

AUCTION OF COAL MINES FOR SALE OF COAL

(17TH TRANCHE OF AUCTION UNDER THE COAL MINES (SPECIAL PROVISIONS) ACT, 2015)

(7th TRANCHE OF AUCTION UNDER THE MINES AND MINERAL (DEVELOPMENT AND REGULATIONS) ACT, 1957)

Queries & Responses

Pursuant to Standard Tender Document dated March 29, 2023

May 04, 2023

Nominated Authority

Ministry of Coal, Government of India

A. Queries and Responses to Standard Tender Document dated March 29, 2023

The following clarifications are applicable to the Standard Tender Document dated March 29, 2023 as well as to mine-specific Tender Documents dated March 29, 2023 pursuant to auction under 17th Tranche of auction under the CMSP Act 2015 & auction under 7th Tranche of auction under the MMDR Act 1957.

Sl. No.	Query	Response
1.	<p>Clause 3.3.2 (h) – Payments by the Successful Bidder</p> <p>a. The text reads as “If the Successful Bidder is a Prior Allottee, then, the compensation payable to such Successful Bidder shall be set off or adjusted against the Fixed Amount payable by such Successful Bidder”</p> <p>Erstwhile Bhushan Steel Limited (Now a part of Tata Steel) was one of the prior allottees. It is not clear whether the compensation payable on account of previous expenses will be set off immediately or first to be deposited to Nominated Authority and then will be reimbursed.</p>	<p>1a. In case the Successful Bidder is also the Prior Allottee for the coal mine, the Fixed Amount payable by the Successful Bidder shall be set off against the compensation payable to the Prior Allottee either prior to or after the issuance of Vesting Order.</p>
2.	<p>Clause 3.8 – Schedule of the Tender Process</p> <p>a. In view of the new blocks are notified in this auction, timelines may be extended for 20 more days.</p>	<p>The schedule of the auction process has already been uploaded on the MSTC Platform. In case of any revision in the schedule of the tender process, the updated schedule will be uploaded on the MSTC website. Bidders are requested to regularly visit MSTC for updates.</p>
3.	<p>Clause 3.10 – Periodic Payments by the Successful Bidder</p> <p>a. We understand that computation of Monthly Payments is based on the actual grade of coal sold to the consumers based on Quality Report for each shipment or transaction and not the average grade of the coal block declared by CCO. Kindly also clarify when the obligation of payment of Monthly Payment cease to exist.</p>	<p>For the purpose of Monthly Payments, the relevant grade of coal shall be the grade of coal for which the statutory royalty is payable during the month. Monthly Payments shall be payable in accordance with the terms of the Agreement</p>
4.	<p>Clause 5.2 - Change in control and transfer</p> <p>a. For fully explored mines, the lock-in period shall be till 1 year from the date of issuance of Vesting Order / Allocation Order. There shall not be any restrictions for Change in Control for fully explored mines and hence the Lock-In period for fully explored mines shall also be till 1 year from date of issuance of Vesting Order / Allocation Order. Any Change in Control will still prevail to be in accordance with Applicable Laws.</p>	<p>a. As per Clause 5.2.1 of the Standard Tender Document, the lock-in period for fully explored coal mine shall be 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.</p>
5.	<p>Clause 6 – Bid Security</p>	

