

CHAIRMAN'S SPEECH

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 **38th Annual General Meeting** of the Company. I would like to convey our sincere thanks to all of you to be with us on this occasion.

The Annual Report for the Financial Year ended 31st March 2012, along with Director's Report, Audited Annual Accounts and Auditor's Report of your Company are with you for sometime now, and I assume them to be taken as read.

The financial year 2011-12 was particularly special for our company as it :-

- (a) introduced GCV based grading and pricing of coal w.e.f. 1st January'2012 which is an internationally accepted practice.
- (b) concluded NCWA –IX negotiations with the trade-unions within 6 months from the date of notification – the first PSU to settle the wage revision.
- (c) declared an interim dividend @ of Rs.9.50 per share. Proposed final dividend of Re.0.50 per share. Thus the dividend payable would be Rs.10.00 per share for a face value of Rs.10/- per share i.e. 100% which is the highest dividend ever paid.

Coal India Limited- 'A MAHARATNA COMPANY'

On 11th April'2011, Govt. of India conferred "Maharatna Status" to Coal India Ltd. This is only the 5th PSU to have been conferred with such status. The Maharatna status will provide greater financial autonomy to expand its operations both domestically and globally. In four years' time from a normal profit making PSU, CIL attained the status of Mini Ratna in March'2007, Navaratna in October'2008 and now Maharatna, the highest status.

1. Importance of Coal in Indian Economy

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 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.

Coal India accounted for about 81% of total coal produced in India during the fiscal 2012. 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.

There is a huge demand for coal in the country. The demand of coal is projected to increase to about 980.5 Mt by 2016-17, out of which thermal coal demand constitutes about 90%. As against this demand, indigenous coal availability is projected optimistically at 795 Mt. This would call for addressing major production constraints in boosting the production capacity viz. enhance drilling for coal exploration, fast-tracking land acquisition and R&R issues, avoid delays in obtaining environmental and forestry clearances, timely construction and completion of infrastructural facilities for coal evacuation and greater thrust on R&D activities in coal sector. Unless these issues are resolved in a manner conducive to exploitation, extraction and expansion of coal reserves, there will always be a gap in demand-supply of coal and coal imports would be required to bridge the shortfall.

2. 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. The Board of Directors of your company had approved and adopted the corporate plan titled "Vision 2020". Vision 2020 envisages various measures aimed at improving coal supply and capability building. Necessary actions have been initiated to implement the vision.

3. Activities

We are the largest coal producing company in the world based on our raw coal production of 435.84 million tonnes in the fiscal ended March'2012. 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 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.

4. Performance Highlights

There has been a growth in all major physical parameters during the fiscal. Production of raw coal during 2011-12 was 435.84 million tonnes as against 431.32 million tonnes in 2010-11, a growth of 4.52 million tonnes over the last year. Off-take of raw coal was 433.08 million tonnes during 2011-12 compared to 424.50 million tonnes in 2010-11, a growth of 8.58 million tonnes over the last year. Overburden removed during the year was 735.14 million cubic metres as against 732.13 million cubic metres in 2010-11 thereby recording a growth of 3.01 million cubic metres over the previous year.

Your company is one of the largest profit making, tax and dividend paying enterprise. CIL and its subsidiaries have achieved an aggregate pre-tax profit of Rs. 21,272.66 crores in 2011-12 against a pre-tax profit of Rs. 16,463.24 crores in 2010-11 registering a growth of 29.21% over earlier year.

During the year 2011-12, your Company and its subsidiaries paid/adjusted Rs 16,245.61 Crores (Previous year Rs 9,923.27 Crores) towards Royalty, Cess, Sales Tax and other levies to Government exchequer.

Your Directors have recommended dividend payment of Rs. 6,316.36 crores @ Rs.10/- per share on 6316364400 Equity Shares of Rs.10/- each fully paid value at Rs.6,316.36 crores. Out of total dividend, Govt of India gets Rs. 5,684.72 crores and other shareholders get Rs. 631.64 crores.

5. Growth Profile

There are 147 on-going projects with an ultimate capacity of 437.08 Mty, in different stages of implementation. During the terminal year of XI Plan i.e. 2011-12, 85 ongoing projects have contributed 211.39 Mt and 100 ongoing projects, are planned to contribute 228.67 Mt during the 1st year of XII Plan i.e. 2012-13 & 136 ongoing projects have been planned to contribute 333.83 Mt during the terminal year of XII Plan i.e. 2016-17. Out of 147 ongoing projects, 80 projects have required forestry and environmental clearances, whereas environmental and forestry clearances are awaited for 13 & 34 projects respectively and for 20 projects both forestry and environmental clearances are awaited.

