



AUCTION OF COAL MINES FOR SALE OF COAL Tranche 11 under CM(SP) Act & Tranche 1 under MMDR Act

Pre Bid Presentation - July 2020





Agenda

- ◎ **Policy Initiatives**
- ◎ **Details of Mines-on-Offer**
- ◎ **About the Auction Process**
- ◎ **Key Terms & Conditions of Auction**
- ◎ **Payments & Guarantees**



Policy Initiatives



Policy Initiatives

- ⊙ Auction of coal mines for sale of coal under Coal Mines (Special Provisions) Act 2015 and Mines & Minerals (Development & Regulation) Act 1957
- ⊙ CM(SP) Act 2015 and MMDR Act 1957 amended through Mineral Laws (Amendment) Act 2020 for
 - Auction of unexplored and partially explored coal blocks for prospecting license-cum-mining lease
- ⊙ Mineral Concession (Amendment) Rules 2020, CM(SP) Amendment Rules 2020 and Coal Block Allocation (Amendment) Rules 2020 have been notified
- ⊙ National Coal Index implemented to create a transparent, market-based pricing mechanism
- ⊙ Amendment in FDI policy to allow 100% FDI under automatic route for coal mining activities, for sale of coal



Details of Mines-on-Offer



Coal Mines On Offer

- ⊙ Total 41 mines on offer – 33 mines under CM(SP) Act 2015 and 8 mines under MMDR Act 1957
- ⊙ Mix of large as well as small mines on offer with PRC ranging between 0.15 MTPA to 40 MTPA
- ⊙ Total Geological Reserves of all mines – 16,979 MT
- ⊙ Cumulative PRC of all mines – 225 MTPA

Particulars	Total	OC	UG	OC & UG
Mines	41	26	7	8
Fully Explored	37	23	6	8
Partially Explored	4	3	1	-
Coking Coal - Fully Explored	4	-	2	2

Geographical distribution across coal bearing States (No. & PRC)		
Chhattisgarh	9 mines	44 MTPA
Jharkhand	9 mines	36 MTPA
Madhya Pradesh	11 mines	17 MTPA
Maharashtra	3 mines	4 MTPA
Odisha	9 mines	124 MTPA



List of Coal Mines – Chhattisgarh

Sl. No.	Mine	Geological Reserve (MT)	Average Grade	PRC (MTPA)
<i>Fully Explored Mines</i>				
1	Fatehpur East	297.84	G11	10.00
2	Morga South	432.54	G10	6.00
3	Gare-Palma-IV/1	159.44	G12	6.00
4	Madanpur (North)	185.38	G8	4.10
5	Shankarpur Bhatgaon II Extn.	80.64	G6	2.00
6	Gare-Palma-IV/7	239.04	G11	1.20
7	Sondhia	50.18	G10	1.00
<i>Partially Explored Mines</i>				
8	Morga II	350.70	G7	10.00
9	Sayang	150.00	G9	4.00

Where mine plan is not available or for partially explored mines, PRC is tentative



List of Coal Mines – Jharkhand

Sl. No.	Mine	Geological Reserve (MT)	Average Grade	PRC (MTPA)
<i>Fully Explored Coal Mines</i>				
1	North Dhadu	923.94	G12	8.15
2	Chakla	76.05	G11	5.30
3	Seregarha	187.29	G13	4.00
4	Gondulpara	176.33	G10	4.00
5	Chitarpur	222.43	G13	3.45
6	Choritand Tiliaya	97.03	WV	0.78
7	Rajhara North (Central & Eastern)	20.27	G8	0.75
8	Brahmadiha	5.00	SI	0.15
<i>Partially Explored Coal Mines</i>				
9	Urma Paharitola	579.30	G10	10.00

Where mine plan is not available or for partially explored mines, PRC is tentative



List of Coal Mines – Madhya Pradesh

Sl. No.	Mine	Geological Reserve (MT)	Average Grade	PRC (MTPA)
<i>Fully Explored Coal Mines</i>				
1	Marwatola Sector - VI & VII	345.19	G9	4.00
2	Dhirauli	586.39	G8	3.00
3	Marki Barka	72.05	G8	1.00
4	Thesgora-B/ Rudrapuri	45.04	G9	1.00
5	Sahapur East	63.36	G8	0.70
6	Urtan	55.391	WIII,G10	0.65
7	Urtan North	69.823	WIV,G10	0.60
8	Sahapur West	52.68	G7	0.60
9	Gotitoria (East)	5.15	G8	0.30
10	Gotitoria (West)	5.26	G8	0.30
<i>Partially Explored Coal Mines</i>				
11	Bandha	441.50	G7	5.00

Where mine plan is not available or for partially explored mines, PRC is tentative



List of Coal Mines – Maharashtra

Sl. No.	Mine	Geological Reserve (MT)	Average Grade	PRC (MTPA)
<i>Fully Explored Coal Mines</i>				
1	Bander	126.11	G7	2.00
2	Takli-Jena-Bellora (North) & Takli-Jena-Bellora (South)	117.26	G8	1.50
3	Marki Mangli-II	11.54	G8	0.30

Where mine plan is not available or for partially explored mines, PRC is tentative



List of Coal Mines – Odisha

Sl. No.	Mine	Geological Reserve (MT)	Average Grade	PRC(MTPA)
<i>Fully Explored Coal Mines</i>				
1	Chendipada	558.98	G10	40.00
2	Chendipada-II	1350.00	G10	
3	Machhakata	1400.65	G11	30.00
4	Mahanadi	1993.52	G11	
5	Brahmanbil & Kardabahal	1066.64	G12	25.00
6	Phuljhari East & West	2210.84	G13	10.00
7	Kuraloi-A North	1680.23	G13	8.00
8	Radhikapur (West)	312.04	G13	6.00
9	Radhikapur (East)	176.33	G13	5.00

Where mine plan is not available or for partially explored mines, PRC is tentative



