



## **SCHEDULE – M**

### **A. SIGNIFICANT ACCOUNTING POLICIES**

#### **1.0 ACCOUNTING CONVENTION**

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

#### **2.0 BASIS OF ACCOUNTING**

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

#### **3.0 SUBSIDIES / GRANTS FROM GOVERNMENT**

3.1 Subsidies / Grants on Capital Account 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.

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

#### **4.0 FIXED ASSETS:**

##### **4.1 Land:**

Land includes cost of acquisition, compensation and cash rehabilitation expenses incurred for concerned displaced persons. Other expenditure incurred on acquisition of Land viz. resettlement cost, compensation in lieu of employment etc. are, however, treated as revenue expenditure.

##### **4.2 Plant & Machinery:**

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

##### **4.3 Railway Sidings:**

Pending commissioning, payments made to the railway authorities for construction of railway sidings are shown under Capital Work-in-Progress.

#### 4.4 **Development:**

Expenses net of income of the projects / mines under development are booked to Development Account and grouped under Capital Work-in-Progress till the projects / mines are brought to revenue account. Except otherwise specifically 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 constructions, 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 the value of production is more than total expenses,

- Whichever event occurs first.

#### 4.5 **Prospecting & Boring and other Development Expenditure:**

The cost of exploration and other development expenditure incurred in one “Five year” plan period will be kept in Capital Work-in-progress till the end of subsequent two “ Five year” plan periods for formulation of projects before it is written off except in the case of Blocks identified for sale or proposed to be sold to outside agency which will be kept in CWIP till finalisation of sale.

#### 5.0 **INVESTMENTS:**

All investments, being long term in nature, are stated at cost.

#### 6.0 **INVENTORIES:**

- 6.1 Book stock of coal / coke is considered in the Accounts where the variance between book stock and measured stock is up to +/- 5% and in cases where the variance is beyond +/- 5% the measured stock is considered. Such stock are valued at Net Realisable Value or cost whichever is lower.
- 6.1.1 Slurry, middling of washeries are valued at net realisable value.
- 6.2 Stock of stores and spare parts at Central & Area Stores are valued at cost calculated on the basis of weighted average method. The year-end inventory of stores and spare parts lying at collieries / sub-stores / consuming centres, initially charged off, are valued at issue price of Area Stores, Cost/estimated cost. Workshop jobs including work-in-progress are valued at cost.

### 6.2.1 Stores & Spares

The closing stock of stores and spare parts has been considered in the Accounts as per balances appearing in priced stores ledger of the Central Stores and as per physically verified stores lying at the collieries/units.

### 6.2.2 Stores & Spare Parts include loose tools.

### 6.2.3 Provisions are made at the rate of 100% for unserviceable, damaged and obsolete stores and at the rate of 50% for stores & spares not moved for 5 years.

### 6.3 Stock of stationery (other than lying at printing press), bricks, sand, medicine (except at Central Hospitals), aircraft spares and scraps are not considered in inventory.

## 7.0 DEPRECIATION

### 7.1 Depreciation on Fixed Assets is provided on straight line method at the rates and manner specified in Schedule XIV of the Companies Act, 1956 (as amended) except for :

(a) The Earth Science Museum	5.15%
(b) High Volume Samplers and Respiratory Dust	33.33%
(c) Telecommunication Equipments	15.83%
(d) General Communication / Instrumentation Systems	10.55%

Depreciation on such equipments is charged over the technically estimated life, at higher rates.

Further, depreciation on certain Equipments / HEMM is charged over the technically estimated life at higher rates viz. 11.88%, 13.57% and 15.83% as applicable. Depreciation on the assets added /disposed off during the year is provided on pro-rata basis with reference to the month of addition/ disposal.

Furthermore, SDL is considered having a life of 5 years or stipulated 16500 working hours whichever is later and LHD is consider having a life of 6 years or stipulated 21500 working hours, whichever is later; based on which depreciation is considered suitably.

Depreciation after major overhauling of Helicopter is charged @ 6.33% p.a., based on its expected year of life / flying hours.

Depreciation on the assets added / disposed off during the year is provided on pro-rata basis with reference to month of addition / disposal, except on those assets attracting 100% depreciation p.a. (SLM basis), which are fully depreciated in the year of their addition.

### 7.2 Value of land acquired under Coal Bearing area (Acquisition & Development) Act, 1957 is amortised on the basis of the balance life of the project. Value of leasehold land is

amortised on the basis of lease period or balance life of the project whichever is earlier.

- 7.3 Prospecting, Boring and Development expenditure are amortised from the year when the mine is brought under revenue, in 20 years or working life of the project whichever is less.

## **8.0 IMPAIRMENT OF ASSETS**

- 8.1 Impairment loss is recognised wherever the carrying amount of an asset is in excess of its recoverable amount and the same is recognized as an expense in the statement of profit and loss and carrying amount of the asset is reduced to its recoverable amount.
- 8.2 Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

## **9.0 FOREIGN CURRENCY TRANSACTIONS**

- 9.1 Year-end balance of foreign currency transactions is translated at the year-end rates and the corresponding effect is given in the respective accounts. Transactions completed during the year are adjusted on actual basis.
- 9.2 Transactions covered by cross currency swap options contracts to be settled on future dates are recognised at the year-end rates of the underlying foreign currency. Effects arising out of such contracts are taken into accounts on the date of settlement.

## **10.0 RETIREMENT BENEFITS**

- a) Defined contribution Plans :

The company makes contributions towards Provident Fund and Pension Fund to a defined contribution retirement benefit plan for qualifying employees. The Provident Fund and Pension fund are operated by the Coal Mines Provident Fund (CMPF) Authorities. As per rules of these schemes, the company is required to contribute a specified percentage of pay roll cost to the CMPF authorities to fund the benefits.

- b) Defined Benefit Plans :

The year-end liability on account of gratuity and leave encashment is provided on actuarial valuation basis by applying projected unit credit method. Further the company has created a Trust with respect to establishment of Funded Group Gratuity (cash accumulation) Scheme through Life Insurance Corporation of India. Contribution is made to the said fund based on actuarial valuation.

- c) Other employee Benefits :

Further year-end liability of certain other employee benefits viz. benefits on account of LTA/LTC; Life Cover Scheme, Group Personal Accident Insurance Scheme, Settlement Allowance, Retired Executive Medical Benefit Scheme and compensation to dependants of deceased in mine accidents etc. are also valued on actuarial basis by applying projected unit credit method.

