

By Speed Post

No.13016/36/2010-CA-I(Part)
Government of India
Ministry of Coal

New Delhi, dated 6th January, 2014

To,
The Managing Director,
M/s Maharashtra State Mining Corporation Ltd.,
Udyog Bhawan, 3rd Floor, Civil Lines,
Nagpur - 440001, Maharashtra.

Subject: De-allocation of Warora coal block allocated to M/s Maharashtra State Mining Corporation Ltd.- regarding.

Sir,

I am directed to refer to this Ministry's allocation letter No. 13016/8/2007-CA-I dated 25.07.2007 conveying allocation of **Warora** coal block in pursuance of the provisions contained in Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act, 1973, subject to certain conditions (**Annexure-I**). One of the conditions of allocation was that in respect of an unexplored block, the allocatee company had to apply for a prospecting license within three months of the date of allocation. The exploration was to be completed and geological report prepared within two years from the date of issue of prospecting license. After the detailed exploration was completed the allocatee of the block had to proceed for ensuring earliest commencement of production. The milestone chart appended to the allocation letter was to be adhered to. Any slippage would render the allocation liable for cancellation, and withdrawal of block from the allocatee. Allocation letter also stipulates that any violation of the conditions in mining of coal from the block will render the mining lease liable for cancellation and withdrawal 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 22/23.06.2009 it was noticed that all activities were pending. 51.78% reserve was in proved category, more exploration was to be done. Company had applied to State Govt. for exploration and had assured that it would be completed by July, 2009. After that MP was to be submitted by November, 2009. In the review meeting held on 20/21.07.2010 it was noticed that UG mine, Partly explored. MP approval, EMP, ML&LA were pending. No forest land involved. BG was lapsed. It was assured that exploration to be completed by August 2010. GR was to be ready by December 2010. Land acquisition was going on. The committee was dissatisfied with the development.

3. In the review meeting held on 11/12.01.2012, it was noticed that the progress of the **Warora** coal block allocated to the company 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 company with the direction to expedite the development of the coal block and be careful in future with



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respect to the milestones stipulated. It was also intimated that the progress would be monitored regularly and if the development of the coal block and associated end use plant is not as per the schedule furnished and if any willful delay is noticed, appropriate action including deduction of bank guarantee/de-allocation of block would be considered.

4. 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 status of the development of the Warora Coal Block prepared by the Coal Controller's Organisation (CCO) as on December, 2012 and noted that no significant progress was made by the company towards development of the coal block. It was noticed that a number of important/critical milestones were pending. Keeping in view the unsatisfactory progress, IMG recommended to issue show cause notice for delay in development of coal block. Accordingly a show cause notice dated 10.06.2013 was issued (**Annexure-II**).

5. Subsequently, on receipt of reply in response to show cause notice, the IMG asked the allocatee company to make a presentation before it on the progress of development of allocated coal block and associated end use project(s). The representatives of the company gave presentation on 25.10.2013 before the IMG in its 23rd meeting. The IMG considered the presentation, the status of the Warora coal block and associated end use project(s) prepared by the Ministry of Coal and Coal Controller's Organisation (**Annexure-III**). 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 June'13)	Remarks	Special Observation
Purchase of GR	25.10.2009 (27 Months from DOA)	June.2011	1yr 8 months	Additional drilling completed	
Submission of Bank Guarantee	25.10.2007 (3 months from DOA)	6.12.2007	2 months		
Mining Lease Application	30.9.2011 (3 months from preparation of GR)	28.5.2008	-	DGM forwarded the lease application to Govt. of MH in May.12.	Zero date taken from GR preparation i.e. June,2011
Submission of Mining Plan	30.12.2011 (6 months from GR preparation)	Oct.2011	-	Presentation done.	
Approval of Mining Plan	30.2.2012 (8 months from	Pending	1yr 4 months		

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	GR preparation)				
Application of Previous approval	30.4.2012 (10 months from GR preparation)	Pending	1yr 2 months		
Granting of Previous approval	30.5.2012 (11 months from GR preparation)	Pending	1yr 1 months		
Application of Forest clearance	30.6.2012 (12 months from GR preparation)	No Forest	-		
Grant of Forest Clearance	30.12.2012 (18 months from GR preparation)		-		
Application EMP Clearance	30.6.2012 (12 months from GR preparation)	Oct 2012	4 months		
Grant of EMP Clearance	30.12.2012 (18 months from GR preparation)	Pending	6 months		
Grant of Mining Lease	30.6.2013 (24 months from GR preparation)	Pending	-		
Application of Land Acquisition	30.3.2012 (9 months from GR preparation)	Y	-		
Completion of Land Acquisition	30.12 .2013 (30 months from GR preparation)	Pending	-		
Application for opening permission	30.4.2015 (46 months)	Pending	-		
Grant of Opening permission	30.5.2015 (47 Months)	Pending	-		
Coal Production	30.6.2015 (48Months)	Pending	-	UG mine without forest land	

