



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



**PRE BID CONFERENCE  
December 2020**



# Agenda

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- **Policy Initiatives & Mines-on-Offer**
- **Auction Process, Key Terms & Conditions**
- **Payments & Guarantees**



# Policy Brief & Mines-on-Offer



# Policy Initiatives

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- 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



# Coal Mines On Offer – Second Attempt

- Total 4 mines on offer – 3 mines under CM(SP) Act 2015 and 1 mine under MMDR Act 1957 - All mines are fully explored and opencast mines

| Sl. No. | Mine                       | Geological Reserve (MT) | State     | Average Grade* | PRC (MTPA) |
|---------|----------------------------|-------------------------|-----------|----------------|------------|
| 1-2     | Chendipada & Chendipada II | 1908.98                 | Odisha    | G10            | 40.00      |
| 3       | Kuraloi (A) North          | 1680.23                 | Odisha    | G13            | 8.00       |
| 4       | Seregarha                  | 187.29                  | Jharkhand | G13            | 4.00       |

\* *Weighted average grade as per Geological Report*

- First attempt of auction was done vide tender dated June 18, 2020
  - Technically Qualified Bidders (TQBs) for the mines were less than 2
  - Tender process was annulled vide notice dated September 30, 2020
- Pursuant to Para 2.2.(b) of O.M. No. CBA2-13011/2/2020-CBA2 dated June 1, 2020 issued by MoC, second attempt of auction is being done with the same terms & conditions as in the first annulled attempt
- Highest Initial Offer of TQBs, if any, in the first annulled attempt shall be the Floor Price for the second attempt



