

SHOW CAUSE NOTICE
By Speed Post

No.13016/56/2008-CA-I
Government of India
Ministry of Coal

New Delhi, dated 6th June, 2013

To,

(i) The Managing Director,
M/s Sunflag Iron & Steel Ltd.,
401, Chiranjiv Tower, Nehru Place,
New Delhi-110019.

(ii) The Managing Director,
M/s Dalmia Cement Ltd.,
4, Scindia House, Cannought Place,
New Delhi-110001.

Subject: Show Cause Notice to M/s Sunflag Iron & Steel Ltd. & M/s Dalmia Cement Ltd. in respect of Khappa & Extn. Coal block – regarding.

Sir,

I am directed to refer to this Ministry's letter of even number dated 29.05.2009 conveying allocation of **Khappa & Extn.** coal block in pursuance of the provisions contained in Section 3(3)(a)(iii) of the Coal Mines (Nationalisation) Act, 1973, subject to certain conditions. One of the conditions of allocation was that coal production from the captive block shall commence within 36 months (42 months in case the area is in forest land) in case of open cast mine and in 48 months (54 months in case the area falls under forest land) in case of UG mine from the date of allocation. The end use project schedule and the coal mine development schedule were to be modified accordingly and submitted to the Ministry within 3 months from the date of allocation.

2. In order to expedite the development of the coal blocks, review meetings were held from time to time. In the review meeting held on 11/12.01.2012, it was noticed that the progress of the **Khappa & Extn.** block allocated to the companies is not satisfactory. The Committee expressed concern over unsatisfactory progress and advised to expedite the development of the coal block. Accordingly, a caution letter dated 26.04.2012 was issued to the companies with the direction to expedite the development of the coal block and be careful in future with respect to the milestones stipulated.

3. In the meantime, the Government has constituted an Inter-Ministerial Group (IMG) on 21.06.2012 under the Chairmanship of Additional Secretary, Ministry of Coal having members from Ministry/Department of Power, Steel, Industrial Policy & Promotion, Legal Affairs and Economic Affairs. IMG has been given the mandate to review the progress of development of allocated coal blocks and associated end use projects and to recommend action including de-allocation, if required. IMG in its 18th meeting held on 01.05.2013 *inter alia* considered the



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status of the development of the **Khappa & Extn.** Coal Block prepared by the Coal Controller's Organisation (CCO) as on 31st December, 2012 and noted that no significant progress has been made by your companies towards development of the coal block. It has been noticed that a number of important/critical milestones are pending. The details of milestones to be achieved and the time lapsed against each milestone, as reported by the Office of Coal Controller, are given in the table below:

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM (as on Dec.12)	Remarks	Special Observation
Purchase of GR	14.7.2009 (45 days)	23.3.2010	8 months		
Submission of Bank Guarantee	29.8.2009 (3 months)	8.9.2009	1 month		
Mining Lease Application	29.8.2009 (3 months)	11.11.2009	3 months	ML area 649.46 Hec.	
Submission of Mining Plan	29.11.2009 (6 months)	6.4.2010	5 months		
Approval of Mining Plan	29.1.2010 (8 months)	20.1.2011	1 yr		
Application of Previous approval	29.3.2010 (10 months)	Pending	2 yrs 9 months		
Granting of Previous approval	29.4.2010 (11 months)	Pending	2 yrs 8 months		
Application of Forest clearance	29.5.2010 (12 months)	6.1.2010	-	12.86 Hec forest land	
Grant of Forest Clearance	29.11.2010 (18 months)	Pending	2 Yr 1 months		
Application EMP Clearance	29.5.2010 (12 months)	15.5.2010	-		
Grant of EMP Clearance	29.11.2010 (18 months)	Pending	2 Yr 1 month		
Grant of Mining Lease	29.5.2011 (24 months)	Pending	1yr 7 months		
Application of Land Acquisition	29.12.2010 (19 months)	NA	-		
Completion of Land Acquisition	29.5.2012 (36 months)	NA	-	90% land for construction of surface structure completed.	
Application for opening permission	29.9.13 (52 months)	Pending	-		
Grant of Opening permission	29.10.2013	Pending	-		
Coal Production	29.11.2013	Pending	-	UG mine with	

	(54 months)			forest land	
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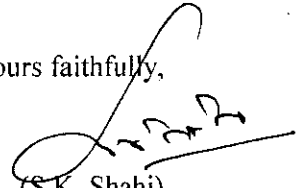
Observation of Field Office of CCO during inspection of the block	
Date of Inspection	21.11.2012
Infrastructure development	As per site inspection carried out by OSD office at Nagpur, it was reported that no infrastructure has been developed.
Activities related to coal transportation	• No
Presence of mining equipment.	• No
Any sign of mining activities.	• No
Escrow A/c for mine closure	• No
Other activities	• No
Engagement of MDO	• No information

Keeping in view unsatisfactory progress, IMG recommended to issue show cause notice for delay in development of coal block. The recommendation of IMG has since been considered and accepted by the Government.

4. Under the above circumstances, you are hereby called upon to show cause, on each milestone separately to this Ministry within a period of **20 days** from the date of issue of show cause notice as to why the delay in the development of the coal block should not be held as violation of the terms and conditions of the allocation of **Khappa & Extn.** coal block, failing which it would be presumed that your company has no explanation to offer and action as appropriate would be taken against your company for de-allocation of said coal block.

5. You are also requested to furnish a detailed status note on the progress of end use plant(s) (EUPs) for which the above mentioned coal block was allocated to you.

Yours faithfully,



(S.K. Shahi)
Director

Tel: 23382807

Copy to:

(i) The Coal Controller, Coal Controller Organisation, 1- Council House Street, Kolkata.

(ii) NIC, Ministry of Coal for uploading the letter on Ministry's website.