

Government of India  
Ministry of Coal

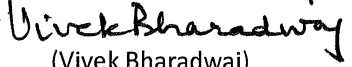
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Date: 17.12.2014

**Subject: Public Notice seeking comments on Approach Paper for Auctioning of Coal Mines**

In order to conduct the auction of the Coal Mines in accordance with the Coal Mines (Special Provisions) Ordinance, 2014 and the rules framed thereunder, the Authority is required to prepare a Tender Document. Accordingly, an approach paper to the Tender Document has been prepared for public consultation.

The members of the public and stakeholders concerned are requested to submit their comments/ views, if any, on the email id: [nomauthority.moc@nic.in](mailto:nomauthority.moc@nic.in) upto 10:00 AM on 22.12.2014.

  
(Vivek Bharadwaj)

Joint Secretary to the Government of India and  
Nominated Authority under the CM(SP) Ordinance, 2014

# Approach Paper for Auctioning of Coal Mines

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Auction of Coal Mines under Coal Mines (Special  
Provisions) Ordinance, 2014

Nominated Authority

Ministry of Coal

Government of India

New Delhi

# 1 Bidding Process

**Electronic Auction** – The process of auction shall be conducted through electronic auction, in accordance with the Ordinance, Rules and in the manner detailed in the Tender Document.

## 1.1 Bidding Documents

1.1.1 In order to participate in the tender process, the bidder shall have to make payment of a non-refundable fee of INR 5,00,000/- (Indian Rupees Five lakhs) for each Schedule I Coal Mine.

1.1.2 Upon payment of the above mentioned fee, the Bidder shall be eligible to download the bidding documents from MSTC's website.

## 1.2 Brief Description of the Bidding Process

1.2.1 There shall be two methods of bidding, namely:

(a) Forward bidding where specified end use is production of iron and steel, generation of power for captive use and cement,

(b) Reverse bidding where specified end use is generation of power.

1.2.2 A two stage bidding process is proposed to be adopted for selection of the Successful Bidder for allocation of the Coal Mine. The two stage process shall comprise of:

a) Technical Bid – for purpose of Qualification

b) Financial Bid – for determination of Successful Bidder

In the first stage (the "**Qualification Stage**"), Bidders will be invited to submit their Technical Bids which shall include technical and financial qualifications (the "**Technical Capacity**") of the Bidders and the indicative Price Offer. The Technical Capacity will be evaluated in accordance with the Eligibility Conditions specified in the Tender Document. The Indicative Price Offer shall be the Bid Price per tonne of Coal produced. Such Bid Price shall be above the Floor Price in case of forward bidding or below the Ceiling Price in case of reverse bidding. The Floor Price and Ceiling Price for the Coal Mine along with the methodology for fixing the same shall be included in the Tender Document.

After evaluation of the Technical Capacity, the Pre-Qualified Bidders will be shortlisted. The Indicative Price Offer of only the Pre-Qualified Bidders will be

opened and ranked on the basis of the diminishing or increasing Price Offer, as applicable.

In the second stage (the “**Financial Bid Stage**”), top 50% of the Pre-Qualified Bidders, thus ranked, shall be allowed to participate in E-Auction. The Applicable Floor or Ceiling Price for E-Auction, shall be the highest or lowest Indicative Price Offer received from the Pre-Qualified Bidders.

- 1.2.3 **Bid Security** – A Bidder shall be required to deposit, along with the Bid, a Bid Security as per Clause 3.5.
- 1.2.4 **Site Visit** – During the bidding process, Bidders will be encouraged to submit their bid after visiting the Project Site at their cost and ascertaining for themselves the site conditions, location, communication, climate, availability of power, applicable laws and regulations, and any other matter considered relevant by them.
- 1.2.5 The Preferred Bidder shall be selected based on the Criteria specified in Clause 2.3 and 2.4. The remaining Bidders shall be kept in reserve and may, in accordance with the process specified in Clause 3.6, be invited to match the Bid submitted by the Preferred Bidder in case such Preferred Bidder withdraws or is not selected for any reason, in that order. In the event that none of the other Bidders match the Bid of the Preferred Bidder, the Authority may, at its discretion, either invite fresh Bids from the remaining Bidders or annul the Bidding Process.
- 1.2.6 Bidders requiring any clarification on the Tender Document may notify the Authority by e-mail to **nomauthority.moc@nic.in**. They should send in their queries on or before the date mentioned in the Schedule of Bidding Process specified in Clause 1.3 below. The Authority shall endeavour to respond to the queries within the period specified therein and shall publish all the queries and its responses thereto on the website of Ministry of Coal, without identifying the source of queries. However, the Authority reserves the right not to respond to any question or provide any clarification, in its sole discretion, and nothing in this Clause shall be taken or read as compelling or requiring the Authority to respond to any question or to provide any clarification.
- 1.2.7 Bidders are advised to make prior arrangements for submission of Performance Security upon selection as Successful Bidder