# Auction Process, Key Terms & Conditions



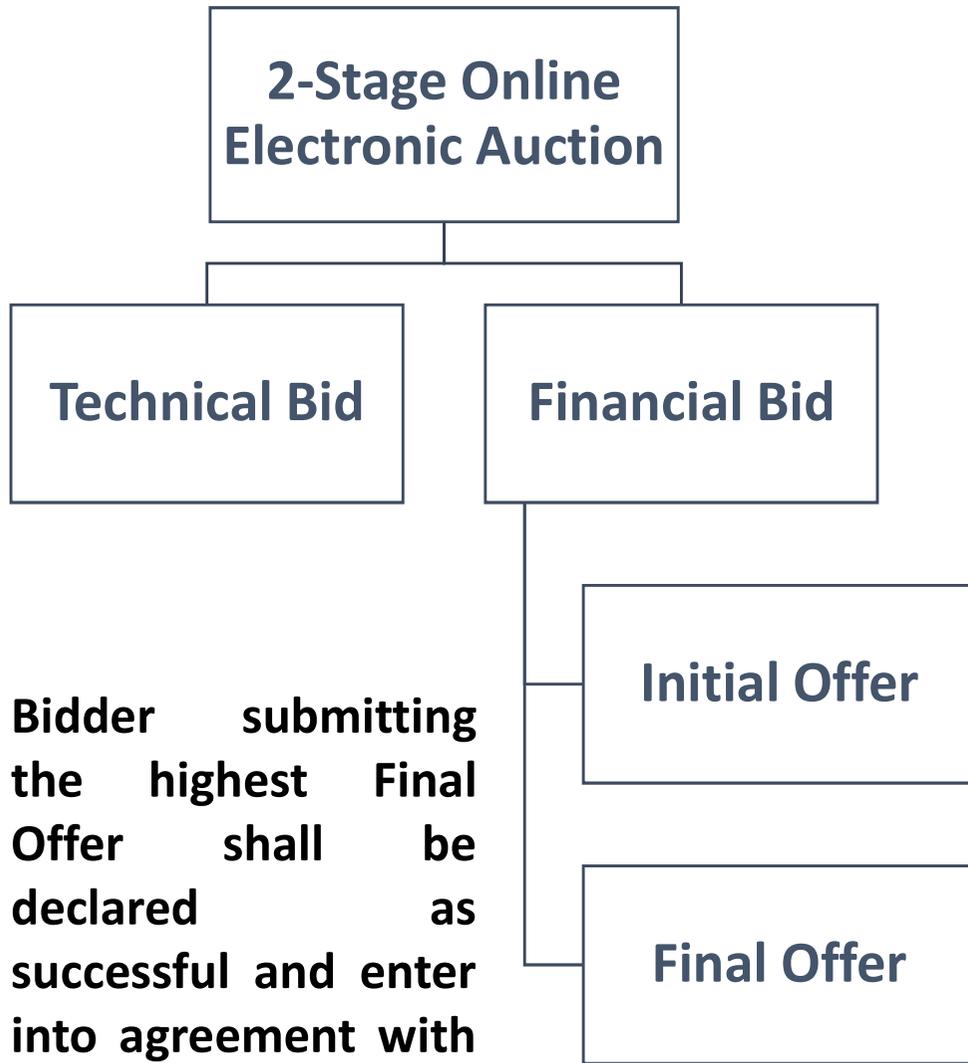
# Schedule of Auction Process

| <b>Event Description</b>  | <b>Estimated Date</b>  |
|---|--|
| Launch of Auction   | December 09, 2020  |
| Last date of receiving written requests for Site Visit                | 1600 hours on December 24, 2020  |
| Last date of receiving written queries from Bidders                   | 1600 hours on December 31, 2020  |
| Last date for written responses to queries by the Nominated Authority | December 31, 2020  |
| Last date for registration of bidder at the website of MSTC           | January 07, 2021   |
| Last date for sale of Tender Document at the website of MSTC          | January 09, 2021   |
| Bid Due Date  | Online: 1200 hours on January 12, 2021<br>Physical: 1600 hours on January 12, 2021 |



# Online Electronic Auction Process

## Ascending Forward Auction



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

- ⊙ **Bid Parameter:** percentage (%) share of revenue payable to Government
- ⊙ **Floor price:** In Tender Document
- ⊙ 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