6. After detailed deliberations, the IMG made recommendation for de-allocation of Warora coal. The recommendations made by the IMG are as follows:-

"The IMG considered the terms and conditions of allocation, the show cause notice issued, reply of the block allocatee to the show cause notice issued, status report of CCO, presentation made by the allocatee company on 25.10.2013 along with the status paper presented to the IMG. IMG noted that as per CCO's status report, GR purchased, BG submitted; however, there have been delays in achieving milestone. EC pending, previous

approval of Central Govt. to mining lease, grant of mining lease, land acquisition, mine opening permission and coal production are pending.

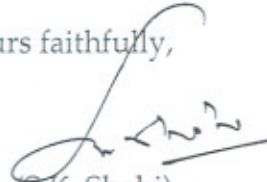
The IMG considered the reply of the allocatee to the show cause notice wherein the allocatee company has stated that process of prospecting took sizeable time. Application for prior approval of mining lease is pending with State Govt. since long. Mining Plan approval is pending with the MOC due to certain clarifications sought and suggestion made for incorporation in the mining plan. Environment clearance by MOEF is pending, which needs approved copy of Mining Plan. The land acquisition process under LA Act or as per Govt. process is under consideration. Keeping in view various reasons attributing the delay for Mining Lease, Mining Plan and depending milestone thereon, company has requested not to take coercive action. The block is for commercial mining.

As per CA certificate submitted by the company, investment made in coal block is Rs. **40.44 crore**. As the block is for commercial mining, there is no requirement of investment in EUP.

Recommendation: Taking into account the facts placed before it including the fact that GR has been purchased and BG submitted, IMG noted that most of the major milestones such as mining plan, EC, and land acquisition as well as grant of mining lease have not been achieved despite a lapse of more than 6 years since allocation, IMG recommends de-allocation of coal block."

7. The recommendation of the IMG has since been considered and approved by the Government. As the allocatee company have been given a number of opportunities to develop the coal block and the associated end use project and the company has failed to develop the same as per the milestones prescribed without any valid reasons for the delay, it has been decided to **de-allocate** the **Warora** coal block in the State of Maharashtra allocated to **M/s Maharashtra State Mining Corporation Ltd.** The company shall not be eligible for allocation of any block in lieu of de-allocated block.

Yours faithfully,


(S.K. Shahi)

Director

Tel: 23382807

Encls: As above

Copy to:

- (i) The Chief Secretary, Government of Maharashtra, Mantralaya, Mumbai.
- (ii) The Secretary, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Udyog Bhawan, New Delhi.
- (iii) Secretary, Ministry of Steel, Udyog Bhawan, New Delhi.
- (iv) The Coal Controller, Coal Controller Organisation, 1- Council House Street, Kolkata.
- (v) The Chairman, Coal India Ltd., 10 - Netaji Subhash Road, Kolkata - 700 001.
- (vi) NIC, Ministry of Coal for uploading the letter on Ministry's website.

New Delhi, the 25th July, 2007

Managing Director,
Maharashtra State Mining Corporation Ltd.(MSMCL),
Udyog Bhawan, 3rd Floor, Civil Lines
Nagpur 440 001

Subject: Allocation of Warora coal block to the Maharashtra State Mining Corporation Ltd.(MSMCL)

Sir,

I am directed to refer to letter number as mentioned below from the Maharashtra State Mining Corporation Ltd. (MSMCL) on the above subject and to convey the 'in principle' consent of the Government of India to the working of Warora coal block as under:

Sl.No.	Name of the applicant company	Reference No.	Project Name	Share of reserves (MT)
1	Maharashtra State Mining Corporation Ltd.(MSMCL)	MSMC/07/317 dated 17.01.07	For supply of coal to cement, iron and steel and SSI units located in Maharashtra	73 MT

2. The above allocation has been made under Government Company dispensation in pursuance of the provisions of Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act 1973 and the Revised Policy on Coal Mining by State Government (copy enclosed), subject to further following conditions:

(i) Prospecting/Detailed exploration and coal mining shall be carried out by M/s MSMCL or a separate company to be created with participation of M/s MSMCL provided that the separate created company is a Government company eligible to do coal mining as per the provisions of the Coal Mines (Nationalisation) Act, 1973.