#### **11.0 RECOGNITION OF INCOME AND EXPENDITURE**

Income and Expenditure are generally recognised on accrual basis and provision is made for all known liabilities.

#### **12.0 BORROWING COST**

Borrowing cost directly attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as expenses in the period in which they are incurred.

#### **13.0 TAXATION:**

Provision of current income tax is made in accordance with the Income Tax Act, 1961. Deferred tax liabilities and assets are recognised at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period.

#### **14.0 PROVISION:**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the balance sheet date.

#### **15.0 CONTINGENT LIABILITY:**

15.1 Contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise or a present obligation that arises from the past events but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligations or reliable estimate of the amount of the obligations can not be made.

15.2 Contingent liabilities are not provided for in the accounts and are disclosed by way of

Notes.

#### **16.0 PRIOR PERIOD ADJUSTMENT**

Income/ Expenditure items relating to prior period(s) which do not exceed Rs.5.00 lakhs in each case are treated as income/expenditure for the current year.

#### **17.0 OVERBURDEN REMOVAL (OBR) EXPENSES:**

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

The reported quantity of overburden is considered in the Accounts where the variance between reported quantity and measured quantity is within the permissible limits 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 CUM	+/- 5%	0.03
Between 1 and 5 Mill CUM	+/- 3%	0.20
More than 5 Mill CUM	+/- 2%	-



## **SCHEDULE – M**

### **B. NOTES ON ACCOUNTS**

#### **1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

- 1.1 The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Parent Company, i.e. year ending 31<sup>st</sup> March.
- 1.2 The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting. The accounts of the subsidiaries have been prepared in accordance with the Accounting Standard issued by the Institute of Chartered Accountants of India and on the basis of accounting principles generally accepted in India.

#### **2 PRINCIPLES OF CONSOLIDATION**

- 2.1 The consolidated financial statements relate to Coal India Limited and its wholly owned subsidiary companies, namely, Eastern Coalfields Limited (ECL), Bharat Coking Coal Limited (BCCL), Central Coalfields Limited (CCL), Northern Coalfields Limited (NCL), Western Coalfields Limited (WCL), South Eastern Coalfields Limited (SECL), Mahanadi Coalfields Limited (MCL) and Central Mine planning & Design Institute Limited (CMPDIL). The financial statements of MCL has been consolidated with its two subsidiary companies – M/s, MNH Shakti Limited and M/s, MJSJ Coal Limited. The financial statements of the company and its subsidiary companies are combined on a line-by-line basis adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standards – 21 “ Consolidated Financial Statements” issued by the Institute of Chartered accountants of India.
- 2.2 Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from individual financial statements, which fairly present the needed disclosure.

#### **3 FIXED ASSETS**

- 3.1 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.
- 3.2 The transfer formalities from the Holding Company and other subsidiaries have not been completed and consequently some documents continue to be held in the name of the Holding Company and other subsidiaries.

- 3.3 Land acquired under Coal Bearing Areas (Acquisition and Development) Act, 1957 and Land Acquisition Act, 1984 is accounted for on payment basis and the same is shown as Leasehold land.
- 3.4 Land includes certain land taken on possession by the company for which legal formalities in respect of title deeds are pending.
- 3.5 The assets taken over on nationalisation by Bharat Coking Coal Limited amounting to Rs. 1145.81 lakhs being gross value of assets including land valuing Rs.88.30 lakhs (quantitative and value-wise details of which are not available ) on which depreciation has been fully provided for in the Accounts except land.
- 3.6 41959.32 Ha of land at Central Coalfields Ltd has been acquired under CBA (A&D) Act, 1957. Out of this, approximately 13644.32 Ha. is tenancy land and rest is forest and GMK land. Out of 13644.32 Ha. of tenancy land compensation has been assessed for 6578.32 Ha. for an amount of Rs.3253 lacs. Out of this an amount of Rs.3087 lakhs has been paid and the balance is being paid by holding regular payment camps in different projects.
- 3.7 In respect of Chandrapur area of Western Coalfields Limited, till date the ownership of land valued at Rs. 2324.66 lakhs has not been vested with the Area, the amount paid is kept in advance account and shown in Capital Commitments. Similarly, in Kanhan area an amount of Rs. 132.71 lakhs paid to forest department for acquisition of land for Kothideo OC patch , is kept in Advance account as the final clearance from the forest department is pending and hence the ownership of land has not vested with the Area.
- 3.8 DFD Plant and CBE Plant at Western Coalfields Limited continue to remain inoperative during the year. CBE Plant stands closed since 28.04.03 and DFD Plant since 1994. Leasehold Land of DFD Plant is being amortised over the lease period of 30 years. Plant & Machinery of CBE Plant excepting hospital equipments has been disposed of by auction through MSTC. All the other assets of both these plants are carried in the books at a residual value of 5% of their cost.
- 3.9 Discarded/Surveyed off assets of Western Coalfields Ltd.and Mahanadi Coalfields Limited amounting to Rs.2265.79 lakhs ( Rs. 1851.36 lakhs) valued at residual 5%, have not been physically verified. Against which there is a provision of Rs.645.93 lakhs (Rs.457.62 lakhs).
- 3.10 In Central Coalfields Limited, provision of Rs.18.26 lakhs (Rs.618.92 lakhs) has been made during the year for unserviceable/damaged/obsolete stores and also for Stores & Spares unmoved for five years. The provision of Rs.3159.24 lakhs (Rs. 4086.47 lakhs) after withdrawal of excess provision of Rs.945.49 lakhs as on 31.03.2009 is considered adequate.
- 3.11 Fixed assets comprising of Plant & Machinery of Rs.218.99 lakhs related to building and

other assets of Rs.1625.37 lakhs, both at book value (WDV) as on 31.03.95 have been let to the Indian Institute of Coal Management, a registered society under Societies Registration Act 1860, under cancellable operating lease agreement. Addition to these assets from letting out to 31-03-2009 are Rs.370.35 lakhs on value of plant & machinery and Rs.381.41 lakhs on value of building and other assets. The cumulative provision for depreciation upto 31.03.2008 stood at Rs.1084.45 lakhs (including depreciation charged for the current year of Rs.69.25 lakhs). The net WDV of the leased assets as per book as on 31-03-2008 is Rs.1638.83 lakhs.

