

Speed Post

No.13016/38/2009-CA-I  
Government of India  
Ministry of Coal

New Delhi, dated <sup>12<sup>th</sup></sup> April, 2013

To

1. The Chairman  
Jharkhand State Electricity Board,  
Engineering Building, HEC, Dharuva  
Ranchi- 834- 004 (Jharkhand).
2. The Managing Director,  
Bihar State Mineral Development Corporation Limited  
Patna.

**Sub: Urma Paharitola coal block allotted jointly to Jharkhand State Electricity Board and Bihar State Mineral Development Corporation Limited – decision of IMG- Regarding.**

Sir,

I am directed to refer to this Ministry's allocation letter No.13016/8/2007-CA-I dated 25<sup>th</sup> July, 2007 (Annexure-I) and to this Ministry's show cause notice letter No. 13011/09/2012-CA-I dated 2<sup>nd</sup> May, 2012 (Annexure-II) and to your reply to the show cause notice and the Presentation made/documents submitted by you on 10<sup>th</sup> October, 2012 before the Inter Ministerial Group (IMG) on the above subject.

2. Urma Paharitola coal block located in the State of Jharkhand was allocated to M/s Jharkhand State Electricity Board (JSEB) and M/s Bihar State Mineral Development Corporation Ltd.(BSMDCL) in pursuance of the Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act, 1973 subject to certain terms and conditions.

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 gave presentation in respect of the development made by it with reference to the milestones prescribed for development of the block. During Review Committee meeting held on 11/12.01.2012 it was noticed that no serious efforts have been made by the allocatee companies to develop the coal block even after repeated assurance tendered by them during the period. It was noted that all the important/critical milestones such as grant of previous approval, Mining Plan, EMP, Forest Clearance, Mining Lease, Land Acquisition are pending. The company was issued the show cause notice. The company furnished their reply to the show cause notice.

4. In the meantime, the Government had 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



--- 21 -

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 10<sup>th</sup> October, 2012 before the IMG. The IMG considered the presentation, the status note of the **Urma Paharitola** coal block 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
Purchase of GR	25.10.2009 (27 Months)	Pending	2 Yrs 7 Months
Submission of Bank Guarantee	25.10.2007 3 months from GR)	6.10.2009	2 Years
Mining Lease Application	25.01.2010 3 months from GR)	Pending	2 Yrs 5 Months
Submission of Mining Plan	25.4.2010 6 months from GR)	Pending	2Yrs 2 months
Approval of Mining Plan	25.6.2010 8 months from GR)	Pending	2Years
Application of Previous approval	25.8.2010 10 months from GR)	Pending	1 Yr 10 Months
Granting of Previous approval	25.9.2010 11 months from GR)	Pending	1Yr 9 Months
Application of Forest clearance	25.10.2010 12 months from GR)	Pending	1 Yr 8 Months
Grant of Forest Clearance	25.4.2011 18 months from GR)	Pending	1yr 2 months
Application EMP Clearance	25.10.2010 12 months from GR)	Pending	1 Yr 8 Months
Grant of EMP Clearance	25.4.2011 18 months from GR)	Pending	1yr 2months
Grant of Mining Lease	25.10.2011 24 months from GR)	Pending	8 Months
Application of Land Acquisition	25.5.2011 19 months from GR)	Pending	1 year 1 Month
Completion of Land Acquisition	25.10.2012 36 months from GR)	Pending	-
Application for opening permission	25.2.2013 40 months from GR)	Pending	-
Grant of Opening permission	25.3.2013 41 months from GR)	Pending	-

Production	25.4.2013 42 months from GR)	Pending	-
------------	---------------------------------	---------	---

6. After detailed deliberations, the IMG made its recommendation in the 16<sup>th</sup> Meeting of IMG held on 6<sup>th</sup> November, 2012, as follows:

**M/s Jharkhand State Electricity Board, Bihar State Mineral Development Corporation Limited (Urma Paharitola)**

*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 this is a regionally explored block and more than 5 years have elapsed from the date of allotment i.e 25.7.2007. PL has been obtained in August, 2011 as reported at the time of presentation however no progress was reported in exploration. No other clearances have been applied for. The process of land acquisition has not been started. Though a PSU of the concerned State Government in which the coal block is located is itself one of the allocatees, they have not been able to pursue the necessary clearances. There is no progress in the development of coal block. JSEB has informed in the reply to the show cause notice that it is going to finalize the selection of MDO against the NIT with due date for opening on 29.5.2012 and thereafter award of work will be done within 45 days. MDO will carry out the entire work of development and supply of coal to both the end-use projects. However, MDO had not been finalized at the time of presentation. No information of investment made has been made available in respect of coal block and the end-use plants mentioned in the allocation letter. There is no progress reported on the end-use plants either. The normative date for start of production is 25.04.2013. No indication was given for expected date for start projection from the coal block.*

*IMG noted that the development of the block is still at the preliminary stage and exploration has not been started. Though a PSU of the concerned State Government in which the coal block is located is the allocatee, it has not been able to pursue the necessary clearances. Investment made in coal block is negligible. During review of 2010 de-allocation of the block was recommended, but it was not de-allocated at that time since it is a regionally explored block. In view of the continued unsatisfactory progress in development of coal mine and taking into account all factors, the IMG recommends that the coal block may be de-allocated in according with the terms and conditions of the letter of allocation. The IMG also recommends the 50% of the BG related to achievement of milestones may be forfeited.*

7. The recommendation of the IMG made in its 16<sup>th</sup> Meeting held on 6<sup>th</sup> November, 2012 was submitted for consideration. However, it has been observed that in principle approval for grant of tapering linkage was conveyed to the Government of Bihar linked to Urma Paharitola. The matter has been re-examined in light of this.

8. Presently, there are three power plants running in Bihar; viz; Barauni and Muzaffarpur of BSEB and Kahalgaon of NTPC. During 2011-12 supply materialization has been 120% to these plants. However, during the current year, both Barauni and Muzaffarpur are not taking supplies despite offer from CIL. While approving the in principle approval for granting of tapering linkage for the said project in July, 2012,

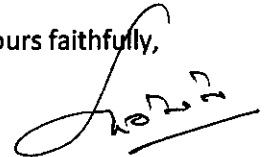
 41-

Ministry of Coal had directed the Jharkhand / Bihar Govt. to expeditiously develop the Urma Paharitola coal block so that tapering linkage should not exceed beyond the time period granted for tapering linkage policy.

9. As per the report of CEA, it is seen that the total installed capacity in the State of Bihar is 1849.93 MW as on 31.01.2013 and only States of Sikkim, Assam, Arunachal Pradesh, Meghalaya, Tripura, Manipur, Nagaland, Mizoram, Goa and Union Territories have installed capacities less than Bihar. Further, looking at the deficit of peak demand and peak met, it is seen that the deficit in Bihar is (-) 22.5% and only States of Punjab and J&K have higher deficit than this. It has been further informed by Secretary, Energy Department, Govt. of Bihar, vide his letter dated 08.03.2013 that Bihar is on the lowest rung of power availability in India. Its per capita consumption of power is 122.11 kwh as against the national average of 778.71 kwh.

10. In view of the critical deficit position in the State and the low per capita consumption of power as elaborated above, the recommendation of IMG to de-allocate Urma Paharitola coal block has not been accepted by the Government. Accordingly, the allocatees are directed to expedite the development of the said block within a period of 36 months.

Yours faithfully,



(S.K. Shahi)  
Director

Copy to:-

1. The Chief Secretary, Government of Bihar, Main Secretariat, Patna- 800015.
2. The Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
3. The CMD, Coal India Limited, 10- Netaji Subhash Road, Kolkata- 700001.
4. The Coal Controller's Organisation, 1, Council House Street, Kolkata for necessary follow up action.
5. Joint Secretary (L.A.), Ministry of Coal, New Delhi.
6. NIC Cell, Ministry of Coal for placing the letter on the Website of Ministry of Coal.

190/1934

Annexure - I

F.No. 13016/8/2007-CA-I  
Government of India  
Ministry of Coal

New Delhi, the 25<sup>th</sup> July 2007

To

(i) Chairman, Jharkhand State Electricity Board, HEC, Dharuwa, Ranchi -4	(ii) Managing Director, Bihar State Mineral Development Corporation Ltd, Patna
---	---

Subject: Allocation of **Urma Paharitola** coal block to Jharkhand State Electricity Board (JSEB) and Bihar State Mineral Development Corporation Ltd (BSMDCL).

