

BY SPEED POST

No.13016/39/2009-CA-I[Part]  
Government of India  
Ministry of Coal

New Delhi, dated : 3<sup>rd</sup> May, 2016

OFFICE MEMORANDUM

Subject : Invocation of Bank Guarantee in respect of **Morga IV** coal block earlier allocated to M/s. Madhya Pradesh State Mining Corp. Ltd.

M/s Madhya Pradesh State Mining Corporation Limited were allocated Morga-IV coal block for proposed power projects in the State of Madhya Pradesh vide allocation letter No.13016/8/2007-CA.I dated 25<sup>th</sup> July, 2007 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 MPSMCL 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-I dated 16<sup>th</sup> 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 MPSMCL submitted their representation vide letter No.Geol/Morga-IV/SCN/2014-15/345 dated 05.02.2015. Their reply was considered in the 34<sup>th</sup> IMG meeting held on 08.01.2016. It was observed that in case of Morga IV coal block, 50% BG was linked to milestones and 50% BG was linked to production. Further, the blocks could not be developed due to "Go/No Go" categorization of Ministry of Environment & Forests. However, the IMG observed that the said Go/No Go concept was in vogue for a particular time period and hence delay on part of prior allottee(s) for the period prior to and after the Go/No Go categorization period must be taken into consideration for determining the BG deduction amount, if any. 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 Morga-IV coal block is enclosed at **Annexure**. The BG deduction amount accordingly comes to **Rs.0.0464 Crores**. The said recommendation of the IMG has been accepted by the Government.

3. Accordingly, CCO is directed to invoke **Rs.0.0464** Crores from the Bank Guarantee furnished by prior allottees of **Morga-IV** 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 Madhya Pradesh State Mining Corporation, Prayavas Bhavan, Block No.1(A), Second Floor, Jail Raod. Arera Hills, Bhopal-462001.

2. The Nominated Authority, Ministry of Coal, World Trade Tower, Barakhamba Road, Connaught Place, New Delhi for taking necessary action in respect of adjustment of the above mentioned Bank Guarantee amount from the compensation to be paid to the prior allottees as per CM(SP) Act, 2015 and Rules framed thereunder in case of non-validity/lapse of Bank Guarantee.

3. TD, NIC, Ministry of Coal for uploading this letter on the web-site of Ministry of Coal.

# ANNEXURE

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

1. Name of Company:- M/s. Madhya Pradesh State Mining Corp. Ltd
2. Name of Coal Block:- Morga-IV ( Regionally Explored)
3. Name of Owner/Address etc.:- The General Manager (Operation), Paryavaran Bhavan, Block No. 1 2<sup>nd</sup> Floor. (A), Jail Rd, Areara Hills, Bhopal-462011, MP.
4. Date of Allocation:- 25.7.2007
5. Location: Handeo Arand, CG
6. Project cost:- NA
7. Total investment made Cr (As per CA report):- 5.85 Cr. (Up to Mar.13)
8. Reserve (Mill tones):- 35.00 (Geological)
9. Mineable Reserve:- 12.00 MT
10. Yearly rated capacity (MTPA):- 0.24 MTPA
11. Cost of GR:- RE Block
12. BG Amount :- 2.9 Cr. (Valid up to 06.12.2015)
13. Type of EUP:- Commercial
14. Location of Project:- Within MP State
15. Capacity of Project:- Not available in the allocation letter
16. Explored/Un explored:- Regionally Explored
17. Type of Mine:- UG
18. Zero Date:- 25.7.2007(As per block allocation letter)
19. **Previous Recommendation, if any:- Issue related to GO/NO Go categorization as per decision of review meeting dated 11/12.1.2012.**

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM	Remarks	Special Observation (As per SCN reply)
Purchase of GR	25.10.2009 (27 months)	Pending	4 Yrs 11 Months		Regarding Go/No Go issue MoC issued guidelines and advisory letter on 26.04.2012. But PL for detailed exploration has not been issued. Accordingly all the mile stones depending on Completion of GR could not be developed.
Submission of Bank Guarantee	25.10.2007 (3 months)	28.11.2008	1 Yr 1 month	40% deduction	

Mining Lease Application	25.01.2010 (3 months from GR preparation))	Pending	4Yrs 8 Months		Due to non-completion of Final GR
Submission of Mining Plan	25.04.2010 (6 months from GR)	Pending	4 Yrs 5 Months		Due to non-completion of Final GR
Approval of Mining Plan	25.06.2010 (8 months from GR)	Pending	4 Yrs 3 Months		Due to non-completion of Final GR
Application of Previous approval	25.08.2010 (10 months from GR)	Pending	4Yrs 1 Months		Due to non-completion of Final GR
Granting of Previous approval	25.09.2010 (11 months from GR)	Pending	4Yrs		Due to non-completion of Final GR
Application of Forest clearance	25.10.2010 (12 months from GR)	Pending	3Yrs 11 Months		Due to non-completion of Final GR
Grant of Forest Clearance	25.04.2011 (18 months from GR)	Pending	3 Yrs 5 Months		Due to non-completion of Final GR
Application EMP Clearance	25.10.2010 (12 months from GR)	Pending	3Yrs 11 Months		Due to non-completion of Final GR
Grant of EMP Clearance	25.04.2011 (18 months from GR)	Pending	3 Yrs 5 Months		Due to non-completion of Final GR
Grant of Mining Lease	25.10.2011 (24 months from GR)	Pending	2Yrs 11 Months		Due to non-completion of Final GR
Application of Land Acquisition	25.05.2011 (19 months	Pending	3Yrs 4 Months		Due to non-completion of Final GR

