



INVESTOR MEET ON COMMERCIAL AUCTIONS

AUCTION PROCESS - COMMERCIAL AUCTIONS



09 November 2022



Auction Process, Key Terms & Conditions



Online Electronic Auction Process

Ascending Forward Auction

2-Stage Online Electronic Auction

Technical Bid

Financial Bid

Initial Offer

Final Offer

- ⊙ **Bid Parameter:** percentage (%) share of revenue payable to Government
- ⊙ **Floor price:** 4% of revenue share
- ⊙ Bids in multiple of 0.5% of revenue share till it reaches 10% and thereafter in multiples of 0.25% of revenue share
- ⊙ One Bidder can put only 1 bid for a coal mine
- ⊙ No Affiliate of a Bidder shall submit bid for the said coal mine otherwise bids submitted by the Bidder and its Affiliate(s) will be rejected

Bidder submitting the highest Final Offer shall be declared as successful and enter into agreement with GoI



Requirements for Bid Submission

Basic Eligibility

A company or a joint venture company formed by two or more companies.

or

A Government company or corporation or a joint venture company formed by such company or corporation or between the Central Government or the State Government, as the case may be, or any other company incorporated in India; or

Prior Allottee related conditions

Must have paid the additional levy within the prescribed time period

Should not be convicted of an offence relating to coal block allocation and not sentenced with imprisonment for more than 3 (three) years

FDI Policy

Press Note 4 of 2019, amending the FDI Policy 2017, to permit 100% FDI under automatic route in coal mining activities

Press Note 3 of 2020, prescribing prior Government approval if FDI is by an entity from a country which shares land borders with India or where the beneficial owner of such foreign direct investment into India is situated in or is a citizen of any such country

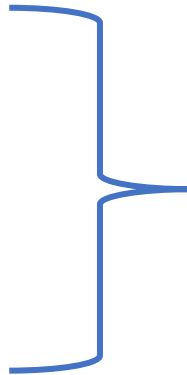


Electronic Auction – Submission of Final Offer

Say, the Initial Offers of the Technically Qualified Bidders were:

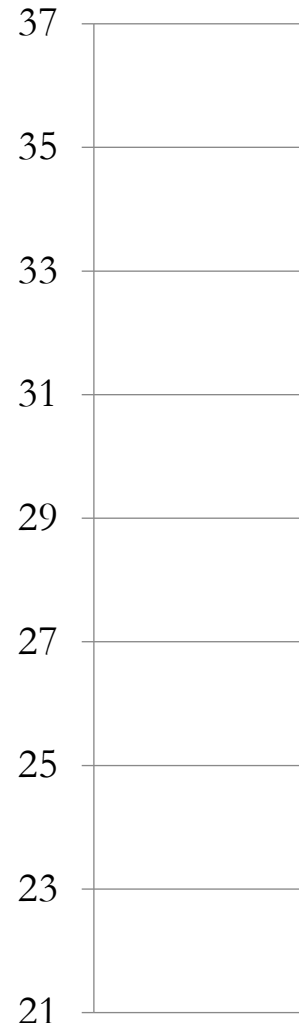
- 21%
- 19.5%
- 18%
- 14%
- 12%
- 11.5%
- 9%
- 8%
- 7%
- 5%

4% is Floor Price



Qualified Bidders shall participate in electronic auction

Ascending Forward Auction (%)



Preferred Bidder shall be the one submitting the highest Final Offer

Floor Price
In electronic auction



Determination of Successful Bidder

- The Nominated Authority shall recommend the name of the Preferred Bidder to the Central Government
- Upon receipt of the direction of Central Government, Preferred Bidder will become the Successful Bidder
- Agreement (CMDPA/ CBDPA) shall be executed with the Successful Bidder
- Vesting/ Allocation Order shall be issued to the Successful Bidder post payment of upfront amount, fixed amount and submission of performance security
- Upon the issuance of the Vesting/ Allocation Order, the Successful Bidder shall be entitled to a ML or PL-cum-ML, as applicable