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	a. Lower the BG amounts from 20% to 5% of the upfront amount, easing the financial burden on new allottees.	As per Clause 6.2.1 of the Tender Document, the Bid Security for Fully Explored coal mine shall be equal to 20% (twenty percent) of the Upfront Amount.
6.	<p>Clause 7 – Performance Security</p> <p>a. Performance Security (PS) should be capped similar to Upfront Amount. For Fully Explored Mine, the Performance Security shall be an amount which is 65% of aggregate of: (a) one year royalty computed on the basis of peak rated capacity of the Coal Mine as per the approved Mining Plan and (b) one year revenue (in accordance with Clause 9.1.1) subject to a maximum capping of INR 250 Crore, ...</p>	Performance Security shall be as per clause 7 of the Standard Tender Document.
7.	<p>Clause 9.1 - Mandatory Work Program for Partially Explored Mines -</p> <p>a. Mandatory Work Programme (MWP) for partially explored blocks shall be in terms of scope of work only i.e. in "meterage of exploration" along with other works mentioned in the MWP. It shall not be based on the concept that actual expenses incurred shall be higher than the "estimated exploration expenses" given in the tender document. Successful Bidders may get the exploration and other works mentioned in the MWP undertaken at rates lower than those considered by MoC to compute the "estimated exploration expenses". Hence, the MWP shall be "scope of work" based and not "cost" based.</p>	The Mandatory Work Program shall be as per Clause 9.1 of the Standard Tender Document
8.	<p>Clause 9.3 – Revision in Mining Plan upon allocation</p> <p>a. Regarding the revision of Mine Plan by the successful bidder, what is the timespan allowed to complete the exercise? Can the PRC be lowered in the revised Mine Plan?</p> <p>b. Mine Plan with PRC lower than that mentioned in the mine summary (tentative PRC) shall be acceptable for approval.</p>	A successful bidder will have to comply with the efficiency parameters as provided in the Agreement. Any non-compliance with the Efficiency Parameters would result in appropriation of the Performance Security in the manner stipulated in Clause 6 of the Agreement. Also, downward revision in the PRC is not allowed. As per Clause 9.3 of the Tender Document, upon allocation of the Coal Mine, the Mining Plan may be revised by the Successful Bidder, in accordance with the Guidelines for Preparation, Formulation, Submission, Processing, Scrutiny, Approval and Revision of Mining plan for the coal and lignite blocks issued vide Office Memorandum F. No. 34011/28/2019-CPAM dated May 29, 2020, as may be amended. However, as per Clause 9.2 of the Tender

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		Document, the Successful Bidder shall ensure that the scheduled coal production as per the approved Mining Plan is equal to or more than the Production Schedule
9.	<p>Clause 9.4 - Flexibility in Production</p> <p>a. Since the coal block is offered for commercial sale, Bidder can produce and sale based on the market condition. Hence minimum production requirement should be reasonable. If there is market, it would be in interest of Bidder to produce. In a financial year, the Successful Bidder shall produce coal not below 50% of scheduled production for that financial year as per the Mining Plan subject to the condition that in any 3 financial year block the Successful Bidder shall not produce coal less than 65% of scheduled production for the 3 financial year block as per the Mining Plan. Further, the three year average would calculated based on the current year and previous 2 year with respect to any year.</p>	The flexibility in production shall be as per Clause 9.4 of the Standard Tender Document.
10.	<p>Clause 9.5 - Relinquishment of Partially Explored Mine</p> <p>a. Purpose of auctioning Partially Explored Block is to establish reserve and then undertake mining. In exploration, some areas may not have sufficient economic potential and hence relinquishment of Part area shall be allowed.</p> <p>b. Bidder should be allowed to relinquish mine even if it doesn't complete Mandatory Work Program if it is established based on the part exploration that property is not technically feasible to exploit.</p>	Relinquishment of Partially Explored Mine shall be in accordance with Clause 9.5 of the Tender Document
11.	<p>Clause 9.4.2 – Revenue payable to the Government in case of shortfall in coal production</p> <p>a. Clause 9.4.2.2 may be amended to include, “If the coal production for a block of 3 financial years is more than or equal to 75% of the scheduled production in the block of 3 financial years as per approved Mining Plan, the revenue share paid if any by the successful bidder during any year in that block of 3 financial years will be returned to the bidder with applicable interest.”</p>	As per Clause 9.4 of the Tender Document, the revenue shall be payable to the Government in the event the annual coal production is less than 65% of the scheduled production in any financial year as per approved Mining Plan and in the event, the coal production for a block of 3 financial years is less than 75% of the scheduled production in the block of 3 financial years as per approved Mining Plan.
12.	<p>CMDPA Clause 5.2 – Payment of the Upfront Amount</p> <p>New CMDPA Clause 5.2.1 –</p>	Once the block gets explored and mining plan gets approved, the Upfront Amount and Performance Security shall be calculated same as fully explored mines as per the provisions of the Tender Document.