A total of 72 projects with an estimated capacity of 257.26 Mty have been identified to be taken up during XII Plan period. In addition to these projects, 59 identified XI Plan projects with an ultimate estimated capacity of 156.59 Mty and 2 X Plan identified projects shall also be taken up during XII Plan period. A total of 133 projects with an estimated capacity of 420.85 Mty are being planned to be taken up during XII Plan period. Out of these projects, 88 projects will contribute about 86 Mt during the terminal year of XII Plan i.e. 2016-17.

6. Outlook

We are the largest coal producing company in the world (Source: CRISIL Research), based on our raw coal production of 435.84 million tonnes in fiscal 2012. We are also the largest coal reserve holder in the world (Source: CRISIL Research) based on our reserve base as of April 1, 2010. 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 tonnes of Total Resources, comprising 51,326.3 million tonnes, 9,924.4 million tonnes and 2,967.3million tonnes of Measured Resources, Indicated Resources and Inferred Resources, respectively, as of April 1, 2010.

7. Forestry & Environmental Clearances

A total of 179 forestry proposals are awaiting forestry clearances. Out of these, 130 proposals are awaiting Stage-I and 49 proposals are awaiting Stage-II forestry clearances. The total area involved is 15656 Ha at Stage-I level and 13115 Ha at Stage-II level. Out of 179 proposals, 45 proposals are awaiting approvals at MoEF level (26 stage-I proposals and 19 Stage-II proposals). 26 forestry proposals awaiting clearance at MoEF Stage-I level are expected to contribute around 25 Mt and 19 proposals awaiting clearance at MoEF Stage-II level are expected to contribute around 69 Mt during the terminal year of XII Plan i.e. 2016-17.

57 environmental clearance proposals with an incremental capacity of 137 Mty are awaiting clearances at different levels. Out of these 57 proposals, 8 proposals with an incremental capacity of 14.44 Mt are awaiting TOR approval, 3 proposals with an incremental capacity of 21.86 Mt are awaiting dates for EAC meeting and 29 proposals, with an incremental capacity of 77.26 Mt are awaiting final clearance. Out of these 57 proposals, 15 proposals require forestry clearance (Stage-I level).

8. Other Strategies

For augmentation of underground production, manual mines are being converted to semi-mechanised bord & pillar mining with LHD (Load Haul Dumper)/SDL(Side Discharge Loader) and fully mechanized mass production technology with Continuous Miner (CM) and Power Support Longwall (PSLW) faces in phases. UDMs (Universal Drilling Machine) are being deployed to increase productivity of SDL/LHD mines as well as safety of the workers in the mines. Man-Riding system is being installed to fully utilize shift hours to increase productivity and ensuring safety of the personnel. For reworking some of the identified abandoned mines, Company is in the process of formulating business model in line with MDO (Mine Developer & Operator) concept.

9. 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 for a cleaner environment, your company has decided to supply washed coal mainly to non pithead consumers initially. In this direction, action has been taken to set up 20 coal washeries with a total throughput capacity of 111.1 Mty (6 coking coal- 19.1 Mty & 14 non coking coal- 92 Mty) in the 1st phase and tender for 4 washeries with a total capacity of 22.5 Mty has been finalized. The washed coal will be supplied mainly to steel plants, thermal power plants, cement plants, etc. Increase in use of washed coal will not only help to reduce pollution level but also result in saving transportation cost and improvement in steel/power plant performance thus leading to economic gain. These washeries are scheduled to be commissioned in XII Plan period.

Your company is also formulating plan to set up more coking and non coking coal washeries in the 2nd phase for supply of washed coal to more number of consumers. The

search for state-of-art and innovative technologies in the field of coal beneficiation is on and in this direction, some R&D projects have been approved for implementation. The existing old washeries are also undergoing renovation.

10. Turning Point in Coal Grading & Pricing

Your company has introduced GCV based grading & pricing of coal with effect from 1st January, 2012. This is a watershed in the commercial energy pricing regime and in compliance of Government's order to switch over from the traditional Useful Heat Value (UHV) based system of grading and pricing of non-coking coal produced in the country to Gross Calorific Value (GCV) based system, which is an internationally accepted practice.

11. Foreign Venture Initiatives

Coal India Limited being the leading energy supplier of the nation has been entrusted with the responsibility of meeting the coal demand of the nation, if required, even through imports. In this direction, your company has already acquired two coal blocks in Tete Province in Mozambique and has registered its wholly owned subsidiary, Coal India Africana Limitada (CIAL), in Mozambique for exploration and development of these coal assets. CIAL has become fully operational. The job of Environmental Impact Assessment (EIA) and preparation of Environmental Management Plan (EMP) for drilling stage has been taken up and the drilling activities are expected to start in the next financial year. The activities for acquisition of coal block at South Africa have been initiated starting with execution of Memorandum of Understanding (MOU) with Provincial Government of Limpopo for exploration and development of coal blocks in Limpopo Province.

