

**F.No 47011/1(28)/2000-CPAM- CA-I (Vol.III)
Government of India
Ministry of Coal**

New Delhi, dated ^{14th} March, 2014

To,

M/s. GVK Power (Goindwal Sahib) Limited,
Paigah House,
156-159, Sadar Patel Road,
Secundrabad- 500 003
ANDHRA PRADESH.

Subject: Introduction and submission of Bank Guarantee in respect of Tokisud North coal block in the State of Jharkhand allocated to M/s GVK Power (Goindwalsahib) Limited -Regarding.

Sir,

I am directed to refer to this Ministry's allocation letter No.47011/7/2001-CPAM dated 7th January, 2002 (**Annexure -I**) and to this Ministry's show cause notice No. 47011/1(28)/2000-CPAM (Vol.III) dated 6th June, 2013 (**Annexure- II**) and your reply to the show cause notice and the presentation made/ documents submitted by you on 24th and 25th October, 2013 before the Inter Ministerial Group (IMG) on the above subject.

2. Tokisud North coal block in the state of Jharkhand was allocated to M/s GVK Power (Goindwal Sahib) Limited on 7th January, 2002. This allocation was in pursuance of the provisions contained in Section 3(3)(a) of the Coal Mines (Nationalisation) Act, 1973 and subject to certain conditions.

3. The progress of the allocated coal block as well as linked/associated end use project has been reviewed by the Ministry through an Inter-Ministerial Review Committee from time to time wherein the allocatee company give presentation in respect of the development made by the company with reference to the milestones prescribed in the allocation letter during which it was noted as following :-

- (i) In the Review Committee Meeting held on 20/21.07.2010 the Committee noted that important/critical milestones such as Stage -II Forest Clearance and Land Acquisition are still pending. It was badly delayed for both mine & EUP. Now sanction for ML has been issued by the State Government. Government of Jharkhand advised GVK to procure .50% land from Raiyats through direct negotiation and balances 50% by Govt. of Jharkhand. A show cause notice was



issued on 23.09.2010. M/s. GVK power Limited vide its letter dated nil dated 18th October, 2010 had replied to the show cause notice dated 23.09.2010. The reply was considered by the Review Committee and the reasons given for the delay were not found convincing. Therefore, with the approval of the competent authority, it had been decided to issue warning to M/s GVK Power Limited in respect of Tokisud North Coal block. A warning letter was issued on 06.06.2011.

- (ii) In the Review Committee meeting held on 11/12.01.2012 the Committee noticed that the progress of Tokisud North coal block allocated to the company was not satisfactory. The Committee expressed concern over the unsatisfactory progress and advised to expedite the development of the coal block. Accordingly, a caution letter dated 26.04.2012 was issued to the company with the direction to expedite the development of the coal block and be careful in future with respect to the milestones stipulated.

4. In the meantime, the Government constituted an Inter-Ministerial Group (IMG) on 21.06.2012 under the chairpersonship of Additional Secretary, Ministry of Coal having members from Ministry/Department of Power, Steel, Industrial Policy & Promotion, Legal Affairs and Economic Affairs. IMG has 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. IMG in its 18th meeting held on 01.05.2013 *inter alia* considered the status of the development of the Tokisud North coal block prepared by the Coal Controller's Organisation (CCO) as on 31st December, 2012 and noted that no significant progress has been made by your company towards development of the coal block. It has been noticed that a number of important/critical milestones are pending. Keeping in view the unsatisfactory progress, IMG recommended issuing show cause notice for delay in development of coal block. The recommendation of IMG has since been considered and accepted by the Government. A show cause notice was issued on 6th June, 2013.

