

Sub: Approach on “Input Price and Billing ” on coal supplied from OCPL for Units 3 & 4 of OPGC limited.

OCPL is allotted two coal blocks namely Manoharpur and Dip-side Manoharpur coal Blocks with Units 3,4, 5 & 6 of OPGC as specified End Use Plants (EUP). Both the coal blocks are integrated into one mine as per the approval of Ministry of Coal, Govt. of India during September, 2019. The mine commenced coal production in 2019-20 and started dispatching coal to linked units of OPGC in May,21 .During FY 2022-23 the mine produced 8.0 Million Ton of coal as per the milestones of Govt. of India. Out of this coal production, OPGC lifted 6.18 Million Ton for its Unit 3 & 4 during the year. Surplus coal of 2.0 Million Ton, beyond the requirement of Unit 3 & 4 of OPGC, has been put on commercial sale through spot e-auction in MSTC platform, in accordance with the directive of Ministry of Coal (MoC), Govt. of India dtd.25.10.2021 to increase availability of coal in the country.

OCPL is a State PSU under Energy Department Govt. of Odisha and is a Joint Venture Company, with 51% share holding of OPGC and 49% share holding by Govt. of Odisha. Although the specified end use plants of OCPL coal blocks are at OPGC end ,the “Share Holders Agreement” of OCPL directs for business at arm’s length with OPGC. The “Fuel Supply Agreement” (FSA) between OCPL and OPGC has been executed on 31.03.2022 which provides for the supply of coal to linked units of OPGC at “Input Price” and true up coal sale transaction from the effective date. Also the FSA mentions that, pending finalization of “Input Price” the CIL Notified Price for corresponding grade shall be adopted.

- “Input Price for FY 2021-22” has since been assessed by M/s A.K. Sabat & Co, Bhubaneswar based on the audited accounts and coal production of FY 20-21 which was 5.25 Million Te. The Input Price so determined for FY 21-22 is adopted by OCPL Board on 22<sup>nd</sup> September, 2022 and communicated to OPGC on 30<sup>th</sup> September, 2022. Cop of the report of M/s A.K. Sabat & Co, OCPL Board resolution 22<sup>nd</sup> September, 2022 on Input Price, and communication to OPGC dated 30<sup>th</sup> September, 2022 are enclosed herewith for kind reference.
- Input Price (Base) determined for FY 2021-22, corresponding to 5.25 Million Te coal production in FY 20-21 and CERC guideline , is Rs. 893.35 Per Ton of Coal. This includes “Mining fee” to “Mine Operator” @ Rs.523.27 per Ton under “Mine Service Agreement” with the Mine Operator (MO) , Financing, and Over head cost of OCPL. The Pit Head transfer price to OPGC is Rs 1759.19 per ton of coal inclusive of Royalty, taxes, statutory fees and 14 % RoE. Details enclosed.

- Mining Fee to Mine Operator, factors applicable Overburden Stripping Ratio adjustment and escalation clause time to time , under the Mine Service Agreement .
- While approved “Detail Project Report” of the Mine prepared by CMPDIL, the Govt. Nodal Agency for Coal Mine Planning provides for 15.5 % RoE, it is reduced to 14% by OCPL Board commensurate with OERC guidelines.
- Input price is function of annual coal production and this is likely to be adjusted every year with gradual ramp up of coal production up to 16 Million Te Per Annum Peak Rated Capacity (PRC). The input price for FY 2021-22 is based on 5.25 Million Ton coal production during FY 2021-22. Input price determination or FY 2022-23 shall be taken up with audited accounts factoring 8.0 Million Ton production during FY 2022-23.
- Ministry of Coal (MoC), Govt. of India, in its letter dtd.25<sup>th</sup> October 2021 has asked OCPL for merchant sale of surplus coal up to 50 % of Coal production annually, after meeting fuel requirement of specified End Use Plant (EUP) in accordance with amended MMDR Act and Mineral Concession rule,2021
- OCPL achieved its Break Even Point one year ahead of schedule and CoD was declared on 30<sup>th</sup> September, 2021. Profit generated by OCPL during FY 21-22 and FY 22-23 is attributed largely to its merchant sale of surplus coal which has been permitted under amended MMDR Act and Mineral Concession Rules. Reportedly around 27 Industries, in proximity of the mine, have benefitted , utilizing the surplus coal of OCPL through e-auction mode, apart from contributing for additional royalty to the State of Odisha.
- The PAC, Govt. of Odisha, while approving Project Cost of Manoharpur Coal Mine has advised OCPL to meet further capex requirement of Dip-Side Manoharpur Coal Block from its internal accruals.
- Capex of Dip-Side Coal block, prepayment of Term Loans etc. are being met from internal accruals of OCPL.
- In order to minimize coal cost for OPGC , OCPL has taken following steps:
  - i. RoE on base Input Price has been reduced from 15.5% to 14% .
  - ii. Govt. of India has been approached to wave up GST cess of Rs.400/- Per Ton on transfer price of coal from OCPL to OPGC .

- iii. To reduce financing cost components in “Input Price” OCPL during the year 2022-23 has made a pre-payment of Rs.320 Crores to the term loan lenders over and above the regular servicing of term loan.
  - iv. OCPL has stopped availing Equity support from OPGC since June, 2021. Also, OCPL has stopped availing of Term Loan since June,2021 meeting its expenses from internal accruals.
- OCPL ,the only State PSU of Govt.of Odisha in Coal Mining business under Energy Department, securing 5-Star ratings of Ministry of Coal ,Govt.of India ,has been able to set its footprint in the coal industry, as a role model, for many of the captive coal owners in terms of compliances and accomplishments.