- 3.12 As per lease agreement dated 31<sup>st</sup> March 1993 executed with Dishergarh Power Supply Company Ltd., Eastern Coalfields Limited leased out 2X10MW Chinakuri Thermal Power station including land, building, plant & machinery etc. The lease agreement is for 20 years from the commencement of lease w.e.f. 01-04-1991. The gross value of Power Plant, Building and other assets is Rs. 4024.00 lakhs (Rs.4024.00 lakhs); Rs.1019.64 lakhs (Rs.1019.64 lakhs) and Rs.772.61 lakhs (Rs.772.61 lakhs) respectively. The cumulative depreciation upto 31.03.09 against the abovementioned assets is Rs. 3806.84 Lakhs (Rs. 3700.47lakhs); Rs.575.60 Lakhs ( Rs.544.35 lakhs) and Rs. 612.72 Lakhs (Rs.584.67 lakhs) respectively.
- 3.13 The lease rental for the year Rs.350 lakhs (Rs.350 lakhs) has been received.
- 3.14 In terms of license agreement dated 19<sup>th</sup> day of March 2001 executed with M/s Appollo Hospital Enterprise Ltd. Chennai, South Eastern Coalfields Ltd has granted a right to occupy and use the fully constructed main hospital building measuring 2,97,099.74 sq. ft. and the residential quarters measuring 55,333 sq. ft. with super structures on the land such as sub station building, sewerage treatment plant and pump house. The cost of the gross assets is Rs.3132.21 lakhs (Rs.3132.21 lakhs) against which cumulative depreciation is Rs. 550.84 lakhs (Rs. 494.84 lakhs). The license agreement provides for a lease period of 30 years from the effective date of commencement of lease i.e. November 2001. The future minimum lease payments in the aggregate during the period of lease are Rs.3249.53 lakhs (Rs. 3585.42 lakhs)

The lease rental payable is accounted for as per agreement. During the year Rs.237.00 Lakhs (Rs. 249.00 lakhs) has been accounted for against the said lease rent.

- 3.15 Pending receipt of option from the land oustees, on account of resettlement compensation payable, based on past experience, Rs.377.49 lakh have been capitalized, by Northern Coalfields Limited, as the cost of leasehold land, on an estimated basis.

#### **4. CAPITAL-WORK-IN-PROGRESS**

- 4.1 Provision has been made on Plant & Machinery which have not been put to use for more than three years and on incomplete civil jobs lying for more than four years at the rates of depreciation which would have been otherwise applicable to such items.
- 4.2 “Prospecting & Boring” and also Development shown under Capital-Work-in-Progress

mostly relates to jobs awaiting completion.

## **5. DEVELOPMENT EXPENDITURE**

Expenditure relating to projects yet to be sanctioned or construction yet to be taken up has been carried forward under “Prospecting & Boring under construction”. Development expenditure of South Eastern Coalfields Limited has been shown in the accounts after deduction of Rs. 1154.79 lakhs (Rs.925.19 lakhs) being sale of coal from development mines and Rs.57.36 lakhs (Rs. 32.33 lakhs) being closing stock of coal at development mines.

## **6. INVENTORY**

- 6.1 Coal of 471361 MT mixed with matti etc. is non-vendable and has been taken at NIL value by Eastern Coalfields Ltd.
- 6.2 Shortage of coal at Rajmahal OCP of 19.54 lakhs ton including fired stock valued at Rs.6385.73 lakhs was accounted for by Eastern Coalfields Limited in accounts of 2007-08 for which enquiry is in progress.
- 6.3 Inventories of Bharat Coking Coal Ltd do not include 0.91 lakhs tones of slurry stock flown out of Washery premises and lying on land not belonging to the company (Dugda Washery 0.54 lakh tones and Barora Washery 0.37 lakh tones).
- 6.4 A provision of Rs.210.00 lakhs was made in the accounts of 2006-07 pending investigation of shortage/difference in the closing stock of raw coal as on 31.03.07 in between the Kathara colliery and Kathara washery under Central Coalfields Limited. The said provision has been retained as on 31.03.2009 as considered necessary.
- 6.5 Some blocks at Western Coalfields Limited are held for sale. In conformity with As-2 expenses on Agarzari block of Chandrapur Area falling in this category amounting to Rs.99.11 lakhs have been transferred to Inventory schedule and for similar reasons, in Nagpur Area an amount of Rs.403.01 lakhs has been transferred to Inventory from Capital Work-in-progress.

Similarly, prospecting, boring and development expenditure of Mahanadi Coalfields Limited on allotted non-CIL blocks meant for sale amounting to Rs.1054.51 lakhs has been shown as Inventories at cost.

## **7.0 SUNDRY DEBTORS**

- 7.1 At Western Coalfields Limited, Ministry of Power, Government of India, had advised Madhya Pradesh Power Generation Corporation Ltd. to securitise outstanding principal and interest upto 30-09-2001 of Rs.17194.00 lakhs and Rs. 2199.00 lakhs respectively.

MPGCL has securitised Rs.12391 lakhs in 2003 leaving Rs.7002 lakhs as un-securitised.

- 7.2 In Western Coalfields Ltd. The Government of Madhya Pradesh by Gazette Notification dated 30.09.2005 imposed a new tax under “Madhya Pradesh Gramin Avsanrachana Tatha Sadak Vikas Adhiniyam, 2005”. This adhiniyam provides for charging of tax @ 5% on annual value w.e.f. 30.09.2005. Some consumers as well as WCL moved the Hon’ble High Court of Madhya Pradesh, Jabalpur and obtained interim relief. As per the interim order dated 15.02.2006, the Hon’ble High Court, Jabalpur had directed the Company not to deposit this tax to the State Government but to keep it in a fixed deposit. The matter was later dismissed by the Jabalpur High Court in favour of the MP Government. WCL has filed a Writ before the hon’ble Supreme Court and the matter is still sub judice. Total amount due as per bills raised is Rs.13484.48 lacs (P.Y. Rs.10838.21 lacs). An amount of Rs.435.71 Lacs collected from coal consumers towards Sales/Entry Tax on Gramin Tax has not been deposited due to dispute regarding Gramin Tax.