5. The case of the allocatee company was referred to IMG. Accordingly, the IMG gave opportunity to the allocatees company to make the Presentation before it on the progress of development of allocated coal block and associated end use project. The representatives of the allocatees company gave presentation on 24th October, 2013 before the IMG. The IMG considered the presentation and associated EUP prepared by Ministry of Coal and Coal Controller's Organisation (June 2013) (Annexure -III). The progress of development of the block with reference to the milestones and their achievement is as under :-

.....3/-

Milestones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM (as on June'13)	Remarks	Special Observation
Purchase of GR	21.2.2002 (45 Days)	18.3.2004	2Yrs 1Months		
Submission of Bank Guarantee	Not applicable	NA		As BG introduced in March. '05	
Mining Lease Application	7.4.2002 (3 Months)	26.5.2006	4Yrs 1Months		
Submission of Mining Plan	7.7.2002 (6 months)	4.8.2005	3Yrs 1m		
Approval of Mining Plan	7.9.2002 (8 months)	5.4.2006	3Yrs7Months		
Application of Previous approval	7.11.2002 (10 months)	17.4.2008	5Yrs5Months		
Granting of Previous approval	7.12.2002 (11 Months)	3.10.08	5Yrs 10 Months		
Application of Forest clearance	7.1.2003 (12 months)	24.9.2005 & 18.10.2005	2Yrs8Months		
Grant of Forest Clearance	7.7.2003 (18 months)	28.12.2011	8Yrs 5 Months		
Application EMP Clearance	7.1.2003 (12 months)	24.11.2006	3Yrs 10 Months		
Grant of EMP Clearance	7.7.2003 (18 Months)	24.9.2008	5Yrs2Months		
Grant of Mining Lease	7.1.2004 (24 months)	17.1.2009	5Yrs		
Application of Land Acquisition	7.8.2003 (19 Months)	9.9.2005 & 26.12.2005	2 Yrs1Months		
Completion of Land Acquisition	7.1.2005 (36 months)	Pending	8Yrs 05 Months		
Application for opening permission	7.5.2005 (40 Months)	9.2.2011	5Yrs 9 Months		
Grant of Opening permission	7.6.2005 (41 months)	7.6.2012	7 Yrs		

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Coal Production	7.7.2005 (42 months)	Mine started on 05.12.12.	7Yrs 5 Months	OC mining with forest land involved.	OB started on 5.12.12 but suspended due to local problem
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6. After detailed deliberations, the **IMG made its recommendation to imposition of Bank-Guarantee (BG) on the allocatee in order to expedite the production from Tokisud North coal block.** The recommendations made by the IMG are as follows :-

"The IMG considered the terms and conditions of allocation, the show cause notice issued, the reply of the block allocatee to the show cause notice issued, status report of CCO, presentation made by the allocatee company on 24.10.2013 along with the status paper presented to the IMG.

IMG noted that as per CCO's status report, GR has been purchased, mining plan approved, previous approval of mining lease granted by MoC, Environment and Forest clearance obtained, mining lease executed, mine opening permission granted and mine started on 05.12.2012; however, there have been delays in achieving milestones. A part of land acquisition is pending. The mine operation for removal OB has been suspended due to local disturbance.

The IMG considered the reply of the allocatee to the show cause notice wherein the allocatee has mainly stated that it could purchase the Geological Report (GR) from Central Coalfields Ltd., Ranchi on 11.03.2004 i.e. after a lapse of more than 2 years from the date of allocation. Further, as per the prevailing policy of Govt. of Jharkhand, no mineral was to be taken out without the value addition in Jharkhand itself. Accordingly, the Govt. of Punjab (PSEB) had initially approved preparation of mining plan with pit-head thermal power plant. However, after making considerable progress, PSEB in 2005 directed that the end-use plant (EUP) should be located in Punjab and therefore the company was constrained to revise the mining plan. The same was approved by MOC in April 2006. In its reply, the allocatee company also stated that forest land diversion was delayed at the end of State Government and complete land acquisition is still pending. There has been considerable delay in obtaining forest clearance due to problems at State level with regard to land for compensatory afforestation. As regards EUP, the allocatee informed that Unit 1 & 2 boilers have been light up and they are under testing and expected commissioning date is November, 2013 for both the units.



.....5/-

As per Chartered Accountant (CA) certificate submitted by the allocatee company, investment made in coal block and EUP till 30.09.13 is Rs.211.07 Crs. and Rs.3041.63 Crs., respectively.

