

By Speed Post

F.No 13016/54/2009- CA-I
Government of India
Ministry of Coal

New Delhi, dated 17th February, 2014

To

The Managing Director
M/s Strategic Energy Technology Systems Limited (SETSL),
Bombay house, First Floor,
24, Homi Modi Street, Mumbai- 400 001

Sub: De-allocation of North of Arkhupal Srirampur coal block (Coal to Liquid) (CTL) block in the State of Orissa allocated to M/s Strategic Energy Technology Systems Limited (SETSL)- Regarding.

Sir,

I am directed to refer to this Ministry's allocation letter No. 13016/34/2008-CA-I dated 27th February, 2009 read with letter No. 13016/34/2008-CA-I (Vol-II) dated 23rd March, 2009, 24th November, 2010 and 20th December, 2010 (**Annexure -I**) and to this Ministry's show cause notice of even no. dated 13th June, 2013 (**Annexure- II**) and your reply to the show cause notice and the Presentation made/ documents submitted by you on 24th and 25th October, 2013 before the Inter Ministerial Group (IMG) and your representation to Chairman (IMG), Ministry of Coal dated 28.10.2013 on the above subject.

2. **North of Arkhupal-Srirampur CTL block** in Talcher Coalfield in the command area of Mahanadi coalfields Limited in the state of Orissa for captive mining of coal for coal-to-liquid project was allocated to M/s **Strategic Energy Technology Systems Limited** on 27th February, 2009. This allocation was in pursuance of the provisions contained in Section 3(3)(a)(iii) of the Coal Mines (Nationalisation Act, 1973 and subject to certain conditions. Condition No. 3 of allocation letter is reproduced below in this regard:-

" Allocation/mining lease of the coal block may be cancelled, inter-alia, on the following grounds:-

- a. Unsatisfactory progress of implementation of their end use sponge iron/power plant/ cement plant.
- b. Unsatisfactory progress in the development of coal mining project.

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c. For breach of any of the conditions of allocation mentioned above."

3. The progress of the allocated coal block as well as linked/associated end use project has been reviewed by the Ministry through an Inter-Ministerial Review Committee from time to time wherein the allocatee company give presentation in respect of the development made by the company with reference to the milestones prescribed in the allocation letter during which it was noted as following:-

i) **In the Review Meeting held on 20/21.07.2010** the Committee noted that the block is regionally explored but drilling has not yet been started. The Company representative intimated that the final PL is to be obtained within 2 months. It is seen that the company has not made any significant progress in developing the block. Accordingly an advisory was issued on 10th December, 2010.


ii) Further in the **Review Committed meeting held on 11/12.01.2012** the Committed noticed that the progress of the CTL block was not satisfactory. The Committee expressed concern over the 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.

4. 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 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 North of Arkhupal Srirampur CTL 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 coal block. It has been noticed that a number of important/critical milestones are pending. Keeping in view the unsatisfactory progress, IMG recommended issuing show cause notice for delay in development of coal block. The recommendation of IMG has since been considered and accepted by the Government. A show cause notice was issued on **13th June, 2013**.

5. The case of the allocatee company was referred to IMG. Accordingly, the IMG gave opportunity to the allocatees company to make the Presentation before it on the progress of development of allocated coal bloc and associated

end use project. The representatives of the allocatees company gave presentation on **24th October, 2013** before the IMG. The IMG considered the presentation and associated EUP prepared by Ministry of Coal and Coal Controller's Organisation (June, 2013) (**Annexure -III**). The progress of development of the block with reference to the milestones and their achievement is as under:-

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM (as on June'13)	Remarks	Special Observatio n
Purchase of GR	11.4.2009 (45 days)/27.5.11 (27 Months)	Dec.2010 (proved portion)	-	GR prepared based on 50% explored area.	Exploration is pending in RE part.
Submission of Bank Guarantee	27.5.09 (3 months from DOA)	May,2009	-		
Mining Lease Application	Explored part 27.5.2009 (3 Months)/ RE part 27.8.11 (3months)	Pending	1yr 10 Months		Zero date considered from DOA in explored part .
Submission of Mining Plan	Explored part 27.8.2009 (6 months)/RE part 27.11.11 (6 months)	Feb2011	-		50% explored part and 50% regionally explored part.
Approval of Mining Plan	Explored part 27.10.2009 (8 months from DOA)/RE part 27.1.12 (8 months from GR completion)	Feb.2012	2yrs 4 months	Mining plan based on 10 Sq. Km area proved reserves.	Mine closure plan approved by Ministry of Coal.
Application of Previous approval	Explored part 27.12.2009(10 Months from DOA)/RE part	Pending.	3 Yrs 6 months (For explored part)		