Key features of this round of Auction

01

NO RESTRICTION ON SALE/ UTILIZATION OF COAL

02

BID PARAMTER IS PERCENTAGE REVENUE SHARE

03

NO TECHNICAL AND FINANCIAL ELIGIBILITY CRITERIA

04

MINIMUM NUMBER OF BIDDER IS 2 IN FIRST ATTEMPT

05

PAYMENT STRUCTURE AS PER NATIONAL COAL INDEX

06

FLEXIBILITY IN COAL PRODUCTION SCHEDULE

07

INCENTIVE FOR EARLY COAL PRODUCTION AND UTILIZATION OF COAL IN COAL GASIFICATION/ COAL LIQUEFACTION

08

PROVISIONS FOR CHANGE IN CONTROL & SECURITY CREATION

09

PERMISSION TO ALLOW RELINQUISHMENT OF A PART OF PARTIALLY EXPLORED COAL MINE

10

REDUCED UPFRONT AMOUNT AND BID SECURITY



Production Schedule & Revision in Mining Plan

- **Production Schedule for Fully Explored Mines**
 - Successful Bidder to ensure coal production as per approved Mining Plan and equal to or more than the year-on-year production schedule as specified in Tender Document
 - In case prospecting operations are required to be carried out for any part of the Coal Mine, the same shall be carried out by the Successful Bidder in accordance with Applicable Law
- **Revision in Mining Plan upon allocation**
 - Mining Plan may be revised by Successful Bidder, in accordance with Guidelines for Preparation, Formulation, Submission, Processing, Scrutiny, Approval and Revision of Mining plan for the coal and lignite blocks dated May 29, 2020, as may be amended



Mandatory Work Program – Partially Explored Mines

- During prospecting phase, geological prospecting/ exploration of the area to be conducted as per Mandatory Work Program given in the tender document
 - **Revision in Mandatory Work Program subject to the approval of the Nominated Authority:** In the event the Successful Bidder is unable to conduct geological prospecting/ exploration of the area as per the Mandatory Work Program, due to any technical constraints including subsurface geological uncertainty duly accepted by the Government, the Successful Bidder may propose a revised Mandatory Work Program having estimated exploration expense not less than the estimated exploration expense as provided in the Tender Document, to the Nominated Authority.
 - Successful Bidder may undertake geological prospecting/ exploration in excess of the Mandatory Work Program in accordance with Applicable Law
- All reports, studies and other documentation related to the geological prospecting/ exploration of the area shall become proprietary information of Nominated Authority/ State Government



Relinquishment of Partially Explored Mine

- After completing the prospecting operations as per the Mandatory Work Program and preparing the Geological Report, acceptable to GoI, the Successful Bidder may either
 - relinquish the Coal Mine after submitting all reports, studies and other documentation related to the geological prospecting/ exploration of the area to the Nominated Authority and the State Government, without any penalty; OR
 - relinquish any part of the Coal Mine having non-coal bearing area or coal bearing area which is technically non-viable to explore (subject to approval of MoC) after submitting all reports, studies and other documentation related to the geological prospecting/ exploration; OR
 - retain the Coal Mine and carry out mining operations after obtaining the required permissions/ approvals/ clearances etc. in accordance with Applicable Law
- Failure to complete prospecting operations as per Mandatory Work Program and/or non-preparation of GR acceptable to GoI shall lead to forfeiture of Performance Security, termination of Agreement/ PL and withdrawal of Vesting/ Allocation Order
- Upon withdrawal of Vesting/ Allocation Order, for any reason whatsoever including relinquishment, the expenses incurred by the Successful Bidder towards prospecting/ exploration operations, preparation of Geological Report and compensation paid towards Fixed Amount shall not be reimbursed



Change in Control and Transfer

- **Change in Control of the Successful or Transfer of the Coal Mine**
 - Permitted subject to Applicable Laws and may be undertaken after the Lock-in Period subject to Successful Bidder/ transferee meeting the Eligibility Conditions
 - Any change in control pursuant to an insolvency proceeding under IBC 2016 or Applicable Laws or transfer pursuant to enforcement of security by any Bank / FI as per terms of Agreement and Applicable Laws, shall be allowed during Lock-in Period
 - **Lock-in Period for Fully Explored Mines:** Till execution of Mining Lease or order by the Central Government under Section 11 (1) of CBA Act, 1957, as the case may be
 - **Lock-in Period for Partially Explored Mines in two phases:**
 - **First**, till one year of the date of issuance of Vesting Order / Allocation Order and the Successful Bidder having incurred at least 15% of estimated exploration expense
 - **Second**, after preparation of Geological Report till the execution of Mining Lease or order by the Central Government under Section 11 (1) of the CBA Act, 1957, as the case may be



Efficiency Parameters

- Conduct of mining operations shall be subject to the Efficiency Parameters listed in the Agreement
- **Mines other than Schedule II Mines under CM(SP) Act**