### **1.3 Proposed Schedule of the Bidding Process**

- 1.3.1 The indicative schedule of the Bidding Process shall be as per the table below:

S. No.	Event Description	Estimated Date*	
		Schedule II	Schedule III
1.	Public Notice in English and Hindi National Newspaper	T <sub>0</sub>	T <sub>0</sub>
2.	Sale of Tender Document	T <sub>0</sub> + 1	T <sub>0</sub> + 1
3.	Last Date of receiving queries from Bidders	T <sub>0</sub> + 16	T <sub>0</sub> + 23
4.	Pre-Bid Meeting	T <sub>0</sub> + 21	T <sub>0</sub> + 29
5.	Responses to queries latest by	T <sub>0</sub> + 36	T <sub>0</sub> + 43
6.	Technical Bid Submission	T <sub>0</sub> + 49	T <sub>0</sub> + 71
7.	Opening of Technical Bids	T <sub>0</sub> + 49	T <sub>0</sub> + 71
8.	Examination of Technical Bids	T <sub>0</sub> + 51	T <sub>0</sub> + 73
9.	Announcement of Qualified Bidders	T <sub>0</sub> + 66	T <sub>0</sub> + 88
10.	Conduct of E-Auction for Qualified Bidders	T <sub>0</sub> + 69 - 72	T <sub>0</sub> + 91 - 94
11.	Recommendation by Nominated Authority to Central Government for selection of Successful Bidder	T <sub>0</sub> + 74	T <sub>0</sub> + 96
12.	Intimation to Successful Bidder	T <sub>0</sub> + 82	T <sub>0</sub> + 104
13.	Furnishing of Performance Security by Successful Bidder	T <sub>0</sub> + 89	T <sub>0</sub> + 111
14.	Issuance of Vesting Order by Nominated Authority based on direction of Central Government	T <sub>0</sub> + 92	T <sub>0</sub> + 114
15.	Payment of Fixed and Upfront Amount by Successful Bidder	T <sub>0</sub> + 102	T <sub>0</sub> + 124
16.	Execution of Coal Mine Development and Production Agreement	T <sub>0</sub> + 109	T <sub>0</sub> + 131

*\*If any of the dates is a public holiday, the deadline will fall on the next working day. Any change in the timeline will be communicated through an addendum to the RFP.*

1.3.2 The Authority shall decide the number of blocks to be put up for auction at any given point in time, for a particular specified end use.

## 2 Bid Criteria

### 2.1 Eligible Companies

2.1.1 In accordance with Sub Section 3 of Section 4 of the Ordinance, any of the following Companies shall be eligible to participate in the tender process:

- a) A Company engaged in the Specified End Use including a company having a coal linkage, or made an application for a coal linkage
- b) A Joint Venture Company formed by two or more companies having a common specified end use
- c) A Government Company or Corporation engaged in specified end use
- d) A Joint Venture Company formed by a Government Company or Corporation having a common specified end use

*Explanation: Specified End Use shall mean production of iron and steel, generation of power including generation of power for captive use and cement.*

### 2.2 Technical Bid - Qualifying Requirements

2.2.1 In accordance with Sub Section 3 of Section 4 of the Ordinance, any **Eligible Company** can Bid for allocation of Coal Mine through this Auction process, provided that it meets all the Qualifying Requirements as stated herein below:

- a) In case the Bidder is a prior allottee,
  - (i) it has paid the applicable additional levy within the time period prescribed under Rule 18 of the Rules;
  - (ii) it has not been convicted for an offence relating to coal block allocation and sentenced with imprisonment for more than three years
- b) Extractible Reserves of the Coal Mine should not exceed 150% of the Annual Coal Requirement of the Specified End Use Plant, taken over a period of 30 (thirty) years

