

By Speed Post

**F.No. 13016/13/2005-CA-I
Government of India
Ministry of Coal**

New Delhi, dated 1st March, 2013

To

The Chairman & Managing Director,
M/s MAHAGUJ Collieries Limited
Estrella Batteries Expansion Building,
1st Floor, Matunge Labour Camp Road,
Mumbai 400 019

Sub: Furnishing of Bank Guarantee (BG) in respect of Mahanadi & Machakata coal blocks in the State of Orissa allotted to M/s Maharashtra State Electricity Board and M/s Gujarat State Electricity Board- Regarding.

Sir,

I am directed to refer to this Ministry's allocation letter No.13016/13/2005-CA dated 6th February, 2006 (**Annexure-I**) and to this Ministry's show cause notice letter No. 13011/32/2012-CA-I dated 4th May, 2012 (**Annexure-II**) and to your reply to the show cause notice and the Presentation made/documents submitted by you on 9th October, 2012 before the Inter Ministerial Group (IMG) on the above subject.

2. Mahanadi and Machhakata coal blocks located in the State of Orissa were allocated jointly to M/s Maharashtra State Electricity Board and M/s Gujarat State Electricity Board in pursuance of the Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act, 1973 subject to certain terms and conditions. In the allocation letter, at point No.(viii) the following is stipulated as under:-

“(viii) Violation of any of the conditions imposed above on the part of GSECL and MSEB or such joint venture Government Company in mining and disposing of coal from the Machhakata and Mahanadi coal block will render the mining lease liable for cancellation.”

3. The progress of allocated coal block has been reviewed by the Ministry through a Review Committee from time to time wherein the allocatee company gives presentation in respect of the development made by them with reference to the milestones prescribed in the allocation letter. During these meeting following was noted:

- i. In the review meeting held on 25/26.03.2008 it was noted that block boundary of Mahanadi/ Machhakata blocks is to be finalized in consultation with CMPDI.
- ii. In the Review Meeting held on 15/16.10.2008, noted that block boundary of the block to be finalized in consultation with CMPDI. Exploration in respect of Mahanadi block was to be completed early.

- iii. Further, the Review Committee in its meeting held in 22/23.06.2009 noted that all the milestones were pending except purchase of GR, submission of ML, application and Mining Plan.
- iv. In the Review Committee meeting held in on 20/21.07.2010 it was noticed that FC, EMP, ML & LA were pending. MP was approved. Forest application was to be submitted. MOC advised to expedite progress.
- v. The Review Committee meeting held on 11/12.01.2012 noted that FC(Stage-I), EMP, ML & LA are pending. Previous approval obtained recently. PH for EMP is not yet completed. Villagers resistance and land acquisition is the main issue. The company was issued the show cause notice. The company furnished their reply to the show cause notice.

4. In the meantime, the Government has set up an Inter-Ministerial Group (IMG) under the Chairpersonship of Additional Secretary (Coal), Ministry of Coal having members from Ministry of Power, Ministry of Steel, Ministry of Commerce & Industry, Department of IPP, Ministry of Law and Justice, Department of Legal Affairs, Department of Economic Affairs. The IMG has been given the mandate to review the progress of development of allocated coal blocks and associated end use projects and to recommend action including de-allocation, if required.

5. The case of the allocate company was referred to IMG. Accordingly, the IMG asked the allocatee company to make the presentation before it on the progress of development of allocated coal blocks and associated end use project. The representatives of the allocatee company gave presentation on 9th October, 2012 before the IMG. The IMG considered the presentation, the status note of the Mahanadi & Machakata coal blocks and associated EUP prepared by Ministry of Coal and Coal Controller's Organisation (Annexure-III). The progress of development of the block with reference to the milestones and their achievement is as under:-

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM as on 06/2012	Remarks	Special observation
Purchase of GR	23.3.2006 (45 days)	10.06.2008	2Yrs 3 months		
Submission of Bank Guarantee	6.5.2006(3 months)	NA		BG introduce from June '2007 for govt Block.	
Mining Lease Application	6.5.2006(3 months)	18.12.2008	2 Yrs 7 Months		