# 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

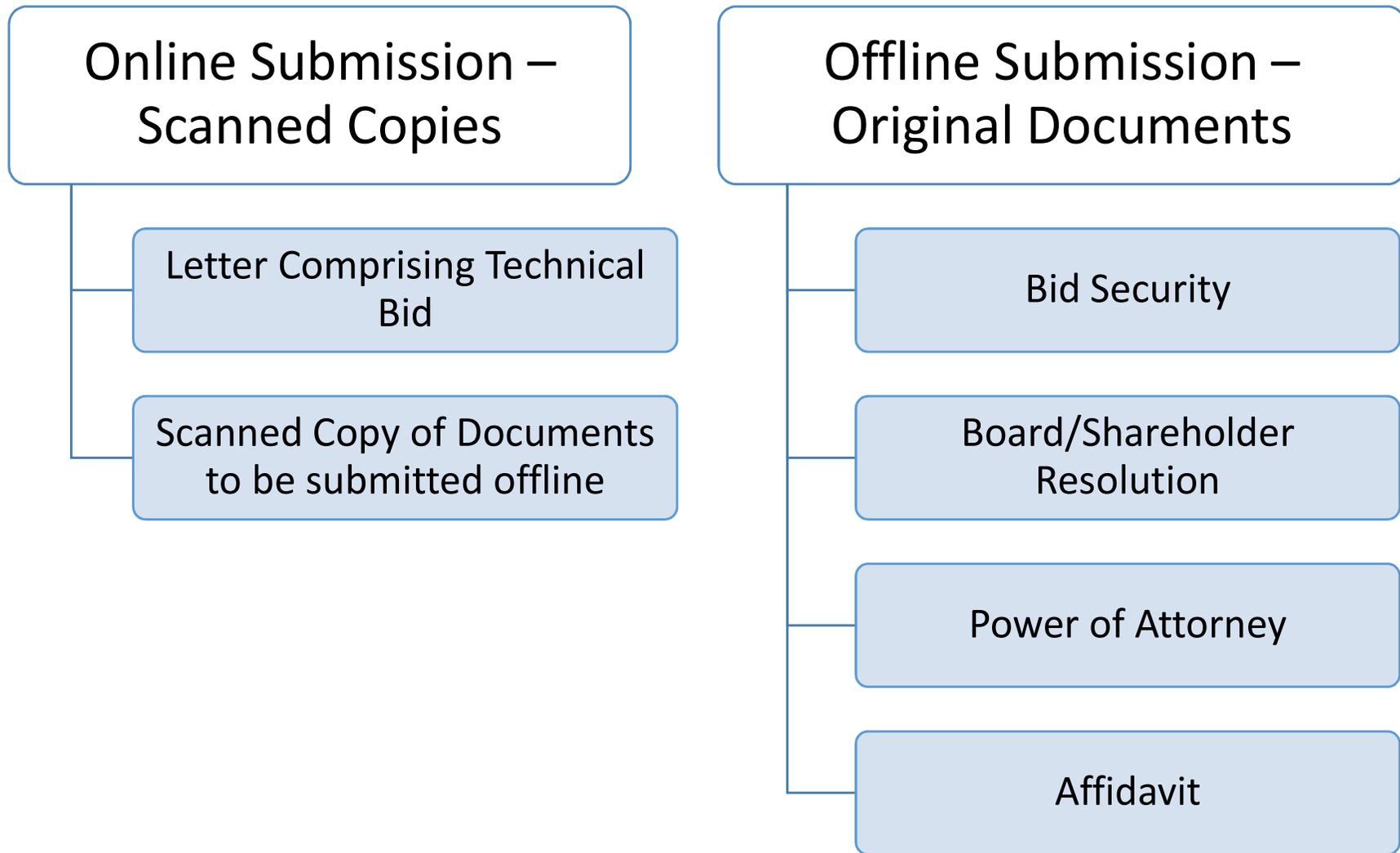
## FDI Policy

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



# Submission of Technical Bid





# Instructions regarding Technical Bid

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- Value of Stamp Paper to be in accordance with State Laws where documents are executed
- Power of Attorney & Board Resolution
  - Date of execution and date of notarization of Power of Attorney should be same
  - 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
  - Board Resolution should pre-date Power of Attorney
- Affidavit
  - Date of execution and date of notarization of the Affidavit should be same
  - Affidavit to contain details of all submissions made as part of Technical Bid, both online and physical copy including specific mention of Affidavit being submitted
  - NIL is to be indicated in table at Sl. no. 3, if none of the Affiliates of Bidder are participating in the tender process for the Coal Mine
- Letter Comprising Technical Bid
  - NIL is to be indicated in table at Sl. no. 6, if none of the Affiliates of Bidder are participating in the tender process for the Coal Mine



# 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 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;

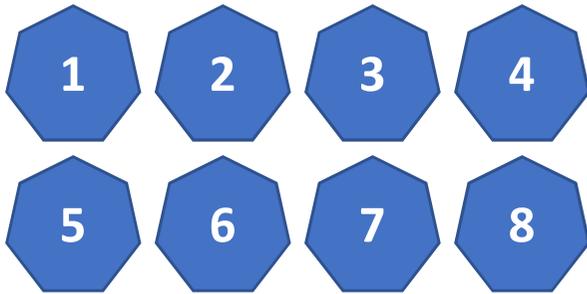
If 4 to 6 TQBs, lowest ranked TQBs shall be eliminated and remaining are considered as Qualified Bidders;

If there are 7 or more TQBs,  $1/3^{\text{rd}}$  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.

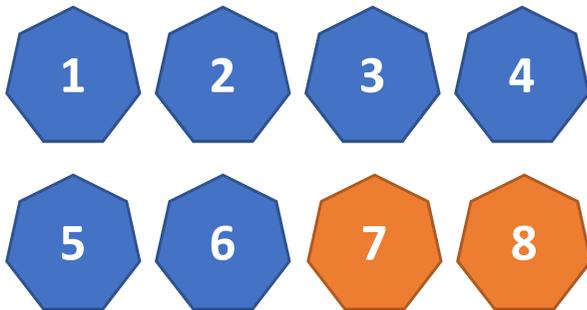
No TQBs shall be eliminated, if number of Qualified Bidders after elimination is less than 3.