*Explanation: Coal Mines shall be segregated in groups based on Extractible Reserves, and each Bidder shall be eligible to bid only for those blocks that fall in the respective group. For the purpose of identification of relevant group the Annual Coal Requirement of the Specified End Use Plant, taken over a period of 30 (thirty) years shall be the applicable parameter.*

#### For Schedule II Coal Mine

- c) The Bidder should have incurred an expenditure of not less than 80% of the Total Project Cost of the unit or phase of the specified end use plant(s) for which the company is bidding
  - (i) In case the end use project is being commissioned in units or phases and one or more units or phases are eligible under the provision of

clause (i), the other unit(s) or phase(s) shall also be eligible provided that not less than 40% expenditure of the cost has been incurred for such other unit(s) or phase(s)

**For Schedule III Coal Mine**

c) The Bidder should have incurred an expenditure of not less than 60% of the Total Project Cost of the unit or phase of the specified end use plant(s) for which the company is bidding

(i) In case the end use project is being commissioned in units or phases and one or more units or phases are eligible under the provision of clause (i), the other unit(s) or phase(s) shall also be eligible provided that not less than 30% expenditure of the cost has been incurred for such other unit(s) or phase(s)

*Explanation: The Total Project Cost and Expenditure incurred on End Use Plant shall have to be certified by the Statutory Auditor of the Bidder, Secured Creditor, Lenders' Independent Engineer, if any, or such other person as deemed fit by the Authority*

d) Any other Technical or Financial Requirement as may be prescribed by the Authority

2.2.2 In case the Bidder is an Eligible Company in accordance with Clause 2.1.1 (b) or 2.1.1 (d) above, each of the constituents Companies (the "Members") in the Joint Venture Company shall be required to meet

- a) each of the Qualifying Requirements stated in Clause 2.2.1 (a) above individually
- b) each of the Qualifying Requirements stated in Clause 2.2.1 (b) and 2.2.1 (c) above individually, prorated to its share in the Joint Venture Company

**2.3 Financial Bid – Price Offer**

2.3.1 The Price Bid Parameter shall be the Bid Price per tonne of Coal produced.

2.3.2 The Bid Price (Rs/tonne) shall be considered as base for the year of bidding with yearly escalation linked to the Reference Index, as mentioned in Clause 2.4 below.

## 2.4 Methodology for fixing Floor Price and Upfront Payment

### 2.4.1 For fixing Floor Price for Auction for sectors like Steel, Sponge iron, Cement, Captive Power etc.:

The Intrinsic Value of the coal block will be calculated by computing its Net Present Value (NPV), based on Discounted Cash Flow (DCF) method. 10% of this intrinsic value will be payable upfront (the "Upfront Payment"). The final NPV i.e. after subtracting the basic upfront payment received from the bidder will then be annuitized to become equal to a unit ratio in terms of Rs/tonne (the "Floor Price"). In this case for calculation of intrinsic value, the notified price of CIL (price of domestic coal) for the non-regulated sectors for the corresponding GCV bands will be taken into account for determining cash inflows while computing NPV. However, floor price shall not be less than Rs. 150/- per tonne.

The bidders shall be required to quote a price above the Floor Price and the bidder quoting the highest Bid Price will be the Preferred Bidder.

The Reference Index for Bid Price escalation shall be Wholesale Price Index, or such other applicable index as may be prescribed.

For the avoidance of doubt, the statutory royalty payable on coal will be payable additionally as per extant rules.

### 2.4.2 For fixing the Ceiling Price for coal mines/blocks to be auctioned for power projects (generation capacity) having cost plus PPAs or for the power projects having contracted PPAs on the tariff based bids (Case-1):

- a) A Ceiling Price of the prevailing CIL Notified Price for each coal mine will be fixed and the bidders will be mandated to quote lower than this Ceiling Price. The Ceiling price shall be fixed at Run-of-Mine (ROM) price of equivalent grade, as specified by CIL for the power sector. The bidder quoting the lowest will be the successful bidder.
- b) A fixed Reserve Price of Rs. 100/- per tonne of coal shall be payable, as per actual production by the Mine Allocatee. The reserve price shall be escalable using the same formula as in clause 'd' below.
- c) The statutory royalty payable on coal will continue to be governed as per extant rules i.e. at the CIL notified price.
- d) The Mine Allocatee shall have to make upfront payment, as may be prescribed in the bidding document. Such upfront payment shall be 10% of the higher of:
  - a. the Intrinsic Value or
  - b. Value of Mine computed by compounding annuitized Reserve Price over mine life