SAIL has not made payment of this tax, totaling Rs.1917 lacs upto 31.03.2009, to the Company but consented to abide by decision of hon'ble Supreme Court. For other consumers the Company has received upto 31.03.2009 an amount of Rs.1688 lacs on this a/c. which is shown under Advances and Deposits from Customers. An amount of Rs. 319 lacs against the receipt of Rs.319 lacs on account of MP Tax during the year 2008-09 is deposited in fixed deposit as on 31.03.2009. Interest on such fixed deposits is treated as liability by WCL. The case is now pending in the hon'ble Supreme Court of India.

- 7.3 Sundry debtors balances are subject to confirmation by the parties.

## **8.0 LOANS AND ADVANCES**

- 8.1 Out of Rs.492.16 lakhs deposited with SEC Railway by Mahandai Coalfields Limited for railway overbridge, Rs.333.94 lakhs has been adjusted till date as asset not belonging to company. The balance of Rs. 158.22 lakhs (Rs. 167.16 lakhs) is to be adjusted on receipt of final utilisation certificate from SEC railway.

- 8.2 An amount of Rs.3335.94 lakhs has been deposited by Mahanadi Coalfields Limited with East Coast Railways for renovation of railway tracks as depository work in Jagannath area. The utilization report thereof upto 31.03.2009 has not been submitted by railways. On the basis of estimation given by the company’s the executive department, Rs. 783.47 lakhs has been charged to revenue giving corresponding credit to liability.

An amount of Rs.880.81 lakhs is paid to SEC Railway as advance for line electrification for Hingula area.

- 8.3 The debit balance in tax deducted at source of Rs.1469.85 lakhs (Rs. 1318.03 lakhs) under the head Loans & Advances of Eastern Coalfields Limited represent income tax deducted for several years but remaining un refunded.

- 8.4 The expenditure incurred for carrying out exploratory drilling in blocks under Eastern Coalfields Ltd. command area by CMPDIL as per the approved Annual Action Plan of Coal India Limited and its subsidiaries, in view of critically weak financial position of Eastern Coalfields Limited, now under BIFR, shall initially be borne by Coal India Limited and accounted for suitably in holding company's books for recovery thereof only when mining activities in that block is projectised and implemented. Such expenses on exploratory drilling in blocks under command area of Eastern Coalfields Limited is to be funded by holding company and awaiting adjustments shall continue to reflect in holding company's book for 5 years since they were incurred and accounted for thereafter if remains unresolved / unadjusted for want of projectisation of mining activities, such unadjusted amounts shall be written off in the books of holding company.

The total amount on this account as on 31-03-09 stood at Rs. 5007.67 lakhs including current year addition of Rs.1236.94 lakhs. However, as an abundant precaution it has been fully provided.

Further, considering the expiry of five years from the date of incurring and accounting of such expenses an amount of Rs. 675.51 lacs (Rs.950.86lakhs), for which full provision exists on the date has been written off.

- 8.5 Notices were served on Western Coalfields Limited during 2007-08 on HQ, Umrer & Nagpur Areas raising demands of income tax on 'deemed perks' for rental accommodation provided to employees for the period 2004-05 to 2006-07. The company filed appeals before the CIT (Appeals), Nagpur who insisted on payment of the demand with interest in order to admit the appeals. Accordingly, the company has paid the demand of Rs. 338.84 lakhs during 2007-08 on account of HQ, Umrer & Nagpur Areas. The same has been booked under Advances Recoverable from Employees. A total of 75 appeals were filed and the same were disposed off in favour of the company. However, the income tax department filed writ before the Bombay High Court, Nagpur Bench which is pending for want of COD permission to the department.
- 8.6 Loans and Advance includes Rs.342.99 lakhs (Rs.342.99 lakhs) paid by Mahanadi Coalfields Limited to GRIDCO/OPTCL for construction of 220KV overhead line and 3/20 MVA 220 KVA sub-station at Garjanbahal.
- 8.7 Advance payment for Sales tax of Rs.3710.46 lakhs (Rs. 2591.57 lakhs) by Northern Coalfields Limited includes Sales Tax and Entry Tax paid under protest of Rs.2437.90 lakhs (Rs.2116.53 lakhs), which pertains to the cases under appeal.
- 8.8 Loans and Advances include an amount of (USD 2.6544 million) Rs.1358.74 lakhs, being 15% advance against supply of Plant & Machinery to W.J. Area of Bharat Coking Coal Limited valuing USD 17.692 million by M/s, Zhenzhou Coal Mining Machinery (Group ) Co.Ltd . China. Advance is supported by bank guarantee.
- 8.9 Year-end provision of Eastern Coalfields Limited includes Rs.275.84 lakhs (Rs.275.84

lakhs) and net un-linked debit and credit balances of advance to suppliers and Sundry Creditors appearing prior to March 1985 has been adjusted / written off as approved in 228<sup>th</sup> meeting of Board of Directors of ECL held on 22<sup>nd</sup> June 2009.

- 8.10 In Eastern Coalfields Limited, amount of Rs. 1585.78 lakhs (Rs. 1588.86 lakhs ) for net un-reconciled advance to suppliers, contractors, employees with the corresponding liabilities appearing in the accounts after 31<sup>st</sup> March,1985.

## **9.0 CASH AND BANK BALANCE**

It includes Rs.116.12 lakhs (including OREEP Tax), out of which Rs.96.60 lakhs represent amount received by Mahanadi Coalfields Limited from Hon'ble Supreme Court of India towards corpus fund of trust and the balance of Rs. 19.52 lakhs being interest thereon. As per directives of the court, the interest income is to be utilised for welfare of employees. The trust is yet to be formed. It also includes Rs.20.00 lakh deposits with SBI, Mahanadi Coal Complex earmarked for corpus fund of Utkal Rangamanch Trust, interest income of which is disbursed to the trust.