About the Auction Process



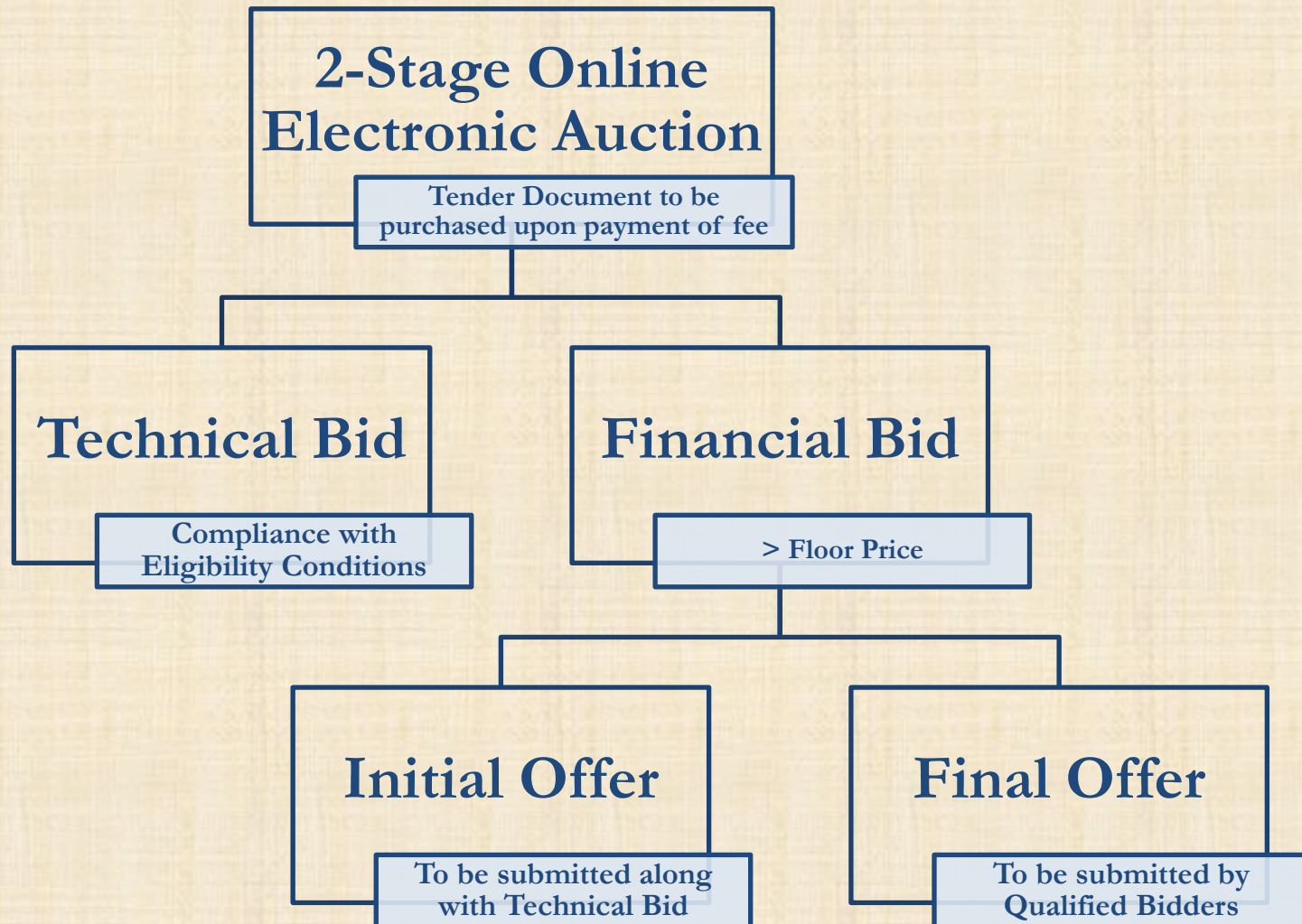
Schedule of Auction Process

Event Description	Estimated Date	
Launch of Auction	T_0	June 18, 2020
Last date of receiving written requests for Site Visit	$T_0 + 27$	1600 hours on July 15, 2020
Last date of receiving written queries from Bidders	$T_0 + 42$	1600 hours on July 30, 2020
Last date for written responses to queries by the Nominated Authority	$T_0 + 50$	August 07, 2020
Last date for registration of bidder at the website of MSTC	$T_0 + 55$	August 12, 2020
Last date for sale of Tender Document at the website of MSTC	$T_0 + 57$	August 14, 2020
Bid Due Date	$T_0 + 61$	1400 hours on August 18, 2020



Online Electronic Auction Process - Overview

Ascending Forward Auction





Auction Process

- ⊙ **Bid Parameter** is percentage (%) share of revenue payable to the Government
- ⊙ **Floor price** shall be 4% of the 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 shall submit only 1 bid for a particular coal mine
- ⊙ No Affiliate of such Bidder shall submit bid for the said coal mine otherwise bids submitted by the Bidder and its Affiliate(s) will be rejected



Activities – Prior to Bid Submission

Registration and downloading information

⊙ Bidder needs to register on the MSTC auction platform

⊙ Two sets of documents available:

– **Set 1 - Free of cost**

Standard Tender Document & Agreement, Mine Summaries, Upfront Amount, Bid Security and Fixed Amount

– **Set 2 - Mine specific**

Download post payment of fee of Rs 5,00,000/- per coal mine

Site visits to mines

⊙ Site visits to mines shall be conducted for interested Bidders

⊙ Site visits to be co-ordinated by Nominated Authority through following email na.moc@nic.in





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

Bid Security

Bid Security in form of a bank guarantee

Fully Explored Mines - 20% of the Upfront Amount

Partially Explored Mines - 25% of the estimated exploration expenses based on Mandatory Work Program



Submission of Technical Bid

Online Submission – Scanned Copies

Letter Comprising Technical Bid

Scanned Copy of Documents to be submitted offline

Offline Submission – Original Documents

Bid Security

Board/Shareholder Resolution

Power of Attorney

Affidavit

Board Resolution should pre-date Power of Attorney

Common seal should be affixed on Power of Attorney if the same is required as per AoA/ MoA

Power of Attorney should pre-date the documents submitted as part of the Technical Bid



Bid Evaluation and Qualified Bidders

Technical Bids are opened and upon evaluation, bidders meeting all eligibility conditions & test of responsiveness are declared as

Technically Qualified Bidders



Initial Offers of all the Technically Qualified Bidders are opened.



Ranking and elimination based on the Initial Offers to determine the **Qualified Bidders**

Ranking

Technically Qualified Bidders (TQBs) shall be ranked in a descending order on the basis of the respective Initial Offer. TQBs who have submitted the same Initial Offer, shall be assigned the same rank.