(ii) The mining lease will be executed between the State Government and the allocatee as per the provisions of the MMDR Act 1957 and the rules framed there under.

(iii) The allocatee will do exploration and coal mining in accordance with the provisions of the Coal Mines (Nationalisation) Act 1973, the Mines and

Minerals (Development & Regulation) Act, 1957, the Contract Labour (Regulation & Abolition) Act, 1970, all the minerals, environmental and labour laws alongwith other regulations governing coal industry.

(iv) Detailed exploration shall be carried out on their own, subject to guidelines laid down in consultation with the CMPDIL.

(v) Mining of coal from the allocated coal block shall be carried out in accordance with the applicable Statutes/Rules/Orders/Directions governing the mining of coal in the country so as to extract the reserve to the maximum extent possible.

(vi) Those of the conditions mentioned herein relevant at the time of grant of mining lease shall be included as additional conditions in the mining lease in attention to any further conditions imposed by or agree to by the Central Government.

(vii) The State Government, at the time of seeking previous approval for the grant of mining lease, shall submit a draft of the mining lease containing the above relevant conditions for vetting by the Central Government. The final mining lease shall be as vetted/modified by the Central Government. Any deviation from the vetted/modified draft shall render the mining lease deed ab-initio null and void and without effect.

(viii) Coal produced from the allocated coal block Warora coal block will not be supplied to the consumers of Coal India Limited/SCCL against their existing linkages.

(ix) M/s MSMCL may approach CIL/CMPDIL/GSI to obtain the available geological data on the block on payment of necessary exploration cost.

(x) In respect of an unexplored block, the allocatee company shall apply for a prospecting license within three months of the date of issue of allotment letter. The exploration shall be completed and geological report prepared within two years from the date of issue of prospecting license. After the detailed exploration is completed the allocatee of the block shall proceed for ensuring earliest commencement of production. The milestone chart appended shall be adhered to. Any slippage would render this allocation liable for cancellation, and withdrawal of block from the allocatee.

(xi) M/s MSMCL shall submit a bank guarantee of Rs. 3 crore (equal to one year's royalty amount based on mine capacity of 0.3 mtpa as assessed by CMPDIL, grade of coal and the weighted average royalty @ Rs.100 per tonne) within three months from the date of this letter. Subsequently, upon approval of mining plan the Bank Guarantee amount will be modified on the basis of final peak/rated capacity of the mine.

(xii) 50% of the bank guarantee shall be linked to the milestones (time schedule) set for development of captive block, and the remaining 50% to the


guaranteed production. The bank guarantee shall be liable to be encashed in the following eventuality:

(i) There shall be an annual review of progress achieved by an allottee company. In the event of lapses, if any, in the achievements vis-à-vis the milestones set for that year, a proportionate amount shall be encashed and deducted from the bank guarantee.

(ii) Once production commences, in case of any lag in the production of coal/lignite, a percentage of the bank guarantee 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 the rated/peak capacity of the mine, e.g., if rated/peak capacity is 100, production as per the approved mining plan for the relevant year is 50 and actual production is 35, then $(50-35)/100 \times 100 = 15\%$ will lead to deduction of 15% of the original bank guarantee amount for that year. Upon exhaustion of the bank guarantee amount, the block shall be liable for de-allocation/cancellation of mining lease.

(iii) The allottee shall ensure that the bank guarantee remains valid at all times till the mine reaches its rated capacity or till the bank guarantee is exhausted. Any lapses on this count shall lead to de-allocation/ cancellation of mining lease.

(xiii) Any violation of the conditions imposed above in mining of coal from the Warora coal block will render the mining lease liable for cancellation and withdrawal of allocation.


(V.S. Rana)

Under Secretary to the Government of India.

Copy to

1. The Chief Secretary, Government of Maharashtra, Mumbai.
2. Chairman, CIL, Kolkatta
3. CMD, CMPDIL, Ranchi CIL
5. CMD, WCL
6. Coal Controller, Kolkatta
7. Office Folder.

SHOW CAUSE NOTICE
By Speed Post

No.13016/36/2010-CA-I (Part)
Government of India
Ministry of Coal

New Delhi, dated 10th June, 2013

To,
The Managing Director,
M/s Maharashtra State Mining Corporation Ltd.,
Udyog Bhawan, 3rd Floor,
Civil Lines, Nagpur-440001, Maharashtra.

Subject: Show Cause Notice to M/s Maharashtra State Mining Corporation Ltd. in respect of Warora Coal block – regarding.

