



Chairman's Speech

at the 37th Annual General Meeting



Shri N. C. Jha
Chairman-cum-Managing Director
Kolkata

September, 20, 2011



COAL INDIA LIMITED

A Maharatna Company

10, Netaji Subhas Road, Kolkata-700 001

COAL INDIA LIMITED

A Maharatna Company

Dear Members,

On behalf of the Board of Directors of your company, Coal India Limited, it is my pleasure to extend a very warm welcome to each one of you, at the **37th Annual General Meeting** of the Company. I would like to convey sincere gratitude to all of you to be with us on this momentous occasion.

The Annual Report for the Financial Year ended 31st March 2011, along with the Directors' Report, Audited Annual Accounts and Auditors' Report of your company are with you for some time now, and I assume them to be taken as read.

The Financial Year 2010-11 was particularly special for your Company as it made a spectacular debut on the bourses on Nov 4, 2010 being listed its shares with both the Stock Exchanges viz. BSE and NSE. It has been an enthralling experience not only for the Government and CIL, but also for the Indian capital market. In terms of size, it has been the largest IPO having garnered around Rs. 15,200 crores by selling only 10% of the equity. It gives me immense pleasure to state that at present, with the share price of Rs. 380.95 as on 9th September, 2011, your Company is one of the country's largest companies in terms of market capitalization with a market capitalization of around Rs. 2.42 lakh crores. Your Company's shares have been included in the Benchmark Sensex from 8th August'2011.

Maharatna Status to Coal India

On 11th April'2011, Govt. of India had conferred Coal India Ltd. "Maharatna Status". Chairman, CIL received the certificate from Her Excellency 'The President of India' in a function organized by SCOPE and Department of Public Enterprises at New Delhi. The Maharatna status provides greater financial autonomy to expand operations both domestically and globally. In four years' time from a normal profit making PSU, your Company became Mini Ratna, Navaratna and Maharatna.

Importance of Coal in Indian Economy

Today, India is among the fastest growing economies in the world. Energy is one of the major inputs for the economic development of any country. In developing countries, the energy sector assumes a critical importance in view of the ever-increasing energy needs requiring huge investments to meet them. Coal dominates the energy mix in India, contributing over 50% of the total primary energy production and is expected to continue to be crucial to India's future energy needs.

In fiscal 2011, coal produced by Coal India Limited accounted for 81.1% of coal production of India. There appears to be no dearth of market for coal, if it can be produced at a reasonable cost on a sustainable basis. Coal Industry in India shall continue its dominance as the primary source of energy for most part of the 21st century.

Vision

The strategic vision of your company is to place itself on a path of accelerated growth with enhancement in productivity, competitiveness and profitability while meeting the growing demand of coal in the country in an environmentally and socially sustainable manner. Your Company has formulated a 'Coal Vision 2020' document, to chart out a roadmap aimed to bring in the necessary transformation in the key areas to enable the company sustain its role as the largest coal provider to one of the world's fast growing economies.

Activities

We are the largest coal producing company in the world, based on our raw coal production of 431.32 million tonnes in the fiscal ended March'2011. Our coal production operations are primarily carried out through seven of our wholly-owned Subsidiaries in India. In addition, another wholly owned Subsidiary, CMPDIL, carries out exploration activities for our Subsidiaries and provides technical and consultancy services for our operations as well as to third-party clients for coal exploration, mining, processing and related activities. We have also established a wholly-owned subsidiary in Mozambique, Coal India Africana Limitada ("CIAL"), to pursue coal mining opportunities in Mozambique. Your Company has over three and a half decades of core competence across the entire coal business value chain starting from exploration, planning and design, operations, beneficiation and marketing. The principal product of your Company is raw coal, primarily non-coking. Your Company is also looking for diversification opportunities in the areas of Coal Bed Methane, Coal Gasification, Coal Liquefaction and Power Generation.