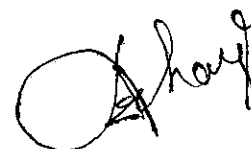


Submission of Mining Plan	6.8.2006 (6 months)	30.5.2009	2Yrs 9 Months		
Approval of Mining Plan	6.10.2006 (8 months)	24.8.2009	2Yrs 10 Months		
Application of Previous approval	6.12.2006 (10 months)	Pending	5Yrs 6 Months		
Granting of Previous approval	6.1.2007 (11 months)	Pending	5Yrs 5 Months		
Application of Forest clearance	6.2.2007 (12 months)	31.5.2010	3 Yrs 3 Months		
Grant of Forest Clearance	6.8.2007 (18 months)	Pending	4Yrs 10 Months		
Application EMP Clearance	6.2.2007 (12 months)	31.3.2009	2Yrs 1 Months		
Grant of EMP Clearance	6.8.2007 (18 months)	Pending	4Yrs 10 Months		
Grant of Mining Lease	6.2.2008 (24 months)	Pending	4Yrs 5 Months		
Application of Land Acquisition	6.9.2007 (19 months)	18.6.2009	1Yr 9 Months		
Completion of Land Acquisition	6.2.2009 (36 months)	Pending	3 Yrs 4 Months		
Application for opening permission	6.6.2009 (40 months)	Pending	3 Years		
Grant of Opening permission	6.7.2009 (41 months)	Pending	2 Yrs 11 Months		
Production	6.8.2009 (42 Months)	Pending	2Yrs 10 Months	Open cast including forest land.	

6. After detailed deliberations, the IMG made the following recommendations :-

GUJARAT STATE ELECTRICITY CORPN. LTD. & MESB (MAHANADI MACHHAKATA)

The IMG considered the terms and conditions of allocation, the show cause notice issued, the reply and the presentation made by the company along with the status paper placed before the IMG. The IMG noted that 6 years 9 months have elapsed from the date of allotment i.e. 6.2.2006. IMG also noted that the company has purchased the GR and the mining plan is approved, EC and FC clearances are pending. No land has been acquired as yet however, notification w/s 4 was reported issued for 80% of the land and w/s 6 of Land Acquisition Act for 20% of the land. Rs. 28 crore has been deposited for land in 2009. JV has been constituted on 1.11.2006. MDO has been appointed on 25.2.2009. Investment made in the coal block as per CA certificate submitted by the JV is Rs. 50.70 crore. The allocatee companies GSECL and MAHAGENCO(earlier MSEB) are also setting up their end-use power plants. As per CA certificate, Rs. 8205.06 crore investment has been reported on the end-use power plants of MAHAGENCO and Rs. 2574.30 crore by GSECL. During presentation, the company argued that the entire delay was not attributable to them. They assured that they will be in a position to open the mine by April, 2014 whereas the normative date for start of production was 6.8.2009.



IMG noted that this is a regionally explored block and the allocatee has now completed exploration and is in a position to take further steps for the development of block. IMG noted that as per terms and conditions of allocation any slippage pertaining to the period of 27 months allowed for exploration would render the allocation liable for cancellation and withdrawal of block from the allocatee.

However, taking into account all factors, the IMG did not consider it appropriate to recommend de-allocation of the coal block at this stage and recommended that the allocatee may be permitted to continue holding the block only on submission of BG equivalent to one year royalty for adherence to milestones. IMG further recommends that the BG may be submitted within a period of three months from the date of issue of letter in this regard failing which the block may be de-allocated.

7. The recommendation of the IMG has since been considered and accepted by the Government.

8 Accordingly, M/s Maharashtra State Electricity Board and M/s Gujarat State Electricity Board are directed to furnish a **Bank Guarantee (BG) for an amount of Rs. 268.80 Crore (Rupees two hundred sixty eight crores and eighty lakhs only)** to the Coal Controller's Organisation within a period of three months from the date of issue of this letter in this regard failing which the block may be de-allocated. The calculation of amount for the purpose of furnishing Bank Guarantee as provided by the Coal Controller is at **Annexure –IV**.

Yours faithfully,


(A. Sanjay Sahay)

Under Secretary to the Govt. of India

Copy to:-

1. The Principal Secretary, Energy Department, Government of Maharashtra, Mantralaya, Mumbai.
2. The Principal Secretary, Energy Department, Government of Gujarat, Gandhinagar, Gujarat.
3. The Chairman & Managing Director, M/s Maharashtra State Electricity Board, Prakashgard, 3rd Floor, Bandra (East), Mumbai – 400 061.
4. The Chairman & Managing Director, M/s Gujarat State Electricity Board, Vidyut Bhawan, Race Course, Vadodra- 390 007.
5. The CMD, Coal India Limited, 10- Netaji Subhash Road, Kolkata- 700001.
6. The Coal Controller's Organisation, 1, Council House Street, Kolkata to necessary follow up action.
7. NIC Cell, Ministry of Coal for placing the letter on the Website of Ministry of Coal.