Sir,

I am directed to refer to letters number as mentioned below from JSEB and BSMDCL on the above subject and to convey the 'in principle' consent of the Government of India to the working of **Urma Paharitola (700 MT)** coal block as under:

Sl.No.	Name of the applicant company	Reference No.	End use Project Name	Share of reserves (MT)
1	JSEB	09 dated 16.01.2007	Proposed power plant of 2000 MW at Chandil	437 MT
2	BSMDC	136/M dated 12.01.2007	Nabinagar TPS Pirpainti TPS Katihar TPS Muzaffarpur Extn Barauni TPS Extn	263 MT

2. The above allocations have been made under the Government Company dispensation in pursuance of the provisions of Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act 1973 and the Revised Policy on Coal Mining by State Government (copy enclosed), subject to the further following conditions:

(i) Prospecting/Detailed exploration and coal mining shall be carried out by **M/s JSEB** and **M/s BSMDCL** or a separate company to be created with participation of **M/s JSEB** and **M/s BSMDCL** provided that the separate created company is a Government company eligible to do coal mining as per the provisions of the Coal Mines (Nationalisation) Act, 1973.

(ii) The mining lease will be executed between the State Government and the allottees as per the provisions of the MMDR Act 1957 and the rules framed there under.

(iii) The allocatee will do exploration and 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, all the minerals, environmental and labour laws along with other regulations governing coal industry.

(iv) Detailed exploration shall be carried out on their own, subject to guidelines laid down in consultation with the CMPDIL.,

(v) Mining of coal from the allocated coal block shall be carried out in accordance with the applicable Statutes/Rules/Orders/Directions governing the mining of coal in the country so as to extract the reserve to the maximum extent possible.

(vi) Those of the conditions mentioned herein relevant at the time of grant of mining lease shall be included as additional conditions in the mining lease in addition to any further conditions imposed by or agreed to by the Central Government.

(vii) The State Government, at the time of seeking previous approval for the grant of mining lease, shall submit a draft of the mining lease containing the above relevant conditions for vetting by the Central Government. The final mining lease shall be as vetted/modified by the Central Government. Any deviation from the vetted/modified draft shall render the mining lease deed ab initio null and void and without effect.

(viii) Coal produced from the allocated coal block **Urma Paharitola** coal block will not be supplied to the consumers of Coal India Limited/SCCL against their existing linkages.

(ix) **M/s JSEB and M/s BSMDCL** may approach CIL/CMPDIL/GSI to obtain the available geological data on the block on payment of necessary exploration cost.

(x) In respect of an unexplored block, the allocatee company shall apply for a prospecting license within three months of the date of issue of allotment letter. The exploration shall be completed and geological report prepared within two years from the date of issue of prospecting license. After the detailed exploration is completed the allocatee of the block shall proceed for ensuring earliest commencement of production. The milestone chart appended shall be adhered to. Any slippage would render this allocation liable for cancellation, and withdrawal of block from the allocatee.

(xi) **M/s JSEB and M/s BSMDCL** shall submit a bank guarantee of Rs. 19.20 crores (equal to one year's royalty amount based on mine capacity of 2 mtpa as assessed by CMPDIL, grade of coal and the weighted average royalty @ Rs.96 per tonne) within three months from the date of this letter. The amount of bank guarantee shall be shared by each of the allocatee, in case of multiple allocatees, in proportion to the share of geological reserves allocated

15/5

to them. Subsequently, upon approval of mining plan the Bank Guarantee amount will be modified on the final peak/rated capacity of the mine.

(xii) 50% of the bank guarantee shall be linked to the milestones (time schedule) set for development of captive block, and the remaining 50% to the guaranteed production. The bank guarantee shall be liable to be encashed in the following eventuality:

(i) There shall be an annual review of progress achieved by an allocatee company. In the event of lapses, if any, in the achievements vis-à-vis the milestones set for that year, a proportionate amount shall be encashed and deducted from the bank guarantee.

(ii) Once production commences, in case of any lag in the production of coal/lignite, a percentage of the bank guarantee amount will be deducted for the year. This percentage will be equal to the percentage of deficit in production for the year with respect to the rated/peak capacity of the mine, e.g., if rated/peak capacity is 100, production as per the approved mining plan for the relevant year is 50 and actual production is 35, then  $(50-35)/100 \times 100 = 15\%$  will lead to deduction of 15% of the original bank guarantee amount for that year. Upon exhaustion of the bank guarantee amount, the block shall be liable for de-allocation/cancellation of mining lease.