Coal production and consumption in India

According to CRISIL Coal Outlook, India is the third largest producer of coal in the world. The total coal production in India during fiscal 2008, 2009, 2010 and 2011 was 457.00 million tons, 492.76 million tons, 532.06 million tons and 533.08 million tons, respectively, representing a growth rate of 6.1%, 7.8%, 8.0% and 0.19%, during the said period. In addition, India is the third largest consumer of coal in the world. Coal meets 52.4% of the energy needs in India. Approximately 73.1% of the total coal in India was consumed only by the power sector during fiscal 2011, for generation of electricity in the country. In addition coal is also used in other industries such as steel, cement, fertilizers, bricks manufacturing, textiles and chemicals. Demand of coal from captive plants if projected to grow at a high rate, thereby increasing its share in total demand by fiscal 2014 (Source: CRISIL Coal Outlook). The primary energy consumption in India has grown by approximately 700.0% in the last four decades (Source: MoC, Gol).

Performance Highlights 2010-11

Production of raw coal during 2010-11 was 431.32 million tonnes as against 431.26 million tonnes produced in 2009-10. Overburden removed during 2010-11 was 732.13 million cubic metres as against 682.03 million cubic metres in 2009-10 thereby recording a growth of 7.3%. Off-take of raw coal continued to maintain its upward trend and reached 424.50 million tonnes for fiscal ended March'2011, surpassing previous highest figure of 415.96 million tonnes achieved during the last year. Although growth in coal production was marginal due to environmental constraints, off-take increased by 2.1% over last year.

Your Company and its subsidiaries have achieved an aggregate pre-tax profit of Rs. 16463.23 crores in 2010-11 against a pre-tax profit of Rs 13964.93 crores in 2009-10. Your Directors recommended dividend payment of Rs. 2463.38 crores @ Rs. 3.90 per share of Rs.10/- each. Out of total dividend, Govt. of India gets Rs. 2217.04 crores and other investors get Rs. 246.34 crores.

During the year 2010-11, your Company and its Subsidiaries paid/adjusted Rs. 9923.27 crores (previous year Rs. 7499.94 crores) towards Royalty, Cess, Sales Tax and other levies to Govt. exchequer.

Growth Profile

There are 149 ongoing projects in your Company having sanctioned capacity of 438.73 MTPA with total sanctioned capital of Rs. 25,938.77 Crores. Out of these, 85 projects have contributed 206.94 MT in 2010-11 and altogether 100 projects are expected to contribute 237.67 MT during 2011-12. In the terminal year of XII Plan period, i.e. 2016-17, the ongoing projects are estimated to contribute 326.85 MT of coal.

Out of 145 projects identified to be taken up during XI Plan, 80 projects having ultimate sanctioned capacity of 195.78 MTPA and sanctioned capital of Rs.11,293.27 Crores have already been approved and are in various stages of implementation. Out of these, 37 projects have already contributed 80.11 MT in 2010-11 and altogether 42 projects are expected to contribute 88.71 MT in 2011-12. Balance 65 identified projects of XI Plan period having total estimated capacity of 196.14 MTPA and estimated capital of Rs. 25,660.09 Crores are yet to be approved.

Outlook

We are the largest coal producing company in the world (Source: CRISIL Research), based on our raw coal production of 431.32 million tons in fiscal 2011. We are also the largest coal reserve holder in the world (Source: CRISIL Research) based on our reserve base as of April 1, 2011 i.e. 285.86 billion tons. According to the audited reserve and resource estimates carried out by SRK Mining Services (India) Private Limited and SRK Consulting (UK) Limited (collectively, "SRK"), independent mining and geological consultancy firms, and classified in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"), we had a total of 64,218.0 million tons of Total Resources, comprising 51,326.3 million tons, 9,924.4 million tons and 2,967.3 million tons of Measured Resources, Indicated Resources and Inferred Resources, respectively, as of April 1, 2010.

