

CBA2-13011/1/2017-CBA2-Part(1)
Government of India
Ministry of Coal

Shastri Bhawan, New Delhi
Dated the 19th April, 2017

OFFICE MEMORANDUM

Subject: Minutes of the meeting with the Stakeholders on the Discussion Paper on 'auction of coal mines for commercial mining'.

The undersigned is directed to enclose herewith the minutes of the meeting taken with the stakeholders on the discussion paper on 'auction of coal mines for commercial mining' held on 10.04.2017 at Mirza Ghalib Chamber, SCOPE Convention Centre, SCOPE Complex, Lodhi Road, New Delhi - 110003.



(Rishan Rynthiang)

Under Secretary to the Government of India

TD (NIC) - with the request to upload the minutes in the website of Ministry of Coal.

Copy to:

- i. JS(VB) & NA.
- ii. JS(RPG)
- iii. JS(RKS)
- iv. JS & FA
- v. Economic Advisor, MoC
- vi. Advisor (Projects), MoC
- vii. Director (CBA-II)

Minutes of the meeting with stakeholders on the Discussion Paper on 'auction of coal mines for commercial mining' held on 10.04.2017 at 03.00 PM at Mirza Ghalib Chamber, SCOPE Convention Centre, SCOPE Complex, Lodhi Road, New Delhi - 110003.

List of participants is enclosed at **Annexure.**

The meeting was chaired by Shri Rajesh Kumar Sinha, Joint Secretary, Ministry of Coal (MoC) and Shri Vivek Bharadwaj, Joint Secretary & Nominated Authority, MoC. JS(RKS) welcomed all participants and drew their attention to the Discussion Paper on 'Auction of Coal Mines for Commercial Mining' placed in public domain on March 27, 2017 for consultation with the stakeholders concerned. JS(RKS) further informed that this meeting has been convened to discuss the Discussion Paper and to hear the views/ comments of the participants. The participants were also requested to put forth their views and comments in the meeting as well as through email.

2. SBI Capital Markets Limited made a brief presentation on salient features of the proposed auction process. After the presentation, there were several points raised by the participants. Following are the queries raised by the participants in the meeting:

2.1 Queries pertaining to eligibility criteria

I. Some of the participants observed that the net worth requirement of at least Rs. 1500 crore as an eligibility criteria should be reduced to ensure more participation in the auction process.

II. Some of the participants enquired about the rationale for selecting the few ores/minerals for the purposes of material handling experience and requested for inclusion of other major minerals in the list of minerals for larger participation in the auction process. It was clarified that only those minerals whose geological occurrence is similar to coal deposits were considered. However, the participants were advised to send detailed representation in this regard for inclusion of more minerals in the list based on the same principle of geological occurrence.

III. One of the participants enquired whether coal includes lignite as well for the purpose of determining material handling experience.

IV. One of the participants observed that specific gravity of iron ore is approximately 3.6 and not 5.2 as mentioned in the Discussion Paper.

V. Participants observed that considering the cancellation of earlier allotment of coal mines by Hon'ble Supreme Court and earlier de-allocation of iron ore mines in Karnataka and Goa, a longer time period

should be considered for material handling experience instead of the present stipulation of the last 3 consecutive financial years. It was suggested that 3 years out of, say, the last 7 years may be considered for this criterion.

VI. One of the participants was of the view that there should not be any eligibility criteria for material handling experience as this will exclude participation from new players who want to enter into this field. It was expressed that in order to ensure that only serious players participate in the auction process, the amount of bid security, upfront amount, performance security etc. may be increased, however, there should not be any cap on material handling experience in order to ensure wider participation.

VII. Some of the participants observed that while the blocks being proposed to be auctioned may be greenfield blocks and would require development activities to be performed by the Successful Bidder as well, i.e. land acquisition, obtaining all the necessary clearances, consents etc., the qualifying criteria pertain to financial health and material handling experience only and do not include any mine development experience. Mine development experience should also be considered as eligibility criteria in line with the recent tenders for MDO selection by government allottees.