# Illustration 1 – 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



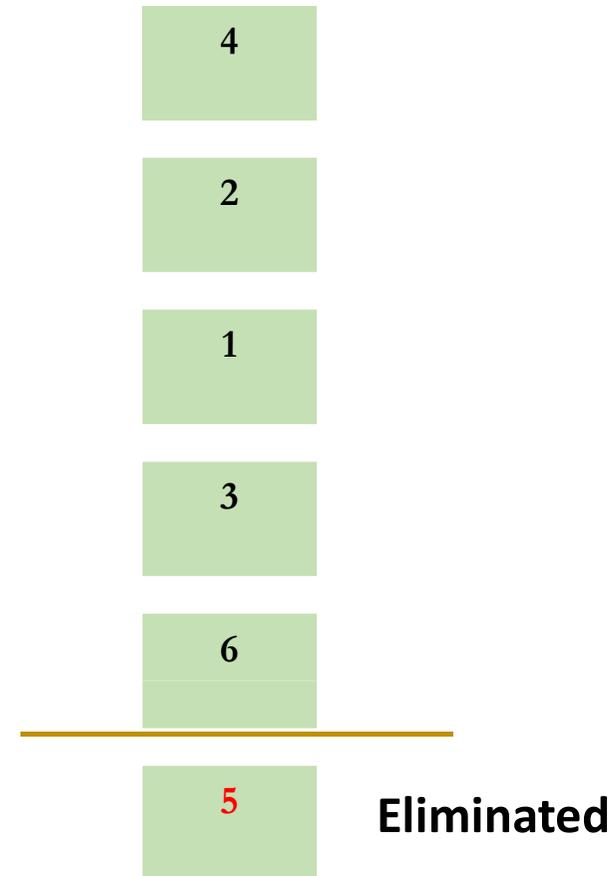
# Illustration 1 a – Ranking & Elimination

- **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





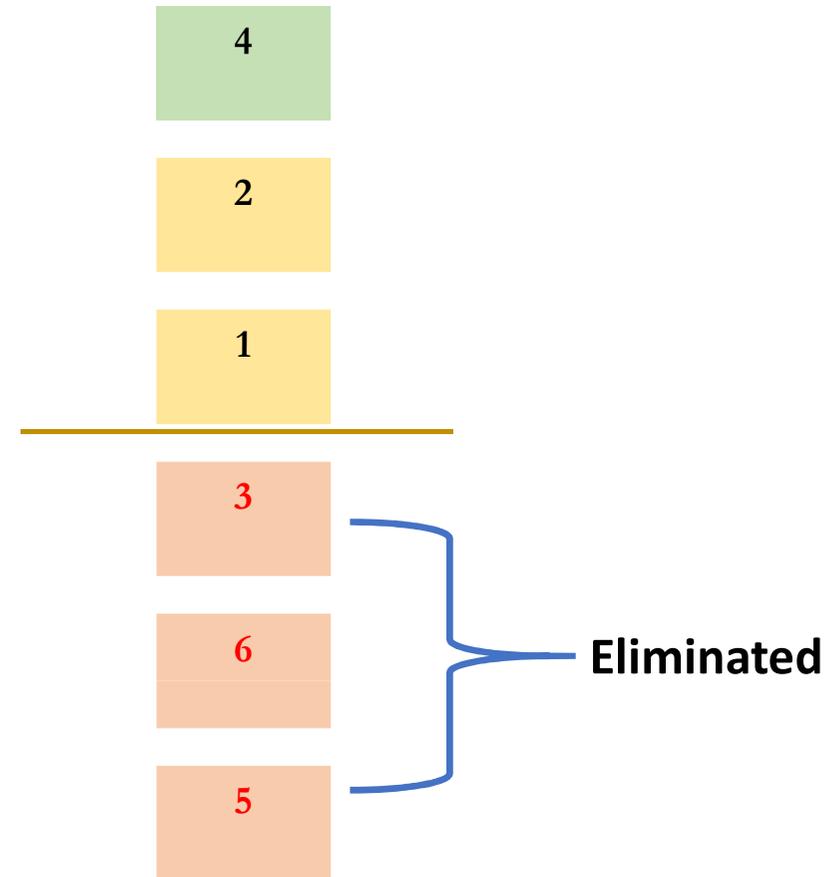
# Illustration 1 b – Ranking & Elimination

- **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: 3**

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 1 c – Ranking & Elimination