Elimination

If 2 to 3 TQBs, all shall be considered as Qualified Bidders;

If 4 to 6 TQBs, lowest ranked TQBs shall be eliminated and remaining are considered as Qualified Bidders;

If there are 7 or more TQBs, 1/3rd of TQBs subject to maximum of 3 shall be eliminated. If there are more than 3 TQBs at lowest rank, all such TQBs shall be eliminated and remaining are considered as Qualified Bidders.

No TQBs shall be eliminated, if number of Qualified Bidders after elimination is less than 3.

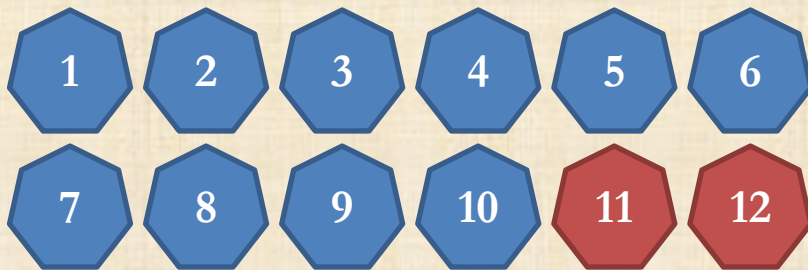
Auction process would be annulled in case of less than 2 TQBs



Illustration 1 – Ranking & Elimination



12 bidders participated in the auction process of a particular coal mine and submitted their Technical Bid and Initial Offers



Documents of 10 bidders were found to be responsive as per conditions of Tender Document

Initial Offers of the 10 TQBs shall be opened



Illustration 1 a – Ranking & Elimination

- © 10 TQBs ranked in the descending order based on the basis of Initial Offers in the following manner: 9, 4, 2, 1, 3, 6, 5, 7, 10, 8
- © No two Initial Offers are identical
- © **No of Eliminations of TQBs:**
 $1/3 \times 10 = 3.333 = 3$ (maximum)

TQBs who submitted bids numbered 9, 4, 2, 1, 3, 6 and 5 are Qualified Bidders

Ranking of TQBs

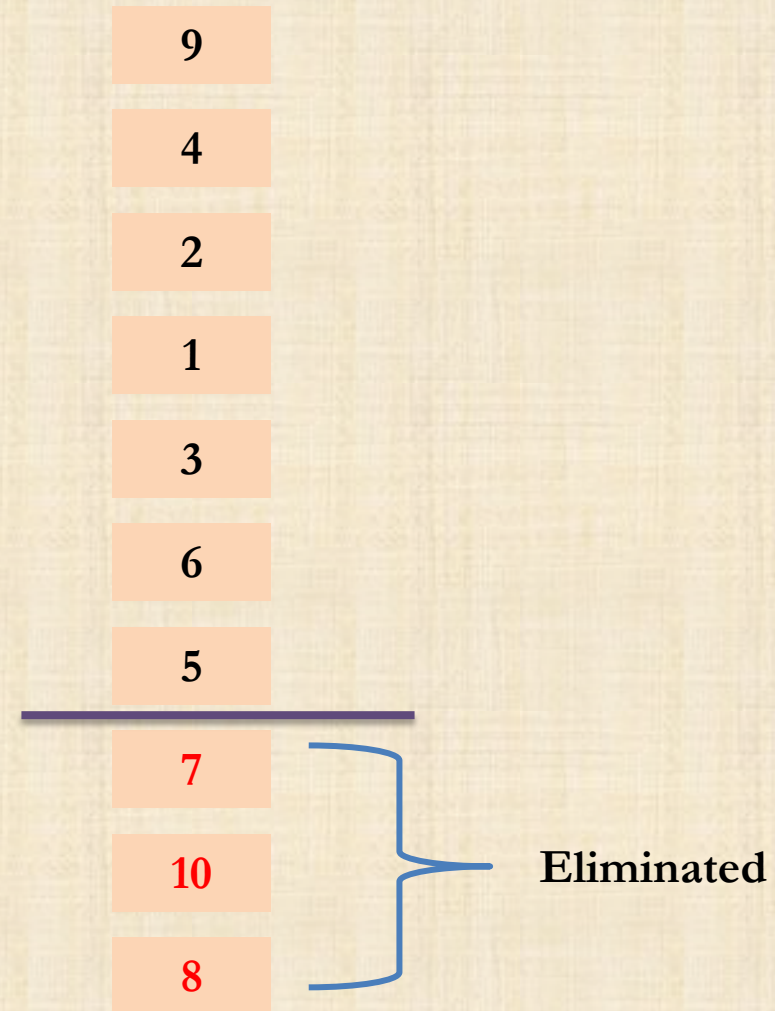




Illustration 1 b – Ranking & Elimination

- ◎ **10** TQBs ranked in the descending order based on the basis of Initial Offers in the following manner: 9, 4, 2, 1, 3, 6, 5, 7, 10, 8
- ◎ 8 Initial Offers are identical: 2, 1, 3, 6, 5, 7, 10, 8

- ◎ **No of Eliminations of TQBs:**

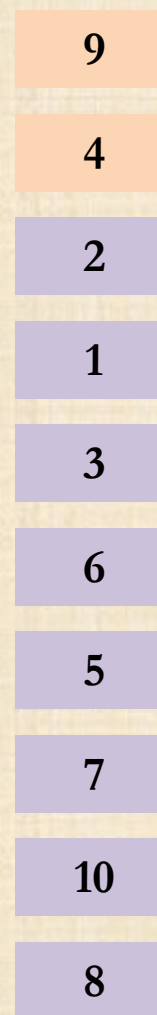
$$1/3 \times 10 = 3.333 = 3 \text{ (maximum)}$$

Since 8 TQBs are at last spot all needs to be eliminated.