VIII. It was enquired that while it is stated that the eligibility criteria for mines may vary in accordance with the size of the mines, whether a bidder having material handling experience of 25 mn cu m, can become the successful bidder for multiple coal mines.

XI. One of the participants observed that the aggregate material handling experience of 25 mn cu m across various minerals should be reconsidered as not all minerals are comparable. For example, NMDC, despite being biggest iron ore manufacturer in the country, would not be eligible to participate in the auction. Therefore, different volume may be considered for different minerals.

X. It was enquired whether there would be a cap on number of mines through which the requirement of material handling experience may be met.

XI. Following queries were raised by the participants about eligibility for claiming material handling experience:

a. Participants observed that under the present stipulations in the Discussion Paper only a single entity can claim experience for a mine: ML Holder/MDO/ Prime Contractor. However, there are instances where one MDO was operating a mine for a particular period and thereafter the mine was operated by another MDO. In

such cases, both the MDOs should be allowed to claim the experience from the mine.

b. Participants observed that under the present stipulations in the Discussion Paper only the actual operator of the mine can claim experience for a mine. Queries were raised regarding the definition of 'actual operator' of mine.

c. Queries were raised whether the experience of operating a single mine be claimed by MDO for participating in auction of one mine and by the ML holder for participating in the auction of another coal mine i.e. with the same experience can two different entities participate in auction of two different coal mines.

d. Participants expressed their views that in order to enhance competition, multiple entities i.e. ML holder, MDOs etc should be allowed to claim experience from the same mine for the purpose of participating in the auction.

2.2 Queries pertaining to revenue sharing model:

I. Some of the participants observed that linking the revenue share at 1.2 times the Coal India Limited Notified Price may not be a desirable proposition. It was stated that CIL Notified Price is already on higher side and linking the revenue share to CIL Notified Price may result in increasing the sale price of coal by the commercial miner, whereas the objective under commercial coal mining should be to make coal available at cheaper prices. It was stated that for auction of other mineral blocks, revenue share is estimated at IBM notified price itself and no margin is being charged over IBM notified price.

II. It was also stated by participants that CIL's notified price varies across sectors and CIL's subsidiaries. Therefore, it is required to be specified which notified price shall be considered for estimating the revenue share.

III. One of the participants asked whether royalty shall be payable extra. It was clarified that the Revenue Sharing percentage is not subsuming the royalty payable and royalty & all applicable taxes and duties shall be payable separately.

IV. Some of the participants observed that since washing of coal has been made mandatory under the present discussion paper, the successful bidder shall generate revenue from sale of washed coal, middlings and rejects and there may be some unsold inventory as well. However, for the purpose of calculating revenue share, it states maximum of actual revenue or actual production multiplied by 1.2 time of CIL notified price for ROM coal shall be considered. It was observed that

these two are not directly comparable.

V. It was enquired whether there would be any escalation in the periodic payments to be made by the successful bidder and it was clarified that since payments are linked to revenue, there shall not be any other escalation.

VI. Participants observed that it is difficult to predict the revision in CIL Notified Price over a period of 30 years since there is no set pattern or scientific method for the bidders to arrive at what the CIL notified price is likely to be in the future. As such, the bidders will have to depend upon estimations and guesswork for submitting a bid which would become binding on them for a period of 30 years. It was suggested that the calculation of revenue be done on the basis of the PRC multiplied by the CIL notified price to be published in the bid document for the first year and thereafter be linked to the WPI / CPI indices. Alternatively, the revenue for subsequent years can be escalated by a fixed percentage to be declared upfront in the tender document. Such a formulation would provide a reasonable amount of accuracy for the bidders to forecast their costs on account of revenue sharing over the life of the mine and enable them to bid accurately and avail bank financing.

2.3 Other queries:

I. Queries were raised regarding the PRC and status of exploration of coal mines which shall be put up for auction, the expected timeline of auction and whether the mines shall be from Schedule II/ III etc.