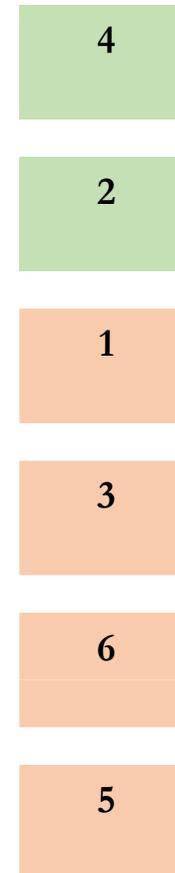
- **6** TQBs ranked in the descending order based on the basis of Initial Offers in the following manner: 4, 2, 1, 3, 6, 5
- Initial Offers 1, 3, 6 and 5 are identical
- **No of Eliminations of TQBs: NIL**

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



**No  
eliminations**



# Electronic Auction – Submission of Final Offer

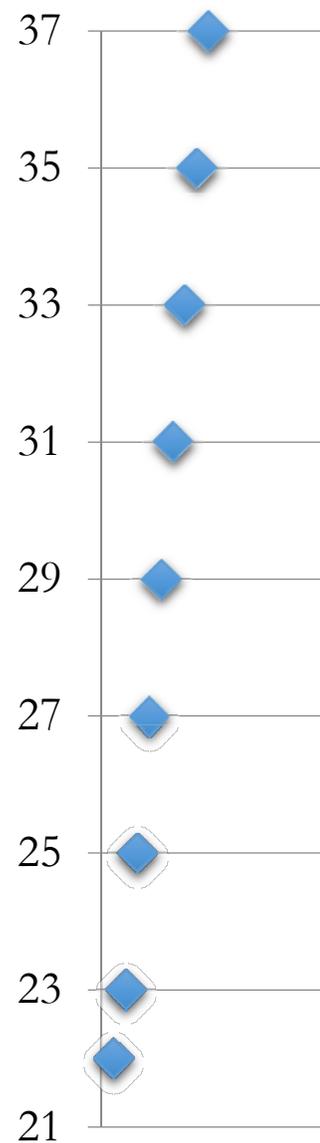
Say, the Initial Offers of the Technically Qualified Bidders were:

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

Floor Price in Tender Document

Qualified Bidders shall participate in electronic auction

## Ascending Forward Auction (%)

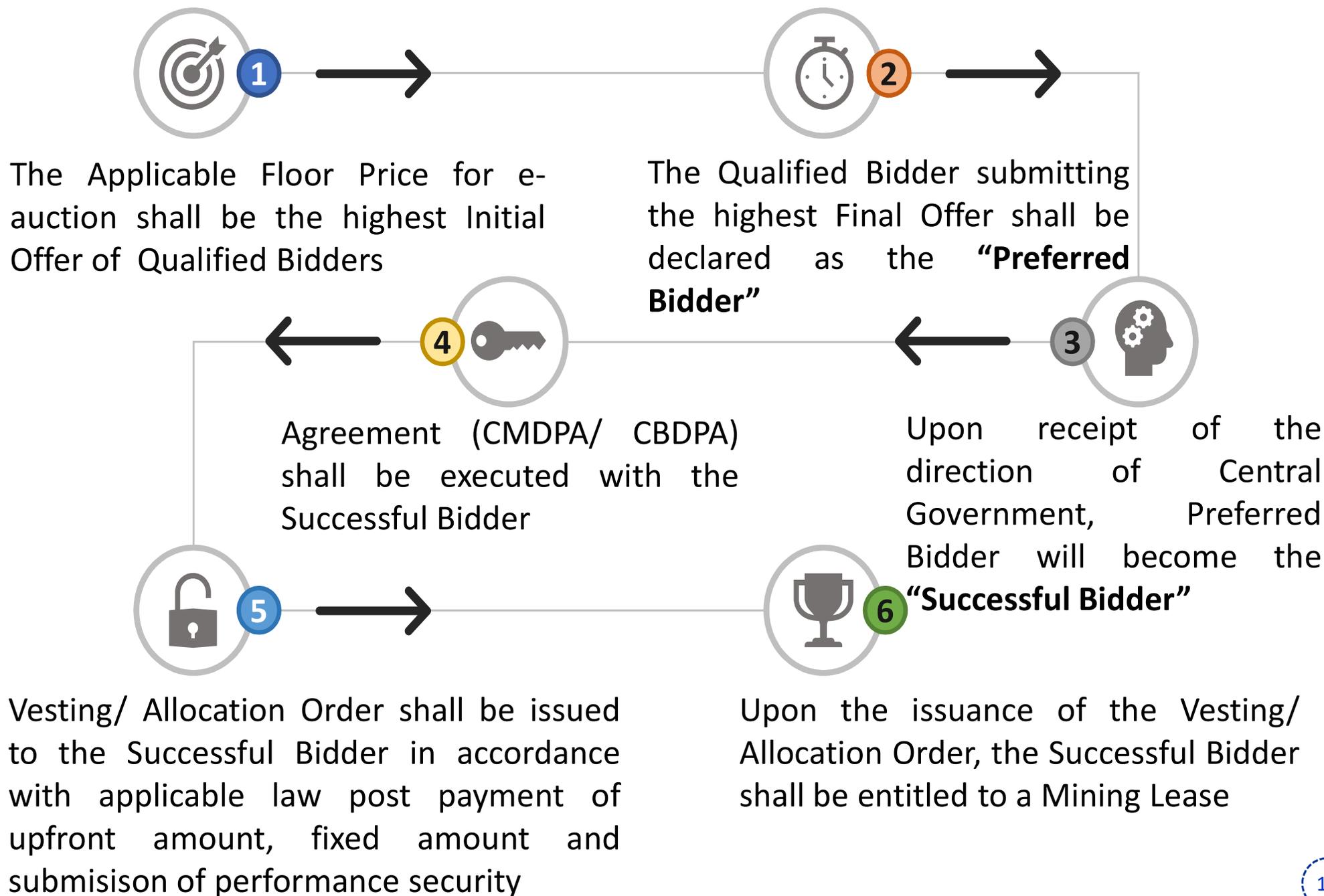


**Preferred Bidder shall be the one submitting the highest Final Offer**

Floor Price  
In electronic auction



# Electronic Auction and Successful Bidder





# Key features of this round of Auction

**01**

**NO RESTRICTION  
ON SALE/  
UTILIZATION OF  
COAL**

**02**

**MIGRATION TO  
PERCENTAGE  
REVENUE SHARE  
FROM  
RUPEE/TONNE**

**03**

**NO TECHNICAL AND  
FINANCIAL  
ELIGIBILITY  
CRITERIA**

**04**

**MINIMUM  
NUMBER OF  
BIDDER- 1**

**05**

**RELAXED PAYMENT  
STRUCTURE WITH  
IMPLEMENTATION  
OF NATIONAL COAL  
INDEX**

**06**

**GREATER  
FLEXIBILITY IN COAL  
PRODUCTION  
SCHEDULE**

**07**

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

**08**

**CHANGE IN  
CONTROL &  
SECURITY  
CREATION**



# Production Schedule & Revision in Mining Plan

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- **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
- **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



# Change in Control and Transfer

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- **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 the CBA Act, 1957, as the case may be



# Security Creation

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- Successful Bidder shall be entitled to create security by way of mortgage of the Coal Mine for financing mining operations. Such security creation shall not require prior approval of the Nominated Authority or Central Government.
- Successful Bidder shall keep the Nominated Authority informed about:
  - Any default in its obligation under any arrangement with any bank/financial institution;
  - Any security interest created over the Coal Mine; and
  - Any action initiated by bank/FIs regarding enforcement of security.
- In the event of default, banks/ FIs shall be entitled to enforce their security interest upon notifying Nominated Authority, provided Selectee meets eligibility
- Upon acceptance of Selectee by the Nominated Authority or the Nominated Authority having been deemed to have accepted the Substitution Notice, this Agreement shall be deemed to be assigned in favour of Selectee without any further act or deed of Successful Bidder



# Efficiency Parameters

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- Mine development & operations shall as per the Efficiency Parameters
- Time granted for Fully Explored Mines is 51 months for all milestones
- Additional Relaxation in bona fide cases of delays not attributable to the Successful Bidder
- Scrutiny Committee will consider the delays on case-to-case basis and furnish its recommendation to Nominated Authority for taking a decision
- In case, Successful Bidder achieves operationalization within 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

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- **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

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- 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.
- Bid Security to be in the form of a **bank guarantee** by an Acceptable Bank, in favour of the Nominated Authority
- **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
- Bank guarantee shall be issued in paper form as well as under Structured Financial Messaging System (SFMS) platform



