CIL profit slides 24% on sluggish demand

SHREYA JAI
New Delhi, 14 June

The profit of Coal India Ltd (CIL) fell 23.9 per cent in 2020-21 on account of low demand from both the power and metal sectors owing to the pandemic.

The company's net profit stood at ₹12,720 crore in FY21, down from ₹16,700 crore in FY20.

This is a steep fall for CIL as it battles falling coal demand. During 2016-17, its profit fell 30 per cent and recovered in 2018-19 with a more than 100 per cent jump.

However, both profit and income levels of FY20 are close to 2017 levels.

The company's income fell 8.5 per cent during the financial year. In 2020-21, income was ₹93,818 crore. Its revenue from operations also saw a decline of 6.3 per cent year-on-year and was ₹90,026 crore during FY21.

The company's employee expense, though down to a three-year low, increased during last financial year. It stood at ₹38,697 crore. CIL is looking at cutting its employee expense.

In an interview with this paper in March this year, Chairman and Managing Director Pramod Agarwal said, "Major cost cuts would be effected through a steadily falling headcount to the tune of 13,000 to 14,000 employees per annum due to superannuation. The fall is likely to increase further, making the company leaner and fitter. We plan to stay away from opening mines that attract large manpower induction, meaning employment offers against land acquisition. Our overall expenditure fell by ₹1,838 crore or 3.3 per cent during the year till December 2020."

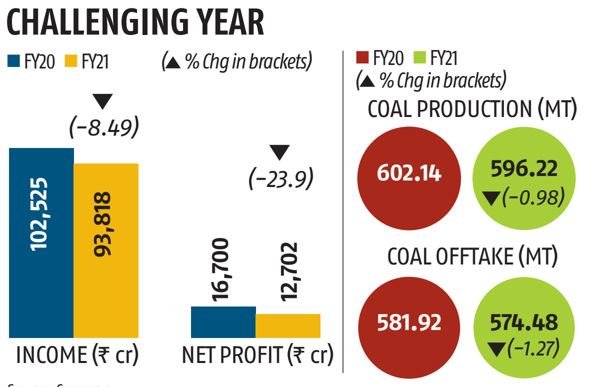
During the year, CIL saw a decline in demand for coal from power customers. Electricity demand fell as much as 24 per cent during the peak demand summer months of FY21 due to Covid induced lockdowns and slowdown in commercial and industrial activities. The second wave of Covid in February impacted coal demand further.

The company reported a decline of 0.9 per cent in coal production and 1.2 per cent in offtake. CIL's production stood at 596 million tonnes and offtake at 574 million tonnes during last financial year. The production volume of the company has gone back to 2017 levels and it was unable to meet the target of crossing 600 million tonnes.

In the statement submitted to the exchanges, CIL said, "The company has considered the possible effects that may arise due to pandemic in the preparation of the financial results including the recoverability of carrying amounts of financial and non-financial assets as on 31st March 2021. The company will continue to closely monitor any material changes arising out of future economic conditions and the resultant impact on its business."

CIL's board of directors has recommended a final dividend of ₹3.50 per equity share for FY21 and the proposal is awaiting the approval of shareholders in the annual general Meeting (AGM) of the company. This is a major reduction from last year, when CIL paid a dividend of ₹12 per equity share, totalling ₹7,395 crore.

CHALLENGING YEAR



Source: Company

Tata Capital expects over 10% growth in credit this financial year

ABHIJIT LELE
Mumbai, 14 June

After showing flat growth in assets in FY21, Tata Capital is expecting its lending arms to grow their loan book at 10 per cent in FY22.

During FY21, its loan book stood at ₹77,219 crore, compared to ₹77,610 crore in March 2020.

Company executives said they expect margins plus fees in the range of 6 per cent in the medium term and for the firm to keep a provision coverage ratio 65 per cent, as asset quality profile shows improvement.

Rajiv Sabharwal, managing director and chief executive of TCL, told *Business Standard* that the company would like to grow its credit book by 10 per cent plus in FY22. TCL has three lending arms — Tata Capital Financial Services (TCFSL), Housing Finance Company, and Cleantech funding.

"Growth (in terms of percentage) will be similar in all these entities. In the cleantech segment, which is in the corporate book, not many projects came up last year (FY21). But this year, I believe there will be more projects as things open up. Growth is also going to come from retail, which now constitutes 65-70 per cent business," he said.

Referring to control on costs, he said there had been a sharp drop in the cost-to-income ratio (C/I ratio) to 35.9 per cent for FY21 from 40.3 per cent in FY20. It was closer to 50 per cent two years ago.

TCLs's consolidated total income grew by two per cent to ₹9,985 crore in FY21 as against ₹9,791 crore in FY20, while the net profit on a consolidated basis increased by about 280 per cent to ₹1,126 crore in FY21 from ₹296 crore in FY20.