Partially Explored Mines	Fully Explored Mines
Milestones have been clubbed in 5 groups (MS-1 to MS-5) with one milestone being monitored from each of these 5 groups	Milestone MS-1 (preparation of GR) is not applicable and they have only 4 groups of milestones (MS-2 to MS-5) with one milestone being monitored from each group
Total time granted for all the Milestones is. 66 months	Total time granted for all the Milestones is 51 months

- In bona fide cases of delays not attributable to the Successful Bidder, the Nominated Authority will decide on case to case basis the extension of timeline in Efficiency Parameters. For the said purpose, the Nominated Authority may refer the matter to Scrutiny Committee which will consider the delay caused on case to case basis and furnish its recommendation to the Nominated Authority for taking a decision
- In case, Successful Bidder achieves operationalization within 66/ 51 months, then the amount of performance security appropriated for delay in completion of any previous Milestone (if any) may be refunded



Coal Utilisation, CBM & Minor Minerals

- **No restriction on the sale and/ or utilisation of coal** from the coal mine including sale to affiliates and related parties, captive consumption, coal gasification, coal liquefaction and export of coal
- Lease/license in respect of **CBM operations** shall be governed by Applicable Law
 - In addition to the Monthly Payment for coal, the Successful Bidder shall also make payments of monthly revenue share for CBM based on the Final Offer
- Mining of **Minor Minerals** by Successful Bidder shall be subject to Minor Mineral Concession Rules of respective State Government



Payments & Guarantees



Bid Security

- Bid Security is to be submitted as part of Bidder's Technical Bid
 - For **Fully Explored Mine**, the Bid Security shall be equal to 20% of the Upfront Amount
 - For **Partially Explored Mine**, the Bid Security shall be equal to 25% of the estimated exploration expenses based on Mandatory Work Program
- Bid Security to be in the form of a **bank guarantee** by an Acceptable Bank, in favour of the Nominated Authority
 - Bank guarantee shall be issued in paper form as well as under Structured Financial Messaging System (SFMS) platform
- **Validity period** of not less than 210 days from the Bid Due Date (excluding bid due date) and further a claim period of minimum 60 days from the date of expiry of validity period of bank guarantee for Bid Security
- Bid Security of unsuccessful Bidders will be returned by the Nominated Authority, without any interest, upon recommendation of the name of the Preferred Bidder to the Central Government by the Nominated Authority



Upfront Amount

- 0.20% of the value of estimated geological reserves of the coal mine
 - capped at Rs. 75 crore for mines with geological reserves up to 200 MT
 - capped at Rs. 500 crore for geological reserves above 200 MT
- Value of estimated geological reserves shall be equal to the product of
 - Geological reserves in the coal mine as given in the Geological Report; and
 - Representative price of relevant grade of coal based on National Coal Index
- For partially explored mines, upfront amount shall be calculated upon in-principle approval of mining plan



Upfront Amount

- Upfront Amount shall be payable by the Successful Bidder in four equal instalment of 25% each

Instalment	Fully Explored Mines under MMDR Act and CMSP Act (other than Schedule II)	Partially Explored Mines under MMDR Act and CMSP Act	Payable to
First	Upon of execution of the Agreement	Upon in-principle approval the mining plan	Nominated Authority
Second	Upon execution of the mining lease or order by the Central Government under Section 11 (1) of CBA Act 1957, as the case may be		State Government
Third	Upon grant of the mine opening permission		State Government
Fourth	Upon commencement of coal production		State Government



Upfront Amount

- Upfront Amount shall be adjusted in full against monthly payments to the State Govt
 - Adjustments shall not exceed 50% of aggregate Monthly payments for the year
 - Adjustment of Upfront Amount towards Monthly Payments shall be on a monthly basis
 - Upfront Amount shall not be adjusted against other statutory dues including taxes, levies, royalty, contribution to NMET and DMF etc.
- Upfront Amount, including the first instalment, provided in the Tender Document may undergo revision pursuant to finalisation of the provisional Representative Price
 - On account of this finalisation of Representative Price, any upward or downward revision in the first instalment of the Upfront Amount shall be adjusted in the second instalment payable by the Successful Bidder to the State, along with revision in all the subsequent instalment



Fixed Amount

- Successful Bidder shall pay the Fixed Amount prior to issuance of Vesting/ Allocation Order
- Fixed Amount shall include the following, as applicable:

Mines under CM(SP) Act

- Value of land and mine infrastructure
- Cost borne by prior allottee for obtaining statutory licenses, clearances, consents etc.
- Cost borne by prior allottee for preparation of geological report
- Cost incurred by CMPDIL for preparation of the mine dossier including block boundary and financial valuation along with applicable taxes