No. 13016/13/2005-CA

Government of India

Ministry of Coal

New Delhi, dated the 6th February, 2005.

To

1
The Chairman-cum-Managing Director,
Gujarat State Electricity Corporation
Vidyut Bhawan, Race Course,
Varoda - 390 007.

2
The Chairman,
Maharashtra State Electricity Board,
Prakashgand, 3rd Floor, Bandra (East),
Mumbai - 400 051.

Subject :- Allotment of Mahanadi and Machhakata coal blocks jointly to Gujarat State Electricity Corporation Limited (GSECL) and Maharashtra State Electricity Board (MSEB) for captive mining.

Sir,

I am directed to refer to your letter No. nil dated 2nd February, 2005 on the above subject and to convey the 'inprinciple' consent of the Government of India to the working of Machhakata and Mahanadi coal blocks jointly by the GSECL and MSEB within the provision of Government Company dispensation under Section 3(3)a(i) of the Coal Mines (Nationalisation) Act, 1973 subject to the following conditions :-

- i) The blocks shall be worked as one mine for M/s GSECL and M/s MSEB.
- ii) Coal mining shall be carried out by a joint venture company with GSECL and MSEB participation provided such separate company is a Government company with coal mining as object in its Memorandum of Association as provided under Section 3(3) (a)(i) of the Coal Mines (Nationalisation) Act, 1973 which allows mining by a Government Company.
- iii) The coal produced from the block shall be shared between GSECL and MSEB in ratio of 40% and 60% respectively.
- iv) Coal Linkages from CIL/SCCL would not be disturbed in any way with coal mined from Mahanadi and Machhakata coal blocks. In case there already exist linkages from the above sources, GSECL and MSEB shall continue to honour their commitment towards long-term linkage from these nationalized coal companies to their thermal power stations through FSAs.

v) The Company will do coal mining in accordance with the provisions of the Coal Mines(Nationalisation) Act, 1973, the Mines and Minerals (Development & Regulation) Act, 1957, the Contract Labour (Regulation & Abolition) Act, 1970, and all the minerals, environmental and labour laws and other regulations governing coal industry.


vi) The joint venture company would plan for both open cast and underground mining in Machhakata and Mahanadi coal blocks so as to extract the reserves to the maximum extent possible.

vii) The mining lease will be executed in the name of the joint venture company which shall be formed with equity participation from GSECL and MSEB within a period of 45 days from the date of this letter.

viii) Violation of any of the conditions imposed above on the part of GSECL and MSEB or such joint venture Government Company in mining and disposing of coal from the Machhakata and Mahanadi coal block will render the mining lease liable for cancellation.

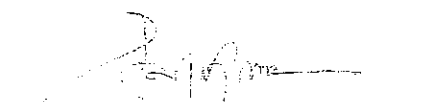
ix) CMPDIL has undertaken the detailed exploration of the Mananadi and Machhakata blocks. GSECL and MSEB, jointly or through the joint venture, shall obtain the geological report of the block from CMPDIL on payment of necessary exploration cost on completion of the exploration.

Yours faithfully,


(Premraj Kumar)
Section Officer

Copy to : _

1. The Chairman, Maharashtra State Electricity Board, Prakashgad, Bandra (East) Mumbai- 400 051 with reference to his letter No. DG/CHP/Coal Linkage/1036 dated 9.3.2005.
2. The Principal Secretary, Energy Department, Government of Maharashtra, Mantralaya, Mumbai.
3. The Principal Secretary, Energy Department, Government of Gujarat, Gandhinagar, Gujarat.
4. Office Folder.


(Premraj Kumar)
Section Officer

No.13016/13/2005-CA-I
Government of India
Ministry of Coal

155

New Delhi, the 9th March 2006.

