

F.No.103/8/2016/NA
Government of India
Ministry of Coal
O/o Nominated Authority

120, F-Wing, Shastri Bhawan, New Delhi-110001,
Dated : 11th November 2020

To,

The Chairman-cum-Managing Director

Jharkhand State Mineral Development Corporation Limited

Khanji Nigam Bhawan

Doronda , Ranchi-834002

Also to :-

The Branch Manager,

Union Bank of India,

JSMDCL Branch,

Nepal House Area,

Doranda- Ranchi-834002

Subject :- Termination of Allotment Agreement and Allotment Order in respect of Patal East Coal Mine allocated to Jharkhand State Mineral Development Corporation Limited Allocatted under Coal Mines (Special Provisions) Act, 2015

Sir,

I am to refer to request from Jharkhand State Mineral Development Corporation Limited towards the surrender of Patal East Coal Mine allotted under Coal Mines (Special Provisions) Act 2015. In this regard, kind attention is invited to Clause 24.3.1(o) of the Allotment Agreement dated 24.08.2016 signed between Nominated Authority & Jharkhand State Mineral Development Corporation Limited (JSMDCL) in respect of aforesaid Coal Mine which has been reproduced as under:-

"24.3.1. This Agreement may be terminated upon occurrence of any of the following events (each a "Termination Event"):

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....(o) surrender of the Coal Mine by the Successful Bidder;”

2. Further, as per clause 24.3.3 of Allotment Agreement, in case the Nominated Authority elects to terminate this Agreement, then the Performance Security and all other payments made by the Successful Bidder shall be forfeited and the Successful Bidder shall not be entitled to any benefits under this Agreement but would continue to be liable towards any antecedent liability, all obligations accrued before the effective date of the surrender/ termination and also for the obligations that must be fulfilled after termination.
3. JSMDCL vide letter dated 19.12.2018 and subsequent letters had requested for the surrender of coal mine. It has been stated by the allottee that pre-feasibility study was conducted through CMPDIL on 03.10.2018 and as per pre-feasibility report, the stripping ratio of the project is abnormally high i.e. avg. 7.86 CuM/MT. Further, the IRR of the project is negative and the operation of project by JSMDCL will result in negative cash flow for 24 out of the project life of 25 years. The execution of Patal East coal block would have negative cash flow resulting in material and adverse impact on the business of JSMDC and therefore requested for surrender of Coal Mine.
4. In this regard, letters dated 16.01.19 and 31.05.2019 were issued to CMD, CMPDIL requesting him to clarify whether information given by CMPDIL in the Mine Dossier at the time of allotment of coal mine is same or has it been changed since then.
5. Pursuant to this, CMPDIL, vide letter dated 22.07.2019, had informed that the information provided in the Mine Dossiers at the time of allotment was based on the 'Geological Report on Detailed exploration of Coal, Patal East Captive Coal Block, prepared by MECL in December 2013 and (an unapproved) Mining Plan and Mine Closure Plan prepared by Min Mec Consultancy Pvt Ltd, May 2016 for the prior allottee M/s Bhushan Power and Steel Ltd'. The current approved Mining Plan is based on the same Geological Report, but some of the geo-mining parameters have changed. It was further stated that there are many coal projects in the country where the stripping ratio may be higher than that of Patal East, but are being considered for

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implementation. This may be due to other factors/considerations like alternate mode of implantation of the project (MDO/Outsourcing), which may have a market determined cost dynamics or the freight advantage due to project location vis-à-vis the end-use location., long term fuel-supply security, alternate options for fuel supply, local demand, consumers ability to pay a premium over notified prices and value addition through washing etc. for the project proponent. CMPDI, would thus not be able to comment on the project proponent's decision to surrender the coal block and its likely impact on their business risk.

6. Subsequent to this, a letter was issued to JSMDCL on 26.07.2019 asking whether they are willing to adhere to Clause 24.3.3 of the Allotment Order.

7. In reply, JSMDCL, vide letter dated 08.08.2019 had stated that the reason cited by them for surrender of coal mine is akin to Force Majeure, and thus does not warrant any forfeiture of Performance Security on account of surrender of the Coal block.

8. However, it has been observed that the reason cited by the Allottee does not fall within the definition of Force Majeure as per Clause 23 of the Allotment Order.

