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Government of India

Ministry of Coal

New Delhi, dated 9th March, 2016

OFFICE MEMORANDUM

Sub: Corrigendum to the Minutes of 33rd and 34th Meeting of the Inter-Ministerial Group (IMG) held under the Chairmanship of Additional Secretary (Coal) to review the issue of Bank Guarantee of prior allocatees of coal blocks - reg.

In continuation to this Ministry's OM of even number dated 1st January, 2016 circulating therewith the minutes of 33rd IMG meeting held on 03.12.2015 and Ministry's OM of even number dated 15th January, 2016 circulating therewith the minutes of 34th IMG meeting held on 08.01.2016 and to say that the said minutes were further examined in the Ministry in consultation with Integrated Finance Division and Coal Controller's Organisation.

Accordingly, necessary **Corrigendum** to the Minutes of 33rd and 34th Meeting of the Inter-Ministerial Group (IMG) is circulated herewith for confirmation of the members of IMG. In case of any comments, IMG members are requested to furnish the same to the Ministry of Coal within a fortnight from the date of issue of this OM, failing which it would be presumed that IMG members have nothing to say and the corrigendum would be deemed confirmed.


[**Rishan Rynthiang**]

Under Secretary to the Govt. of India

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- To
1. **Ms. Sharmila Chavly**, Joint Secretary, Deptt. of Economic Affairs, North Block, New Delhi.
 2. **Shri Jyoti Arora**, Joint Secretary (Thermal), Ministry of Power, Shram Shakti Bhawan, New Delhi
 3. **Shri Shailendra Singh**, Joint Secretary, Dept. of Industrial Policy & Promotion, Udyog Bhawan, New Delhi.
 4. **Shri Syedain Abbasi**, Joint Secretary, Ministry of Steel, Udyog Bhawan, New Delhi.
 5. Joint Secretary, Deptt. of Legal Affairs, (Attn: **Dr. R.S. Shrinet, DLA**) Shastri Bhawan, New Delhi.
 6. **Shri R.P. Gupta**, Joint Secretary, Ministry of Coal
 7. **Shri Vivek Bharadwaj**, Joint Secretary, Ministry of Coal
 8. **Shri Anjani Kumar**, Coal Controller, 1, Council House Street, Kolkata
 9. **Ms. Sujata Prasad**, JS&FA, Ministry of Coal
 10. **Shri D.N. Prasad**, Advisor (Projects), Ministry of Coal
 11. **Shri Shekar Saran**, CMD, CMPDIL, Gondwana Place, Kanke Road, Ranchi.

Copy to (for information):-

PS to Hon'ble MoS (I/C) for Power, Coal & NRE/PSO to Secretary (Coal)/PPS to SS (Coal) & Chairman, IMG.

✓ Director (T), NIC Cell, Ministry of Coal for uploading on the Website of MoC.

CORRIGENDUM FOR THE MINUTES OF 33RD AND 34TH MEETINGS OF THE INTER-MINISTERIAL GROUP (IMG) HELD ON 03.12.2015 AND 08.01.2016 RESPECTIVELY UNDER THE CHAIRMANSHIP OF ADDITIONAL SECRETARY (COAL) TO REVIEW THE ISSUE OF BANK GUARANTEES OF PRIOR ALLOTTEES OF COAL BLOCKS AT ROOM NO.330, A-WING, SHASTRI BHAVAN, NEW DELHI-110001.

Recommendations of the 33rd and 34th IMG meetings were submitted for approval of competent authority, i.e. Hon'ble MoS (I/c) for Coal who observed that the BG calculation figures prepared by CCO be vetted by the IFD Division of Ministry of Coal. IFD Division observed as under :-

“On scrutiny of the proposal, it is observed that the IMG in its 33rd meeting recommended that the BG determined to be deducted for the lag in production must be calculated on the Peak Rated Capacity (PRC) derived on pro-rata basis for each year of production vis-à-vis actual coal production in that particular year. The CCO has not followed the above recommendation to derive the PRC figure for calculating the BG deduction amount. For example, in the case of Belgaon mine the PRC as per the approved Mining Plan is 0.27 MT on the sixth year of the production. According to the IMG recommendation the PRC for 1st to 5th year on pro-rata basis should be 0.045, 0.090, 0.135, 0.180, 0.225 MT respectively, whereas, CCO has taken the PRC as 0.27 MT for these years.

The programme division may be requested to reconcile the above discrepancy and re-calculate the BG deduction amount.”

2. Accordingly, CCO was requested to clarify the discrepancy observed by IFD Division of MoC. CCO furnished clarification *inter alia* communicating that in the 33rd IMG meeting it was discussed to consider pro-rata target on 1st year production, but not pro-rata PRC. In the discussion held in the 33rd IMG meeting, in case of determination of BG

amount to be deducted for any lag in production, the financial year in which mine opening permission was granted by CCO was to be considered as the first year of production and the targeted production for the first year should be calculated on pro-rata basis depending upon the date of issuance of opening permission by CCO. As per the discussions held in the 33rd IMG meeting, calculation were revised and submitted to MoC for which the formula used for calculation i.e. percentage of BG deduction for each year of production = $\{(T-A)/P\} \times 100$ where T = Target of coal production for that year as per mining plan, A = achievement of production of coal in that year and P = peak rated capacity of the mine, is as mentioned in the allocation letters of the concerned coal blocks.

3. The clarification furnished by CCO has been accepted by the Government that the guidelines framed by the IMG in its 33rd meeting for the 12 coal blocks, which were subsequently dealt with in the 34th meeting, were wrongly minuted in the minutes of the 33rd meeting and consequently in the 34th meeting minutes to the extent that CCO was directed to prepare BG calculation details considering the pro-rata target on 1st year production and not pro-rata PRC.

4. In view of the above, paragraph 4 (a) of the minutes of the 33rd IMG meeting and para 3 of the minutes of the 34th IMG meeting may be read as under :-

(a) The IMG further observed that out of the above-mentioned 12 coal blocks, there were 9 coal blocks from which production had already commenced, i.e. 5 coal blocks where 100% BG was linked to production [viz. Belgaon, Pachwara North, Parbatpur, Mandla North and Sial Ghogri] and 4 coal blocks where 50% BG was milestones linked and 50% production linked [viz. Parsa East, Kanta Basan, Bicharpur, and Ardhagram]. IMG recommended that in respect of the above-mentioned 9 coal blocks, mine opening permission was granted by CCO and hence, BG amount must be deducted if there was any delay on the part of prior allottee(s) in achievement of milestones

stipulated for development of coal block and/or for lag in production, as the case may be, as per BG condition of the allocation letter of respective coal block. IMG also observed that the BG deductible for delay in achievement of milestones would be calculated as was calculated in the case of other coal blocks. **However, in case of BG amount determined to be deducted for any lag in production, the financial year in which mine opening permission was granted by CCO, will be considered as the first year and targeted production for that year may be calculated on pro-rata basis of production schedule mentioned in the approved mining plan. The BG determined to be deducted for lag in production in subsequent year may be calculated as per schedule of production given in mining plan for each year of production vis-à-vis actual coal production.** If the coal produced by the prior allottee(s) in some specific year is more than the PRC of that particular year, the same may be adjusted to compensate the prior allottee(s) for any lag in production in previous or subsequent year(s) of production. CCO will adopt this uniform principle for determination of BG amount to be deducted for any lag in production.