Procedural delay likely to hit SCI privatisation

NIKUNJ OHRI
New Delhi, 14 June

Nov 2019: CCEA approves privatisation of SCI

Dec 2020: CGD, Alternate Mechanism approve sale document

Dec 2020: Expression of interest and preliminary information memorandum floated

March 2021: Last day to submit bids by buyers

Procedural delays in the divestment of Shipping Corporation of India (SCI) may push the privatisation process by a quarter.

The government had earlier targeted to complete the divestment of SCI by December, but procedural delays such as preparing the draft Share Purchase Agreement (SPA) and Request for Proposal (RFP) has further pushed the due diligence process bidders will have to undertake. This will impact the timeline set for more steps involved in the divestment exercise, pushing its completion to March, said an official.

The Shipping Corporation was asked to draft the SPA and insert clauses based on the response received in road shows. The Department of Investment and Public Asset Management (Dipam) will then finalise these proposals and get it approved by the inter-ministerial group, and Core Group of Secretaries on Divestment (CGD).

The plan of action for the sale of the public sector company, which owns a fleet of bulk carriers and crude oil tankers, was discussed in the meeting conducted by Dipam last week.

Once finalised, the draft SPA will be shared with potential buyers and the terms would be negotiated.

Due to the delay at SCI's end, the due diligence process has been put on hold, and access to the virtual data room (VDR) will only be given once the draft SPA and RFP are shared. "The government is clear that once the draft SPA and RFP is prepared, potential buyers will be allowed to undertake due diligence," the official quoted above said.

Completion of transactions is crucial for the government's divestment programme this year, as it aims to garner ₹1.75 trillion through stake sales and privatisation. The second wave of Covid-19 is also expected to delay the process in several other privatisation candidates such as Bharat Petroleum Corporation, Container Corporation of India (CONCOR) that were among the first set of companies, including SCI, to be identified for privatisation in November 2019.

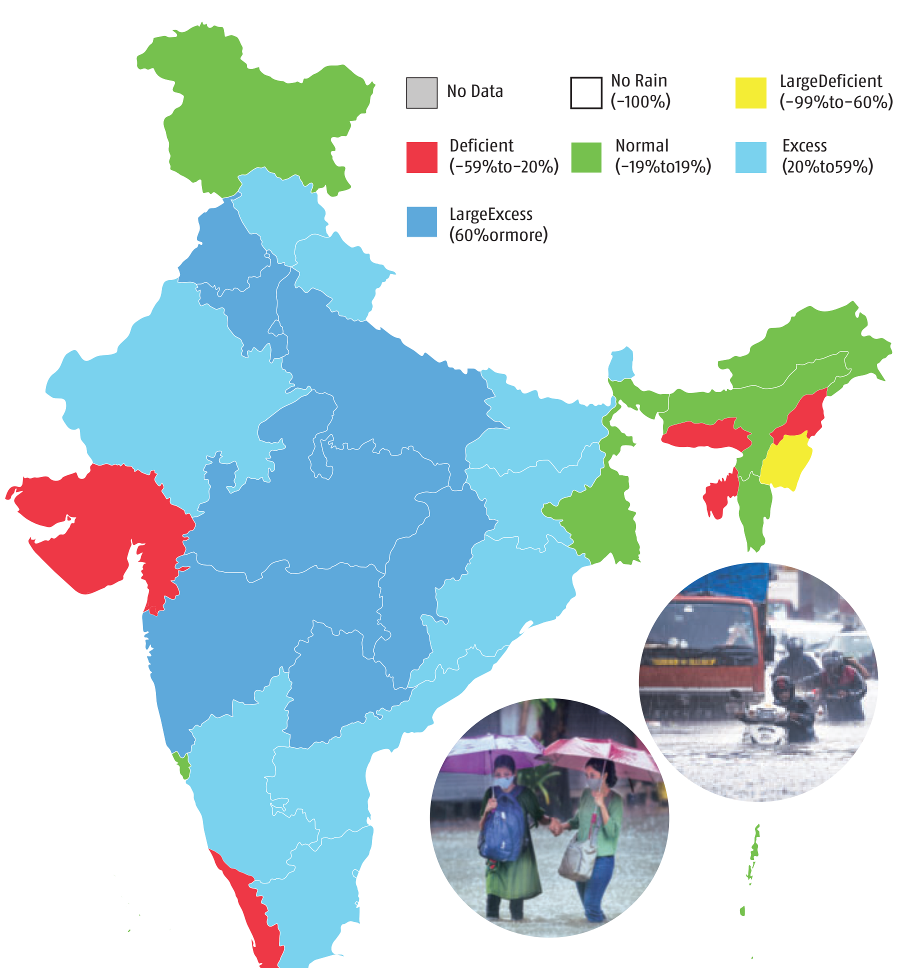
The government is selling its entire 63.75 per cent stake in the shipping company. Safesea Group, Megha Engineering and Infrastructure, and Ravi Mehrotra's Foresight Group have reportedly shown interest to acquire the company.

