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CIL likely to Convert Preference Shares of Arm into Equity

Move aimed at preventing Bharat Coking from going into bankruptcy

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Kolkata: State-run miner Coal India Limited (CIL) plans to convert preference shares of its loss-making subsidiary Bharat Coking Coal Limited (BCCL) into equity shares to prevent it from heading to the bankruptcy tribunal because of default.

CIL had given loans of ₹2,540 crore to its subsidiary for working capital and investment requirement to keep it afloat. However, when BCCL could not repay, CIL in 2013 converted the dues into 5% cumulative, non-convertible and redeemable preference shares of face value ₹1,000 each.

The shares were to be redeemed by CIL on April 1 this year.

The subsidiary is also required to pay interest of about ₹880 crore.

"Although BCCL is no more a loss-making company, accumulated losses in excess of ₹2,100 crore have impacted its ability to pay the amount," said a senior CIL executive, who did not wish to be identified. "If allowed to default, BCCL will ha-

ve to be referred to the NCLT (National Company Law Tribunal) according to norms. In an effort to save the company from getting referred to the tribunal, CIL is looking at the possibility of converting the preference shares to equity shares."

The CIL board will consider the matter this week.

"If the board accepts the proposal, BCCL will not have to make the payment since conversion of preference shares to equity shares would be on the books of BCCL while Coal India will forgo the amount. However, the interest component of ₹880 crore needs to be paid as and when the subsidiary is capable," said the executive.

For 2018-19, BCCL reported a total income of ₹423.62 crore against a loss of ₹1,297.42 in the previous year. It has so far not made any provision for payment of the interest component.

BCCL incurred losses as many of its underground mines had low productivity and it also faced pilferage and diversion of coal to the black market. In recent years, e-auctions have helped it make money, but it has faced challenges of higher salaries, law and order issues and unseasonal rain that hit its output.

Last year, BCCL contributed about 5% to CIL's total coal production and sales. This year, till February, it accounted for about 4.7% of CIL's production and nearly 5% of its total sales.

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Coal Cos Look to Share 10% Revenue from Mining Projects with Affected Families

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Kolkata: A new land acquisition model for coal companies proposes sharing 10% of the revenue from a mining project with the families displaced by it and return of the land to the owners on a predetermined date after extraction is completed.

The model, proposed by additional coal secretary VK Tiwari at a recent meeting, is expected to reduce the cost of operation by 10% and make land acquisition easier. The plan will soon be implemented on a trial basis at two coal producing subsidiaries of Coal India. If needed, laws would be amended to facilitate it. ET has reviewed documents related to the proposal.

The proposal involves upfront payment of 20% of the land cost at the time of acquisition. The rest will be paid as annuity while coal is extracted.

The government plans to share 10% of the revenue with the affected families through the direct benefit transfer mode. It will also offer them employment at the rate of Rs 15,000



per month for reclaiming and restoring de-coaled land.

Mining firms have been facing challenges in acquiring land as owners demand jobs for every family member and, at times, also refuse to part with the land. Executives say the benefits sought make mining

unsustainable. Mandated compensation, rehabilitation and resettlement costs have also increased by about 15%, as has the cost of land, which has gone up by 5-40%.

In the current fiscal, delays in land acquisition have already led to a production loss of 51 million tonnes. To achieve the target of producing 1 billion tonnes of coal by 2024, the government is now looking at the alternative mechanism.

According to studies by the Centre, a typical mine producing 1 million tonnes of coal spread over 2 km moves away in one direction at the rate of 150-200 m annually. In every 8-10 years, the bulk of the de-coaled land can be restored and given back to their owners safely.

Apart from reducing costs, the new model is expected to reduce agitations as landowners would earn from mining operations. Also, there would be no obligation for permanent jobs and lesser risk of encroachment.

The revenue shared by the coal companies may also encourage the affected families to start businesses or other occupations.

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CIL measures

■ **NEW DELHI:** In the wake of the coronavirus outbreak, state-owned Coal India Ltd has taken measures such as setting up of isolation wards in hospitals run by its arms and encouraging the use of e-office, the coal ministry said on Friday. ११