- e) For the purpose of considering the energy charge, the resultant bid price of coal will be escalable in line with a pre-specified escalation formula that is prescribed in the Standard Bidding Document for Case-1 bidding as formulated by MoP, for escalation of fuel cost from captive mines or such other escalation formula as may be prescribed.
- f) Further, the following additional conditions to be prescribed based on suitable guidelines issued by Ministry of Power under the Tariff Policy:
- I. **For generation capacity having cost plus PPAs** – For the purpose of determining the fuel cost for cost plus PPAs, the Appropriate Commission will allow Bid Price of coal as being equivalent to the Run of Mine (ROM) cost of coal together with other allowable expenses and levies, provided that it shall not lead to higher energy charge throughout the tenure of PPA than that which would have been obtained as per the terms and conditions of the existing PPA.
  - II. **For the generation capacity contracted through tariff bid based PPAs (Case-1)** – The Appropriate Commission shall review the quoted energy charge keeping in view that the actual bid price of coal as being equivalent to Run of Mine (ROM) cost of coal alongwith statutory levies and other permissible components of energy charge, provided that such revision shall not lead to higher energy throughout the tenure of PPA than that which would have been obtained as per the terms and conditions of the existing PPA. For this purpose, the allocation of coal mine under the new provisions shall be treated as “Change in Law” to enable the Appropriate Commission to revise the tariff in accordance with the provisions of PPA.
- g) For power plants having uncontracted capacity, the bidder shall be restricted to cap its merchant capacity at 20% of the installed power capacity linked to the allotted coal mine. Further the bidder shall have to pay an Additional Reserve Price for the quantum of coal used for power sold in the merchant market. For the purpose of Additional Reserve Price, merchant power is such uncontracted power that will be as defined by MoP. The reserve price in such cases for coal used for merchant sale of power shall be based on intrinsic value of the coal block annuitized over the yearly production in Rs/tonne terms. The intrinsic value shall be arrived at in accordance with Clause 2.4.1 above. The Reserve Price in such cases shall not be less than Rs. 150/- per tonne.

The Reference Index for such Reserve Price escalation shall be Wholesale Price Index, or such other applicable index, as may be prescribed.

2.4.3 Any revision in the CIL Notified Price would not have any impact on blocks already allotted/auctioned as separate escalation would have been provided for in the relevant tender document.

### 3 General Terms of Bidding

#### 3.1 General Terms

- 3.1.1 No Bidder (including its Affiliates) shall submit more than 1 (one) Bid for any Coal Mine. A Bidder (including its Affiliates) bidding individually or as a shareholder of a Joint Venture Company shall not be entitled to submit another Bid either individually or as a shareholder of any other Joint Venture Company, for the same End Use Plant(s), in the same Bid.
- 3.1.2 A Bidder may not bid for more than 1 (one) coal block for the same End Use Plant(s) **as part of 2 (two) different JV Companies.**
- 3.1.3 It is further clarified that a Preferred Bidder shall be restrained from further bidding after its eligibility for Coal as determined in Clause 2.2.1 (b) is fully covered.
- 3.1.4 The Authority reserves the right to ask for any details and clarifications based on information submitted by Bidders for the purpose of evaluation of Bids.

#### 3.2 Change in composition of the Bidder

- 3.2.1 A change in the composition of the Bidder, where Bidder is a Joint Venture Company is not permitted

#### 3.3 Change in Control during the Bidding Process

- 3.3.1 By submitting the Bid, the Bidder acknowledges and agrees that in the event of a change in Control of a Bidder or a Member, at any time until execution of the Coal Mine Development and Production Agreement, the Bidder deems to have knowledge of the same and shall be required to inform the Authority forthwith along with all relevant particulars about the same and the Authority may, in its sole discretion, disqualify the Bidder or withdraw the Vesting Order from the Successful Bidder, as the case may be.
- 3.3.2 Approval for change in Control shall be at granted only in case such change in control does not make the Bidder ineligible in accordance with the Bid Criteria specified in Clause 2 by the Authority in writing. The Bidder must submit application for change in Control no later than 15 (fifteen) days prior to the date of its actual effect.