CORRIGENDUM

To

1. The Chairman-cum-Managing Director,
Gujarat State Electricity Corporation,
Vidyout Bhawan, Race Course,
Varoda 390 007
2. The Chairman,
Maharashtra State Electricity Board,
Prakashgad, 3rd Floor, Bandra (East),
Mumbai 400 051

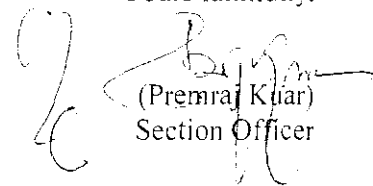
Subject: Allotment of Mahanadi and Machhakata coal blocks jointly to Gujarat State Electricity Corporation Limited (GSECL) and Maharashtra State Electricity Board (MSEB) for captive mining.

Sir,

I am directed to refer to this Ministry's letter of even number dated 6th February, 2005 communicating the allotment of Mahanadi and Machhakata coal blocks jointly to Gujarat State Electricity Corporation Limited (GSECL) and Maharashtra State Electricity Board (MSEB).

The date of the above letter may please be read as '6.02.2006' instead of '6.02.2005'.

Yours faithfully,


(Premraj Kuar)
Section Officer

Copy to:

1. The Principal Secretary, Energy Department, Government of Maharashtra,
Mantralaya, Mumbai.
2. The Principal Secretary, Energy Department, Government of Gujarat, Gandhi
Nagar, Gujarat.
3. Prime Minister's Office.
4. Office Folder.

SHOW CAUSE NOTICE

No.13011/13/2012-CA-I
Government of India
Ministry of Coal

New Delhi, dated 4th May, 2012

To

M/s Maharashtra State Electricity Board,
Prakashgand, 3rd Floor, Bandra (East)
Mumbai- 400 051.

M/s Gujarat State Electricity Board,
Vidyut Bhawan, Race Course,
Varoda- 390 007.

Subject: Show cause notice in respect of Mahanadi & Machakata coal block.

Sir,

I am directed to refer to this Ministry's letter No.13016/13/2005-CA-I dated 06.-2.2005 conveying allocation of Mahanadi & Machakata coal block in pursuance of the provisions contained in Section 3(3)(a) of the Coal Mines (Nationalization) Act, 1973, subject to certain conditions. One of the conditions of allocation was that coal production from the captive block shall commence within 36 months (42 months in case the area is in forest land) in case of open cast mine and in 48 months (54 months in case the area falls under forest land) in case of UG mine from the date of allocation letter. The end- use project schedule and the coal mine development schedule should be modified accordingly and submitted to the Ministry within 3 months from the date of allocation.

2. In order to expedite the development of the coal block, various review meetings were held from time to time with the representatives of the company. In



the review meeting held on 11/12.01.2012, it was noticed that no serious efforts have been made by the company to develop the coal block, even after repeated assurances tendered by the Company during the period. It is also noted that all the important/critical milestones such as grant of previous approval, EMP, Forest Clearance, Mining Lease and land acquisition are pending for Mahanadi and Machakata coal block. The company has repeatedly failed to keep its promises made to the Ministry and is thus non-serious about timely development of the block. The details of milestones to be achieved and the time lapsed against each milestone are given in the table below:-

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM
Purchase of GR	23.3.2006	10.6.2008	2Yrs 3 Months
Submission of Bank Guarantee	6.5.2006	NA	
Mining Lease Application	6.5.2006	18.12.2008	2 Yrs 7 Months
Submission of Mining Plan	6.8.2006	30.5.3009	2Yrs 9 Months
Approval of Mining Plan	6.10.2006	24.8.2009	2Yrs 10 Months
Application of Previous approval	6.12.2006	Pending	5Yrs 3 Months (as on 3/2012)
Granting of Previous approval	6.1.2007	Pending	5Yrs 2 Months (as on 3/2012)
Application of Forest clearance	6.2.2007	31.5.2010	3 Yrs 3 Months
Grant of Forest Clearance	6.8.2007	Pending	4Yrs 7 Months (as on 3/2012)
Application EMP Clearance	6.2.2007	31.3.2009	2Yrs 1 Months
Grant of EMP Clearance	6.8.2007	Pending	4Yrs 7 Months (as on 3/2012)
Grant of Mining Lease	6.2.2008	Pending	4Yrs 1 Months (as on 3/2012)
Application of Land Acquisition	6.9.2007	18.6.2009	1Yr 9 Months (as on 3/2012)
Completion of Land Acquisition	6.2.2009	Pending	3 Yrs 1 Months (as on 3/2012)
Application for opening permission	6.6.2009	Pending	2Yrs 9 Months (as on 3/2012)
Grant of Opening permission	6.7.2009	Pending	2 Yrs 8 Months (as on 3/2012)