News reports last week said one of the bidders, Safesea Group, would be disqualified, given the dispute between SCI and the group. However, the official quoted above said these dues have been acknowledged by SCI, and the same has been recorded in the minutes of the board meeting, so the question of disqualification does not arise. Now, this issue is being raised to scuttle the process by those with a vested interest, he added.

Monsoon covers 2/3rds of India 15 days in advance

After making a late entry, the south-west monsoon has progressed steadily and, in the first fortnight, covered almost two-thirds of the country, which is almost 15 days ahead of schedule. According to data from the India Meteorological Department (IMD), India received close to 28 per cent more rainfall than the average, between June 1 and June 14. Almost 75 per cent of the estimated 694 districts received normal or above-normal rain during this period. A quick progress of the south-west monsoon should spur planting of kharif crops such as paddy, soybean, pulses, and cotton, and thus boost their yields. The monsoon is crucial for the country's $2.7-trillion economy, as it delivers nearly 70 per cent of the rain needed by farms, besides replenishing reservoirs and aquifers.

COMPILED BY SANJEEB MUKHERJEE



People wade through a waterlogged street at Hindmata in Mumbai PHOTO: PTI

SAIL to set up beneficiation plant amid ore pile-up

ADITI DIVEKAR
Mumbai, 14 June

With the inventory of sub-grade iron ore fines piling up, state-owned Steel Authority of India (SAIL) is looking to set up a beneficiation plant to consume the ore generated by its mines in future.

As of March 31, the company is sitting on 42.60 million tonnes (mt) of sub-grade iron ore fines and has been able to sell a meagre 0.40 mt during the year.

"Sub-grade iron ore fines sold outside of the mining leased area attract royalty for the seller, making the dispatch costly. Due to this, instead of selling outside, it makes more sense (for the company) to set up a beneficiation plant in the mining lease area and consume-in-house," said Manish Kharbanda, president at Pellet Manufacturers' Association of India.

As of March 31, 2020, SAIL valued its inventory of 42.98 mt at a net realisable value of ₹3,792 crore. At one end, where usage of the low iron content of these fines is unsuitable for consumption in the steel plants of the company, a government notification in September 2012 prevented all captive miners (including SAIL) from selling these fines in the market.

As a result of this, the inventory could neither be consumed nor be sold by the company, which inevitably led to the large inventory volume.

'GST laws vague on export of exempted goods through third party'

CHATROOM
T N C RAJAGOPALAN

We were exporting goods of value up to ₹25,000 without furnishing any declaration or GR waiver. Our new bankers say that we must take GR waiver for such shipments. What is the correct position?

The exemption from furnishing declaration regarding realisation of export proceeds for exports up to ₹25,000 value existed in the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000. The current Foreign Exchange Management (Export of Goods and Services) Regulations, 2015 does not have such an exemption. (Please see this link: *https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10256&Mode=0*).

We manufacture exempted and taxable products. So, we take input tax credit of GST paid on all inputs and inputs services. Exports of our taxable as well as exempted products are zero-rated and section 16(2) of IGST Act, 2017 allows us to take input tax credit against zero-rated exports also. When we export in our own name, the GST paid on inputs and input services used for making zero-rated exports, including exports of exempted products, are also attributed to the purposes of effecting taxable supplies in the manner prescribed under the Rules 42 and 43 of the CGST Rules, 2017. Now, we have received an order for export of exempted products from a merchant exporter. Can we supply at 0.1 per cent GST under notification 41/2017-IT (Rate) dated October 23, 2017? If not, how to prove that we have made zero-rated supplies of the exempted goods and how to claim refund of unutilised input tax credit?

Notification 41/2017-IT (Rate) applies to taxable goods and therefore, you cannot use it for supply of exempted products to the merchant exporter. The supplies you make to a merchant exporter are not zero-rated and therefore, the normal provisions for refund of unutilised input tax credit against export without payment of GST under letter of undertaking do not come into play. The present dispensation is not clear on how to deal with this situation and claim refund of unutilised input tax credit. You can write to the Central Board of Indirect Taxes and Customs and ask for suitable provisions to be made in the laws.

We have imported some goods and deposited them in the bonded warehouse by filing the bill of entry for warehousing. Section 61(2) of the Customs Act, 1962, says that if warehoused goods remain in a warehouse beyond a period of 90 days, interest is payable on the duty payable at the time of clearance of the goods on the warehoused goods, for the period from the expiry of 90 days until the date of payment of duty on the warehoused goods. When will the 90-day period commence — the in-bond bill of entry date, or the date when the goods are deposited in the bonded warehouse?

The 90-day period will commence from the date of deposit of the goods in the bonded warehouse. Please refer to CBEC Circular 39/2013-Cus dated October 1, 2013.

Business Standard invites readers' SME queries related to GST, export and import matters. You can write to us at smechat@bsmail.in