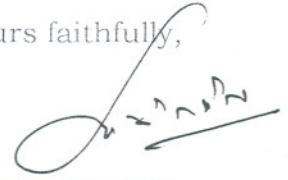
Recommendation : Taking into account the facts brought before it including the fact that against scheduled date of production of 07.07.2005, mine could be opened only on 05.12.2012, IMG recommends imposition of Bank Guarantee (BG) on the allocatee in order to expedite the production from coal block.

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

8. Accordingly, it is decided to direct that the Bank Guarantee be furnished by the allocatee company. The Bank Guarantee (BG) as calculated by Coal Controller's Office to the extent of **Rs.27.16 Crore (Rupees twenty seven crores and sixteen Lakhs only)** equal to one year royalty is to be deposited in the Office of the Coal Controller, Kolkata. (The calculation of BG to be imposed is given in **Annexure -IV**).

Encl : As above.

Yours faithfully,



[S.K. SHAHI]

Director

Tel. 23382807

Copy to :-

1. The Chief Secretary, Government of Jharkhand, Secretariat, Ranchi.
2. The Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
3. The Coal Controller's Organisation, 1, Council House Street, Kolkata for necessary action at their end.
4. The Chairman, Coal India Limited, 10, Netaji Subhash Road, Kolkata.
5. NIC Cell, Ministry of Coal for placing the letter on the Website of Ministry of Coal.

Annexure-I

No.47011/7/2001-CPAM
Government of India
Ministry of Coal & Mines
Department of Coal

New Delhi, the 7th January, 2002

To

M/s. GVK Power (Goindwal Sahib) Ltd.
Kot-I-noor, Road No.1 (Fax No. 040-3396885/3395108)
Banjara Hills,
Hyderabad-500 034

7/1/02

Subject : Proposal for allocation of coal block for captive mining for supply of coal to power plant.

Sir,

I am directed to refer to your letters dated 10.11.2000, 3.7.2001 and 24.8.2001 on the above subject and to say that your request for allocation of a coal block for development on captive basis for supply of coal to your power plant was considered in the 17th meeting of the Screening Committee for screening proposals relating to captive mining held on 23.11.2001.

After due deliberation Screening Committee decided to allot Tokisud North sub-block to your company for development on captive basis for your proposed 2 X 250 MW power plant.

You are requested to take necessary action for obtaining lease of mining rights and also comply with various legal / commercial formalities for development of the block within a period of six months. You are also requested to interact with CIL/CCL for payment of exploration charge within a period of six months. You are also requested to finalise the arrangement for transport of coal in consultation with the Ministry of Railways.

The progress in this regard should be reported to this Department every three months from now.

Yours faithfully,

Min. Dept.

Under Secretary to the Government of India

Encls. As above

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SHOW CAUSE NOTICE
BY SPEED POST

No.47011/1(28)/2000-CPAM (Vol.III)
Government of India
Ministry of Coal

New Delhi, dated ¹⁵6 June, 2013

To
The Managing Director,
M/s. GVK Power (Goindwal Sahib) Limited,
Paigah House,
156-159, Sadar Patel Road,
Secunderabad- 500 003
Andhra Pradesh

Subject: Show cause notice in respect of Tokisud North coal block.

Sir,

I am directed to refer to this Ministry's letter No. 47011/7/2001-CPAM dated 7th January, 2002 conveying allocation of **Tokisud North** coal block to your company in pursuance of the provisions contained in Section 3(3)(a) of the Coal Mines (Nationalization) Act, 1973, subject to certain conditions.

2. In order to expedite the development of the coal block, review meetings were held from time to time. In the review meeting held on 11/12.01.2012, it was noticed that the progress of the **Tokisud North** coal block allocated to company was not satisfactory. The Committee expressed concern over unsatisfactory progress and advised to expedite the development of the coal block. Accordingly, a caution letter dated 26.04.2012 was issued to the company with the direction to expedite the development of the coal block and be careful in future with respect to the milestones stipulated.