SR

Coal Production	6.8.2009 (42 Months)	Pending	2Yrs 7 Months (as on 3/2012)
-----------------	----------------------	---------	------------------------------

3. Under the above circumstances, you are hereby called upon to show cause, on each milestone separately, to this Ministry within a period of 20 days from the date of issue of the show cause notice as to why the delay in the development of the coal block should not be held as violation of the terms and conditions of the allotment of Mahanadi and Machakata coal block, failing which it would be presumed that your company has no explanation to offer and action as appropriate would be taken against your company for de-allocation of Mahanadi and Machakata coal block.



(Sandeep Gupta)

Under Secretary to the Govt. of India

Copy to The Coal Controller, Coal Controller Organisation, Kolkata..

Coal Controller Office, MOC/Kolkata
Status of the captive Coal Block as on June'2012
 (as per quarterly report furnished by the Block owners)

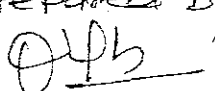
- | | |
|---------------------------------|--|
| 1. Name of Company | :- M/s Mahaguj Collieries Ltd (JVC of Gujarat State Electricity Board & Maharashtra State Electricity Board) |
| 2. Name of Coal Block | :- Machhakata & Mahanadi Phase-I (E) |
| 3. Date of Allocation | :- 6.2.2006 |
| 4. Location | :- Talcher, Orissa |
| 5. Total investment | :- Not available till date |
| 6. Investment Made (6/12) | :- Rs.98 Cr |
| 7. Reserve (Mill tones) | :- Geological:-1400.65 MT |
| 8. Grade of coal | :- F |
| 9. Yearly rated capacity (MTPA) | :- 30 MTPA |
| 10. Cost of GR | :- Rs.20,98,90,600/- |
| 11. BG Amount | :- Not applicable (BG not mentioned in the allocation letter because BG introduced for Govt block in June' 2007) |
| 12. Type of EUP | :- Power utility |
| 13. Location of Project | :- Maharashtra and Gujrat |
| 14. Capacity of Project | :- MSEB (3840 MW) GSEB (2100 MW) |
| 15. Explored/Un explored | :- Explored |
| 16. Zero Date | :- 06.02.2006 (As per allocation letter zero date considered 06.02.2006 i.e. from the date of allocation of coal block). |

17. Types of mine (OC/UG/Mix):- Open cast

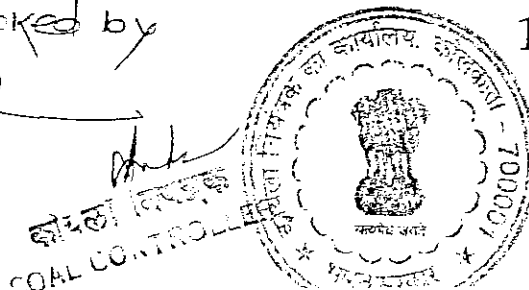
18. Previous Recommendation, if any-

Details of milestone to be achieved and time lapsed against each milestone are as under:-

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM as on 06/2012	Remarks	Special observation
Purchase of GR	23.3.2006 (45 days)	10.6.2008	2Yrs 3 Months		
Submission of Bank Guarantee	6.5.2006(3 months)	NA		BG introduce from June '2007 for govt Block.	
Mining Lease Application	6.5.2006(3 months)	18.12.2008	2 Yrs 7 Months		
Submission of Mining Plan	6.8.2006 (6 months)	30.5.3009	2Yrs 9 Months		
Approval of Mining Plan	6.10.2006 (8 months)	24.8.2009	2Yrs 10 Months		
Application of	6.12.2006	Pending	5Yrs 6 Months		

Prepared by


Checked by

Previous approval	(10 months)				
Granting of Previous approval	6.1.2007 (11 months)	Pending	5Yrs 5 Months		
Application of Forest clearance	6.2.2007 (12 months)	31.5.2010	3 Yrs 3 Months		
Grant of Forest Clearance	6.8.2007 (18 months)	Pending	4Yrs 10 Months		
Application EMP Clearance	6.2.2007 (12 months)	31.3.2009	2Yrs 1 Months		
Grant of EMP Clearance	6.8.2007 (18 months)	Pending	4Yrs 10 Months		
Grant of Mining Lease	6.2.2008 (24 months)	Pending	4Yrs 5 Months		
Application of Land Acquisition	6.9.2007 (19 months)	18.6.2009	1Yr 9 Months		
Completion of Land Acquisition	6.2.2009 (36 months)	Pending	3 Yrs 4 Months		
Application for opening permission	6.6.2009 (40 months)	Pending	3 Years		
Grant of Opening permission	6.7.2009 (41 months)	Pending	2 Yrs 11 Months		
Production	6.8.2009 (42 Months)	Pending	2Yrs 10 Months	Open cast including forest land.	