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	<p>a. In case of partially Mines, the tender document and CMDPA are silent on the adjustment to Upfront Amount and Performance Security if actual grade of Mineable coal is found to be lower than MoC declared grade upon completion of exploration and preparation of Geological Report.</p> <p>New Clause Clause 5.2.1 (a) in CMDPA</p> <p>In case of Partially Explored Mines, if actual grade of Geological Reserves in the approved Geological Report (upon completion of Exploration) is found to be different than the Coal Grade at the time of auction, the value of Upfront Amount and Performance Security shall be adjusted considering the Grade of Geological Reserves as per approved Geological Report.</p>	
13.	<p>CMDPA Clause 11.2 – Authorisations</p> <p>a. The Successful Bidder has to obtain and maintain all Governmental Approvals required for conducting the mining operations at the Coal Mine and performing its obligations under this Agreement.</p> <p>Certain mines are located in areas with forest cover and geological difficulties which may attract imposition of additional conditions/obligations in various clearances, the cost of which may not be factored during the bidding stage.</p> <p>However, there is no provision in the CMDPA to cater the cost of imposition of additional conditions/obligations in any Governmental Approvals, if any, required by the authorities or change in law (For eg. – mining restrictions).</p>	<p>The Successful Bidder shall be responsible for obtaining clearance/ approvals etc. in accordance with Applicable Law, at its own costs.</p>
14.	<p>CMDPA Clause 12.1 – Contractors and Sub-Contractors</p> <p>a. The contractual arrangement is business confidential information between Owner and Contractor and thus should not be asked. MoC may take relevant declaration to comply with law.</p>	<p>As per Clause 12.1 of Agreement, Successful Bidder shall provide a duly certified copy of any agreement with any contractor in relation to the mining operations at the Coal Mine to the Nominated Authority within fifteen Business Days of its execution.</p>
15.	<p>CMDPA Clause 21 – Assignment, Security For Financing</p> <p>Support new allottees by offering funding assistance or facilitating access to financing options for mining projects.</p>	<p>As per Clause 21.3.1 of the CMDPA, subject to Applicable Laws, the Successful Bidder shall be entitled to create security by way of mortgage of the Coal Mine for the purposes of financing the mining operations at the Coal Mine from a bank or financial institution and such security</p>

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		creation shall not require prior approval by the Nominated Authority or the Central Government
16.	<p>CMDPA Clause 22 – Insurance</p> <p>a. Please list out all types of Insurance which MoC has contemplated from the Successful Bidder to maintain during Development and Operation stage.</p> <p>Also kindly clarify what does it mean by "(including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto)"</p>	As per good industry practices and Applicable Law.
17.	<p>CMDPA Clause 23 – Accounts and Audit</p> <p>To delete 23.2 - Appointment of Auditor.</p>	The provision of Clause 23 of Agreement shall be applicable.
18.	<p>CMDPA Clause 25 – Event of Force Majeure</p> <p>a. Delay in granting regulatory approvals should be considered Force Majeure</p>	Events of Force Majeure shall be as per Clause 25 of Agreement.
19.	<p>CMDPA Clause 26.3 – Termination</p> <p>a. Forfeiture of Performance Security and other payments should not be applicable to Successful Bidder who surrender the mine in case of unviability due to economic, technical or any other reason, or due to presence of poorer grade and lesser reserves than as notified by MoC or for any reasons beyond control of Successful Bidder.</p>	The Termination clause shall be as per Clause 26.3 of the Agreement
20.	<p>Block Area:</p> <p>How the existing area limit for mineral/Coal capped at 10 sq.km. going to effect the timelines for auction? Exemption for area limit as per MMDR 1957 Act to be arranged.</p>	As per Section 6(b) of MMDR Act, 1957, in case of one or more mining leases covering a total area of more than ten square kilometres, the Central Government in the interest of the development of any mineral or industry, may for reasons to be recorded in writing, increase the aforesaid area limits in respect of prospecting license or mining lease.
21.	<p>GST Cess:</p> <p>a. When coal is taken to some other plant of the same successful bidder located in different state, additional tax of Rs. 400 per ton is imposed. This should be waived off to avoid additional financial burden on the company.</p>	Statutory dues including taxes, levies, royalty, contribution to NMET and DMF, etc. shall be payable as per Applicable Law
22.	<p>Mine Dossier:</p> <p>a. Partially explored coal blocks data like borehole-wise data, seam structures, lithology, quality, parting, should be shared with mines summary. Coal blocks which are partially explored and where there are limited boreholes of GSI/MECL/CMPDI and Geological report is not prepared then it is requested that the drilling data be shared with the</p>	Mine Dossiers for all the coal mines have been uploaded on the MSTC portal. It may be noted that the Mine Dossier of the Coal Mine is being provided only as a preliminary reference document to the prospective Bidders, who are expected to carry out