3. In the meantime, the Government constituted an Inter-Ministerial Group (IMG) on 21.06.2012 under the chairpersonship of Additional Secretary, Ministry of Coal having members from Ministry/Department of Power, Steel, Industrial Policy & Promotion, Legal Affairs and Economic Affairs. 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. IMG in its 18th meeting held on 01.05.2013 *inter alia* considered the status of the development of the Coal Block prepared by the Coal Controller's Organisation (CCO) as on 31st December, 2012 and noted that no significant progress has been made by your company towards development of the **Tokisud North** coal block. The IMG noted that land acquisition is still



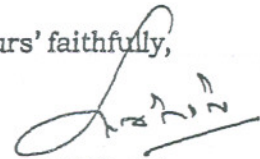
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pending in your case. Keeping in view the unsatisfactory progress, IMG recommended issuing show cause notice for delay in development of coal block. The recommendation of IMG has since been considered and accepted by the Government.

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

5. You are also requested to furnish a detailed status note on the progress of end use plant(s) (EUPs) for which the above mentioned coal block was allocated to you.

Yours' faithfully,



(S.K. Shahi)

Director

Tel: 23382807

Copy to:

- (i) The Coal Controller, Coal Controller Organisation, Kolkata.
- (ii) ✓ NIC, M/o Coal for uploading the letter on Ministry's website .

Annexure - III

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Coal Controller Office, Kolkata

Updated Status of Coal Block as on June 2013

(As per Status report submitted by the company)

1. Name of Company:- M/s. GVK Power (Govindwal Sahib) Ltd.
2. Name of Coal Block:- Tokisud North (Explored) OC/Private
3. Name of Owner/Address etc:- Vice President
Tokisud North Sub Block,
South Karanpura Coalfield,
Hazaribagh District, Jharkhand.
4. Date of Allocation:- 7.1.2002
5. Location: South Karanpura, Jharkhand
6. Project cost :- Rs. 253.58 Cr. (As submitted in status report.)
7. Total investment made Cr (As per June'13) Rs. 206.90 Cr. (As per CA report)
8. Reserve (Mill tonnes):- 92.92
9. Mineable Reserve:- 51.97 MT
10. Yearly rated capacity (MTPA):- 2.32
11. Grade of Coal:- E
12. Cost of GR:- Rs. 1.10 Cr.
13. BG Amount :- Not applicable (As BG introduced in March.2005).
14. Type of EUP:- Power
15. Location of Project:- Govindwal Sahib, Punjab
16. Capacity of Project:- 540 MW (270X2) MW
17. Explored/Un explored:- Explored
18. Type of Mine :- OC
19. Zero Date of captive block :- 7.1.2002 (As per block allocation letter)
20. **Previous Recommendation, if any:-** Caution notice issued by MOC as per decision of review meeting dated 11/12.1.2012. Again in 18th IMG held on 01.05.2013 advised to issue show cause notice.

Mile Stones	Schedule date of Completion	Actual date of Completion	Slippage in YY/MM (as on June'13)	Remarks	Special Observator
Purchase of GR	21.2.2002 (45 Days)	18.3.2004	2Yrs1Months		
Submission of Bank Guarantee	Not applicable	NA		As BG introduced in March. '05	
Mining Lease Application	7.4.2002 (3 Months)	26.5.2006	4Yrs 1Months		
Submission of	7.7.2002	4.8.2005	3Yrs 1m		

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Mining Plan	(6 months)				
Approval of Mining Plan	7.9.2002 (8 months)	5.4.2006	3Yrs7Months		
Application of Previous approval	7.11.2002 (10 months)	17.4.2008	5Yrs5Months		
Granting of Previous approval	7.12.2002 (11 Months)	3.10.08	5Yrs 10 Months		
Application of Forest clearance	7.1.2003 (12 months)	24.9.2005 & 18.10.2005	2Yrs8Months		
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Grant of Mining Lease	7.1.2004 (24 months)	17.1.2009	5Yrs		
Application of Land Acquisition	7.8.2003 (19 Months)	9.9.2005 & 26.12.2005	2 Yrs1Months		
Completion of Land Acquisition	7.1.2005 (36 months)	Pending	8Yrs 05 Months		
Application for opening permission	7.5.2005 (40 Months)	9.2.2011	5Yrs 9 Months		
Grant of Opening permission	7.6.2005 (41 months)	7.6.2012	7 Yrs		
Coal Production	7.7.2005 (42 months)	Mine started on 05.12.12.	7Yrs 5 Months	OC mining with forest land involved.	OB started on 5.12.12 but suspended due to local problem