However, doing so means the number of Qualified Bidder falls below 3 and so no TQBs are eliminated & all the TQBs are Qualified Bidders

TQBs who submitted bids numbered 9, 4, 2, 1, 3, 6, 5, 7, 10 and 8 are Qualified Bidders

Ranking of TQBs



Identical Initial Offers at lowest rank;
No TQB eliminated as the number of Qualified Bids falls below 3



Illustration 1 c – Ranking & Elimination

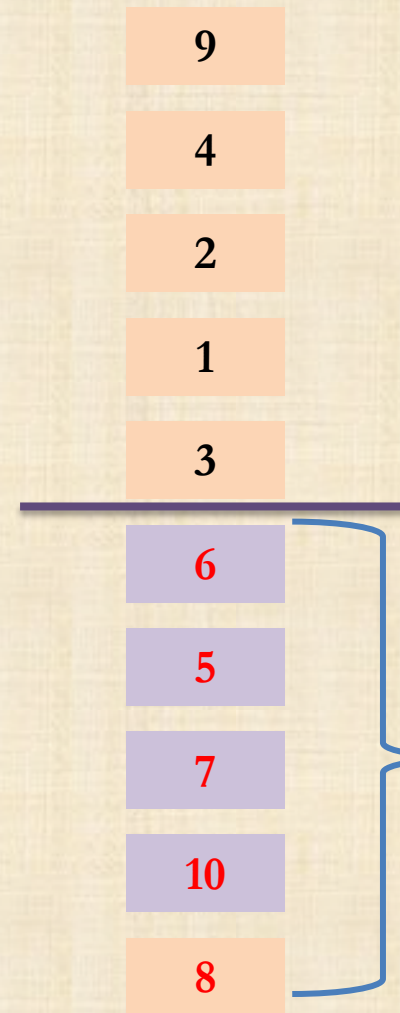
- ◎ 10 TQBs ranked in the descending order based on the basis of Initial Offers in the following manner: 9, 4, 2, 1, 3, 6, 5, 7, 10, 8
- ◎ 4 Initial Offers are identical: 6, 5, 7, 10
- ◎ **No of Eliminations of TQBs:**

$$1/3 \times 10 = 3.333 = 3 \text{ (maximum)}$$

However, the total number of the Technically Qualified Bidders at the lowest ranks is 5, and so TQBs 6, 5, 7, 10 and 8 are eliminated

TQBs who submitted bids numbered 9, 4, 2, 1 and 3 are Qualified Bidders

Ranking of TQBs



Elimination at the lowest ranks.

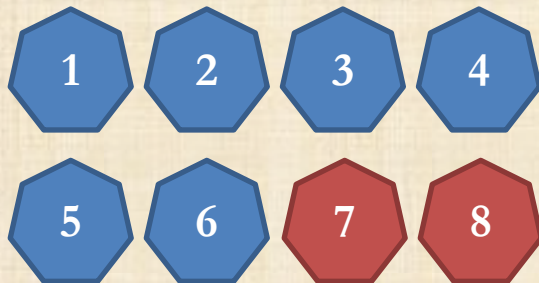
Number is more than 3 as the identical Initial Offers sink together



Illustration 2 – Ranking & Elimination



8 bidders participated in the auction process of a particular coal mine and submitted their Technical Bid and Initial Offers



Documents of 6 bidders were found to be responsive as per conditions of Tender Document

Initial Offers of the 6 TQBs shall be opened



Illustration 2 a – Ranking & Elimination

- © 6 TQBs ranked in the descending order based on the basis of Initial Offers in the following manner: 4, 2, 1, 3, 6, 5
- © No two Initial Offers are identical
- © **No of Eliminations of TQBs: 1**

Lowest ranked TQB who submitted bid 5 is eliminated

TQBs who submitted bids numbered 4, 2, 1, 3, and 6 are Qualified Bidders

Ranking of TQBs

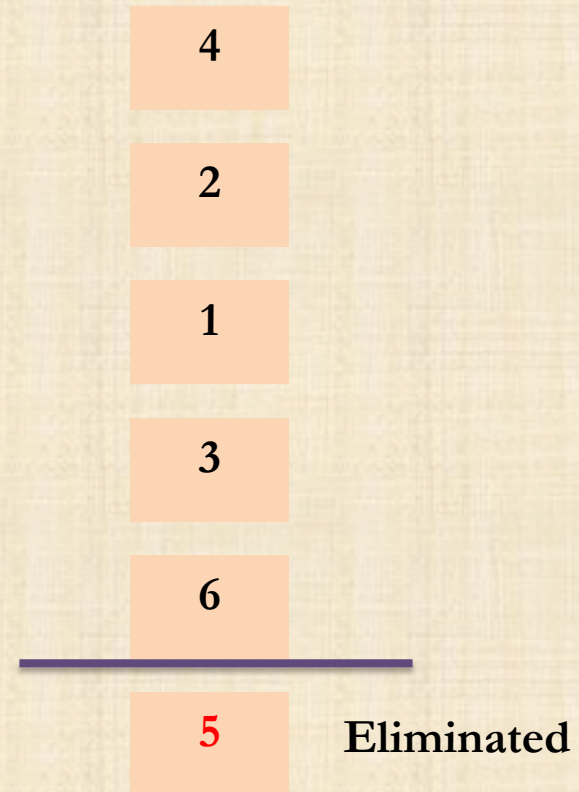




Illustration 2 b – Ranking & Elimination

- ◎ 6 TQBs ranked in the descending order based on the basis of Initial Offers in the following manner: 4, 2, 1, 3, 6, 5
- ◎ Initial Offers 2 and 1 are identical
- ◎ Initial Offers 3, 6 and 5 are identical
- ◎ **No of Eliminations of TQBs: 1**

Since there are three equal Initial Offers at lowest rank, all three are eliminated

TQBs who submitted bids numbered 4, 2 and 1 are Qualified Bidders

Ranking of TQBs

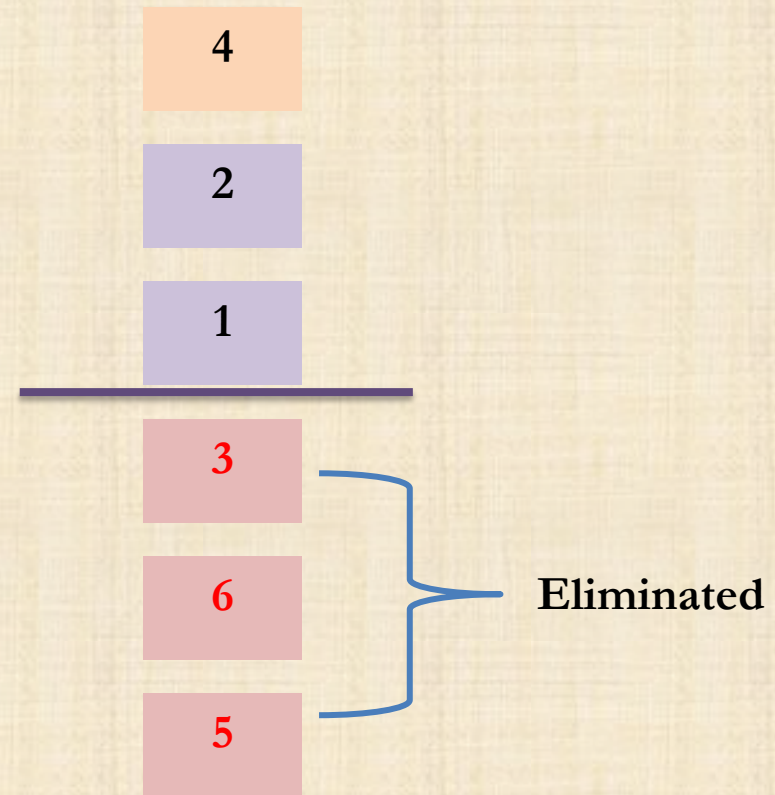




Illustration 2 c – Ranking & Elimination

- ◎ 6 TQBs ranked in the descending order based on the basis of Initial Offers in the following manner: 4, 2, 1, 3, 6, 5
- ◎ Initial Offers 1, 3, 6 and 5 are identical
- ◎ No of Eliminations of TQBs: 1