### **3.4 Procedure of submission of Bids**

#### **3.4.1 Registration on MSTC's Website**

Intending bidders are required to register themselves as buyer with the e-auction website of MSTC Limited. For this purpose, a bidder shall have to visit the website [www.mstcecommerce.com/auctionhome/coalblock](http://www.mstcecommerce.com/auctionhome/coalblock) and click on the Register button. The intending bidder shall have to accept and agree the General Terms and Conditions and the Buyer Specific Terms and Conditions. An online Form shall appear on screen and the bidder shall have to fill up the required details. During this process, the Bidder shall create his own login id and password. On successful submission, the bidder will be prompted suitably on screen and an email shall be sent by the system to the bidder's registered email address. The email shall list out the documents to be submitted with MSTC Limited for getting their registration activated.

#### **3.4.2 Login**

After the bidder's registration is activated, a bidder can login to the above website with his Digital Signature Certificate (DSC). The bidder needs to have a Class III signing type DSC for login and bidding on the website. Only the person authorized by the Bidder shall be able to login with the authorized DSC.

#### **3.4.3 Downloading of details of coal mines**

An intending bidder can download the detailed information about the coal mines available for allocation from the above mentioned website. Some documents under this section shall be available for downloading free of cost and some documents can be downloaded only after payment of the fee mentioned in Clause 1.1.1. The requisite fees can be paid online and the details shall be provided in the Tender Document.

#### **3.4.4 Bidding in e-auctions of coal mines**

The coal mines shall be earmarked for different end-use sectors and shall be allocated through a competitive bidding process of e-auction. E-auction shall be held on date(s) mentioned in Clause 1.3. The e-auction may be conducted on Forward / Reverse basis, depending on the end use industry. Applications will be sought from intending companies in these sectors for pre-qualifications and only the top 50% of the Pre-Qualified Bidders ranked in accordance with Clause 1.2.1. will be allowed to submit their bids in the e-auction process.

The intending bidder is required to first submit the technical bid online / offline including Bid Security (BG), details of which is mentioned elsewhere in this

Document. After the technical bid submission is over, the Nominated Authority will evaluate the Technical Bids in accordance with Clause 3.6 below.

Demo E-auctions will be conducted for the Qualified Bidders before the actual run of the e-auction in order to familiarize them with the e-auction process.

Bidding for e-auction will be held as per date(s) mentioned in Clause 1.3. During the live e-auction, the bidder will be able to see the latest bid quoted (highest / lowest as the case may be) without being able to see the identity of such bidder. The e-auction will be open for bidding till scheduled closing time. However, if bids continue to come, there may be a provision for an Auto Extension for a specified time till such time when no further bids are received within such specified time.

Detailed E-auction methodology will also be available on MSTC Ltd website in due course.

### **3.5 Bid Security**

- 3.5.1 The Bidder shall furnish as part of its Bid, a Bid Security hereinabove in the form of a Bank Guarantee issued by a nationalised bank, or a Scheduled Bank in India having a net worth of at least Rs. 1,000 crore (Rs. one thousand crore), in favour of the Authority (the "Bank Guarantee" or the "Bid Security") and having a validity period of not less than 240 (two hundred and forty) days from the Bid Due Date, inclusive of a claim period of 60 (sixty) days, and may be extended as may be mutually agreed between the Authority and the Bidder from time to time. In case the Bank Guarantee is issued by a foreign bank outside India, confirmation of the same by any nationalised bank in India is required. For the avoidance of doubt, Scheduled Bank shall mean a bank as defined under Section 2(e) of the Reserve Bank of India Act, 1934.
- 3.5.2 The Bid Security shall be for an amount equivalent to 2% of the Intrinsic Value of the Coal Mine.
- 3.5.3 The Bid Security of unsuccessful Bidders will be returned by the Authority, without any interest, as promptly as possible on issuance of Vesting Order or when the Bidding process is cancelled by the Authority.

- 3.5.4 The Preferred Bidder's Bid Security will be returned, without any interest, upon the signing of the Coal Mine Development and Production Agreement and furnishing the Performance Security in accordance with the provisions thereof. The Authority may, at the Preferred Bidder's option, adjust the amount of Bid Security in the amount of Performance Security to be provided by him in accordance with the provisions of the Coal Mine Development and Production Agreement.
- 3.5.5 The Authority shall be entitled to forfeit and appropriate the Bid Security as Damages, inter-alia, in any of the events as may be specified in the Tender Document.