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	27.3.12 (10 months from GR completion))		1 yr 3 Months RE part		
Granting of Previous approval	Explored part 27.1.10 (11 months from DOA)/RE part 27.4.12 (11 months)	- Pending.	3 Yrs 5 months for explored part 8 Months RE part		
Application of Forest clearance	Explored part 27.2.2010(12 months from DOA)/RE part 27.5.12 (12 months)	July.2011	1Yr 5 Months (For explored part) 7 Months RE part		
Grant of Forest Clearance	Explored part 27.8.2010(18 months from DOA)/RE part 27.11.12 (18 months from Gr completion)	Pending.	2Yr 10 months (For explored part) 7 Months RE part		
Application EMP Clearance	Explored part 27.2.2010(12 months from DOA)/RE part 27.5.12 (12 months from GR completion)	Nov.2011	1Yr 9 months (For explored part)		
Grant of EMP Clearance	Explored part 27.8.2010(18 months from DOA)/RE part 27.11.12 (18 months from GR completion)	Pending.	2 Yrs 10 months (For explored part) 7 Months RE part		
Grant of Mining Lease	Explored part 27.2.2011(24	Pending.	1yr 10 moths (For		

	months from DOA)/RE part 27.5.13 (24 months)		explored part)		
Application of Land Acquisition	Explored part 27.09.2011(19 months from DOA)/Re part 27.12.12 (19 Months)	Pending.	1yr 9 months (For explored part) 6 Months RE part		
Completion of Land Acquisition	Explored part 27.2.2012 (36 months from DOA)/RE part 27.5.14 (36 months from GR completion)	Pending.	1 yr 4 Months RE part (For explored part)		
Application for opening permission	Explored part 27.6.2012(40 Months form DOA)/RE part 27.9.14 (40 Months from GR completion)	Pending.	1 yr 0 Months RE part (For explored part)		
Grant of Opening permission	Explored part 27.7.12 (41 months from DOA)/RE part 27.10.14 (41 months)	Pending.	11 months (For explored part)		
Coal Production	Explored part 27.8.2012 (42 Months from DOA) Regionally explored part 27.11.14 (42 months from GR completion))	Pending.	10 months (For explored part)	OC mine with forest land	


6. After detailed deliberations, the IMG made its recommendation to de-allocate North Akrapal Srirampur coal block (CTL) which was allocated to M/s Strategic Energy Technology Systems Limited in its meeting held on 24 & 25th October, 2013. The recommendations made by the IMG are as follows:-

"Taking into account the facts brought before it including the fact that only BG was submitted and that the allocatee have not taken any clearance. IMG noted that in spite of lapse of four and a half years, the allocatee has not been able to procure even the PL which is the first step. Consequently, preparation of GR, mining lease application, submission of MP, approval of MP, application of Previous approval, application of Forest Clearance, Application of EMP clearance, completion of Land acquisition are all pending, IMG recommends de-allocation of coal block and deduction of proportionate BG linked to the milestones set for development of the block as per the allocation letter. IMG also noted that the allocatee has given a representation subsequently to Ministry of Coal vide their letter dated 28.10.2013, reiterating the contents of the presentation without having mentioned any new facts. The IMG felt that a reasonable notice was given to the party to make its presentation pursuant where to the party actually made a presentation and his letter only reiterates what was presented before IMG, the letter dated 28.10.2013 does not warrant any further consideration."

7. When the cases of CTL blocks were considered by the 23rd IMG, the representative of Govt. of Odisha could not participate and sought deferment of the meeting at the eleventh hour. Since the date of meeting was decided much in advance and other States/ allocatees were also invited, it was not possible to defer the meeting. Subsequently, Govt. of Odisha sent their written comments in respect of these two blocks among others. The competent authority decided to refer the replies of Govt. of Odisha to the IMG. The 25th IMG held on 8th February, 2014 considered the replies of Government of Odisha. The representative of the Govt. of Odisha was not invited since their inputs were already available. The concerned parties had already made their presentation and submitted their contention in the 23rd IMG meeting. The copies of the letter of Government of Odisha date 11.11.2013 and 19.11.2013 were circulated to IMG Members alongwith the meeting notice dated 06.02.2014.

8. The IMG in the 25th Meeting held on 8th February, 2014 noted as follows:

".....IMG thereafter went through the letters of Government of Odisha. It was noted from the letter dated 11.11.2013 of Government of Odisha that the previous approval for the grant of Prospecting License (PL) in respect of

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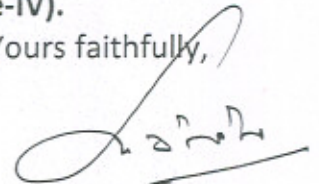
'North of Arkhupal Srirampur' was granted by the Ministry of Coal vide letter dated 13.08.2009; however, the same is still under process with the Government of Odisha (GoO). GoO has inter alia informed that the checklist, complete in all respect, required for executive of PL deed was sought from the allocatee company (M/s SETSL) which was filed by the allocatee company vide their letter dated 08.11.2013 before the Director of Mines and the same is under examination for onward transmission to the State Government for deciding on executing of the deed.