Mines under MMDR Act

- Cost incurred by CMPDIL and other Government agencies, if any, in deriving detailed geographical boundary coordinates and in preparing geological report, if any
- Cost incurred by CMPDIL for preparation of the mine dossier including block boundary and financial valuation along with applicable taxes



Performance Security

Particulars	Fully Explored Mines	Partially Explored Mines
Amount	65% of aggregate of:- i. One year royalty, based on PRC; and ii. One year revenue share computed on the basis of PRC of mine as per approved Mining Plan (PRC X Final Offer X Representative Price after adjustment with latest available sub-index of National Coal Index)	Before in-principle approval of Mining Plan:- 25% of estimated exploration expense After in-principle approval of Mining Plan:- Same as fully explored mines
Mine Plan not available (in case of fully explored mines)	To be estimated on the basis of an indicative PRC as provided in the Tender Document Upon in-principle approval of Mining Plan, a revised Performance Security to be submitted on the basis of approved Mining Plan	
Performance Security to State Govt	Upon grant of mine opening permission, PBG to be submitted to the State Government for the same amount. The Agreement shall be terminated and the Performance Security submitted to the Nominated Authority shall be returned	
Annual Revision	Change in: (i) National Coal Index (ii) Rate of Royalty (iii) Peak Rated Capacity	
Appropriation	As specified in the Agreement	



Monthly Payments

- Shall be made on the basis of the Final Offer (% revenue share quoted) and monthly revenue
- Revenue share for this purpose shall be the product of:
 - Final Offer
 - Quantity of coal on which statutory royalty is payable during the month
 - Notional Price or Actual Price, whichever is higher, where
 - Notional Price is the price arrived at after adjusting the Representative Price with sub-index of National Coal Index of the relevant basket of coal grade(s) on the date on which royalty becomes payable.
 - Representative Price shall be a product of:
 - weights of the Base year; and
 - Latest available prices of these components at the time of issuance of the Tender Document
 - Actual Price shall mean the sale invoice value of coal, net of statutory dues.
- Other Statutory dues including taxes, royalty contribution to NMET and DMF etc. shall be payable as per Applicable law



Incentives

Early Commencement of Coal Production

- Rebate of 50% on Final Offer would be allowed for the quantity of coal produced earlier than Scheduled Date of Production

Coal Gasification or Liquefaction

- Rebate of 50% on Final Offer on total quantity of coal consumed in own plant(s) or plant(s) of holding, Subsidiary Company, Affiliate, Associate Company of the Successful Bidder or sold or both for Coal Gasification/ Coal Liquefaction
- Subject to at least 10% of scheduled coal production as per approved Mining Plan being consumed and/or sold for Coal Gasification or Coal Liquefaction, in a year
- No incentives shall be available in respect of quantity of coal produced earlier than Scheduled Date of Production and utilised in Coal Gasification/ Coal Liquefaction, if the Successful Bidder elects to avail incentives for early production in respect of such quantity of coal