Coal Beneficiation

In order to supply improved quality and sized coal, your Company operates 17 coal washeries with a total capacity of 39.4 Mty. Out of these, 12 are coking coal washeries with a total capacity of 22.18 Mty and 5 are non-coking coal washeries with a total capacity of 17.22 Mty.

As a step towards reducing environmental pollution, your Company has decided to supply washed coal to all the non-pit head consumers in 1st phase. In this direction, we have taken action to set up 20 coal washeries with a total throughput capacity of 111 MTY in 1st phase and tender for 3 washeries for a capacity of 20 MTY has been finalized. The washed coal from these washeries will be supplied to Steel, Power, Cement industries. Increased use of washed coal will not only help in reduction of pollution level but also, apart from significant saving of transportation cost, leads to important operational spin-offs which directly contribute to improvement in plant performance thus leading to economic gain.

Your Company is also planning to construct more washeries in the 2nd phase to supply washed coal to as much consumers as possible. In search of state-of-the-art and new technologies for coal beneficiation, CIL's efforts are on for implementation of various R&D projects. The old and outlived coal washeries of CIL are also undergoing the process of modernization / renovation.

Refocus on Underground Mining

One of the most important strategic initiatives that your Company undertook is to bring into focus the need for enhanced underground mining activities.

A special purpose NIT document was formulated for developing 7 high capacity underground mines on long-term turnkey contract basis. The tenders were issued to short-listed parties. In absence of any response from the parties, subsidiaries were advised to reframe NIT document to make it more attractive for bidders and go for open global tender. One subsidiary has been able to finalize bids for 4 underground mines.

Foreign Venture Initiatives

A. Some Structured Deals

Coal Videsh Division of your Company is pursuing its foreign venture initiatives through some structured deals in order to import coal to India for securing energy security of the nation. A global Expression of Interest (EOI) was floated by your Company to select Strategic Partner(s) in preferred destination countries like Australia, USA, South Africa and Indonesia to acquire stakes in the existing or Greenfield coal resources under the following deal structures:

- Model - I:** Equity investment by CIL with long-term offtake contract at a price less than prevailing import price.
- Model - II:** Only long-term offtake contract on cost plus basis at a price less than prevailing import price, with financial assistance (if required) by way of loan from CIL for production augmentation.
- Model - III:** Formation of JV for exploration, development and operation of coal assets in any of the destination countries.

As an outcome of this initiative, conditions precedent non-binding offers have been sent to the identified coal companies in USA, Australia and Indonesia under Model-I and Model-III. Further confirmatory due diligence process in relation to the identified coal assets are in progress.

A global Expression of Interest for Contract for Long-term Off-take (CLTO EOI) under Model-II was floated in August 2010 consisting of two stages (i) Stage-I, inviting responses to Request for Qualification (RFQ) to short-list companies for long-term off-take contracts as per eligibility criteria agreed by CVC and (ii) Stage-II, Request for Proposal (RFP) from Stage-I shortlisted bidders.

On completion of Stage-I, Request for Proposal (RFP) were sent to the qualified bidders to furnish the quantity, quality, price and relevant port details for further evaluation of their proposals. The responses received against the RFP (19 proposals from 5 companies) are currently being examined and evaluated.

B. Coal India Africana Limitada (CIAL)

Your Company emerged as successful bidder in the global tender process run by Govt. Of Mozambique based on its proven core competence over the entire gamut of coal business value chain. The license will allow your Company to explore and develop the coal blocks over a period of 5 years. A 100% wholly owned subsidiary of your Company namely, Coal India Africana Limitada (CIAL), has been registered in August 2009 in Mozambique for investment in coal resources.

Your Company intends to start drilling and exploration activities in the leasehold area of the aforesaid coal blocks for which a tender was floated in the month of February, 2011 to undertake prospect in these coal blocks. Bids from the interested bidders have been received and the same are under evaluation. Meanwhile initiatives have also been taken to operationalize CIAL to oversee exploration and development of the coal blocks already under possession and to venture into further acquisition initiatives in Mozambique.