## **10. CURRENT LIABILITIES**

- 10.1 Advance from customers includes cess on coal which includes principal of Rs.840.27 lakhs (net of payments) and interest of Rs. 947.11 (net of payments) against receipt from Government of Orissa in the year 2005-06 by Mahanadi Coalfields Limited as per directive of Hon'ble Supreme Court judgement dated 31-07-2001. The company has provided interest of Rs.100.83 lakhs (Rs.100.84 lakhs) calculated at the rate of 12% for the unpaid principal amount of cess liability as the money is refundable to the customers. The total liability becomes Rs.2142.88 lakhs (Rs.2042.05 lakhs) as at 31-03-2009. The company has not identified the customers / parties to whom the refund is to be made. Finalisation of modalities for refunding the same to the customers/ parties is yet to be done.
- 10.2 The Current Liabilities and Provision includes Rs. 746.73 lakhs (Rs.800.30 lakhs) on account of provision taken towards stowing and stabilization of unstable workings of Deulbera colliery under Mahanadi Coalfields Limited. This provision is in addition to the current year expenditure (other than expenditure on Salaries & Wages) of Rs. 53.57 lakhs (Rs.144.11 lakhs) against comprehensive scheme of Rs.944.41 lakhs (Rs.944.41 lakhs) (excluding Salaries & Wages). As the stabilization of unstable workings of Deulbera colliery through sand stowing is being carried out by existing departmental manpower, Salaries and Wages for Rs.1643.53 lakhs (Rs.1643.53 lakhs) being part of the scheme has not been provided for.
- 10.3 In the process of making payment of cess by Eastern Coalfields Limited on the annual value of coal bearing land based on average production of preceding two years valuing at a rate prevailing on 31-03-2008 and realization made from customers on the value of despatches of coal there remains a balance accumulating to Rs.91797.42 lakhs (Rs. 86227.44 lakhs), which has been shown in Cess Equalisation Account under Current

Liabilities and Provision. There is an additional demand of Rs. 26003 lakhs (Rs. 26003 lakhs) arising out of the assessment made upto 2001-02 which has been shown as Contingent Liability.

- 10.4 Bazaar fees collected by Bharat Coking Coal Limited on sale of coal/coke as per Gazettee Notification no.34 at 18<sup>th</sup> January 2006 but the same has not been deposited to the appropriate authority as the matter is subjudice at Jharkahnd High Court under case no 6507 of 2006.
- 10.5 Interest receivable / payable is not accounted for as revised agreement in respect of price of rejects and power tariff with DLF is not yet finalized at Bharat Coking Coal Ltd. The matter is also pending before an arbitrator. However, interest due to delay in payment to DLF has been provisionally determined as Rs. 830.76 lakhs upto financial year 2008-09.
- 10.6 Singrauli Municipal Authority has claimed license and composite fees for construction of building of Rs. 986.62 lakhs (Rs.986.62 lakhs) from Northern Coalfields Limited and the same is not provided for in the accounts. However, Rs.600.00 lakhs has been deposited under protest.
- 10.7 From Northern Coalfields Ltd, Government of Madhya Pradeash has claimed Land Revenue Premium for an amount of Rs. 6213.04 lakhs ( 6213.04 lakhs ) against which an amount of Rs. 300.00 lakhs has been deposited under protest.
- 10.8 SSADA cess on sale of coal has not been collected from a few parties by Northern Coalfields Limited after the stay obtained by the respective parties from Hon'ble High Court, Allahabad. The amount not collected on this account amounts to Rs. 399.07 lakhs (Rs. 339.26 lakhs) upto 31.03.2009.
- 10.9 Central excise department had been issuing show cause notice over the years with regard to CWS, Tadali of Western Coalfields Limited, considering the workshop as under Factories Act instead of Mines Act where eligibility exists for exemption. In this regard an appeal pending before the Hon'ble Supreme Court of India (CA no 8403-04/2003) has been decided in favour of the company. The balance refund of Rs.53.47 lakhs is pending clearance of CESTAT though necessary COD permission has been obtained and the appeals before CESTAT revived during the year.
- 10.10 By virtue of enactment of Cess and Other Taxes on mineral Validation Act,1992, Central Coalfields Limited and Western Coalfields Limited raised supplementary bills on customers upto 04.04.91. An amount of Rs.10328.70 lakhs (Rs.10328.70 lakhs) has been shown as liability for cess on royalty under the head 'Current Liabilities & Provisions'. In view of the judgement of Hon'ble High Court, Patna, Ranchi, Bench in writ petition no. CWJC/1280 of 1992, cess is not payable. However, a special leave petition is pending in Supreme Court against it.
- 10.11 The Government of Madhya Pradesh had passed 'Madhay Pradesh Gramin Avsanrachna Tatha Sadak Vikash Adhiniyam 2005' which provided for charging of Gramin Tax @5%

on annual value of acquired coal bearing land / mineral land from financial year 2005-06 onwards. This tax has been duly collected by Western Coalfields Limited from coal customers. Some of the consumers had moved the Madhya Pradesh High Court at Jabalpur and as per the hon'ble High Court of Jabalpur's interim order dated 15.02.2006, the company was directed not to deposit this tax to state government but to keep it in the Fixed Deposit. Pending final decision of the court, the company has not deposited this 5% Gramin tax but kept them in FDs at HQ. The amount so billed under this head till 31.03.2009 is Rs.13484.48 lakhs ( Rs.10838.21 lakhs ).

- 10.12 Northern Coalfields Ltd has received a demand notice of Rs.272.45 lakh from the Service Tax Authority regarding transportation of coal by road for the period 01.01.2005 to 30.09.2006 in respect of MP projects of NCL. As per legal opinion obtained, no service tax is payable on account of transportation of coal and as such an appeal has been filed against the above order. However, the company has deposited Rs.687.67 lakhs (Rs 505.81 lakhs) for the period from 01.01.05 to 31.03.09 under protest.
- 10.13 The Company has billed Rs.27680.67 Lakhs upto 31.03.2009 to customers towards MP Gramin Adhosanrachana Tatha Sadak Vikas Upkar levied by Madhya Pradesh Government. The levy of cess by the Madhya Pradesh Government has been challenged before the H'onble Supreme Court by way of Special Leave petition and hence the amount has not been paid to Madhya Pradesh Government.

The validity of MP Sadak Vikash Upkar has been challenged in the Court of law by certain customers in SECL and the case is subjudice. However SECL is recovering the tax and kept in books of Accounts as a liabilities and the amount has been invested in interest bearing CLTD w.e.f. April 2009.

The liability towards interest payment by SECL for the period from 9.12.2005 to 31.03.2009 is not clear. Hence no provision is made in books however if any adverse decision comes then company may have to incur liability of interest which is unascertained as on date.

The Company has also billed Rs.30489.95 Lakhs upto 31.03.2009 on customers towards Chhatisgarh (Adhosanrachana Vikas Evem Paryavaran) Upkar levied by Chhatisgarh Government. The H'onble High Court in its interim order Dt. 26.10.07 has permitted the Chhatisgarh Government to collect the Taxes from the company subject to final result of the writ petition and the company has deposited an amount of Rs.29596.39 Lakhs upto 31.03.2009.