	from GR)				
Completion of Land Acquisition	25.10.2012 (36 months from GR)	Pending	1 Yr 11 Months		Due to non-completion of Final GR
Application for opening permission	25.02.2014 (52 months from GR)	Pending	7 Months		Due to non-completion of Final GR
Grant of Opening permission	25.03.2014 (53 months from GR)	Pending	6 Months		Due to non-completion of Final GR
Coal Production	25.04.2014 (54 Months)	Pending	5 Months		Due to non-completion of Final GR

**Other details and constraint faced by the block allocates**

- **FC for drilling:** -Application for permission for prospecting in forest land was filed on 23.4.2010 with DFO, Kendai, Forest Range, Korba, CG. The application has been re-submitted afresh to DFO, Korba, CG on 6.3.2012. The DFO recommended the proposal to C.F., Bilaspur on 30.5.2012. The same has been recommended by C.F, Bilaspur to CCF (Land Management), Govt. of C.G. CCF(L.M.), Govt. of C.G. has recommended the proposal for onward submission to MoEF in December, 2012. *Govt. of CG has recommended the proposal to MOEF on 4.2.2013. Currently the proposal is under process at MOEF.*



(RISHAN RYNTATHIANG)

Under Secretary to the Government of India

### Calculation of Deduction of BG

1. Name of Company:- M/s. Madhya Pradesh State Mining Corp. Ltd
2. Name of Coal Block:- Morga-IV ( Regionally Explored)
3. Date of Allocation:- 25.7.2007
4. BG Amount :- Rs. 2.9 Cr

#### Calculation

(a) 50% BG related to lagging of production. i.e, 50% of Rs. 2.9 Cr =1.45 Cr.

As on Sept. 2014, Mine plan of Morga-IV coal block has not been approved.

Amount of BG deduction on Production linked is not possible due to non available of MP.

The block has not been developed to production due to non approval of Mining Plan , Forest & Environment clearances which is a Central/ State Govt./MOEF subject. Hence deductible BG amount on account of lagging of production is NIL

#### (b) BG deduction on the basis of achievement of Mile stone

Sl No.	Mile Stones	Weight (in %)	Actual Status	Marks obtained	Remarks
1	Purchase of GR	5	Not Completed	5	Regarding Go/No Go issue MoC issued guidelines and advisory letter on 26.04.2012. But PL for detailed exploration has not been issued. Accordingly all the mile stones depending on Completion of GR could not be developed.
2	Submission of Bank Guarantee	8	Completed	4.8	
3	Mining Lease Application	7	Not Completed	7	Due to non-completion of Final GR
4	Submission of Mining Plan	10	Not Completed	10	Due to non-completion of Final GR
5	Approval of Mining Plan	10	Not Completed	10	Due to non-completion of Final GR
6	Application of Previous approval	6	Not Completed	6	Due to non-completion of Final GR

7	Granting of Previous approval	5	Not Completed	5	Due to non-completion of Final GR
8	Application of Forest clearance	8	Not Completed	8	Due to non-completion of Final GR
9	Grant of Forest Clearance	5	Not Completed	5	Due to non-completion of Final GR
10	Application EMP Clearance	8	Not Completed	8	Due to non-completion of Final GR
11	Grant of EMP Clearance	5	Not Completed	5	Due to non-completion of Final GR
12	Grant of Mining Lease	5	Not Completed	5	Due to non-completion of Final GR
13	Application of Land Acquisition	8	Not Completed	8	Due to non-completion of Final GR
14	Completion of Land Acquisition	4	Not Completed	4	Due to non-completion of Final GR
15	Application for opening permission	2	Not Completed	2	Due to non-completion of Final GR
16	Grant of Opening permission	2	Not Completed	2	Due to non-completion of Final GR
17	Production	2	Not Completed	2	Due to non-completion of Final GR
	TOTAL	100		96.8	

**Total Bank Guarantee amount: 2.9 Cr.**


A= 50% of BG =1.45 Cr.

Score obtained for achieving of mile stone = 96.8 %

B=Score obtained for not achieving of mile stone = (100-96.8)=3.2%

**BG to be deducted for not achieving Milestones = A x B = 1.45 x 3.2%= Rs. 0.0464 Cr.**

**Total amount of BG to be deducted on (production lagging + Milestones slippage) = Rs. 0.0464 Cr.**



**(RISHAN RYNTATHIANG)**

Under Secretary to the Government of India