After perusal of these two letters, IMG felt that no new facts had been brought to light warranting re-consideration of IMG's earlier recommendation given in respect of these two CTL blocks. Therefore, IMG reiterates its earlier recommendation in respect of these two CTL blocks....."

9. The recommendation of the 25th IMG has since been considered and accepted by the Government. As the allocatee company has been given a number of opportunities to develop the coal block and the CTL 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 **North of Arkhupal Srirampur CTL block** in the state of Odisha allocated to **M/s Strategic Energy Technology Systems limited (SETSL)**. The company shall not be eligible for allocation of coal block in lieu of the de-allocated coal block. Accordingly, the Bank Guarantee to the extent of **Rs.55.34795 Crore (Rupees fifty five crore thirty four lakhs seventy nine thousand and five hundred only)** be invoked and deposited with the Government in the relevant Head of Account. (The Calculation of Deduction of BG is as per **Annexure-IV**).

Encls: As above.

Yours faithfully,



(S.K.Shahi)

Director

Tel. 23382807

Copy to:-

1. The Chief Secretary, Government of Odisha, Secretariat, Bhubhaneshwar.
2. The Secretary, Ministry of Petroleum and Natural Gas, Shastri Bhawan, New Delhi.
3. The Coal Controller's Organisation, 1, Council House Street, Kolkata for taking necessary action at their end.
4. The Chairman, Coal India Limited, 10- Netaji Subhash Road, Kolkata.
- ✓ 5. NIC Cell, Ministry of Coal for placing the letter on the Website of Ministry of Coal.

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Annexure - I

IMMEDIATE/ BY FAX

No. 13016/34/2008-CA-I
Government of India
Ministry of Coal

New Delhi, the 27th February, 2009

To

M/s Strategic Energy Technology
Systems Limited (SETSL),
Bombay House, First Floor
24 Homi Mody Street
Mumbai-400001.

Subject: Allocation of coal block for Coal to Liquid (CTL) Projects.

Sir,

I am directed to refer to your application for allocation of coal block for Coal to Liquid (CTL) Project and to state that the request of your company has been considered by the Central Government and it has been decided to allocate North of Arkhapal Srirampur coal block in Talcher coalfield in the command area of Mahanadi Coalfields Limited in the State of Orissa for captive mining of coal for coal to liquid project by M/s. Strategic Energy Technology Systems Limited.

2. The gross geological reserves of the block is 3035.46 million tonnes. The area of the block shall be limited to the geological reserves of 1500 million tonnes of coal (whereas the block area contains much larger reserves) and the area shall be identified in consultation with CMPDIL based on the geological data available and the demarcation of identified/selected portion shall be done in transverse manner and not along the longitudinal direction (not along the total strike length of the block).

3. This allocation is in pursuance of the provisions contained in Section 3(3)(a)(iii) of the Coal Mines (Nationalization) Act, 1973 and subject to the following conditions :-

- i. The allocation of Arkhapal – Srirampur coal block to M/s. Strategic Energy Technology Systems Limited has been made for coal to liquid project.
- ii. The block is meant for captive use in their own specified coal to liquid project.
- iii. Middlings generated in the process of washing the coal shall be used for power generation in their own power plant i.e., the useable middlings/rejects generated during beneficiation shall be used captively by the allocatee. The modalities of disposal of surplus coal/middlings/rejects, if any, would be as

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- per the prevailing policy/instruction of the government at the relevant point in time and could also include handing over such surplus coal/middling/rejects to the local CIL subsidiary or to any person designated by it at a transfer price to be determined by the Government.
- iv. The company shall submit a bank guarantee for Rs. 269.99 crores (equal to one year's royalty amount based on mine capacity of 30 mtpa assessed by CMPDIL, grade of coal of B to G and the weighted average royalty @ Rs. 90 per tonne) within three months from the date of issue of this letter. Subsequently, upon approval of mining plan, the Bank Guarantee amount will be modified based on the final peak/rated capacity of the mine.
- (a) 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:
- (b) There shall be an annual review of progress achieved by an allocatee 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.
- (c) Once production commences, in case of any lag in the production of coal, 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.
- (d) The allocatee 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.
- v. The company shall submit a mining plan for approval by the competent authority under the Central Government within six months from the date of this letter.
- vi. The company shall be required to comply with the guidelines/rules laid down by the Central Government from time to time relating to mine closure (both progressive and final). The company shall be required to submit mine closure plan alongwith the mining plan as per the guidelines issued in this regard.

