

BY SPEED POST

No.13016/39/2007-CA-I[Part]
Government of India
Ministry of Coal

New Delhi, dated : 3rd May, 2016

OFFICE MEMORANDUM

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

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M/s Madhya Pradesh State Mining Corporation Limited were allocated Morga-III coal block for proposed power projects in the State of Madhya Pradesh vide allocation letter No.13016/8/2007-CA.I dated 25th 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 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 MPSMCL submitted their representation vide letter No.Coal/2015/347 dated 05.02.2015. Their reply was considered in the 34th IMG meeting held on 08.01.2016. It was observed that in case of Morga III 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-III 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-III** 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 Rynthiang]

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:- 20.6.2009) | M/s. Madhya Pradesh State Mining Corp. Ltd (JVC formed with Monnet Ispat & Energy Ltd on |
| 2. Name of Coal Block:- | Morga-III (Regionally Explored) |
| 3. Name of Owner/Address etc: - Hills, Bhopal-462011, MP. | The General Manager (Operation), Paryavaran Bhavan, Block No. 1 ^{2nd} Floor. (A), Jail Rd, Areara |
| 4. Date of Allocation:- | 25.7.2007 |
| 5. Location: | Hansdeo Arand/CG |
| 6. Project cost:- | Cost will be known after preparation MP |
| 7. Total investment made Cr (As per Status report) :- | 10 Cr. (Up to Mar,13) |
| 8. Reserve (Mill tones):- | 35 (Geological) |
| 9. Mineable Reserve in MT:- | Extractable reserve will be known after MP. |
| 10. Yearly rated capacity (MTPA):- | 0.24 |
| 11. Grade of Coal:- | B-E |
| 12. Cost of GR:- | Prospecting is in progress. |
| 13. BG Amount :- | Rs. 2.9 Cr. (valid up to 06.12.2015) |
| 14. Type of EUP:- | Power |
| 15. Location of Project:- | Raigarh |
| 16. Capacity of Project:- | 90 MW PP of Monnet Ispat & Power Ltd |
| 17. Explored/Un explored:- | Regionally explored |
| 18. Type of Mine :- | UG |
| 19. Zero Date:- | 25.07.2007 (As per allocation letter) |
| 20. Previous Recommendation, if any:- | Issue related to GO/NO Go categorization as per decision of review meeting dated 11/12.1.2012. |

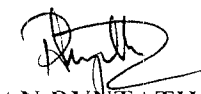
| Mile Stones | Schedule date of Completion | Actual date of Completion | Slippage in YY/MM | Remarks | Special Observation (As per SCN reply) |
|--------------------|-----------------------------|---------------------------|-------------------|---------|--|
| Purchase of GR | 25.10.2009 27 months) | 31.7.2011 (Phase-I) | 1Yrs 9 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 | 25.10.2007 | 28.11.2008 | 1 Yr 1 month | 40% | |

| | | | | | |
|----------------------------------|-----------------------------------|------------|-----------------|---|-----------------------------------|
| Guarantee | | | | deduction | |
| Mining Lease Application | 25.01.2010 (3 months from GR) | 20.12.2013 | 3 Yrs 11 Months | | Due to non-completion of Final GR |
| Submission of Mining Plan | 25.04.2010 (6 months from GR) | Pending | 4Yrs 5 Months | | Due to non-completion of Final GR |
| Approval of Mining Plan | 25.06.2010 (8 months from GR) | Pending | 4Yrs 3 Months | | Due to non-completion of Final GR |
| Application of Previous approval | 25.08.2010 (10 months from GR) | Pending | 4Yrs 1 Month | | 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 | Grant of FC for 38 boreholes exploratory drilling is pending. | Due to non-completion of Final GR |
| Grant of Forest Clearance | 25.04.2011 (18 months from GR) | Pending | 3Yrs 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 | 3Yrs 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 from GR) | Pending | 3Yrs 4 Months | | Due to non-completion of Final 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

- **Forest clearance:- Application for Forest Clearance for 12 bore holes in first phase made on 25.09.2009.** Fresh application for additional 38 holes has been submitted on 11.11.2011. As advised by CCF dated 27.1.2012, application in 4 sets along with work done in Phase-I has been resubmitted through DFO, Kattghora. CF (Bilaspur) recommended the proposal to CCF, Bilaspur CCF has sought some details from CF on 6.6.2012. The matter has been examined by CF, Bilaspur and by letter dt. 27.7.2012 the company has been asked to furnish complete application to C.F., Bilaspur through DFO, Kathara. In response, collector Korba has desired details about FRA, 2006 in the block. Gram Sabha was scheduled on 4.1.2013 by S.D.M., Pondi, Uproda. Final Gr. will be prepared after completion of 38 BH drilling.



(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 (JVC formed with Monnet Ispat & Energy Ltd on 20.6.2009)
2. Name of Coal Block:- Morga-III (Regionally Explored)
3. Date of Allocation:- 25.7.2007
4. BG Amount: - Rs. 2.9 Cr.

As per condition of the allocation letter, 50% BG is linked to the milestones (time schedule) set for development of captive block and the remaining 50% to the guaranteed production. In the event of lapses in the achievements vis-a-vis the milestones set for that year a proportionate amount shall be encashed and deducted from the BG and in case of any lag in the production of coal, a percentage of BG amount will be deducted for the year. This percentage will be equal to the percentage of deficit in production for the year with respect to peak rated capacity of the mine.

Calculation

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

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

Amount of BG to be deducted on Production linked is not possible due to non availability 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 Milestone

| Sl No. | Mile Stones | Weight (in %) | Actual Status | Marks obtained | Remarks |
|--------|------------------------------|---------------|---------------|----------------|--|
| 1 | Purchase of GR | 5 | 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 | 40% deduction for delay |
| 3 | Mining Lease Application | 7 | 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)=10.2 %

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