### **3.6 Selection of Preferred Bidder**

- 3.6.1 The Technical Bids shall be evaluated to assess if they meet the Qualifying Requirements.
- 3.6.2 The Bidders that meet the Qualifying Requirements shall be designated as the "Pre-Qualified Bidders"
- 3.6.3 After evaluation of the Technical Capacity, the Pre-Qualified Bidders will be shortlisted. The Indicative Price Offer of only the Pre-Qualified Bidders will be opened and ranked on the basis of the diminishing or increasing Price Offer, as applicable.
- 3.6.4 Top 50% of the Pre-Qualified Bidders, thus ranked, shall be allowed to participate in E-Auction to submit their Price Offers.
- 3.6.5 The Bidder that quotes the highest or lowest Bid Price, as applicable in terms of Clause 2.3. and 2.4, shall be declared as the Preferred Bidder (the "Preferred Bidder").
- 3.6.6 The Bidders shall be ranked on the basis of the diminishing or increasing Price Offer, as applicable, for the Coal Mine. In case:
- a) The Preferred Bidder backs out from accepting the Coal Mine then the Bidder ranked second would be asked to match the Preferred Bidder. In case the Bidder ranked second does not match, the next bidder would be asked to match and so on. If no Bidder agrees, then Coal Mine will go for re-bidding/ go back to the Government.

- b) In case the Preferred Bidder withdraws its Bid, Bid Security will be forfeited and it will not be eligible to participate in any tender or RFP issued by the Authority during the 1 (one) year commencing from the date of the relevant Tender Document.
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- 3.6.7 After selection of Preferred Bidder, the Authority shall forward its recommendation to the Central Government for selection of Preferred Bidder as Successful Bidder
  - 3.6.8 Upon receiving the direction from Central Government, the Authority shall inform the Successful Bidder.
  - 3.6.9 The Successful Bidder shall then furnish the Performance Security within such period as may be prescribed.
  - 3.6.10 Upon receipt of Performance Security, Vesting Order shall be issued, in duplicate, by the Authority to the Successful Bidder and the Successful Bidder shall, within 7 (seven) days of the receipt of the Vesting Order, sign and return the duplicate copy of the Vesting Order in acknowledgement thereof. In the event the duplicate copy of the Vesting Order duly signed by the Successful Bidder is not received by the stipulated date, the Authority may, unless it consents to extension of time for submission thereof, appropriate the Bid Security of such Bidder as damages on account of failure of the Successful Bidder to acknowledge the Vesting Order.
  - 3.6.11 After acknowledgement of the Vesting Order as aforesaid by the Successful Bidder, it shall cause the Mine Allocatee to execute the Coal Mine Development and Production Agreement within the prescribed period.
  - 3.6.12 The Successful Bidder shall not be entitled to seek any deviation, modification or amendment in the Coal Mine Development and Production Agreement except with the prior approval of the Central Government.

3.6.13 The Successful Bidder shall make the following payments:

- a) a Fixed Amount for the value of land and mine infrastructure, cost of preparation of Geological Report (the "GR") borne by the Prior Allottee and cost of obtaining all statutory licenses, permits, permissions, approvals, clearances or consents relevant to the mining operations, borne by the Prior Allottee (the "Fixed Amount")
- b) the floor price and a variable amount of bid

### 3.7 Performance Security

3.7.1 The Successful Bidder shall provide to the Government an irrevocable and unconditional guarantee from a Bank, for the performance of its obligations no later than 7 (seven) days from receipt of intimation from the Authority. The amount of Performance Security may include 14 (fourteen) percent of the peak capacity of the Mine as per the approved Mine Plan multiplied by the applicable Bid Price in the relevant year.

3.7.2 Duration and Validity of Performance Security

**In case of Schedule II Coal Mine** – For a period of two years from execution of Vesting Order/ Coal Mine Development and Production Agreement

**In case of Schedule III Coal Mine** – For the period until achievement of Peak Rated Capacity as specified in the approved mine plan.