Sir,

I am directed to refer to this Ministry's letter No. 13016/8/2007-CA-I dated 25.07.2007 conveying allocation of **Warora** coal block in pursuance of the provisions contained in Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act, 1973, subject to certain conditions. One of the conditions of allocation was that in respect of an unexplored block, the allocatee company had to apply for a prospecting license within three months of the date of allocation. The exploration was to be completed and geological report prepared within two years from the date of issue of prospecting license. After the detailed exploration was completed the allocatee of the block had to proceed for ensuring earliest commencement of production. The milestone chart appended to the allocation letter was to be adhered to.

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 **Warora** Coal block allocated to the company 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 company with the direction to expedite the development of the coal block and be careful in future with respect to the milestones stipulated.

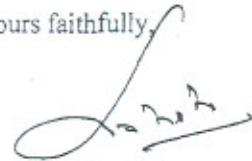
3. In the meantime, the Government constituted an Inter-Ministerial Group (IMG) on 21.06.2012 under the chairpersonship of Additional Secretary, Ministry of Coal having members from Ministry/Department of Power, Steel, Industrial Policy & Promotion, Legal Affairs and Economic Affairs. IMG has been given mandate to review the progress of development of allocated coal/lignite 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 status of



the development of the 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 company towards development of the **Warora** coal block. The IMG noted that the approval of Mine Plan, application of previous approval, grant of EMP clearance, mining lease application, grant of mining lease etc. are still pending in your case. 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 various stages for development of coal block, to this Ministry within a period of **20 days** from the date of issue of this 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 allotment of **Warora coal block** failing which it would be presumed that your company has no explanation to offer and action as appropriate would be taken for de-allocation of **Warora coal block**.

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.

Status Note

Sl. No.	Items	Remarks
1	Name of the Block	Warora Coal Block
2	Name of the allocate	M/s Maharashtra State Mining Corporation Ltd.
3	Date of allocation	25.07.2007
4	End Use Plant and capacity	For supply of coal to cement, iron and steel and SSI units located in Maharashtra.
5	Important terms and conditions of allocation	Copy of allocation letter enclosed as Annexure-I
6	Milestones of allocation and slippages against milestone	Copy of status note from CCO enclosed as Annexure-II
7	History Previous review / action	<p>In the review meeting held on 20/21.07.2010 it was noted that it is a UG mine, partly explored. MP approval, EMP, ML&LA were pending. No forest land involved. BG lapsed. Representative assured that exploration to be completed by Aug.10. GR will be ready by Dec.10. Land acquisition was going on. The committee was dissatisfied with the development of mine & asked to issue show-cause notice for de-allocation. BG was to be renewed within 15 days. The reply of the company to the show cause notice was considered by review committee and it was subsequently decided to issue warning.</p> <p>In the review meeting held on 11/12.01.2012, it was noticed that MP approval, EMP, ML & LA were pending. No forest land in Phase-I mining. MP presentation done in Dec. 2011. TOR for EMP obtained. Application U/S 4(1) of LA Act made. JVC formed with Gupta Coal Co. Ltd. with 51% (MSMCL) : 49% (GCC) sharing basis. JVC to produce coal. Committee noticed that the progress was not satisfactory and advised to expedite the development of the coal block and be cautioned to be careful in future w.r.t. the milestones stipulated.</p> <p>The progress of the block has been further reviewed by IMG in its meeting held on 01.05.2013. IMG has noted that no significant progress has been made by the company towards development of the block. The IMG noted that the approval of Mine Plan, application of previous approval, grant of EMP</p>

		clearance, mining lease application, grant of mining lease etc. are still pending. Keeping in view unsatisfactory progress, IMG recommended to issue show cause notice for delay in development of coal block. Accordingly, a show cause notice was issued to the company.
8	Condonation of delay or extension of Zero date granted if any and permissible grace period if any whether any request for Condonation is pending with the Ministry	No
9	Litigation any orders of the court , if any	No
10	Summary of reply of the company including reasons for delay	Process of prospecting took sizeable time. Application for prior approval of mining lease is pending with State Govt. since long back. Mining Plan approval is pending with the MOC. Environment clearance by MOEF is pending, which needs approved copy of Mining Plan. The land acquisition process under LA Act or as per Govt. process is under consideration. Keeping in view various reasons attributing the delay for Mining Lease, Mining Plan and depending milestone thereon, company has requested not to take coercive action. Copy of reply received from the allocatee company is enclosed as Annexure-III . A copy of the reply from allocatee company was sent to the State Govt. for comments.
11	Comments of State Govt. on reply of the allocatee on show cause notice.	No reply has been received from the State Govt.
12	Comments of MOC with the respect to issue pertaining to delay in purchase of GR, transfer of surface rights by coal companies, sanction of mining plan etc.	Mining Plan is pending with the Technical Wing (CPAM Section in the Ministry).