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- vii. Mining of coal from the allocated captive coal block shall be carried out in accordance with the applicable Statutes/Rules/Orders/Directions governing the mining of coal in the country.
- viii. Those of the above conditions relevant at the time of grant of mining lease shall be included as additional conditions in the mining lease in addition to any further conditions imposed by or agreed to by the Central Government.
- ix. 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.
- x. Detailed exploration shall be carried out on their own, subject to guidelines laid down in consultation with the CMPDIL. A copy of the guidelines for exploration is enclosed.
- xi. The coal from the block shall be utilized only for the specified end use plant for which the block has been allocated i.e. for coal to liquid project only. Under no circumstances the coal from the said block shall be allowed to be used for any other purpose. During the development phase or for any other force-majeure situation the coal shall be transferred to the nearest Coal India Limited subsidiary at a price to be determined by the Central Government in this regard.
- xii. The company shall submit the Bank Guarantee within three months of allocation of the block. In case the company fails to submit the BG within the specified period, the block shall stand de-allocated without further notice.
- xiii. The company shall proceed for development of the block and the CTL project as per the clearly defined and mutually agreed milestones. In case the company fails to proceed as per the milestones, the allocation of block shall stand cancelled without further notice.

3. Allocation / mining lease of the coal block may be cancelled, inter-alia, on the following grounds :-

- a. Unsatisfactory progress of implementation of their end use sponge iron plant / power plant/cement plant.
- b. Unsatisfactory progress in the development of coal mining project.
- c. For breach of any of the conditions of allocation mentioned above.

4. The de-allocation/cancellation of mining lease shall be without any liability to the Government or its agencies, whatsoever. Any expenses incurred by the allocatee or any right or liability arising on the allocatee out of the measures taken by him shall

solely be to his account and in no way be transferred to or borne by the Government or its agencies.

5. The company may approach CMPDIL for geological report and contact the State Government authorities concerned for necessary permissions/clearances etc. for attaining mining rights and related matters.

6. The arrangement of transport of coal will have to be worked out by the company in consultation with the Ministry of Railways / Ministry of Surface Transport depending on the mode of transport.

Yours faithfully,


(V.S. Rana)

Under Secretary to the Govt. of India.

Encls. As above.

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Copy to :-

- i) Chief Secretary, Government of Orissa, Secretariat, Bhubaneswar.
- ii) Chairman, Coal India Limited, 10-Netaji Subhas Road, Kolkatta.
- iii) Chairman/Mng.-director, CMPDIL, Gondwana Place, Kanke Road, Ranchi.
- iv) Chairman/Mng.-director, MCL, MCL Complex, Burla, Dist. Sambalpur, orissa.
- v) The Coal Controller, 1, Council House Street, Kolkatta.
- vi) CPAM-Section/Guard file of the Section.

Copy for information :-

- i) Member (Energy), Planning Commission, Yojana Bhawan, New Delhi,
- ii) The Secretary, Department of Expenditure, North Block, New Delhi.
- (iii) The Secretary, Department of Industrial Policy & Promotion, Udyog Bhawan, New Delhi.
- iv) The Secretary, Ministry of Petroleum & Natural Gas, Shastri Bhawan, New Delhi.
- v) The Secretary, Deptt. of Science & Technology, New Mehrauli Road, New Delhi,
- (vi) Principal Advisor (Energy), Planning Commission, Yojana Bhawan, New Delhi.


(V.S. Rana)

Under Secretary to the Govt. of India.

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SPEED POST

No.13016/34/2008-CA-I (Vol-II)
Government of India
Ministry of Coal
....

New Delhi, the 23rd March, 2009

To.
M/s Strategic Energy Technology Systems Limited (SETSL)
Bombay House, First Floor,
24 Home Mody Street,
Mumbai- 400 001.
(SANJAY NATHI SENHA)
23/03/09

M/s Strategic Energy Technology Systems Limited (SETSL)
Bombay House, First Floor,
24 Home Mody Street,
Mumbai- 400 001.

CORRIGENDUM

Subject: Allocation of Coal Block for Coal to Liquid (CTL) project.

Sir,

I am directed to refer to this Ministry's letter of even no. dated 27th February, 2009 on the subject mentioned above and to carry out the following corrections in the allocation letter of even number dated 27.07.2009.

1. Clause 3(v) : The existing entries may be substituted by the following :

3(v) (a): Prospecting /exploration and preparation of GR have to be completed within 27 months from the date of allocation. Coal production from the captive block shall commence within 36 months (42 months in case the area is in forest land) in case of open cast mine and in 48 months (54 months in case the area falls under forest land) in case of UG mine from the date of preparation of GR. The company shall submit mining plan for approval by the competent authority under the Central Government within six months from the date of preparation of GR. A copy of the indicative milestone chart is enclosed.

(b): The detailed exploration shall be carried out on their own, subject to the guidelines laid down by the Government. A copy of the guidelines for exploration is enclosed.

(c): In respect of an unexplored block, the allocatee company shall apply for a prospecting license within three months of the date of

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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 blocks 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.