3.7.3 Appropriation of Performance Security

Unless this Agreement has been terminated prior to such milestone being reached, the Government shall, without prejudice to its other rights and remedies hereunder or in law, be entitled to en-cash and appropriate the following amounts from the Performance Security as damages for delay in achieving the following milestones, unless such delay is a result of an Event of Force Majeure:



### For Schedule II Coal Mine

- a) In the event of shortfall in production of coal vis-a-vis the approved Mine Plan, a percentage of the bank guarantee amount will be deducted for that year. This percentage will be equal to the percentage of deficit in production for the year with respect to the production envisaged as per mine plan, e.g., if production as per the approved mining plan for the relevant year is 100 and actual production is 80, then  $(100-80)/100 = 20\%$  will lead to deduction of 20% of the original bank guarantee amount for the year. Upon exhaustion of the bank guarantee amount, the coal mine shall be liable for de-allocation/cancellation of mining lease.

### For Schedule III Coal Mine

- a) A suitable proportion of the bank guarantee shall be linked to the milestones (time schedule) set for development of coal mine, and the remaining to the guaranteed production. The bank guarantee shall be liable to the encashed in the following eventuality:
  - (i) There shall be an annual review of progress achieved by a Mine Allocatee. In the event of lapses, if any, in the achievements vis-a-vis the milestones set for that year, a proportionate amount shall be encashed and deducted from the bank guarantee.
  - (ii) Upon commencement of production, in the event of shortfall in production of coal vis-a-vis the approved Mine Plan, a percentage of the bank guarantee amount will be deducted for that year. This percentage will be equal to the percentage of deficit in production for the year with respect to the production envisaged as per mine plan, e.g., if production as per the approved mining plan for the relevant year is 100 and actual production is 80, then  $(100-80)/100 = 20\%$  will lead to deduction of 20% of the original bank guarantee amount for the year. Upon exhaustion of the bank guarantee amount, the Coal Mine shall be liable for de-allocation/cancellation of mining lease.

## 3.8 Use of Surplus Coal Mined

- 3.8.1 In the event that the Mine Allocatee mines coal in excess of its annual requirement, the same shall be sold to Coal India Ltd. at the Bid Price or at prevailing CIL Notified Price for similar grade(s), as the case may be.

### **3.9 Revision in Mine Plan upon allocation**

3.9.1 Upon allocation of Coal Mine, the Mine Allocatee may revise the Mine Plan in accordance with the provisions of Applicable Law and Coal Mine Development and Production Agreement.

### **3.10 Restrictions on transfer of Mining Lease**

3.10.1 Mine Allocatee shall not be permitted to transfer Mining Lease to a third party.

## **Disclaimer**

This Document is not an agreement and is neither an offer nor invitation by the Authority to the prospective Bidders or any other Person. The purpose of this Document is to provide interested parties with information that may be useful to them in making their Bids pursuant to this Document. This Document includes statements which reflect various assumptions and assessments arrived at by the Authority in relation to the Coal Mine. Such assumptions, assessments and statements do not purport to contain all the information that each Bidder may require. This Document may not be appropriate for all Persons, and it is not possible for the Authority, its employees or advisors to consider the investment objectives, financial situation and particular needs of each party who reads or uses this Document. The assumptions, assessments, statements and information contained in the Document may not be complete, accurate, adequate or correct. Each Bidder should, therefore, conduct its own investigations and analysis and should check the accuracy, adequacy, correctness, reliability and completeness of the assumptions, assessments, statements and information contained in this Document and obtain independent advice from appropriate sources.

Information provided in this Document to the Bidder(s) is on a wide range of matters, some of which may depend upon interpretation of Applicable Law. The information given is not intended to be an exhaustive account of statutory requirements and should not be regarded as a complete or authoritative statement of law. The Authority accepts no responsibility for the accuracy or otherwise for any interpretation or opinion on law expressed herein.

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The issue of this Document does not imply that the Authority is bound to select a Bidder or to appoint the Preferred Bidder as Mine Allocatee for the Coal Block and the Authority reserves the right to reject all or any of the Bidders or Bids without assigning any reason whatsoever.

Each Bidder shall bear all its costs associated with or relating to the preparation and submission of its Bid including but not limited to preparation, copying, postage, delivery fees, expenses associated with any demonstrations or presentations which may be required by the Authority or any other costs incurred in connection with or relating to its Bid. All such costs and expenses will remain with the Bidder and the Authority shall not be liable in any manner whatsoever for the same or for any

other costs or other expenses incurred by a Bidder in preparation or submission of the Bid, regardless of the conduct or outcome of the Bidding Process.

**Nominated Authority**