Safety – always a priority

We have always given the highest priority towards Safety which is, in your Company, considered as a part of its core production process. Your Company has well defined Safety Policy and formed multidisciplinary Internal Safety Organization (ISO) in every subsidiary company and also at CIL (HQ) to monitor implementation of safety policy.

Over the years the safety standard in your Company has been significantly improved due to commitment of the management, workers, regulators, well thought out and conscientious safety awareness drives, advanced and continuous training of the workforce, technological advances in the field of mining methods and equipment, strong oversight and required assistance from the Ministry of Coal. For instance, fatality rate per million tonne of coal produced in CIL has been reduced by 92% from 2.62 (in 1975 the year of formation of CIL) to 0.21 (2010).

To improve safety standard, your Company have vigorously pursued several measures in the year 2010-11 along with on-going safety related activities / initiatives apart from compliance of statutory requirements for safety.

Steps towards Environment

We subscribe to the view of sustainable development and are, therefore, committed to follow environmentally responsible practices and abide by relevant environmental laws and regulations. Though our mining operations involve degradation of land, we ensure to restore the degraded land by preparing a detailed Mine Closure Plan, which consists of progressive mine closure as well as final Mine Closure Plan, for all operating mines. Accordingly the mined out areas are reclaimed both technically and biologically by planting local species of plants. Back filling of mining voids by the overburden material, spreading of topsoil, its storing and preservation are the integrated part of the mining operation cycle.

The subsidiaries of your Company have planted around 74 million of trees, as a part of its afforestation programme. As per study taken up by forest department, on analysis of meteorological data for 1985 to 1995 and 1996 to 2002 in Singrauli Coalfields, annual average minimum and maximum temperatures have decreased and average annual rainy days as well as rainfall have increased, as a result of extensive plantation done by NCL.

In order to monitor the land reclamation work, your Company has introduced Satellite Surveillance Programme. Presently 163 OC projects are in operation in your Company out of which 49 major OCPs, excavating > 5 million cum. per year is monitored every year. Remaining 114 projects are being monitored once in 3 year. The satellite data compared on year-to-year basis shows the marked improvement in this field of land reclamation.

Your Company has taken a very serious proactive views on land reclamation and mine closure. Each subsidiary has been advised to identify one demonstration mine for model mine closure for implementation in the current year.

Besides, in all the subsidiaries, various mitigation measures against pollution of air, water and noise are taken. All the pollution parameters are monitored regularly to ensure compliance of requisite standards. In pursuit of maintaining high Environment standards and in a drive towards environmentally sustainable coal mining, every Year we are obtaining accreditation of ISO 14001 for many mines and other units. So far, 71 projects/units have been accredited.

Corporate Social Responsibility (CSR)

Your Company believes in 'mining with a human face' through a socially sustainable inclusive development. It pursues a structured CSR policy in and around the coal mining areas to improve quality of life with community consensus and inclusive participation. CSR activities include development of community infrastructure like school buildings, community hall, village roads, wells, tube wells, school furniture as well as Mahila Mandal Activities, Sports and Cultural activities, Medical Camps etc.

During 2010-11 an amount of Rs. 262.28 crores has been allocated for undertaking CSR activities by the coal companies.

Corporate Governance

Your Company has complied with the conditions of corporate Governance as stipulated in the Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) issued by the Department of Public Enterprises, Govt. of India and as provided in Clause 49 of the Listing Agreement.

Acknowledgements

I must sincerely thank you for your unstinted support and continued confidence in us. On behalf of the Board of Directors of your Company, I wish to convey sincere gratitude to you, our valued shareholders.

Ministry of Coal, Government of India has always provided us guidance, encouragement and support in all our pursuits. I acknowledge the support of the Government of India, the State Governments and all other concerned Authorities and Agencies.

Lastly, on behalf of the Board of Directors, I must heartily compliment all the employees of your Company whose dedication and commitment have earned us all the successes.

Thanking You

Jai Hind!



(N.C. Jha)

Chairman-cum-Managing Director