Coal Controller Office, MOC/Kolkata
Updated Status of Coal Block as on June 2013
(As per Status report submitted by the company)

1. Name of Company:- Maharashtra State Mining Corp. Ltd
2. Name of Coal Block:- Warora (UG)
3. Name of Owner/Address:- The General manager (Operation), Plot No. 7 Ajni Chowk, Wardha Road, Nagpur- 440015
4. Date of Allocation:- 25.7.2007
5. Location: Wardha/MH
6. Project cost :- Rs. 150 Cr.
7. Total investment made Cr (As per CA report) :- Rs.36.39 Cr. (upto June'13)
8. Reserve (Mill tonnes):- 73 (Geological)
9. Mineable Reserve in MT:- 23.83
10. Yearly rated capacity (MTPA):- 0.5
11. Grade of coal :- C to G
12. Cost of GR:- - Rs. 1.17 Cr. (Data cost of CMPDIL)
13. BG Amount :- Rs. 5 Cr.
14. Type of EUP:- Commercial
15. Location of Project:- Within State
16. Capacity of Project:- Not applicable
17. Explored/Un explored:- Partly Explored
18. Type of Mine:- UG
19. Zero Date:- June.2011 (date of preparation of GR)
20. Previous Recommendation, if any:- Caution notice issued by MOC as per decision of review meeting dated 11/12.1.2012. Again in 18th IMG held on 01.05.2013 advised to issue show cause notice.

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM (as on June'13)	Remarks	Special Observation
Purchase of GR	25.10.2009 (27 Months from DOA)	June.2011	1yr 8 months	Additional drilling completed	
Submission of Bank Guarantee	25.10.2007 (3 months from DOA)	6.12.2007	2 months		
Mining Lease Application	30.9.2011 (3 months from preparation of GR)	28.5.2008	-	DGM forwarded the lease application to Govt. of MH in May.12.	Zero date taken from GR preparation i.e. June,2011
Submission of Mining Plan	30.12.2011 (6 months from GR preparation)	Oct.2011	-	Presentation done.	
Approval of Mining Plan	30.2.2012 (8 months from	Pending	1yr 4 months		

	GK preparation)				
Application of Previous approval	30.4.2012 (10 months from GR preparation)	Pending	1yr 2 months		55
Granting of Previous approval	30.5.2012 (11 months from GR preparation)	Pending	1yr 1 months		
Application of Forest clearance	30.6.2012 (12 months from GR preparation)	No Forest	-		
Grant of Forest Clearance	30.12.2012 (18 months from GR preparation)		-		
Application EMP Clearance	30.6.2012 (12 months from GR preparation)	Oct 2012	4 months		
Grant of EMP Clearance	30.12.2012 (18 months from GR preparation)	Pending	6 months		
Grant of Mining Lease	30.6.2013 (24 months from GR preparation)	Pending	-		
Application of Land Acquisition	30.3.2012 (9 months from GR preparation)	Y	-		
Completion of Land Acquisition	30.12.2013 (30 months from GR preparation)	Pending	-		
Application for opening permission	30.4.2015 (46 months)	Pending	-		
Grant of Opening permission	30.5.2015 (47 Months)	Pending	-		
Coal Production	30.6.2015 (48Months)	Pending	-	UG mine without forest land	

Observation of Field Office of CCO during inspection of the block	
Date of Inspection	20.11.2012
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	• No

transportation		
Presence of mining equipment.	• No	
Any sign of mining activities.	• No	56
Escrow A/c for mine closure	• No	
Other activities	• No	
Engagement of MDO	• No information	

Other details and constraint faced by the block allocates

MP approval, EMP & ML, LA are pending.

JVC for coal mining is formed with M/s. Gupta Coal Ltd. The work for exploration is taken up by MSMC.

EMP: TOR approved and public hearing held on 18.2.2012. *Final EMP report submitted to MOEF in Oct. 2012. Presentation is expected to be done by Aug, 2013.*

MP:- Mining plan submitted in Oct.11 . Revised MP submitted to MOC on 15.5.2012. The documents based on suggestion given by members of standing committee submitted in MOC. Approval is awaited.

ML: DGM Maharashtra forwarded the lease application to Govt. of Maharashtra in May.2011. Coal is being transported through road as per *Mining plan. ML is pending with Govt of Maharashtra.*

LA: Application shall be made to Govt. of Maharashtra U/s 4 of LA Act as soon as Mining Lease is granted by Govt of MH.

FC: No forest land is involved.

MDO:- Maha Tamil Collieries Ltd has floated tender and identify the MDO .