Yours faithfully,


(V.S. Rana)

Under Secretary to the Govt. of India

Incl: as above

Copy to:-

- 15/12
- i) Chief Secretary, Government of Orissa, Secretariat, Bhubaneswar.
 - ii) Chairman, Coal India Ltd. 10- Netaji Subhash Road, Kolkata.
 - iii) Chairman/Mng. Director, CMPDIL, Godwana Place, Kanke Road, Ranchi.
 - iv) Chairman/Mng. Director, MCL, MCL Complex, Burla, Dist. Sambalpur, Orissa.
 - v) The Coal Controller, 1, Council House Street, Kolkata.
 - vi) CPAM-Section/Guard File of the Section.

Copy for information:-

- 15/12
- i) Member(Energy), Planning Commission, Yojana Bhawan, New Delhi.
 - ii) The Secretary, Department of Expenditure, North Block New Delhi.
 - iii) The Secretary, Department of Industrial Policy & Promotion, Udyog Bhawan, New Delhi.
 - iv) The Secretary, Ministry of Petroleum & Natural Gas, Shastri Bhawan, New Delhi.
 - v) The Secretary, Department of Science & Technology, New Mehrauli Road, New Delhi.
 - vi) Principal Advisor (Energy), Planning Commission, Yojana Bhawan, New Delhi.
- 15/12


(V. S. Rana)

Under Secretary to the Govt. of India.

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or

MILESTONES CHART

Sl.No.	EVENT	TIME LIMIT IN MONTHS (FROM THE DATE OF ALLOCATION)
1	PROSPECTING LICENSE	0
2	COMPLETION OF EXPLORATION AND PREPARATION OF GEOLOGICAL REPORT (GR)	27
	EVENTS AFTER PREPARATION OF GR	TIME LIMIT IN MONTHS AFTER PREPARATION OF GR
3	MINING LEASE APPLICATION	3
4	SUBMISSION OF MINING PLAN	6
	MINING PLAN APPROVAL	6
6	PREVIOUS APPROVAL APPLICATION	11
7	PREVIOUS APPROVAL	13
8	FOREST CLEARANCE APPLICATION	12
9	ENVIRONMENT CLEARANCE	18
10	GRANT OF MINING LEASE	24
11	LAND ACQUISITION BEGINS	9, 19
12	LAND ACQUISITION	30, 36
13	OPENING PERMISSION APPLICATION	34, 40 (FOR 100) 46, 52 (FOR 500)
14	GRANT OF OPENING PERMISSION	37, 41 (FOR 100) 47, 51 (FOR 500)
15	PRODUCTION	36, 42 (FOR 100) 48, 54 (FOR 500)
16	REACHING RATED CAPACITY	

F.No.13016/34/2008-CA-I
Government of India
Ministry of Coal

Speed Post
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New Delhi, dated 24.11.2010

To
M/s Strategic Energy Technology Systems Ltd. (SETSL),
Bombay House, 1st Floor, 24, Homi Mody Street,
Mumbai-400001.


Uy
25/11/10

**Subject : Milestone Chart for development of Coal to Liquid (CTL) project-
regarding.**

Sir,

I am directed to refer to this Ministry's letter of even number dated 27.02.2009 conveying allocation of North of Arkhapal - Srirampur coal Block in Talcher coalfield in the command area of Mahanadi Coalfields Limited in the State of Orissa for captive mining of coal for coal to liquid project and to say that the milestone chart duly approved by the competent authority for development of said block is enclosed overleaf. You are, therefore, requested to submit as on date progress of development of coal block to this Ministry.

Yours faithfully,


(V. S. Rana)

Under Secretary to the Govt. of India

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F.No.13016/34/2008-CA-I(Vol.II)
Government of India
Ministry of Coal

New Delhi, dated 20th December, 2010

To
M/s Strategic Energy Technology Systems Ltd.,
Bombay House, 1st Floor, 24 Homi Mody Street,
Mumbai-400001.

Subject : Milestone chart for development of Coal-to Liquid(CTL)
end use project and power plant.


Sir,

I am directed to refer to this Ministry's letter of even number dated 27.02.2009 conveying allocation of North of Arkhapal-Srirampur coal block in Talcher coalfield in the command area of Mahanadi Coalfields Limited in the State of Orissa for captive mining of coal for coal-to-liquid project and to your letter No.NIL dated 15th June, 2009 on the above subject and to say that that keeping in view para 3(xiii) of allocation letter dated 27.02.2009, the competent authority has approved the milestone chart for development of Coal-to-Liquid end use project and power plant as mentioned below:-

Milestone	Timeline after preparation of GR for the coal block as communicated vide this Ministry's letter of even number dated 24.11.2010
Finalizing technical configuration	12 months
Environmental clearance application	12 months
Land acquisition start	12,18 months
Water access permission	18 months
Permission for construction power	18 months
Environmental clearance grant	36 months
Land acquisition	42, 48 months
Completion of engineering procurement and construction	73 months
Commissioning of Power Plant	75 months
Commissioning of CTL Plant	85 months
Reaching Rated Capacity Train	110 months

2. You are requested to take appropriate action for development of the end use project and submit the monthly progress report to the Ministry of Coal and Coal Controller's Organisation.