II. It was enquired whether there would be any cap on the number of joint venture partners.

III. One of the participants asked since large blocks are being proposed to be auctioned, whether there is any in-principle approval from MoEF for these blocks, citing that obtaining clearances is a lengthy process. What will happen if MoEF later on declares such blocks to be in inviolate forest areas? It was clarified by the JS(VB) & NA that blocks in inviolate forest areas shall not be put up for auction. It was further clarified that all clearances are required to be obtained by the successful bidder.

IV. One of the bidders asked whether Rehabilitation & Resettlement (R&R) plan shall be pre-approved or whether approval for the same has to be obtained by the successful bidder. It was clarified that R&R plan has to be in line with the current guidelines issued by the State/ District authorities and approval for the same shall be required to be obtained by the successful bidder.

V. It was asked by one of the participants whether complete geological information shall be made available to the bidders.

VI. Some participants observed that washing of coal is not required in case the ash content is less than 34% or coal is not required to be transported beyond 500km. Therefore, setting up a coal washery and sale of washed coal should not be made mandatory. However, the successful bidder should be required to comply with MoEF guidelines in this regard.

VII. One of the participants raised a query about dependability on the geological information provided. It was stated that assuming it is stated in the geological report that the ash content of coal is lower than 34% and does not require washing. However, if it is discovered later on that the ash content of coal is high and coal would need to be washed, the successful bidder would be required to set up a coal washery. Setting up a coal washery is a huge investment. Whether such investment would be adjusted in the revenue shared with the government

VIII. Clarification was sought by one of the participants regarding flexibility in pricing and selling strategy i.e. whether there shall be no conditions attached to the selling price of coal which the successful bidder may determine and whether it may be sold to anyone by the Successful Bidder.

IX. Clarification was sought whether the Successful Bidder shall be allowed to enter into long term contract with its associates/ affiliates/ subsidiaries etc. for supply of coal? Would there be any regulation on transfer price in such cases?

X. Some of the participants asked about the drivers of auction for such large coal blocks and whether there would be demand for coal mined from these blocks in future.

XI. It was observed by the participants that there should not be any restrictions on the manner of disposal of rejects by the successful bidder.

XII. One of the participants asked whether export of coal shall be allowed or not.

XIII. One of the participants asked to consider providing the benefits of CBA Act for these blocks as well.

XIV. Participants enquired about the availability of evacuation infrastructure at these coal blocks.

XV. One of the participants enquired whether sale of coal mine to other

entity by the successful bidder shall be allowed. Another participant observed that the discussion paper does not stipulate any conditions for relinquishment/surrender of coal mine by the successful bidder.

XVI. It was observed that unlike in mineral block auctions, the Upfront Amount is not adjusted against future payments by the Successful Bidder in coal mines auction. It was suggested that adjustment of the same against future payments may be considered.

XVII. One of the participants also requested for aligning the instalments of Upfront Amount with the instalments stipulated under mineral block auctions i.e. instead of having 3 installments as 50%, 25% and 25% each, instalments of 10%, 10% and 80% may be considered.

XVIII. The participants enquired about the amount of performance security and it was clarified that performance security shall be equivalent to one year of payments to be made by the successful bidder.

XIX. The participants enquired whether the lease period shall be for 30 years or 50 years and whether there would be automatic renewal of lease upon expiry of the same. It was clarified that lease period shall be in accordance with MMDR Act, which is presently 30 years

XX. The participants observed that while flexibility has been provided for reduction in coal production, similar flexibility should also be provided for increase in production of coal without revising the mine plan. This shall allow the successful bidder to benefit from increased coal production in a strong economic scenario, without waiting for an approval of revised mine plan. It was clarified that production cannot be increased beyond what is stipulated in the mine plan without revising the mine plan.

The meeting ended with a vote of thanks by the Chair.