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	<p>mines summary itself so that an informed decision is taken to buy the Mine Dossier and participate in the block. This way, the bidders are prevented to spend money on buying the costly Mine Dossier where there is no potential.</p> <p>b. In case of any change or update in information or data present in the mine summary/mine dossier for any block, it shall be notified by some means either through notices on web site or through e-mail to bidders or by any other appropriate manner.</p> <p>c. Exhaustive details of coal blocks should be made available to bidder, there are some instances where complete Geological Report data was not made available.</p>	<p>their own surveys, investigations and other detailed examination of the Coal Mine before submitting their Bids. Nothing contained in the Mine Dossier shall be binding on the Nominated Authority nor confer any right on the Bidders, and the Nominated Authority shall have no liability whatsoever in relation to or arising out of any or all contents of the Mine Dossier</p>
23.	<p>Payments:</p> <p>a. In case of the Reserve/ Resource estimation of the blocks like Arkhapal and Machhakata which have been carved out of bigger blocks, any possible error as mentioned above will have a great bearing on Value of Estimated Resource(VoER)and payments associated therewith. Will a revision in payments associated with VoER will be allowed by the nominated authority, if at a later stage the resource figures are found different?</p> <p>b. Prior allottee had already taken clearances & permissions for OC Mining method, but currently ministry has identified the block for UG method. therefore clearances approved by prior allottee are of no use. Hence clarity is needed that whether the successful bidder would be liable or not for the previous payments to the prior allottee</p> <p>c. We understand that payment of these costs are inclusive of GST, any other taxes, duties, levies etc. Please clarify the same.</p>	<p>a. Both the blocks mentioned are Explored coal blocks and therefore, the reserves for these coal mines are already available. The 1st instalment of Upfront Amount for these coal mines is required to be paid upon execution of CMDPA and no revision will be carried out in the Upfront Amount. However, The Upfront Amount shall be adjusted in full, against the Monthly Payments to be made to the State Government. Provided however, such adjustment of Upfront Amount shall not exceed 50% of aggregate Monthly Payments for the year</p> <p>b. The payments are required to be made by the Successful Bidder for the coal mine in respect of the clearances and permissions obtained by the Prior Allottee for the coal mine.</p> <p>c. Upfront Amount is calculated as per the methodology specified in the Tender Document and is exclusive of any taxes. The Fixed Amount components have been provided to the prospective Bidders, where it has been mentioned whether they are inclusive or exclusive of taxes. Estimated exploration expense has been provided in mine specific Tender Document of</p>

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		Partially Explored Coal Mines without any applicable taxes. Taxes and duties, if any, shall be payable by the Successful Bidder as per Applicable Law.

B. Mine Specific Queries and Responses

Sl. No.	Name of Mine	Query	Response
1.	Rawanwara North Eastern Part	<p>1. Fixed Amount: a. In the fixed amount cost break-up for the Eastern block and Western block is not provided. For this, the amount related to Rawanwara North Eastern part only is to borne & not for Rawanwara North Western part. What will be the cost break-up of the fixed amount, which has to be borne by the successful bidder?</p> <p>2. Coal Evacuation Infrastructure: a. In Rawanwara North Eastern part, excess infrastructure is not developed such as roads, or nearby railway siding. Has the ministry gotten any plans for developing excess infrastructure in near future?</p>	<p>1a. The breakup of the fixed amount cost has already been uploaded on the MSTC portal for all the coal mines.</p> <p>2a. The evacuation infrastructure shall be the responsibility of the successful bidder. However, the Govt. of India is also committed to development of coal sector infrastructure.</p>
2.	Machhakata (Revised)	<p>1. Fixed Amount: a. The Fixed Amount for Machhakata (Revised) coal block shall be INR 51,00,73,408.00. However, as per the details submitted by prior allottee, the amount invested by MDO has been shown to be Rs 201.80 Crores and by MGCL Rs 53.58 Crores till 30.06.2014. Clarification is required for the amount invested and whether the same will be payable by the successful bidder.</p>	<p>1a. The Fixed Amount is based on the available information and the assessment made by the Competent Authority and is subject to final settlement. Compensation for land and mine infrastructure shall be calculated in accordance with CM(SP) Act, 2015 by the office of Nominated Authority.</p>
3.	Mahan	<p>1. Payments: a. The Prior allottee of the block has already taken the clearances & permissions for OpenCast method of Mining for Mahan, but in the current auction the Ministry of Coal (MoC) has identified the block for Underground Mining Method only, hence the clearances taken by the prior allottee are of no use. Land rights taken by the prior allottee for 1,116 Ha for OpenCast Mining Method would be of no use as the proposed mining method is UnderGround. What would be the approach of the ministry regarding the fixed amount payment of the successful bidder?</p>	<p>1a. The fixed amount payment is required to be made by the Successful Bidder for the coal mine. The fixed amount details has already been uploaded on MSTC portal.</p>