Since there are four equal Initial Offers at lowest rank, all four are to be eliminated

However, doing so means the number of Qualified Bidder falls below 3 and so no TQBs are eliminated

TQBs who submitted bids numbered 4, 2, 1, 3, 6 and 5 are Qualified Bidders

Ranking of TQBs

4

2

1

3

6

5

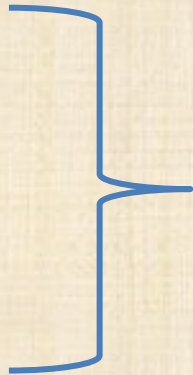
No
eliminations



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%



Qualified Bidders shall participate in electronic auction

Floor Price in Tender Document
4%

Ascending Forward Auction (%)

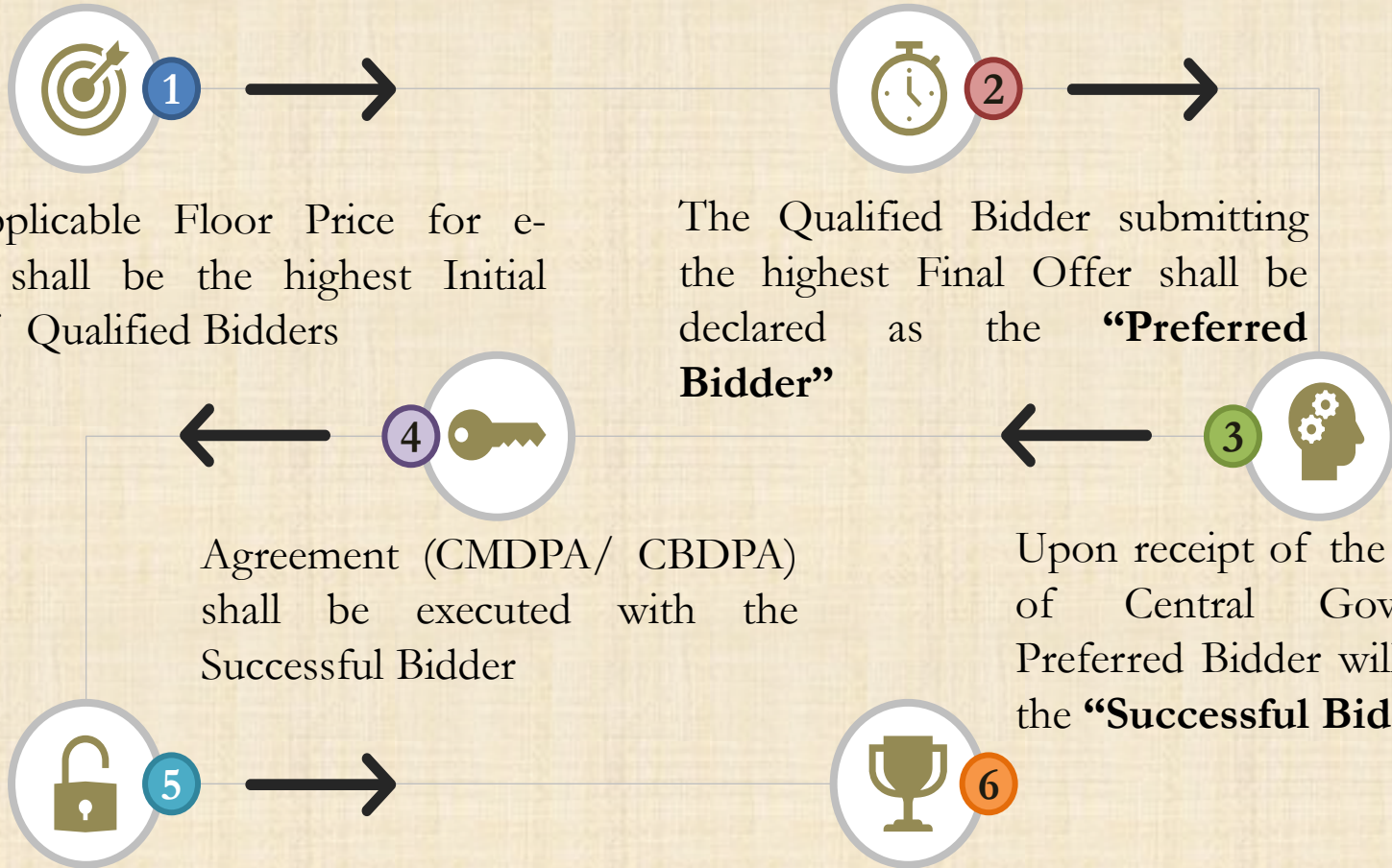


Preferred Bidder shall be the one submitting the highest Final Offer

Floor Price
In electronic auction



Electronic Auction and Successful Bidder



The Applicable Floor Price for e-auction shall be the highest Initial Offer of Qualified Bidders

The Qualified Bidder submitting the highest Final Offer shall be declared as the **“Preferred Bidder”**

Agreement (CMDPA/ CBDPA) shall be executed with the Successful Bidder

Upon receipt of the direction of Central Government, Preferred Bidder will become the **“Successful Bidder”**

Vesting/ Allocation Order shall be issued to the Successful Bidder in accordance with applicable law 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 PL-cum-ML or a ML, as applicable