Flexibility in Production Schedule

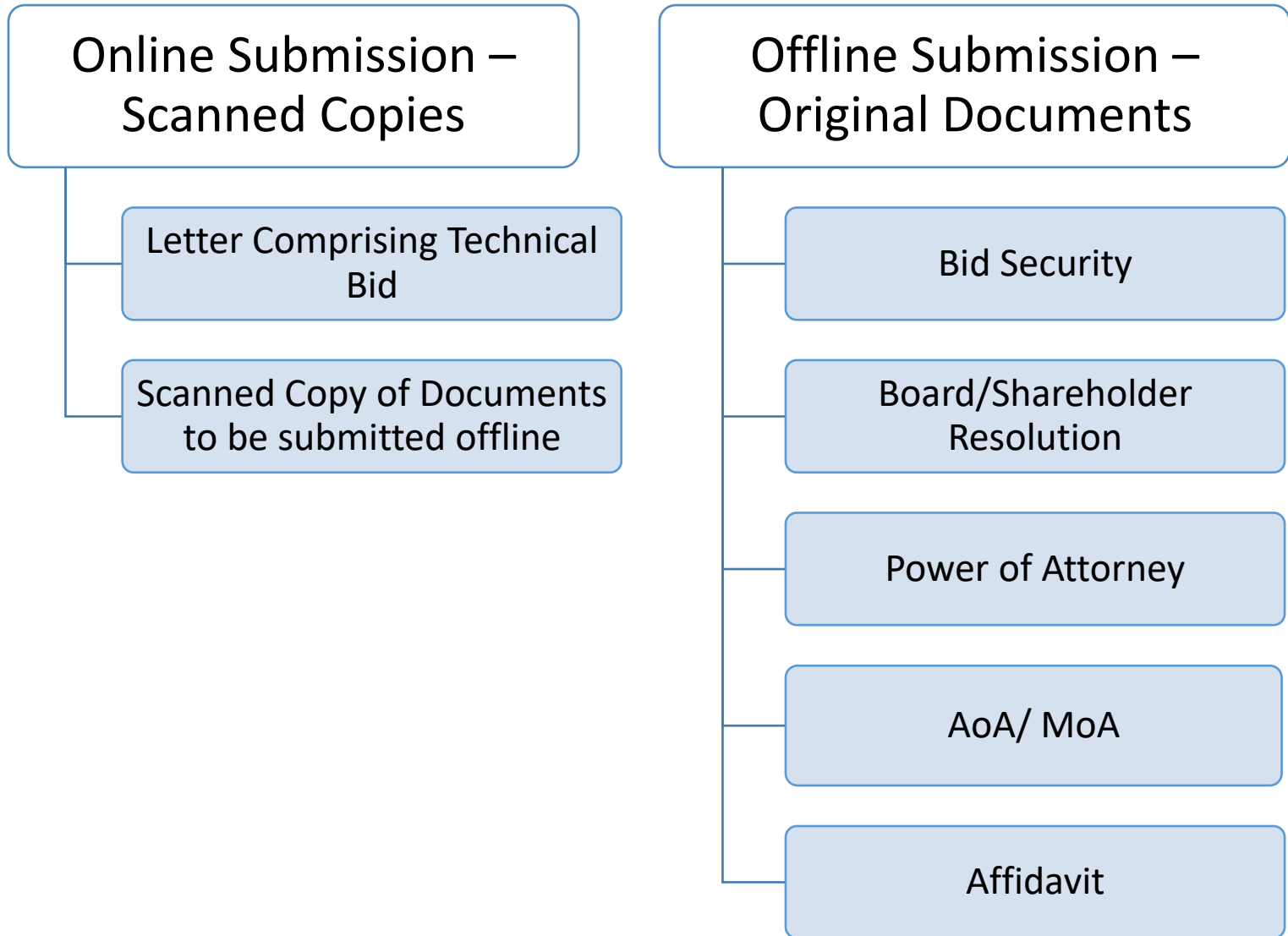
- **Flexibility in coal production schedule**
 - At least 65% of scheduled production each financial year
 - At least 75% of scheduled production over a block of 3 financial years
- **Compensation in case of shortfall in production**

Shortfall Quantity	Revenue share for shortfall on basis of
65% of annual scheduled coal production in any FY as per approved Mining Plan, less the quantity of coal on which the statutory royalty is paid	Notional Price arrived at after adjusting the Representative Price with sub-index of National Coal Index of the relevant basket of coal grade(s) for relevant FY
75% of scheduled coal production for a block of 3 FYs as per approved Mining Plan (above 65% and below 75%) less the quantity of coal on which the statutory royalty is paid in 3 FYs	Notional Price arrived at after adjusting the Representative Price with sub-index of National Coal Index of the relevant basket of coal grade(s) for the relevant block of 3 FYs

- Statutory dues including taxes, levies, Royalty, contribution to DMF and NMET etc. shall be payable as per Applicable Law



Submission of Technical Bid





Schedule of Auction Process

Event Description	Estimated Date
Launch of Auction	Thursday, November 03, 2022
Last date of receiving written queries from Bidders	1600 hours IST on Friday, November 25, 2022
Last date for written responses to queries by the Nominated Authority	Friday, December 09, 2022
Last date of receiving written requests for Site Visit	1600 hours IST on Thursday, December 15, 2022
Last date for registration of bidder at the website of MSTC	Thursday, December 22, 2022
Last date for sale of Tender Document at the website of MSTC	Monday, December 26, 2022
Bid Due Date	Online Submission on MSTC Platform in accordance with Clause 3.A.(i) of Annexure III: 1200 hours IST on Friday, December 30, 2022 Offline submission at Office of Nominated Authority in accordance with Clause 3.A.(ii) of Annexure III: 1600 hours IST on Friday, December 30, 2022
Conduct of electronic auction	Tuesday, January 24, 2023 - Monday, February 06, 2023



Thank You

This presentation is for ease of understanding of the auction process by the Bidders. In case of any discrepancies between this presentation and the Tender Document & Agreement, the provisions of the Tender Document & the Agreement will prevail.

