

BY SPEED POST

No. 47011/1(22)/2000-CPAM/CA-I[Vol.II]
Government of India
Ministry of Coal

New Delhi, dated : 3rd May, 2016

OFFICE MEMORANDUM

Subject : Invocation of Bank Guarantee(BG) in respect of **Belgaon** coal block earlier allocated to M/s Sunflag Iron & Steel Ltd.

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M/s Sunflag Iron & Steel Company Limited (SISCO) were allocated Belgaon coal block for their sponge iron plant & CPP in the State of Maharashtra vide allocation letter No 47011/1(22)/2000-CPAM/CA.1 dated 28th March, 2005 and a Performance Bank Guarantee was submitted in terms of the allocation letter for timely development and production of coal from the block. However, it was noticed that prior allottee, M/s SISCO did not develop the block as per the timelines in terms of the allocation letter. Accordingly, a show cause notice was issued vide this Ministry's letter No.13016/17/2014-CA-1 dated 16th January, 2015 to M/s MPSMCL as to why the BG submitted with the Government should not be deducted for delay in development of coal block until the block was held by the company and for not adhering to the milestones chart prescribed for the block development. M/s SISCO submitted their representation vide letter No.SISCO/SCN/20014-15/1 dated 04.02.2015. Their reply was considered in the 34th IMG meeting held on 08.01.2016. The company further submitted representations vide letter No.SISCO/2015-16/1 dated 19.01.2016 and letter No.SISCO/2015-16/2 dated 28.01.2016. It was observed that in case of Belgaon coal block, 100% BG was linked to production and CCO has given the mine opening permission. The uniform principle adopted for determination of BG amount to be deducted for any lag in production is as follows:

"In the BG amount determined to be deducted for lag in production, the financial year in which mine opening permission was granted by CCO, will be considered as the first year and targeted production for that year may be calculated on pro-rata basis of production schedule mentioned in the approved mining plan. The BG determined to be deducted for lag in production in subsequent year may be calculated as per schedule of production given in mining plan for each year of production vis-à-vis actual coal production. If the coal produced by the prior allottee(s) in some specific year is more than the PRC of that particular year, the same may be adjusted to compensate the prior allottee(s) for any lag in production in previous or subsequent year(s) of production."

2. The BG calculation details/sheet as per the above principle in respect of Belgaon coal block is enclosed at **Annexure**. The BG deduction amount accordingly comes to **Rs.0.81437037 crores**. The said recommendation of the IMG has been accepted by the Government. As there was an inadvertent typographical error in mentioning the amount of BG to be deducted, an erratum was issued vide this Ministry's letter No.CA-13016/6/2015-CA-I dated 22nd April, 2016 thereby substituting the BG amount as 'Rs.0.81437037 crores' instead of Rs.0.8143037 as figured in the minutes of the 34th meeting of IMG at tabulated details in column No.4 of para 6 in respect of Belgaon coal block.

3. Accordingly, CCO is directed to invoke **Rs.0.81437037 Crores** from the Bank Guarantee furnished by prior allottees of **Belgaon** coal block and deposit the same in the relevant Government Account. The remaining BG, if any, be returned to prior allottee(s). Action taken report may be furnished to this Ministry at the earliest.

Encl: as above.



[Rishan Ryntathieng]

Under Secretary to the Government of India

Shri Anjani Kumar, Coal Controller,
Coal Controller Organisation,
1, Council House Street,
Kolkata -700 001.

Copy to :-

1. The Managing Director, M/s Sunflag Iron & Steel Co.Ltd. Regd. Office: 33, Mount Road, Sadar, Nagpur-440001.

2. Nominated Authority, Ministry of Coal, World Trade Tower, Barakhamba Road, New Delhi [with the direction to adjust the amount of BG from the compensation to be paid to the prior allottees as per provisions of CM(SP) Act, 2015 and Rules made thereunder, in case of non-validity/lapse of BG].

3. The Director (Technical), NIC, Ministry of Coal for uploading this order in the Website of Ministry of Coal.

ANNEXURE

BG Deduction Calculation
Updated Status of Coal Block as on Sept 2014

BG deduction calculation in respect of Belgaon coal block

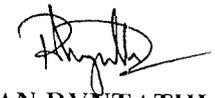
1. Normative date of production: 28.09.2009
2. Date of granting opening permission: 04.06.2007
3. Date of commencement of production : 21.12.2007
4. Amount of BG: Rs.2.39 crore

5. BG condition: 100% linked to production

As opening permission was granted on 21.12.2007, 2007-08 is considered as 1st year of production

| YEAR | TARGET(in MT) 1=T | ACHIEVMENT(in MT) 2=A | PRC(in MT) 3=P | (%) BG deduction 4=(T-A)/P*100 | Original BG amount(in crore) 5=B | Deductable amount(in crore) 6=5x4/100 |
|---------|----------------------|--------------------------|-------------------|-----------------------------------|-------------------------------------|--|
| 2007-08 | 0 | 0.001 | 0.27 | -0.37037037 | 2.39 | -0.008851852 |
| 2008-09 | 0 | 0.051 | 0.27 | -18.88888889 | 2.39 | -0.451444444 |
| 2009-10 | 0.03 | 0.14 | 0.27 | -40.74074074 | 2.39 | -0.973703704 |
| 2010-11 | 0.12 | 0.11 | 0.27 | 3.703703704 | 2.39 | 0.088518519 |
| 2011-12 | 0.19 | 0.16 | 0.27 | 11.11111111 | 2.39 | 0.265555556 |
| 2012-13 | 0.27 | 0.25 | 0.27 | 7.407407407 | 2.39 | 0.177037037 |
| 2013-14 | 0.27 | 0.15 | 0.27 | 44.44444444 | 2.39 | 1.062222222 |
| 2014-15 | 0.27 | 0.196 | 0.27 | 27.40740741 | 2.39 | 0.655037037 |
| Total | | | | | | 0.81437037 |

Amount of BG deduction may be Rs. 0.81437037 crore



(RISHAN RYNTATHIANG)

Under Secretary to the Government of India