of dispute, are as below:-</p> | Statement of facts. |

AUDITORS' REPORT

MANAGEMENT'S REPLY

Name of the Statute	Nature of the dues	Amount (Rs. in lakhs)	Period to which it relates	Forum where disputes pending		
Income Tax Act, 1961	Tax/Interest/Penalty	3717.98	1997-98	High Court		
		62.16	1998-99	High Court		
		1950.92	1999-00	ITAT, CTC		
		3582.13	2000-01	-do-		
		2218.76	2001-02	-do-		
		3978.33	2002-03	CIT(A)SBP		
		8726.69	2003-04	-do-		
OST Act	Tax/Interest/Penalty	58.39	1975-76, 1991-92 to 2003-04	Corn/Asst.Com.Sales Tax, Cuttack.		
		85.47	1998-99 to 2003-04	Addl.CST, CTC		
		0.08	1982-83	Addl.CST, SBP		
		1.14	1985-86	Addl.CST, SBP		
		20.19	1990-91	-do-		
		278.34	1997-98	-do-		
		491.92	2000-01 to 2003-04			
		38.79	1997-98	Tribunal, Cuttack		
		0.49	2001-02	Addl.CST, CTC		
		57.77	1993-94	CTO, Angul		
		53.63	1994-95 to 1997-98	Tribunal, Cuttack		
		20.39	1998-99 to 2003-04	Appellate Authority		
		CST Act	Tax/Interest/Penalty	1.10	2004-05	Addl.CST, Cuttack
				98.33	2000-01	Appellate Authority
5.25	1985-86			Addl.CST, Sambalpur		
79.18	1986-87			-do-		
1.21	1989-90			-do-		
33.37	1990-91			-do-		
29.26	1995-96			-do-		
45.21	2000-01			Tribunal, Cuttack		
396.07	2000-01 to 2003-04			Addl.CST, Cuttack		
1.11	2001-02			ACST, Sambalpur		
Royalty	Interest on royalty, Royalty on Domestic Consumption coal	361.47	March, 06	DDMS, Talcher		
		11.10	1998-99	ADM, Angul		
		4.15	2000-01	Mining Authority		
Orissa Entry Tax	Entry Tax	2.04	2003-04	Addl.CST, Cuttack		
		14.90	2005-06	Addl.CST, Cuttack		
		0.54	2001-02	Tribunal, Cuttack		
		1.51	2003-04	Addl.CST, Cuttack		
		0.16	2002-03	Asst.CST, Sambalpur		
		138.48	2003-04 to 2004-05	CTO, Angul		

- vi. The Company does not have any accumulated losses and has not incurred cash losses during the financial year ended covered by our audit and the immediately preceding financial year. Statement of facts.

AUDITORS' REPORT

MANAGEMENT'S REPLY

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|--|---------------------|
| vii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution / bank. | Statement of facts. |
| viii. In our opinion and according to information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the Company. | No comments. |
| ix. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year. | Statement of facts. |

for **PATRO & CO**
Chartered Accountants

Sd/-

Rajendra Patro
Partner
Membership No. 19423

Bhubaneswar,
Date : 4th September, 2006