12. Safety – always a priority

Safety is always our highest priority. Safety is embedded in our mission statement. All our operations and systems are so planned and designed to eliminate or reduce mining hazards. Our endeavour for achieving superior standards of safety and best operational practices are continued. We encourage our employees' representatives for joint consultations on safety matters and secure their motivation and commitment in safety management. We prepare Annual Safety Plan at the beginning of every calendar year, unit-wise and for the company as per respective geo-mining needs. We have also established multi-level monitoring mechanism for implementation of safety plan.

Over the years the safety standards of our mines have significantly improved due to genuine commitment by the management, workers and regulators collectively, through well thought out and conscientious safety awareness drives, advanced and continuous training of our workforce, technological advancement in the field of mining methods and machineries, strong oversight with required assistance and support from all quarters. In the last year, fatalities due to mine accidents have reduced to the lowest level (52) since the inception of our company in 1975.

To improve the safety standard, we are continuously pursuing several safety measures along with on-going safety activities and initiatives apart from compliance of statutory requirements.

13. R&R Policy of CIL, 2012.

Coal India Limited recognizes that its business activities have direct and indirect impact on the society in which it operates. Therefore, as a sound business practice it gives due consideration to the interests of all its stakeholders including the project affected people. In line with the above, Company reviewed the existing R&R Policy-2008 and a revised Resettlement & Rehabilitation Policy- 2012 has been approved by your company Board in March, 2012.

The revised R&R Policy of CIL - 2012 provides multiple options to the land losers and more flexibility to the Board of Subsidiary Companies to meet unique R&R problems in order to have faster land acquisition.

14. 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.

We believe in cultivating a socially sustainable inclusive development which can contribute to build the better sustainable community through sound business activities and touching the lives of millions of people positively by supporting environmental and health-care projects and social, cultural and educational programmes. During 2011-12, an amount of Rs. 553.33 Crores has been allocated for undertaking CSR activities by the coal companies.

15. Steps towards Environment

We are committed to follow environmentally responsible practices and adhere to the relevant environmental laws and regulations in all aspects of our business from mining to marketing and striving for the continued improvement of environmental conditions in and around our operational areas. The company has adopted a Corporate Environmental Policy, duly approved in 1995. Since then, due to changing environment scenarios with promulgation of new environmental regulations/laws and considering the new methodologies and new areas to be addressed, the Environmental Policy (1995) has been improved and the revised Environmental Policy has been approved by your company Board in March 2012.

Measures are being taken to ensure that mining and associated operations have minimum impact on the surrounding air quality, water quality, noise level and soil quality, hydro-geology, land use pattern and socio-economic profile of the nearby population. The mitigation measures include dust suppression in mines through fixed and mobile water sprinklers. Effluent treatment facilities for mine effluent, workshop effluent and CHP effluent like oil & grease traps, sedimentation ponds and facilities for storage of treated water and its reuse have been provided for all the major projects. Domestic wastewater treatment facilities have also been provided to deal with the domestic effluent. The level of pollutants are being monitored on routine basis to ascertain the efficacy of the pollution

control measures being taken in the projects. Additional remedial measures are taken, if required, to keep the pollutant level within the limits prescribed by regulatory bodies.

We are committed to restore the degraded land and the mined out areas which are reclaimed both technically and biologically by grading, top soiling and planting local species of plants. Since beginning, the subsidiaries of your company have planted around 76 million trees over an area of around 33000 Ha. The plantation works are carried through concerned State Forest Corporations. To have a more scientific approach, in BCCL the work is being executed by Forest Research Institute, Dehradun on experimental basis.

We have developed comprehensive mine reclamation and rehabilitation strategies for each of our mines and the same is being implemented as per the Environmental Management Plan approved by MoEF. Back filling of mining voids by the overburden material, preservation of topsoil, its storing and use during the plantation are the integrated part of the mining operation cycle. Concurrent reclamation and rehabilitation of mined out areas are taken for gainful land use, wherever feasible. The land reclamation and rehabilitation operations are being monitored by Satellite Surveillance. 50 major OCPs excavating more than 5 Mm³ (Coal+OB) per annum are being monitored every year while remaining OCPs excavating less than 5 Mm³ (Coal+OB) per annum are being monitored every 3rd year. This gives a clear picture of reclamation, which otherwise difficult to accurately estimate.

16. Wage Negotiations

The National Coal Wage Agreement-IX was signed for a period of 5 years i.e. from 01-07-2011 to 30-06-2016 for the non-executive employees of Coal Industry in the meeting of JBCCI-IX (Joint Bipartite Committee for the Coal Industry) held on 31st January, 2012.

17. 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.

18. Expectation

I am confident that your company shall continue its move for achieving greater heights in future, meet the expectation of all the stakeholders and the nation at large with the dedicated performance at all levels.

19. 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.

Thank You

Jai Hind!

S. Narsing Rao
Chairman