9. Further, during the meeting held on 26.02.2020, with JSMDCL and CMPDIL, to discuss the proposal of JSMDCL for surrender of Patal East Coal Mine, CMPDIL had stated that:-

"....if CIL Notified Price and departmental valuation of CIL is taken into account, the operationlization of Patal East Coal mine will not be economically viable. But there are many coal projects in the country where the stripping ratio may be higher than that of Patal East, but are being considered for implementation. Further, considering that JSMDCL presently imports coal and if the cost of coal production is compared to the import parity, then the coal mine is much viable. Further, through technology upgradation and reduction in transportation cost, alternate mode of implantation of the project (MDO/Outsourcing) etc. the coal mine may become economically viable....".

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Accordingly, during the meeting, JSMDCL was directed to make serious efforts to form Joint venture with CCL to utilize the technology /expertise available with CCL so as to make the Coal mine Viable.

10. Further, during the review meeting held on 02.07.2020, the JSMDCL informed Nominated Authority that coal mine is not viable even through the route of Joint Venture with Central Coalfields Limited (CCL), however, the State Government would discuss the matter again with Central Coalfields Limited. Accordingly, JSMDCL, vide letter dated 08.07.2020, was directed to communicate their decision on willingness to keep the Coal Mine or to continue with the proposal of surrender of coal mine.
11. In reply to this office Notice dated 08.07.2019, the JSMDCL vide letter dated 21.08.2020 again requested to consider and accept the proposal of surrender of said coal mine.
12. In view of the above facts, it is to say that a very little progress has been made in the development of the coal mine in past 4 years and allottee is also reluctant to operationalise the coal mine & has decided to surrender the coal mine.
13. In view of the above, it has been decided to terminate the Allotment Agreement 24.08.2016 signed between Nominated Authority & JSMDCL and Allotment Order No103/08/2016/NA dated 29th September, 2016 along with all the amendments / corrigendums issued in respect of Patal East Coal Mine. **Accordingly, this letter may be treated as notice under Clause 24.3.2 of the Allotment Agreement. On the completion of notice period of 15 business days i.e on 2nd December, 2020, the Allotment Agreement and Allotment Order shall stand terminated** and the Allottee shall not be entitled to any benefit under Allotment Agreement but would continue to be liable towards any antecedent liability, all obligations accrued before the effective date of the Surrender/termination and also for the obligations that must be fulfilled after termination.
14. **The Branch Manager, Union Bank of India, JSMDCL Branch, Nepal House Area, Doranda Ranchi-834002, is hereby, requested to treat this notice**



as demand under Bank Guarantee no No.52890IGL0000116 dated 23.09.2016 and subsequent amendment on 22.09.2017, 19.09.2018, 19.09.2019 and 11.09.2020, issued by Union Bank of India in favor of President of India, acting through Central Government represented by Nominated Authority and to encash an amount of Rs.52,86,40,000/- (Indian Rupees Fifty Two Crore Eighty Six Lakh Forty Thousand only) which is the entire Guaranteed amount under the said Bank Guarantee and transfer to the account of PAO, Ministry of Coal, Bank – United Bank of India, Branch Name–Connaught Circus, New Delhi, Account No.0276050414586, IFSC Code–UTBI0CON702, MICR Code – 110027022 on 2nd December, 2020 for the reason of Termination of Allotment Agreement.


(M Nagaraju)

Additional Secretary to the Government of India & Nominated Authority

म. नागराजु / M. NAGARAJU
अपर सचिव / ADDITIONAL SECRETARY
भारत सरकार / GOVT. OF INDIA
कोयला मंत्रालय / MINISTRY OF COAL
शास्त्री भवन / SHASTRI BHAWAN
नई दिल्ली / NEW DELHI

1. The Chief Secretary, Government of Jharkhand, Ranchi
2. Coal Controller, Coal Controller Organisation, Kolkata.
3. US (CBA-II)/US (IFD)/US (CLD), Ministry of Coal, Government of India.
4. Pay & Accounts Officer, Pay & Accounts Office, Ministry of Coal- With a request to deposit the amount of Rs.52,86,40000/- received from Union Bank of India Limited in Detailed Head 8443.00.117.03.07.00 until further directions from this office to deposit the above mentioned amount in CFI.
5. The Branch Manager, United Bank of India, Connaught Circus Branch, New Delhi- for necessary action.