Yours faithfully,


(V.S. Rana)

Under Secretary to the Govt. of India

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Copy to the following for information:-

1. The Coal Controller, 1, Council House Street, Kolkata.
2. The CMD, CMPDIL, Gondwana Place, Kanke Road, Ranchi.
3. The CMD, Mahanadi Coalfields Ltd. Sambalpur, Orissa.
4. The Chief Secretary, Govt. of Orissa, Secretariat, Bhubaneswar.

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Annex - II
SHOW CAUSE NOTICE
BY SPEED POST

No. 13016/54/2009-CA-I
Government of India
Ministry of Coal

New Delhi, dated 13th June, 2013

To,

The Managing Director,
M/s. Strategic Energy Tech. System Limited,
Bombay House, First Floor,
24 Homi Modi Street,
Mumbai- 400 001

Subject: Show cause notice in respect of North of Arkhupal Srirampur CTL block.


Sir,

I am directed to refer to this Ministry's letter No. 13016/34/2008-CA dated 27th February, 2009 read with letters of even number dated 23rd March, 2009, dated 24th November, 2010 and dated 20th December, 2010 conveying allocation of **North of Arkhupal Srirampur CTL block** in pursuance of the provisions contained in Section 3(3)(a)(iii) of the Coal Mines (Nationalization) Act, 1973, subject to certain conditions, including development of the block as well as associated end use plant (EUP) as per prescribed milestones.

2. In order to expedite the development of the coal block, 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 **North of Arkhupal Srirampur CTL block** allocated to company was 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 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 **North of Arkhupal Srirampur CTL 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 coal block. It has been noticed that a

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number of important/critical milestones are pending. 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 Dec .12)	Remarks	Special Observati on
Purchase of GR	11.4.2009 (45 days)/27.5.11 (27 Months)	Dec.2010 (proved portion)	-	GR prepared based on 50% explored area.	Exploration is pending in RE part.
Submission of Bank Guarantee	27.5.09 (3 months from DOA)	May,2009	-	BG introduced in March.2005	
Mining Lease Application	Explored part 27.5.2009 (3 Months)/ RE part 27.8.11 (3months)	Pending	1yr 4 Months		Zero date considered from DOA in explored part.
Submission of Mining Plan	Explored part 27.8.2009 (6 months)/RE part 27.11.11 (6 months)	Feb2011	-		50% explored part and 50% regionally explored part.
Approval of Mining Plan	Explored part 27.10.2009 (8 months from DOA)/RE part 27.1.12 (8 months from GR completion)	Feb.2012	2yrs 4 months	Mining plan based on 10 Sq. Km area proved reserves.	Mine closure plan approved by Ministry of Coal.

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Application of Previous approval	Explored part 27.12.2009(10 Months from DOA)/RE part 27.3.12 (10 months from GR completion))	Pending.	3 Yrs (For explored part) 9 Months RE part		
Granting of Previous approval	Explored part 27.1.10 (11 months from DOA)/RE part 27.4.12 (11 months)	- Pending.	2 Yrs 11 months for explored part		
Application of Forest clearance	Explored part 27.2.2010(12 months from DOA)/RE part 27.5.12 (12 months)	July.2011	1Yr 5 Months (For explored part)		
Grant of Forest Clearance	Explored part 27.8.2010(18 months from DOA)/RE part 27.11.12 (18 months from Gr completion)	Pending.	2Yr 4 months (For explored part)		
Application EMP Clearance	Explored part 27.2.2010(12 months from DOA)/RE	Nov.2011	1Yr 9 months (For explored part)		

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	part 27.5.12 (12 months from GR completion)				
Grant of EMP Clearance	Explored part 27.8.2010(1 8 months from DOA)/RE part 27.11.12 (18 months from GR completion)	Pending.	2yrs 4 months (For explored part)		
Grant of Mining Lease	Explored part 27.2.2011(2 4 months from DOA)/RE part 27.5.13 (24 months)	Pending.	1yr 10 moths (For explored part)		
Application of Land Acquisition	Explored part 27.09.2011(19 months from DOA)/Re part 27.12.12 (19 Months)	Pending.	1yr 3 months (For explored part)		
Completion of Land Acquisition	Explored part 27.2.2012 (36 months from DOA)/RE part 27.5.14 (36 months from GR completion)	Pending.	10 months (For explored part)		
Application for opening permission	Explored part 27.6.2012(4	Pending.	6 months (For explored		

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	0 Months form DOA)/RE part 27.9.14 (40 Months from GR completion)		part)		
Grant of Opening permission	Explored part 27.7.12 (41 months from DOA)/RE part 27.10.14 (41 months)	Pending.	5 months (For explored part)		
Coal Production	Explored part 27.8.2012 (42 Months from DOA) Regionally explored part 27.11.14 (42 months from GR completion))	Pending.	4 months (For explored part)	OC mine with forest land	