Observation during inspection of the block

Date of inspection	Inspected by OSD Office, Dhanbad & Ranchi on 26.11.12,
Infrastructure development	Construction of bridge over Damodar river for coal transportation, railway siding, R & R colony, Magazine building was going on. Company having a site office at Barkitand Tola. Boundary pillars were seen.
Coal transportation activities	• NO
Presence of mining equipment.	• No
Any sign of mining activities.	• No
Escrow A/c for mine closure	• Opened

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Other activities	One school building , dispensary, shopping centre, community hall and pumps for drinking water were about to be completed.
Engagement of MDO.	MDO selection completed and Coal mines operation agreement signed on 21.1.13.

Other details and constraint faced by the block allocates

Land Acquisition:-Out of 194 Ha Rayati land, 183 Ha has been acquired through direct negotiation. And `balance 12 Ha will be acquired shortly. For 16.25 Ha Govt land, 80% amount has been deposited. Proposal for transfer of Govt. land is pending with State Govt.

Coal Production:- Mining operation for removal of OB commenced on 5.12.2012 and later on suspended due to disturbances of local villagers.

Constraint:- Delay in railway siding due to delay in approvals from EC railways.

EUP:-2 X 270 MW Power Plant at Govindwal Sahib village of Punjab.

Expected commissioning date U#1=August 2013, U#2= November 2013.

Project cost:- Rs. 3200 Cr. Investment made till June'13:- Rs. 2938.79Cr. (As per CA report

1. Name of Company:-M/s GVK Power (Goindwal Sahib) Ltd.
2. Name of Coal Block:- Tokisud North
3. Date of Allocation:- 07.01.2002
4. Normative Date of production:-07.07.2005
5. Yearly Rated Capacity:- 2 MTPA (as per mine plan)
6. Grade of Coal:- E
7. BG Amount:- To be determined on the basis of one year royalty as per practice
8. Recommendation: IMG recommends imposition of Bank Guarantee on the allocatee in order to expedite the production from coal block.

Calculation of average GCV of coal

Grade	A	B	C	D	E	F	G	TOTAL	Remarks
Grade wise Gross Geological Reserves(MT)			0.21	18.98	58.17	25.73	0.14	103.23	
(%) share of Reserve			0.20	18.39	56.35	24.92	0.14	100	
GCV Range for respective grade (Kcal/Kg)	Exceeding 6454	6049-6454	5597-6049	5089-5597	4324-5089	3865-4324	3113-3865		As per MOC's Chart (copy enclosed)
Average GCV for respective grade (Kcal/Kg)			5823	5343	4706	4095	3489		
Weighted average GCV (Kcal/Kg)			11.65	982.58	2651.83	1020.47	4.88	4671.44	*

*Weighted Average GCV = (%) Share of Reserve x Average GCV for respective grade/100

Total of weighted average GCV= 4671.44 Kcal/Kg

Price/Tonne for GCV of 4671.44= Rs.970/- (As per CIL Notification No.CIL:S&M:GM (F):Pricing:235 dt.27.05.2013)

Royalty/Tonne=Rs.970x14%= Rs.135.8/- (Royalty rate =pricex14% as per gazette notification No. G.S.R.349(E) dt.10.05.2012)

The Royalty for Peak rated capacity of 2 MT/year=Rs. 135.8x2 Million =Rs.271.6 Million = Rs.27.16 Crore
Bank Guarantee may be asked to submit for one year royalty=Rs.27.16 Crore (Rupees twenty seven crore and sixteen lakhs only)

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