Key Terms & Conditions of Auction



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
- ⊙ **CBM**
 - Lease/license in respect of CBM operations shall be governed by Applicable Law.
 - In case the Successful Bidder decides to exploit the CBM present in the coal mining lease area, it shall be required to approach DGH, MoPNG for its technical approval followed by the grant of CBM mining lease by State Government.
 - 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
 - Other mechanisms with regard to arriving at the price of CBM shall be subject to applicable guidelines issued by the MoPNG for this arrangement
 - Presently these guidelines are Policy Framework on Early Monetization of Coal Bed Methane (CBM) notified vide Gazette Notification No. O-19018/7/2016/ONG-I dated April 11, 2017.
- ⊙ **Minor Minerals**
 - Mining of Minor Minerals by the Successful Bidder shall be subject to the requirements of the Minor Mineral Concession Rules of the State Government



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
 - Successful Bidder may seek a revised Mandatory Work Program in case it 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
 - Successful Bidder may undertake geological prospecting/ exploration in excess of the Mandatory Work Program in accordance with Applicable Laws
- ◎ All reports, studies and other documentation related to the geological prospecting/ exploration of the area shall become proprietary information of Nominated Authority / State Government



Production Schedule & Revision in Mining Plan

⊙ **Production Schedule for Fully Explored Mines**

- Successful Bidder shall ensure that scheduled coal production as per approved Mining Plan is equal to or more than the year-on-year production schedule as specified in the 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 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 dated May 29, 2020, as may be amended



Relinquishment of Partially Explored Mine

- ⊙ After completing the prospecting operations as per the Mandatory Work Program and preparing the Geological Report, acceptable to the Government, the Successful Bidder may either
 - relinquish the Coal Mine (subject to the approval of Central Government) 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
 - retain the Coal Mine and carry out mining operations after obtaining the required permissions/ approvals/ clearances etc. in accordance with Applicable Law
- ⊙ No relinquishment of a part of the mine shall be allowed
- ⊙ Failure to complete prospecting operations as per Mandatory Work Program and/or non-preparation of GR acceptable to Central Government shall lead to forfeiture of Performance Security, termination of Agreement/ PL and withdrawal of Vesting/ Allocation Order
- ⊙ Upon withdrawal of Vesting/ Allocation Order, the expenses incurred by the Successful Bidder towards prospecting/ exploration operations, preparation of Geological Report shall not be reimbursed



Change in Control & Transfer

- ⊙ 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 against the Successful Bidder under the Insolvency and Bankruptcy Code, 2016 or Applicable Laws or the transfer pursuant to enforcement of security by any bank or financial institution in accordance with the terms of the Agreement and Applicable Laws, shall be allowed during Lock-in Period
- ⊙ **Lock-in Period**
 - **Fully Explored Mines:** 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
 - **Partially Explored Mines:** 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



Efficiency Parameters

- ⊙ Conduct of mining operations at the Coal Mine 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

- ⊙ **Schedule II Mines under CM(SP) Act**
 - Time provided for transfer of clearances is 9 months



Efficiency Parameters

- ⊙ Additional Relaxation in bona fide cases of delays not attributable to the Successful Bidder
 - A **grace period** of maximum 30% for each Main Activity/milestone may be allowed
 - Provided **overall grace period** shall not exceed 15% of time granted for the last milestone
- ⊙ 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



Payments and Guarantees



Upfront Amount

- ⊙ 0.25% of the value of estimated geological reserves of the coal mine
 - capped at Rs. 100 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 fully explored mines, upfront amount has been given in the mine-specific tender document as well as uploaded on MSTC website
- ⊙ For partially explored mines, upfront amount shall be calculated upon in-principle approval of mining plan
- ⊙ Upfront Amount shall be payable by the Successful Bidder in four equal instalment of 25% each
- ⊙ 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



Upfront Amount - Instalments

Instalment	Fully Explored Mines under Schedule II of CMSP Act	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 execution of the Agreement	Upon of execution of the Agreement	Upon in-principle approval the mining plan	Nominated Authority
Second	Within 6 months from issuance of Vesting / Allocation Order	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	Within 9 months from issuance of Vesting / Allocation Order	Upon grant of the mine opening permission		State Government
Fourth	Within 12 months from issuance of Vesting / Allocation Order	Upon commencement of coal production		State Government



Upfront Amount - Illustration

Case 1

Geological Reserves in Coal Mine (Million tonnes)	A	2000
Coal price based on National Coal Index for G13 grade of coal (Rs./ tonne)	B	1270
Value of Estimated Resources (Rs. Crore)	$C = A \times B / 10$	2,54,000
Quantum (In Percentage)	D	0.25%
Quantum (In Amount) (As per formulation) (Rs. Crore)	$E = C \times D$	635
Upfront Amount (Rs. Crore)	Min (E, 500)	500

Case 2

Geological Reserves in Coal Mine (Million tonnes)	A	1100
Coal price based on National Coal Index for G13 grade of coal (Rs./ tonne)	B	1270
Value of Estimated Resources (Rs. Crore)	$C = A \times B / 10$	1,39,700
Quantum (In Percentage)	D	0.25%
Quantum (In Amount) (As per formulation) (Rs. Crore)	$E = C \times D$	349.25
Upfront Amount (Rs. Crore)	Min (E, 500)	349.25



Fixed Amount

- ⊙ Successful Bidder shall pay the Fixed Amount prior to issuance of Vesting / Allocation Order
- ⊙ Fixed Amount shall include the following, as applicable:-
 - Value of land and mine infrastructure
 - Cost of clearances, consents etc.
 - Cost of geological report
 - 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	



Performance Security - Illustration

Particulars			
Peak Rated Capacity	A	MTPA	10
Representative Price for the average grade G10 of the Coal Mine (Rs./tonne)	B	Rs./tonne	1975
National Coal Index of the relevant basket of coal grade - latest available as on the date of issuance of Tender Document	C		110
National Coal Index of the relevant basket of coal grade - latest available on the date of execution of Agreement	D		118
Rate of Royalty	E	%	14%
One Year Royalty	$F = A \times B \times D/C \times E/10$	Rs. Crore	296.61
65% of One Year Royalty	$G = 65\% \text{ of } F$	Rs. Crore	192.80
Final Offer	H	%	25%
One Year Revenue to the Government	$I = A \times B \times D/C \times H/10$	Rs. Crore	529.66
65% of One Year Revenue to the Government	$J = 65\% \text{ of } I$	Rs. Crore	344.28
Total Performance Security	$K = G + J$	Rs. Crore	537.07