The Company has billed Rs. 2883.06 Lakhs upto 31.03.2009 on customers towards Terminal Tax levied by Madhya Pradesh Government. The levy of this Cess by the Madhya Pradesh Government has been challenged in the H'onble High Court of Jabalpur. As per Interim Order of the Court Rs.929.66 Lakhs has been deposited.

## **11.0 FOREIGN CURRENCY LOAN**

- 11.1 The foreign currency loans drawn from IBRD and JBIC banks on account of Coal Sector Rehabilitation Project to be implemented in various subsidiaries has been shown under the head Unsecured Loan.

In terms of agreement with IBRD and JBIC banks, Coal India Ltd has entered into back to back loan agreements with its participating subsidiaries and loans including effect of exchange rate variation thereon have been shown in the accounts.

Borrowing and other costs (including exchange difference) in respect of foreign currency loans obtained for subsidiaries have been recovered from the respective subsidiary companies. The company has entered into swap transactions against a portion of above stated borrowing and interest thereon. Gains/ losses arising out of swap transactions (except gain/loss on principal only swap which are being recovered from the respective subsidiary companies) are being carried as Reserve for foreign currency transactions. Net result of the said swap transactions will be recovered from/paid to subsidiary companies upon completion of repayment of foreign currency loans.

- 11.2 The overall Marked to Market position of the existing hedge transactions (net of the positive values) as on 31.03.2009 stood at Rs.1676.00 lakhs (negative). However, the negative Marked to Market valuation of outstanding position involving six individual Foreign Exchange transactions as on 31.03.2009 before netting up with transactions having positive values stood at Rs.1913.00 lakhs (Rs. 2330.00 lakhs).

Further, the Accounting Standard – 30 on Financial Instruments : Recognition and Measurement issued by Institute of Chartered Accountants of India (ICAI) has been issued with recommendatory implementation from 01-04-2009 and mandatory from 01-04-2011. However, following the announcement of ICAI on accounting for derivatives the value of negative marked to market position of foreign exchange transactions amounting to Rs. 2330.00 lakhs had been provided for in the Accounts of 2007-08. Considering the negative Marked to Market as on 31-03-2009, the provision so created as aforesaid has been suitably adjusted.

- 11.3 The carrying cost of the fixed assets and corresponding stores consumption in World Bank aided projects have been adjusted to the extent of foreign exchange fluctuations in case of loans from World Bank except in case of Central Coalfields Limited where the adverse impact of Rs.3257.21 lacs has been debited to Profit & Loss account.

## **12 PROFIT & LOSS ACCOUNT**

- 12.1 Total claim of Rs. 4766.84 lakhs was lodged with the Director of Electricity, Govt. of West Bengal, in support of relief/concession required for revival of ECL according to BIFR's sanctioned scheme vide its letter no. 40/PA/PR.Secy./IRPE dated 30.08.2005. During the year Rs.608.54 lakhs ( Rs.1516.55 lakhs ) has been received and recovery of the balance amount of Rs.2641.75 lakhs (Rs.3250.28 lakhs) are in process.

- 12.2 The National Coal Wage Agreement (NCWA-VIII) effective from 01-07-2006 has been finalized in January 2009 for Wage Board employees. Further revision of pay for executives (effective from 01-01-2007) has been finalized in May 2009. Summarized position of financial impact of Pay Revision excluding gratuity impact for employees who retired during the period from 01.01.2007 to 31.03.2009 and the impact of actuarial liability ( shown in para 12.8 ) is given below:-

	Rs. Lakhs
Impact of Pay Revision	<u>653845.81</u>
Interim Relief (IR) paid during 2008-09	204498.02
Closing Liability as on 31.03.2009	449347.79
Liability provided in 2008-09	411577.97
Net impact of Pay Revision considered in 2008-09	478238.06
( Opening Liability as on 31.03.2008	175607.75 )

Apart from the above, impact of gratuity for revision of salary & wages to be paid to the employees who retired during the period 01.01.07 to 31.03.09 works out to Rs.43706.05 lakhs.

- 12.3 Actuarial liability as on 31.03.2009 towards gratuity, earned leave encashment and half-pay leave encashment includes the effect of salaries and wage revision of executives and wage board employees over pre-revised salaries and wages, on the above benefits by Rs.268178.61 lakhs, Rs. 21719.50 Lakhs and Rs. 7813.35 Lakhs respectively.
- 12.4 The year-end liability of certain other employee benefits like Life Cover Scheme, Settlement Allowance, Gross Personal Accident Insurance Scheme, Leave Travel Concession, Medical Benefits for Retired Executives, Compensation to dependants incase of mine accidental death are valued on actuarial basis.
- 12.5 Except Central Coalfields Limited, the liabilities for two new employee benefits viz. Retired Executives Medical Benefit Scheme and Compensation to Dependants of deceased in mines accident have been valued on actuarial basis from the current year. The cost based on such actuarial valuation as at 31-03-09 has been adjusted in the income statement of the current year.
- 12.6 Due to such valuation on actuarial of these two employee benefit schemes the profit of the company reduced by Rs. 15214.52 Lakhs i.e. Rs. 454.66 lakhs on account of medical benefit for retired executives and Rs. 14759.86 on account of Compensation payable to Dependants of deceased in mines accident.
- 12.7 Liability for some employee benefits viz., VRS for non-executives, Ex-gratia in lieu of employment on death in harness for employees, etc have not been valued on actuarial basis.

- 12.8 Total liability as on 31.03.2009 based on valuation made by the Actuary, details of which are mentioned below, is Rs. 988342.63 lakhs , which includes the impact of Rs. 312925.98 lakhs towards additional actuarial provision made for revision of Pay and benefits over pre-revised Salary and Wages.

