

F.No.12012/01/2015-CA-III
Government of India
Ministry of Coal

Shastri Bhawan, New Delhi
Dated the 8th January, 2016

OFFICE MEMORANDUM

Subject: Methodology for fixing Upfront Payment and Reserve Price for Allotment of Coal Mines/Blocks for sale of coal to PSUs under the Coal Mines (Special Provisions) Act, 2015.

The undersigned is directed to refer to Rule 8 (3) of the Coal Mines (Special Provisions) Rules, 2014 and Section 8 (5) of the Coal Mines (Special Provisions) Act, 2015 and to say that the Central Government has approved the methodology for fixing Upfront Payment and Reserve Price for Allotment of Coal Mines/Blocks for sale of coal to PSUs under the Coal Mines (Special Provisions) Act, 2015 as mentioned below:-

“Upfront Payment for Allotment: The Intrinsic Value of the coal block will be calculated by computing its Net Present Value (NPV), based on Discounted Cash Flow (DCF) method. The 10 % of this intrinsic value will be payable upfront in 3 installments of 5%, 2.5% and 2.5% as prescribed in the allotment document. This is similar to the methodology used for calculation of upfront payment for coal mines/blocks allotted to the Government Companies for specified end-uses.

Reserve Price for allotment: A reserve price equivalent to the amount of the royalty on coal as per prevalent rate shall be payable on per tonne basis to the relevant coal bearing State Government as per actual production of coal by the successful allottee including the allottees in the State of West Bengal where royalty is prescribed in Rs. per tonne. The amount will be calculated as per the extant / prevailing rate of royalty ad-valorem on price of coal as reflected in the invoice, excluding taxes, levies and other charges. The statutory royalty and other levies payable on coal will continue to be governed as per extant rules.”

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(A.K Das)

Under Secretary to the Government of India
Tel. No. 23073936

The Nominated Authority,
Ministry of Coal

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