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



Monthly Payments - Illustration

- Assuming that the Successful Bidder has quoted Final Offer of 10%

Particulars	G11	G12	G13
Representative Price (Rs./tonne) (A)	1474	1369	1270
National Coal Index of the relevant basket of Coal Grade – latest available as on the date of issuance of Tender Document (B)	105	105	105
National Coal Index of the relevant basket of Coal Grade on the date on which royalty becomes payable (C)	115	115	115

Grade of Coal	Quantity of coal on which the statutory royalty is payable during the month (MT) (D)	Notional Price (Rs./tonne) (A x C/B)	Actual Price (Rs./tonne)	Max of Notional Price & Actual Price (Rs./tonne) (E)	Revenue Share (Rs. Crore) (D x E x Final Offer/10)
G11	0.50	1,614	1650	1650	8.25
G12	0.70	1,499	1400	1499	10.50
G13	0.60	1,391	1300	1391	8.35
Total	1.80				27.09



Incentives - Early Commencement of Coal Production

- ⊙ A rebate of 50% on the Final Offer would be allowed till the Scheduled Date of Production, for the quantity of coal produced earlier than the Scheduled Date of Production prescribed in the Tender Document.
- ⊙ **Scheduled Date of Production** shall be determined in the following manner:
 - In case of Fully Explored Mines, it shall be the date of production as per the Production Schedule
 - In case of Partially Explored Mines, it shall be the scheduled date of production given in the approved Mining Plan
- ⊙ Statutory dues including taxes, levies, royalty, contribution to NMET and DMF etc. shall be payable as per Applicable Law
- ⊙ No exemption would be given to the Successful Bidder from obtaining any approval etc. under Applicable Law required for commencing and undertaking coal production



Illustration - Incentive for Early Commencement of Coal Production

- ⊙ Final Offer of 10%
- ⊙ Scheduled Date of coal production is June 1, 2023
- ⊙ Actual Date of coal production is May 1, 2023, earlier than the Scheduled Date of Production

Grade of Coal	Quantity of coal on which royalty is payable during the month (MT) (D)	Notional Price (Rs./tonne) (A x C/B)	Actual Price (Rs./tonne)	Max of Notional Price & Actual Price (Rs./tonne) (E)	Applicable Final Offer (F = 50% x Final Offer)	Revenue Share (Rs. Crore) (D x E x F/10)
G11	0.50	1,614	1650	1650	5%	4.13
G12	0.70	1,499	1400	1499	5%	5.25
G13	0.60	1,391	1300	1391	5%	4.17
Total	1.80					13.55

Particulars	G11	G12	G13
Representative Price (Rs./tonne) (A)	1474	1369	1270
National Coal Index of the relevant basket of Coal Grade – latest available as on the date of issuance of Tender Document (B)	105	105	105
National Coal Index of the relevant basket of Coal Grade on the date on which royalty becomes payable (C)	115	115	115



Incentives - Coal Gasification or Liquefaction

- ⊙ A rebate of 20% on Final Offer would be provided on total quantity of coal consumed or sold or both for Coal Gasification/ Coal Liquefaction on an yearly basis
- ⊙ Incentive shall be applicable upon:
 - Consumption in either own plant(s) or plant of holding, Subsidiary Company, Affiliate, Associate Company of the Successful Bidder for Coal Gasification or Coal Liquefaction
 - Sale of coal produced for Coal Gasification or Coal Liquefaction
- ⊙ Incentive shall be 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
 - Submission of certificate issued by CCO, issued in accordance with the Guidelines, certifying the quantity of coal consumed or sold or both for Coal Gasification or Coal Liquefaction, by the Successful Bidder to the State
- ⊙ No incentives shall be available under this clause in respect of quantity of coal produced earlier than the Scheduled Date of Production, if the Successful Bidder elects to avail incentives for early production in respect of such quantity of coal



Illustration on incentive for Coal Gasification or Coal Liquefaction

Particulars		
Final Offer (%)	(A)	10%
Scheduled Coal Production during the year as per approved Mining Plan – G11 Grade (MT)	(B)	15
Representative Price of G11 Grade (Rs/tonne)	(C)	1474
Total quantity of coal consumed or sold or both for Coal Gasification or Coal Liquefaction during the year – G11 Grade (MT)	(D)	2
Quantity of coal consumed or sold or both for Coal Gasification or Coal Liquefaction as % of Scheduled Coal Production (%)	(D/B)	13.33%
Rebate in Final Offer applicable for total quantity of coal consumed or sold or both for Coal Gasification or Coal Liquefaction during the year (%)	(E)	20%
Revenue share payable for the year for quantity of coal consumed or sold or both for Coal Gasification or Coal Liquefaction - calculated in accordance with provisions of Tender Document (Rs. Crore)	(F)	29.48
Applicable revenue share payable for the year for quantity of coal consumed or sold or both for Coal Gasification or Coal Liquefaction after considering the incentive for Coal Gasification or Coal Liquefaction of coal (Rs. Crore)	(F x (1-E))	23.58



Flexibility in Production Schedule

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

Shortfall Quantity	Revenue share for shortfall quantity on the basis of
65% of annual scheduled coal production 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 the relevant year
75% of scheduled coal production of 3 years as per approved Mining Plan less the quantity of coal on which the statutory royalty is paid in 3 years	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 years

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



Illustration – Revenue payable on Shortfall

National Coal Index as on the date of issuance of Tender Document (A)	120
Representative Price for the G10 grade of the Coal Mine (Rs./tonne) (B)	1975
Final Offer (C)	25%

Year	Scheduled Production (MT)	Actual Production (MT)	Actual Production as % of Scheduled Production	Shortfall in Production (MT)	Penalty Trigger Event	Value of NCI applicable	Revenue Payable to Government on account of shortfall (Rs. Cr)
	D	E	F = E/D	G = max (0%, 65% - F)		H	I = D x G X B x H/A x C/10
Y1	2	1.7	85.00%	0.00%		127	-
Y2	4	2.5	62.50%	2.50%	Event 1	128	5.27
Y3	7	5.6	80.00%	0.00%		129	-
Block 1	13	9.8	75.38%	0.00%		128	-
Y4	10	7.9	79.00%	0.00%		130	-
Y5	10	6.5	65.00%	0.00%		131	-
Y6	10	6.6	66.00%	0.00%		131	-
Block 2	30	21	70.00%	5.00%	Event 2	131	80.85



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.