The actuarial liability as on 31.03.2009

Head	Closing Actuarial Liability as on 01.04.08	Incremental liability based on pre-revised salary	Additional provision for revision of Pay & benefits	Closing Actuarial Liability as on 31.03.09
Gratuity	508018.20	49194.03	268178.61	825390.84
Earned Leave	54403.55	26991.46	21719.50	103114.51
Half Pay Leave	13445.88	7567.46	7813.35	28826.69
Life Cover Scheme	3846.63	2107.81	0.00	5954.44
Settlement Allowance	268.47	46.95	0.00	315.42
Gross Personal Accident Insurance Scheme	118.43	6.24	0.00	124.67
Leave Travel Concession	8271.34	1130.20	0.00	9401.54
Medical Benefits	0.00	0.00	454.66	454.66
Compensation to dependants incase of mine accidental death	0.00	0.00	14759.86	14759.86
<b>Total</b>	<b>588372.50</b>	<b>87044.15</b>	<b>312925.98</b>	<b>988342.63</b>

- 12.9 Summary of actuarial assumptions are as under :-

Formula Used	Projected Unit Credit Method
Interest Rate	8%
Inflation Rate	6.50%
Mortality Rate	LICI 1994/96
Attrition Rate	1%

### 13 INVESTMENT IN EASTERN COALFIELDS LIMITED AND BHARAT COKING COAL LIMITED

- 13.1 Investment of the Company, in share capital of Bharat Coking Coal Limited and Eastern Coalfields Limited which are long term in nature amounted to Rs. 211800.00 lakhs and Rs.221845.00 lakhs respectively as on 31-03-2009. Eastern Coalfields Ltd and Bharat Coking Coal Limited have become sick and are referred to BIFR under Sick Industrial Companies (Special Provisions) Act,1985. Plans for restructuring / revival of Eastern Coalfields Limited and Bharat Coking Coal Limited are in an advanced stage. Scheme recommending restructuring/revival of Eastern Coalfields Limited has been formulated by Operating Agency and is under consideration of BIFR. In case of Bharat Coking Coal

Limited, the plan for restructuring/revival has been formulated and has been reviewed by an external agency.

The same has since been approved by the CIL Board and is under consideration of the competent authority. Once the revival schemes are finalised and implemented the financial position of these Companies will substantially improve which will turn them into viable Companies. In view of the above the decline in the value of investments, if any, is temporary in nature, and hence, are valued at cost. On the same analogy i.e. these subsidiaries on the above stated grounds will turn into viable companies; no provision on the loans outstanding from these subsidiaries are considered.

#### **14 EFFECT OF CHANGES IN ACCOUNTING POLICY**

- 14.1 The useful life of LHD and SDL have been reviewed during the year. Consequently, depreciation rates of those categories have been revised, resulting in additional charge of depreciation of Rs.5200.61 lakh and profit for the year is lower to that extent.
- 14.2 Due to change in policy of the company for capitalization of land, the cash compensation expenses and resettlement expenses incurred during the year has been capitalized. Hence, the profit for the year has been increased to the extent of Rs.247.62 lakh.
- 14.3 Due to change in the method to determine the value of closing stock of coal on full absorption cost basis (normal capacity), the current year's profit is decreased by Rs.316.56 lakhs.

#### **15 DISCONTINUING OPERATION**

##### **15.1 CBE Plant, Bhandra – Western Coalfields Limited:**

The plant used to manufacture Nitro-Glycerine based permitted explosives used in the underground mines of the company. Consequent upon decision of the Government of India to discontinue / ban production of NG-based explosives in the country and its adoption by the Board of Ordnance Factories of India, the joint venture partner of the plant, the plant was closed on and from 28-04-03.

Coal India Limited had given its approval for disposal of the plant and the company in its 197<sup>th</sup> Board meeting held on 19-04-2006 had approved the disposal of plant & machinery by tendering /e-auction and accordingly the plant & machineries along with related stores & spares have been disposed of during the year by auction through MSTC. The net block of assets pending disposal is Rs.11.84 lakhs. The liability towards overheads after closure of the Plant till 31-03-2009 for maintenance and upkeep of the Plant is Rs.39.56 lakhs.

The revenue expenses incurred during the current year is Rs. 0.01 (Rs.2.69 lakhs). Since,

the Plant works on no-profit-no-loss basis, all expenses are passed on to the Areas. Hence, there is no question of profit/loss. There is a net cash outflow attributable to operating, investing and financing of discontinuance to the tune of Rs.0.01 lakhs (Rs. 0.23 lakhs).

**15.2 DFD Plant , Hinganghat, Western Coalfields Limited:**

The plant used to manufacture Coal Briquettes from raw coal for domestic fuel purposes. Consequent upon non-viability of the plant as per the decision of the Board, the plant was closed in 1994.

The disposal of the plant is under process and the exact date of completion of discontinuance is not determinable as of now. The net block of assets pending disposal is Rs.2.64 lakhs and the liability towards Municipal Taxes is Rs.2.42 lakhs. The company has applied for the waiver of taxes to the authority. The revenue expenses incurred during the year is Rs. 0.52 lakhs (Rs. 1.10 lakhs). Since, the Plant is inoperative for the past 10 years and the final disposal of the plant is yet to be done, there is no question of profit/loss. There is no cash outflow attributable to operating, investing and financing of discontinuance.

**16. GENERAL**

16.1 Amount Rs. 31406.73 Lakhs (Rs. 34778.65 Lakhs ) has been provided in the accounts with the “Report of the Committee on Methodology to be adopted in connection with the provision for back filling and other necessary jobs to meet environmental requirements whether covered under EMP or not”, an amount equivalent to Rs.75,000/- per hectare each for technical and biological reclamation of the area excavated at the end of the year less the pro-rata area, which are not required to be backfilled.

16.2 The applicability of the Micro, Small and Medium Enterprises Development Act,2006 (MSMEDA, 2006) to the Company for the purpose of disclosure and other requirements are being examined, pending which, the disclosure required under MSMEDA,2006 has not been made.

16.3 Bharat Coking Coal Limited has received JAP, SSRC and R&D Grant upto 31.03.2009 for Rs. 2922.48 lakhs, Rs. 7705.88 lakhs and Rs. 175.00 lakhs respectively and total expenditure incurred against these are as follows:-

	( Rs. In Lakhs)		
	<u>JAP Scheme</u>	<u>SSRC Scheme</u>	<u>R &amp; D</u>
Capital	422.01	3182.19	50.21
Revenue	331.79	540.77	38.88

16.4 As per significant Accounting Policy for opencast mine with a rated capacity of 1 million tones or above, OBR accounting is to be done. However, it has not been followed in case of Amlo project of Central Coalfields Limited since inception i.e. during the last 22 years.