Observation of Field Office of CCO during inspection of the block	
Date of Inspection	7.12.2012
Infrastructure development	As. per site inspection carried out by OSD Office, Ranchi, Dhanbad it was reported that there is two offices established near the coal blocks one is camp office and other is land office.
Activities related to coal transportation	• No
Presence of mining equipment.	• No
Any sign of mining activities.	• No
Escrow A/c for mine closure	• No
Other activities	• No
Engagement of MDO	• No information

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Keeping in view the unsatisfactory progress, IMG recommended issuing 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 each milestone separately, to this Ministry within a period of **20 days** from the date of issue of the 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 **North of Arkhapal Srirampur CTL block** failing which it would be presumed that your company has no explanation to offer and action as appropriate would be taken against your company for de-allocation of said coal block.

5. You are also requested to furnish a detailed status note on the progress of end use plant (EUP) for which the above mentioned coal block was allocated to you.

Yours faithfully,


(S.K. Shahi)
Director

Tel: 23382807

Copy to:

- (i) The Coal Controller, Coal Controller Organisation, Kolkata.
- ✓(ii) NIC, M/o Coal for uploading the letter on Ministry's website .

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

1. Name of Company:- M/s. Strategic Energy Tech System Ltd.
2. Name of Coal Block:- North of Akrapal (RE)/Pvt
3. Name of Owner/Address :- Project Manager, Bombay House, 1st Floor, 24 Homi Modi Street, Mumbai-400 001.
4. Date of Allocation:- 27.2.2009
5. Location: Talcher, Orissa
6. Project cost:- Rs. 4900 Cr. (As per Status report)
7. Investment made Cr (As per CA report):- Rs. 302.68 Cr. (upto June 13)
8. Reserve (Mill tonnes):- 1500 (Geological)
9. Mineable Reserve:-
10. Yearly rated capacity (MTPA):- 30
11. Grade of Coal : F-G
12. Cost of GR:- Rs. 29.32 Cr.
13. BG Amount :- Rs. 269.99 Cr.
14. Type of EUP: Coal to Liquid
15. Location of Project: Angul
16. Capacity of Project:- 96000 Barrel/day and 1800 MW CPP
17. Explored/Un explored Block :- 50% is explored and 50% is regionally explored.
18. Type of Mine:- OC
19. Zero Date:- 27.2.2009(As per block allocation letter)
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	11.4.2009 (45 days)/27.5.11 (27 Months)	Dec.2010 (proved portion)	-	GR prepared based on 50% explored area.	Exploration is pending in RE part.
Submission of Bank Guarantee	27.5.09 (3 months from DOA)	May,2009	-		
Mining Lease Application	Explored part 27.5.2009 (3	Pending	1yr 10 Months		Zero date considered

	Months)/ RE part 27.8.11 (3months)				from DOA in explored part .
Submission of Mining Plan	Explored part 27.8.2009 (6 months)/RE part 27.11.11 (6 months)	Feb2011	-		50% explored part and 50% regionally explored part.
Approval of Mining Plan	Explored part 27.10.2009 (8 months from DOA)/RE part 27.1.12 (8 months from GR completion)	Feb.2012	2yrs 4 months	Mining plan based on 10 Sq. Km area proved reserves.	Mine closure plan approved by Ministry of Coal.
Application of Previous approval	Explored part 27.12.2009(10 Months from DOA)/RE part 27.3.12 (10 months from GR completion))	Pending.	3 Yrs 6 months (For explored part) 1 yr 3 Months RE part		
Granting of Previous approval	Explored part 27.1.10 (11 months from DOA)/RE part 27.4.12 (11 months)	- Pending.	3 Yrs 5 months for explored part 8 Months RE part		
Application of Forest clearance	Explored part 27.2.2010(12 months from DOA)/RE part 27.5.12 (12 months)	July.2011	1Yr 5 Months (For explored part) 7 Months RE part		
Grant of Forest Clearance	Explored part 27.8.2010(18 months from DOA)/RE part 27.11.12 (18 months from	Pending.	2Yr 10 months (For explored part) 7 Months		

	Gr completion)		RE part		
Application EMP Clearance	Explored part 27.2.2010(12 months from DOA)/RE part 27.5.12 (12 months from GR completion)	Nov.2011	1Yr 9 months (For explored part)		
Grant of EMP Clearance	Explored part 27.8.2010(18 months from DOA)/RE part 27.11.12 (18 months from GR completion)	Pending.	2 Yrs 10 months (For explored part) 7 Months RE part		
Grant of Mining Lease	Explored part 27.2.2011(24 months from DOA)/RE part 27.5.13 (24 months)	Pending.	1yr 10 moths (For explored part)		
Application of Land Acquisition	Explored part 27.09.2011(19 months from DOA)/Re part 27.12.12 (19 Months)	Pending.	1yr 9 months (For explored part) 6 Months RE part		
Completion of Land Acquisition	Explored part 27.2.2012 (36 months from DOA)/RE part 27.5.14 (36 months from GR completion)	Pending.	1 yr 4 Months RE part (For explored part)		
Application for opening permission	Explored part 27.6.2012(40 Months form DOA)/RE part 27.9.14 (40 Months from GR completion)	Pending.	1 yr 0 Months RE part (For explored part)		
Grant of Opening permission	Explored part 27.7.12 (41 months from DOA)/RE part	Pending.	11 months (For explored		