Other information and constraint faced by the block allocates

Mining Lease Application was submitted to Collector, Angul on 18.12.2008. The application was pending with Collector, Angul for Administrative Approval. Administrative approval of ML was received from Secretary, Steel & Mines Department, Orissa on 2.7.2011. Collector, Angul forwarded the M.L. application to Director of Mines, Orissa on 23.8.2011. This caused delay in processing of major milestones.

The allocate informs that CMPDIL provided GR copy in June, 2008. .Therefore, they claims that Zero date has been considered as June, 2008

Prepared by
DPS

Checked by
RBE

COAL CONTROLLER



1. Name of Company:- M/s Gujarat State Electricity Corpn. Ltd. & MESB.
2. Name of Coal Block:- Mahanadi Machhakata(Regionally Explored).
3. Date of Allocation:- 06.02.2006
4. Normative Date of production:-06.08.2009 (as per allotment letter)
5. Yearly Rated Capacity:- 30 MTPA (as per mine plan)
6. Grade of Coal:- F (as per mine plan)
7. BG Amount:- To be determined on the basis of one year royalty as recommended by IMG
8. Recommendation: Taking into account all factors, the IMG did not consider it appropriate to recommend de-allocation of the coal block at this stage and recommended that the allocate may be permitted to continue holding the block only on submission of BG equivalent to one year royalty for adherence to milestones. IMG further recommends that the BG may be submitted within a period of three months from the date of issue of letter in this regard failing which the block may be de-allocated.

Calculation of Weighted Average GCV

Seam Name	Mineable reserve as per Mine Plan (in MT)	% of share of reserve	Average GCV as per Mine Plan Plan	Weighted Average of GCV
(1)	(2)	(3)	(4)	(5)=(4)x(3)/100
XI	10.14	0.81	3149	25.5
X	4.83	0.39	3561	13.9
IX TOP	10.77	0.87	3305	28.7
IX BOP	59.12	4.75	3516	167.0
VIII	112.34	9.03	3426	309.4
VII TOP	109.82	8.83	3619	319.6
VII BOT	6.35	0.51	3832	19.5
VI TOP	74.06	5.95	3621	215.4
VI BOT	71.83	5.77	3995	230.5
IV/V	50.6	4.07	3734	152.0
III TOP TOP	142.47	11.45	3845	440.2
III MID	191.53	15.39	4398	676.8
III BOT TOP	63.45	5.10	4218	215.1
III BOT BOT	8.14	0.65	3415	22.2
LOCAL1	17.1	1.37	3487	47.8
LOCAL2	12.15	0.98	3596	35.2
II TOP	37.16	2.99	3683	110.1
II MID	6.28	0.50	3596	18.0
II BOT	5.47	0.44	3576	15.7
IA TOP	11.22	0.90	3803	34.2
IA BOT	32.46	2.61	4336	113.2
I B	154.01	12.38	4943	611.9
IC	7.73	0.62	4582	28.4
ID	45.32	3.64	5053	183.9
Total	1244.35	100		4034.3

Total weighted GCV = 4034.3 K.cal/Kg

Price/Tone for GCV of 4034.3 = Rs.640/- (As per CIL Notification No.CIL/S&M:GM (F):Pricing:1965 dt 31.01.2012)

Royalty/Tonne=Rs.640x14%= Rs.89.60/- (Royalty rate =pricex14% as per gazette notification No. G.S.R.349(E) dt.10.05.2012)

The Royalty for Peak rated capacity of 30 MT/year=Rs. 89.60x30 Million =Rs.2688 Million = Rs.268.8 Crore

Bank Guarantee may be asked to submit for one year royalty=Rs.268.8 Crore (Rupees two hundred sixty eight crores and eighty lakhs only)

Blair *DJP* *Huisker* *Coal Controller*