16.5 There is an un-reconciled difference of Rs.19.39 lakhs as on 31.03.2009 against the bank balance of Western Coalfields Limited as per books with that of bank statement of state Bank of India, Kingsway branch, Nagpur. The records are under re-verification to reconcile the same.

16.6 **Earnings Per Share:**

Sl no	Earning per Share particulars	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008
i)	Profit after Taxation (Rs Lakhs)	210509.19	524246.18
ii)	Add/(less) adjustment for Reserve for Foreign Exchange (Rs Lakhs)	698.81	1384.77
iii)	Net profit after tax attributable to Equity shareholders (Rs. Lakhs)	207170.36	522861.41
iv)	Weighted average no. of shares outstanding during the year	63163644	63163644
v)	Basic and Dilated Earning per Share in Rupees (face value Rs.in'000/ share)	327.99	827.97

16.7 **Directors' Remuneration :**

( Rupees Lakhs)

Particulars	2008-09	2007-08
Salary & Allowances	521.74	347.64
Perquisites & Others	80.64	68.48
<b>Total</b>	<b>602.38</b>	<b>416.12</b>

16.8 **Deferred Tax Assets / Liabilities**

Deferred Tax Assets and Liability are being offset as they relate to Taxes on income levied by the same governing tax laws; Deferred Tax Asset / Liability as at 31<sup>st</sup> March 2009 and as at 31<sup>st</sup> March 2008 is given below:-

Particulars	As at 31.03.2009	As at 31.03.2008
<b>Deferred Tax Liability</b>		
Related to Fixed Assets	55311.01	55969.04
Related to Development Expenses	7045.64	7973.08
Related to others	305.91	305.91
<b>Total</b>	<b>62662.56</b>	<b>64248.03</b>
<b>Deferred Tax Assets</b>		
Provision for doubtful debts, claims etc	43029.44	38079.08
Disallowance u/s 43B of IT Act,1961	21145.65	13015.15
Employees Retirement / Bonus / VRS	82072.09	73565.07
Others	9091.92	17596.27
<b>Total</b>	<b>155339.10</b>	<b>142255.56</b>
<b>Deferred Tax Assets (Net)</b>	<b>92676.53</b>	<b>78007.54</b>

## 17. FINANCIAL REPORTING OF INTEREST IN JOINT VENTURE

17.1 As per directives from the Ministry of Coal, the company has entered into a Joint Venture Agreement (JVA) on 30.06.2007 with Neyveli Lignite Corporation Limited and Hindalco Industries, with the main objective to carry out coal mining activity jointly at Talabira II and III coal blocks as a single mine for deployment of optimum technology and conservation of coal. The expenditure incurred in this regard is booked under the head Prospecting and Boring in the books of IB Valley Area.

17.2 Further as per the directives from the Ministry of Coal, the company has entered into another Joint Venture Agreement on 12.11.07 with JSW Steel Ltd, JSW Energy Ltd, Jindal Stainless Ltd and Shyam DRI Power Ltd for coal mining activity jointly at Utkal-

A and Gopalprasad (West). The expenditure in these projects so far incurred by the company has been booked under the head Prospecting & Boring in the books of Hingula Area. Pending identification of the expenditure in detail, these have not been transferred to the respective Joint Venture Companies.

17.3 CIL has entered into a Memorandum of Understanding (vide approval from its Board in 237<sup>th</sup> meeting held on 24<sup>th</sup> November, 2007) regarding formation of Special Purpose Vehicle (SPV) through joint venture involving CIL/SAIL/RINL/NTPC & NDMC for acquisition of coal properties abroad. The formation of the SPV had been approved by Govt of India vide its approval dated 8<sup>th</sup> November 2007.

As per agreement, CIL would invest Rs.1000 crores in the SPV. The registration of company for the purpose of SPV is at an advanced stage, and till 31.03.2009 CIL has paid a sum of Rs.50.00 lakhs towards its share for initial expenses (pre-incorporation). Pending the finalisation of formation of the company for the SPV, the initial contribution in the SPV has been shown as investment in SPV in the Loans and Advance Schedule.

17.4 On incorporation of subsidiaries on the basis of joint venture agreement as per directives from the Ministry of Coal, Mahanadi Coalfields Ltd has deposited money / transferred debits for capital and other expenditure.

The position of investment and other current account as at 31.03.2009 is as under :-

Name of Subsidiary	Stake in Subsidiary	Date of incorporation	Address	Minority Interest as per Consolidated Accounts as on 31.03.2009
1)MNH Shakti Ltd	70%	16.07.2008	Anand Vihar, Burla	Rs. 27.00 lakhs
2)MJSJ Coal Ltd	60%	13.08.2008	House no 42, 1 <sup>st</sup> Floor, Anand Nagar, Hakim Para, Angul	Rs.162.72 lakhs
<b>Total</b>				<b>Rs.189.72 lakhs</b>

Both the subsidiaries are in development stage and the related expenditure has been consolidated.

## **18. CONTINGENT LIABILITIES / CAPITAL COMMITMENTS**

- 18.1 The amount remaining to be executed on capital account not provided for is Rs. 97136.61 lakhs (Rs. 162506.97 lakhs)
- 18.2 Claims against the company not acknowledged as debt are Rs.795616.74 lakhs (Rs. 663765.50 lakhs).
- 18.3 Outstanding letters of credit amounted to Rs.52964.59 lakhs (Rs. 4245.45 lakhs)
- 18.4 The company had given counter guarantee to Government of India for loans obtained from JBIC & IBRD banks and on lent to its subsidiaries, outstanding balance of which stood at Rs.90076.66 lakhs and Rs.88585.83 lakhs respectively.

Further, the company has also given guarantee for loans obtained by subsidiaries the outstanding balance of which as on 31.03.2009 stood at Rs. 17028.41 lakhs (Rs.13726.27 lakhs).

- 18.5 Outstanding Deferred Payment Guarantee issued by Banks amounted to Rs.1385.77 Lakhs (Rs. 1860.71 lakhs)

(Dr H Sarkar )  
CGM(F) and  
Company Secretary

(A Kundu )  
Chief General Manager (F)

( S. Bhattacharya )  
Director (Finance)

As per our Report annexed  
For Mitra Kundu & Basu  
Chartered Accountants

Dated 23rd July 2009  
Place : Kolkata

( S. Das )  
Partner  
Membership No.051391  
The 23<sup>rd</sup> July 2009