(iii) The allocatee shall ensure that the bank guarantee remains valid at all times till the mine reaches its rated capacity or till the bank guarantee is exhausted. Any lapses on this count shall lead to de-allocation/ cancellation of mining lease.

(xiii) Any violation of the conditions imposed above in mining of coal from the ~~Urma Paharita~~ coal block will render the mining lease liable for cancellation and withdrawal of allocation.

*V.S. Rana*  
(V.S. Rana)

Under Secretary to the Government of India.

Copy to

1. The Chief Secretary, Government of Jharkhand
2. The Chief Secretary, Government of Bihar
3. Chairman, CIL, Kolkatta
4. CMD, CMPDIL, Ranchi CIL
5. CMD, CCL
6. Ministry of Power, Sharam Shakti Bhawan, New Delhi.
7. Coal Controller, Kolkatta
8. Office Folder.

Annexure - II

**SHOW CAUSE NOTICE**

No.13011/01/2012-CA-I  
Government of India  
Ministry of Coal

New Delhi, dated 2<sup>nd</sup> May, 2012

TO

- (I) M/s Jharkhand State Electricity Board,  
H.E.C Dhurva, Ranchi- 834004 HINDALCO
- (ii) M/s Bihar State Mineral Devl. Corp. (BSMDCL),  
Vikas Bhavan, Patna

**Subject: Show cause notice in respect of Urma Paharitola coal block.**

Sir,

I am directed to refer to this Ministry's letter No.13016/8/2007-CA-I dated 25.07.2007 conveying allocation of Urma Paharitola 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, Mining



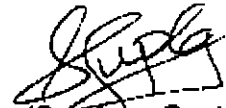


Plan, Mining Lease, Forest Clearance, Land Acquisition are pending for Uma Paharitola coal block. The company has repeatedly failed to keep its promises made to the Ministry and is thus non-serious about timely development of the block. The details of milestones to be achieved and the time lapsed against 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	25.10.2009 (27 Months)	N	2Yrs 5 Months
Submission of Bank Guarantee	25.10.2007	6.10.2009	2Yrs-
Mining Lease Application	25.01.2010	Pending	2 Yrs 2 Months (as on 3/12)
Submission of Mining Plan	25.4.2010	Pending	2Yrs (as on 3/12)
Approval of Mining Plan	25.6.2010	Pending	1Yrs 9 Months (as on 3/12)
Application of Previous approval	25.8.2010	Pending	1Yr 7 Months (as on 3/12)
Granting of Previous approval	25.9.2010	Pending	1Yr 6 Months (as on 3/12)
Application of Forest clearance	25.10.2010	Pending	1 Yr 5 Months (as on 3/12)
Grant of Forest Clearance	25.4.2011	Pending	1Yr (as on 3/12)
Application EMP Clearance	25.10.2010	Pending	1 Yr 5 Months (as on 3/12)
Grant of EMP Clearance	25.4.2011	Pending	1Yr (as on 3/12)
Grant of Mining Lease	25.10.2011	Pending	5 Months (as on 3/12)
Application of Land Acquisition	25.5.2011	Pending	10 Months (as on 3/12)
Completion of Land Acquisition	25.10.2012	Pending	-
Application for opening permission	25.2.2013	Pending	-
Grant of Opening permission	25.3.2013	Pending	-
Coal Production	25.4.2013	Pending	-

*SR*

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 Urma Paharitola 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 Urma Paharitola coal block.



(Sandeep Gupta)