# Upfront Amount

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- 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 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*
- 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 i.e. maximum 50% of the Monthly Payment for the month to be paid by the Successful Bidder shall be adjusted against Upfront Amount and would be reconciled at the end of the year*



# 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        |
| <b>Upfront Amount (Rs. Crore)</b>  | <b>Min (E, 500)</b> | <b>500</b> |

| 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        |
| <b>Upfront Amount (Rs. Crore)</b>  | <b>Min (E, 500)</b> | <b>349.25</b> |



# Upfront Amount - Instalment

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

| <b>Instalment</b> | <b>Fully Explored Mines under MMDR Act and CMSP Act</b>  |
|-------------------|--|
| First             | Upon of execution of the Agreement   |
| 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 |
| Third             | Upon grant of the mine opening permission  |
| Fourth            | Upon commencement of coal production   |



# Fixed Amount

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- 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  |
|---|---|
| <b>Amount</b>                                   | 65% of aggregate of:-<br><br>i. One year royalty, based on PRC; and<br><br>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)   |
| <b>Mine Plan not available</b>                  | To be estimated based on an indicative PRC provided in Tender Document<br><br>Upon in-principle approval of Mining Plan, a revised Performance Security to be submitted on the basis of approved Mining Plan  |
| <b>Performance Security to State Government</b> | Upon grant of mine opening permission, Successful Bidder shall, either<br><br>(i) Submit PBG to the State Government for the same amount; post which the Agreement with Nominated Authority shall be terminated and PBG submitted to the Nominated Authority shall be returned<br><br>(ii) Submit a request to the Nominated Authority for assigning the Performance Security in favour of the State Government |
| <b>Annual Revision</b>                          | Change in: (i) National Coal Index (ii) Rate of Royalty (iii) Peak Rated Capacity   |



# 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        |
| <b>Total Performance Security</b>   | <b><math>K = G + J</math></b>           | <b>Rs. Crore</b> | <b>537.07</b> |



# Monthly Payments

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- 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   |
| <b>Total</b>  | <b>1.80</b>  |                                      |                          |  | <b>27.09</b>                                       |



# Incentives

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## **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 20% 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



# 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                                     |
| <b>Total</b>  | <b>1.80</b>  |                                      |                          |  |  | <b>13.55</b>                             |

| 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  |



# Illustration - Incentive for Coal Gasification/ 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        |
| <b>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)</b> | <b>(F x (1-E))</b> | <b>23.58</b> |



# 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



# 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 | Revenue Payable to Government on account of shortfall (Rs. Cr) |
|----------------|---------------------------|------------------------|--|--|-----------------------|--------------|--|
|                | D                         | E                      | F = E/D  | G = Max (0%, 65% - F) (year)<br>Max(0%, 75% - F) (block) |                       | 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%  | <b>Event 1</b>        | 128          | <b>5.27</b>  |
| Y3             | 7                         | 5.6                    | 80.00%   | 0.00%  |                       | 129          | -  |
| <b>Block 1</b> | <b>13</b>                 | <b>9.8</b>             | <b>75.38%</b>                                  | <b>0.00%</b>   |                       | <b>128</b>   | -  |
| 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          | -  |
| <b>Block 2</b> | <b>30</b>                 | <b>21</b>              | <b>70.00%</b>                                  | <b>5.00%</b>   | <b>Event 2</b>        | <b>131</b>   | <b>80.85</b>   |



# Thank You

This presentation is for ease of understanding of the auction process to Stakeholders only and may not be used for investment purposes. In case of any discrepancies between this presentation and the Tender Document & Agreement dated 09<sup>th</sup> December 2020 including any corrigenda/addenda, the provisions of the Tender Document & the Agreement will prevail.





# 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<br>Mines                           |
|---|--|--------------------|---|
|   |  |                    | % 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               |                    |   |
|   | After 15 months upto 24 months from the date of allocation |                    |   |
|   | After 24 months upto 30 months from the date of            |                    |   |



# 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                              |
|---|---|--------------------|---|
|   |   |                    | % 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/<br>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                              |
|--|--|--------------------|---|
|  |  |                    | % 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                              |
|--|---|--------------------|---|
|  |   |                    | % 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 the Nominated Authority will decide on case to case basis the extension of timeline in Efficiency Parameters from 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). 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.
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.