	27.10.14 (41 months)		part)		
Coal Production	<u>Explored part</u> 27.8.2012 (42 Months from DOA) <u>Regionally explored part</u> 27.11.14 (42 months from GR completion))	Pending.	10 months (For explored part)	OC mine with forest land	

Observation of Field Office of CCO during inspection of the block	
Date of Inspection	7.12.2012
Infrastructure development	As per site inspection carried out by OSD Office, Ranchi, Dhanbad it was reported that there is two offices established near the coal blocks one is camp office and other is land office.
Activities related to coal transportation	• No
Presence of mining equipment.	• No
Any sign of mining activities.	• No
Escrow A/c for mine closure	• No
Other activities	• No
Engagement of MDO	• No information

Other details and constraint faced by the block allocates

- Forest Clearance:- NOC from DFO obtained in March.2012 to drill forest area subject to getting the PL deed.
- EMP Clearance:- TOR issued Jan12. Hydrological study being delayed due to delay in issuance of PL order and execution of PI deed which is still pending.
- Land acquisition:- Gram Sabha clearance not required as block area is non schedule area.
- Mine would be started in Jul 2015 but coal production would start one year after opening of mine.

EUP: Proposed :1800 MW CPP plant. Proposed capacity of CTL is 96000 Barrells/day. Expected date of commissioning CTL plant is July 2020 and Power Plant is expected to start in Jan 2020.

Project cost:- :- USD 35 Million **(Approx.) (As per status report)**

Investment made till June.13: Rs. 302.69 Cr.(As per CA report)

Financial closure is being discussed with bankers.

1. Name of Company:-M/s Strategic Energy Technology Systems Ltd.
2. Name of Coal Block:- North of Arkhapal Srirampur
3. Date of Allocation:- 27.02.2009
4. Normative Date of production:-27.11.2014
5. Yearly Rated Capacity:- 30 MTPA
6. BG Amount:-Rs. 269.99 Crore

7. **Recommendation:** The IMG recommends de-allocation of coal block and deduction of proportionate Bank Guarantee linked to milestones set for development of the block as per the allocation letter.
8. **Allocation condition:** The deduction of BG as per allocation letter is linked 50% to milestones (time schedule) set for development of block and remaining 50% to the guaranteed production.

Therefore, in view of the slippage in milestones, deduction from 50% of the BG linked to development of the block is done as per the weightage formula adopted by the IMG for proportionate deduction.

Calculation of BG deduction has been made on the basis of non-achievement of Milestones (As reported by the company in its status report) as on IMG Meeting held on 24.10.2013 and 25.10.2013.

Sl No.	Mile Stones	Weight (in %)	Actual Status	Marks	Remarks
1	Purchase of GR	5	Completed	5	
2	Submission of Bank Guarantee	8	Completed	8	
3	Mining Lease Application	7	Not Completed	0	
4	Submission of Mining Plan	10	Completed	10	
5	Approval of Mining Plan	10	Completed	10	
6	Application of Previous approval	6	Not Completed	0	
7	Granting of Previous approval	5	Not Completed	0	
8	Application of Forest clearance	8	Completed	8	
9	Grant of Forest Clearance	5	Not Completed	0	
10	Application EMP Clearance	8	Completed	8	
11	Grant of EMP Clearance	5	Not completed	0	
12	Grant of Mining Lease	5	Not completed	0	
13	Application of Land Acquisition	8	Not Completed	0	
14	Completion of Land Acquisition	4	schedule date not yet reached as on oct'2013	4	
15	Application for opening permission	2	schedule date not yet reached as on oct'2013	2	
16	Grant of Opening permission	2	schedule date not yet reached as on oct'2013	2	
17	Coal Production	2	schedule date not yet reached as on oct'2013	2	
	TOTAL	100		59	

Total Bank Guarantee amount: Rs. 269.99 Cr.

A= 50% of BG =Rs. 134.995 Crore

Score obtained for achieving of milestones = 59%

B=Score obtained for not achieving of milestones = (100-59) =41%

BG to be deducted for not achieving Milestones as on Oct '2013= A x B = Rs. 134.995 x41%
= Rs. 55.34795 Crore

Total amount of BG may be deducted for not achieving Milestones = Rs. 55.34795 Crore (Rupees fifty five crore thirty four lakhs seventy nine thousand and five hundred only)

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