Under Secretary to the Govt. of India

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

19

Annexure - III

## URMA PAHARITOLA

Sl No	Items	Remarks
1	Name Of the Block	Urma Paharitola
2	Name Of the allocate	M/s Jharkhand State Electricity Board M/s Bihar State Mineral Development Corporation
3	Date Of allocation	25.07.2007
4	End use plant and Capacity	(i) JSEB - Proposed power plant of 2000MW at Chandil - share of coal 437 MT (ii) Bihar State Mineral Development Corporation - Nabinagar TPS, Pirpainti TPS, Katihar TPS, Muzaffarpur Extn and Barauni TPS Extn. - share of coal 263 MT
5	Important terms and conditions of allocation	As per Allocation Letter enclosed - Annexure-I
6	Milestones of allocation and slippages against Milestones as stated in the SCN	Status prepared by CCO, Kolkata is enclosed.
	History Previous review / action	In order to expedite the development of coal block, various review meetings were held from time to time with the representatives of the company. In review meeting held on 11/12.02.2012 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 companies. It was also noted that all the important/critical milestones such as grant of previous approval, EMP, Mining Plan, Mining Lease, Forest Clearance, Land Acquisition were pending in respect of Urma Paharitola coal block.
8	Condonation of delay or extension of Zero date granted if any and permissible grace period if any whether any request for Condonation is pending with the Ministry	No
9	Litigation any orders of the court, if any	No
10	Summary of reply of the company including reasons for delay	
11	Comments of MOC with the respect to issue pertaining to delay in purchase of GR, transfer of surface rights by coal companies, sanction of mining plan etc.	
12	Status of investment in mining and end	
12	Status of investment in mining and end use plant	CA certificate not furnished



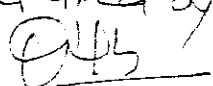
24

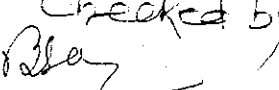

**Coal Controller Office, MOC/Kolkata**  
**Status of the captive Coal Block as on June'2012**  
 (as per quarterly report furnished by the Block owners)

1. Name of Company :- Jharkhand State Electricity Board & Bihar State Mineral Development Corporation Ltd
2. Name of Coal Block :- Urma Paharitola (RE)
3. Date of Allocation :- 25.7.2007
4. Location :- Rajmahal Group of Coalfield/JH
5. Total investment :- Not available
6. Investment Made (3/12) :- Not available
7. Reserve (Mill tonnes) :- 700
8. Yearly rated capacity (MTPA) :- 8-10
9. Cost of GR :- NA
10. BG Amount :- Rs.19.2 crore
11. Type of EUP :- Power & Commercial
12. Location of Project :- Coal supply to the project within the state.
13. Capacity of Project :- Not applicable
14. Explored/Un explored :- Regionally explored
15. Zero Date :- 25.7.07 (As per allocation letter ).
16. Previous Recommendation, if any- De-allocation

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	25.10.2009 (27 Months)	Pending	2 Yrs 7 Months	Due to regionally explored	
Submission of Bank Guarantee	25.10.2007 3 months from allocation )	6.10.2009	2Years		
Mining Lease Application	25.01.2010 3 months from GR)	Pending	2 Yrs 5 Months		
Submission of Mining Plan	25.4.2010 6 months from GR)	Pending	2Yrs 2 months		
Approval of Mining Plan	25.6.2010 8 months from GR)	Pending	2Years		
Application of Previous approval	25.8.2010 10 months from GR)	Pending	1 Yr 10 Months		
Granting of Previous approval	25.9.2010 11 months from GR)	Pending	1Yr 9 Months		
Application of Forest	25.10.2010 12 months	Pending	1 Yr 8 Months		

Prepared by  



Checked by  
  




Grant of Forest Clearance	25.4.2011 18 months from GR)	Pending	1yr 2 months		
Application EMP Clearance	25.10.2010 12 months from GR)	Pending	1 Yr 8 Months		
Grant of EMP Clearance	25.4.2011 18 months from GR)	Pending	1yr 2months		
Grant of Mining Lease	25.10.2011 24 months from GR)	Pending	8 Months		
Application of Land Acquisition	25.5.2011 19 months from GR)	Pending	1 year 1 Month		
Completion of Land Acquisition	25.10.2012 36 months from GR)	Pending	-		
Application for opening permission	25.2.2013 40 months from GR)	Pending	-		
Grant of Opening permission	25.3.2013 41 months from GR)	Pending	-		
Production	25.4.2013 42 months from GR)	Pending	-	Open cast including forest land.	

**Other details and constraint faced by the block allocates**

PL:- Applied for PL for exploratory work on 25. 10..2007.  
 JVC named Jharbihar Colliery Co Ltd registered on 18.06.09.  
 MOC has granted previous approval for PL on 3.10.09.  
 PL is likely to be issued by GOJH on the basis of information to be received by DC, Dumka & Pakur. Exploration work requires two years to be completed. Exploration work to be carried out by MDO (Mine Development Operator) M/s. JINFRA.

Prepared by  


Checked by  