Annexure**A. List of participants from the Ministry of Coal**

Sl. No	Name	Designation
1	Shri Vivek Bharadwaj	Joint Secretary & NA
2	Shri Rajesh Kumar Sinha	Joint Secretary
3	Shri Mukesh Choudhary	Director

B. List of participants from the SBI Capital Markets Limited (Transaction Advisor to Nominated Authority)

Sl. No	Name	Designation
1	Shri Supriyo Gupta	Vice President
2	Ms Tuktuk Bansal	Manager
3	Shri Anshu Kumar	Deputy Manager

C. List of participants representing members of public / stakeholders

Sl. No	Name of Participant	Designation	Name of Company
1	Prakhar Saigal	Asst. Manager	Nabha Power Limited
2	D K Jain	Head Coal Mining	Rungta Mines Ltd
3	Kamlesh Rai	CGM	
4	Kapil Dhagat	Executive Vice President	Jindal Steel & Power Limited
5	Rajendra Ingale	VP (BD & CA)	Adani Enterprises Limited
6	Pranat Narain	AGM (BD)	
7	Ashok Deshpande	Associate Vice President	JSW Steel Limited
8	Shantanu Dubey	Deputy Manager	
9	Rajeev Gupta	DGM	
10	Sanjay Sagar	Jt. Managing Director & CEO	JSW Energy Ltd.
11	Nipoon K Verma	AVP	
12	Kalyan Kumar Sen	Advisor Projects & Mining	Rashmi Group of Industries
13	K K Shukla	Director (projects)	Thriveni Earthmovers Pvt Ltd
14	G Kumarswamy	AVP	
15	Jaiprakash	GM	
16	Ravichandran	Sr Manager	
17	Amit Bhargava	VP	Feedback Infra Private Limited
18	Saurabh Jain	LC	
19	Rakesh Paliwal	Head Strategy and BD	Essel Mining & Industries

Sl. No	Name of Participant	Designation	Name of Company
20	Sanjay Baid	VP	Ltd
21	R K Trivedi	AED	Dalmia Cement Bharat Limited.
22	Girish Somani	GM	
23	Krupanand	Vice President	VPR Mining Infrastructure Pvt Ltd
24	Shushil Kumar	Dy Manager(Mining)	Monnet Ispat & Energy Limited
25	Manoj K Agarwal	COO	Lanco Infratech Limited
26	Saurabh Prakash	VP	
27	Subharth Saha	Asst. Manager	CESC Projects Limited
28	Shatanshu Agrawal	AD	KPMG
29	Chandra Datt	General Manager – BD	Sainik Mining And Allied Services Limited
30	Navrit Grover	Tech Officer Geology	
31	Tavleen Kaur	Addl. Director and Head (Power)	FICCI
32	Nitin Zamre	MD	ICF Consulting India Pvt. Ltd.
33	Deepak Gupta	Director	Fomento Resource Pvt. Ltd.
34	T P Dash	Chief	Tata Sponge Ltd.
35	Kundan Kumar	Chief	
36	B K Bhatia	Jt. Secy General	FIMI
37	Vipul Jadav	GM (BD)	Adani Enterprises Limited
38	P Srinivasa Rao	Chief Geologist Coal	Tata Steel Ltd.
39	Ankan Mitra	Head Regulatory Affairs	
40	Vishal Jagyasi	Sr. Manager	a'XYKno Capital Services Pvt. Ltd.
41	L. Naga Amarnath	Advisor	BGR MINING & INFRA PRIVATE LIMITED
42	Md. Nasim Ansari	Sr. Manager (Geology)	NMDC Ltd.,
43	R B Singh	GM	Dilip Buildcon Limited.
44	Dhirendra Goyal	Manager	PwC
45	Dr. Vinod Verma	A.V.P.- Corporate Affairs	Hindalco Industries Limited
46	V Sapra	President	
47	Saibal Mukhopadhyay	VP	GMR
48	Rajesh Tiwari	VP	
49	Shekhar Sharma	Sr.General Manager	Montecarlo Limited
50	Isha Gakhar	Manager	CRISIL Infrastructure Advisory
51	Jaidev Sharma	Jt. Director	ASSOCHAM