Steps for Ease of Doing Business

Revamped Efficiency Parameters with Incentives on early coal production

PMU to help operationalization of coal mines

Infrastructure development for efficient mining , evacuation and transportation

Single Window system for faster grant of clearances

Payments linked to National Coal Index

100 % Foreign Direct Investment allowed for commercial mining

Liberal entry norms for private sector entrepreneurs into coal mining

Simplified approval procedure for Mine Plan

States to grant both PL/ML in one go to successful bidders



Efficiency Parameters

For Coal Mines under the Mines and Mineral (Development and Regulation) Act, 1957 and under the Coal Mines (Special Provisions) Act, 2015 (other than Schedule II coal mines)

Activities	Completion time	Milestone (MS) No.	Fully Explored Mines	Partially Explored Mines
			% of PS to be appropriated for delay in milestone	% of PS to be appropriated for delay in milestone
Prospecting Licence or Notification under section 4 of the CBA Act, 1957, as applicable	-	MS-1	Not Applicable	-
Completion of Drilling/ Exploration in accordance with the provisions of Clause 14	-			-
Preparation of Geological Report (GR)	Within 15 months from the date of allocation			0
	After 15 months upto 24 months from the date of allocation			25%
	After 24 months upto 30 months from the date of allocation			25 % (in addition to previous 25%)



Efficiency Parameters

For Coal Mines under the Mines and Mineral (Development and Regulation) Act, 1957 and under the Coal Mines (Special Provisions) Act, 2015 (other than Schedule II coal mines)

Activities	Completion time	Milestone (MS) No.	Fully Explored Mines	Partially Explored Mines
			% of PS to be appropriated for delay in milestone	% of PS to be appropriated for delay in milestone
Mining Lease Application	-	MS-2	-	-
Submission of Mining Plan subject to the provisions of Clause 15	-		-	-
Approval of Mining Plan/Project Report subject to the provisions of Clause 15	6 months from the completion of previous MS/ If MS-1 is not applicable, 6 months from the date of allocation		10%	-
Forest Clearance Application	-	MS-3	-	-
Environment Clearance Application	-		-	-
Forest Clearance (FC)-stage 1	-		-	-
Forest Clearance (FC)-stage 2	-		-	-
Wildlife Clearance	-		-	-
Approval under PESA	-		-	-
Environment Clearance (EC)	18 months from the completion of previous MS		10%	-



Efficiency Parameters

For Coal Mines under the Mines and Mineral (Development and Regulation) Act, 1957 and under the Coal Mines (Special Provisions) Act, 2015 (other than Schedule II coal mines)

Activities	Completion time	Milestone (MS) No.	Fully Explored Mines	Partially Explored Mines
			% of PS to be appropriated for delay in milestone	% of PS to be appropriated for delay in milestone
Approval for Nallah /River Diversion	-	MS-4	-	-
Approval for diversion of Power line/Rail/Road	-		-	-
Permission to draw Water	-		-	-
Permission to draw Power	-		-	-
Consent to Establish /Operate	-		-	-
Grant of Mining Lease or order by the Central Government under section 11 of CBA Act, 1957, as applicable	-		-	-
Land Acquisition & possession of land and R&R required to reach rated capacity as per approved mining plan	21 months from the completion of previous MS		25%	



Efficiency Parameters

For Coal Mines under the Mines and Mineral (Development and Regulation) Act, 1957 and under the Coal Mines (Special Provisions) Act, 2015 (other than Schedule II coal mines)

Activities	Completion time	Milestone (MS) No.	Fully Explored Mines	Partially Explored Mines
			% of PS to be appropriated for delay in milestone	% of PS to be appropriated for delay in milestone
Intimation to DGMS for Mine opening	-	MS-5	-	-
Approval for use of Explosive & Licence for Storage of Petroleum	-		-	-
Permission under Factories Act, 1948	-		-	-
Permission for use of Radio Frequency Communication System	-		-	-
Labour related Permissions	-		-	-
Escrow Account	-		-	-
Application for Opening permission	-		-	-
Mine Opening Permission	6 months from the completion of previous MS		25%	-



Efficiency Parameters

For Coal Mines under the Mines and Mineral (Development and Regulation) Act, 1957 and under the Coal Mines (Special Provisions) Act, 2015 (other than Schedule II coal mines)

- 1. Only the activity within the Milestone Number, against which percentage of appropriation of performance security has been assigned in the last column ('Main Activity'), will be monitored for the purpose of appropriation of performance security.**
2. Activities other than Main Activity, against which percentage of appropriation of performance security has not been assigned, will be monitored for the purpose of early development of mines. However, in case of default in such activities, penalty will not be imposed.
3. The completion time provided for the Milestones does not bar the successful bidder from obtaining clearances concurrently, if allowed under the Applicable Laws.
4. In *bona fide* cases of delays not attributable to the Successful Bidder and based on the recommendation of the Scrutiny Committee, a grace period of maximum 30% for each Main Activity/ milestone may be allowed subject to the condition that overall grace period shall not exceed 15% of the total time granted for all the Milestones, i.e. 66 months in case of mine where GR is to be prepared (partially explored mines) and 51 months in case of mines where GR is not required to be prepared (fully explored mines).
5. For Partially Explored Mines, appropriation for delay in completion of MS-1 and MS-2 shall be from the performance security submitted pursuant to clause of the Agreement and appropriation for delay in completion of remaining milestones shall be from the revised performance security submitted pursuant the said clause.
6. If the Successful Bidder is able to complete the last Milestone (i.e. Mine Opening Permission/ MS-5) within the total time granted for all the Milestones, i.e. 66 months in case of mine where GR is to be prepared (partially explored mines) and 51 months in case of mines where GR is not required to be prepared (fully explored mines), then the amount of performance security appropriated for delay in completion of any previous Milestone (if any) may be refunded to the Successful Bidder.



Efficiency Parameters

For Schedule II coal mines under the Coal Mines (Special Provisions) Act, 2015

MS No.	Milestone (MS)	Time Limit in Months (From the date of the Vesting Order/ zero date)	Percentage of Performance Security to be appropriated for delay in completion of MS
1	Completion of transfer of statutory permissions obtained by Prior Allottee / obtaining fresh statutory permissions, if required	9	10
2	Opening of Escrow Account (if not opened earlier)	9	10

Note:

In bona fide cases of delays not attributable to the Successful Bidder and based on the recommendation of the Scrutiny Committee, a grace period of maximum 30% for each milestone may be allowed subject to the condition that overall grace period shall not exceed 15% of the time granted for the last milestone i.e. 9 months.