

**CONFERENCE ON
INDIAN MINING 2020**

“Auction of Mineral Blocks & it’s Future Prospects”

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- MMDR Act, 1957 was amended on 12th January 2015 setting new trends in grant of Mineral concessions through the process of auction and doing away with procedure for renewal of mining leases by limiting the period of mining leases to 50 years (Major Minerals).
- Besides, the amended act also delegated new powers for making rules by the Central Government by virtue of which many new rules have come in to play as on date. Mineral (Auction) Rules, 2015 is one such Rules.
- ✓ Mineral (Auction) Rules, 2015
- ✓ Minerals (Evidences of Mineral Contents) Rules, 2015
- ✓ Mineral Conservation & Development Rules , 2017

IMPORTANT FEATURES OF THE AMENDED ACT



- Grant of Mining Lease through process of Auction.
- Period of Mining lease has been limited to 50 years.
- Introduction of a new type of mineral concession – Prospecting License –cum mining lease (Composite License).
- Composite License also to be granted thro auction
- Valuation of Resources through UNFC system has been emphasised – thereby laying more emphasis on exploration of the mineral resources.
- Concept of DMF and NMET.
- More emphasis to the Exploration.

- Grant of Composite License (PL –cum-ML) – If the mineral contents established in the area confirms to G3 level of exploration under UNFC System.
- Grant of Mining Lease (ML) – If the mineral contents established in the area confirms to at least G2 level of exploration under UNFC System.
- G2 & G3 levels of exploration should be in conformity with the provisions of Minerals (Evidence of Mineral Contents) Rules, 2015.
- Area must be surveyed by the State Government and various category of land involved are identified .
- Detailed Geological Report of the area is prepared and made available to the prospective bidders.

- Must be an Indian Citizen or a Company as defined in Sub-section 2 of the Companies Act, 2013.
- Must have the required Net worth :
 - ✓ 2 % if Value of Estimated Resource (VES) > 1000 Cr
 - ✓ 1 % if VES is 100 to 1000 Cr
 - ✓ 0.5 % if VES is < 100 Cr
- Must satisfy the maximum lease hold criteria under Section 6 (1) (b) -- Amended vide GOI's notification 20th Sept'2019.

A) Issues & Recommendation related to auction Rules :

SI No	Existing Rules	Recommendation	Explanation
1	2 – Stage Auction (IPO & Second round of e-auction)	Single stage auction (Online auction)	<ul style="list-style-type: none"> In 2 – stage auction -- possibility of elimination of potential bidders in the IPO stage itself . Single stage – will give fair and equal opportunity to all eligible bidders.
2	Resource is not linked with Capacity of end use plant (Captive Category)	Resource to be linked with Capacity / requirement of the end use plant for a particular period (Similar to Coal auction)	Linking the Capacity with the Resource will reduce the possibility of acquiring disproportionate resources and thereby increase in optimal use of resources.
3	Revenue Share is only criteria to decide the Preferred Bidder	Preferred Bidder to be decided on the basis of Revenue Share , Quantum of Production and time to achieve the highest Production.	<ul style="list-style-type: none"> In case of Revenue Share becomes single factor for selection of Preferred Bidder, possibility of high bidding is more and thereby the project may be un-economical.

Issues & Recommendation for success of auction process



B) Issues & Recommendation related to Post auction activities :

Sl No	Major Statutory Clearance	Issues / Mandatory requirement	Recommendation
1	Forest Clearance	<ul style="list-style-type: none"> • Compensatory Afforestation (CA) Land • Certificate Under Forest Right Act 	<ul style="list-style-type: none"> • In-Principle approval for Forest clearance, Environmental Clearance and consent of the land owners shall be made available before putting the deposit in auction.
2	Environmental Clearance	<ul style="list-style-type: none"> • TOR • EIA Study • PH • EIA Report <p>All the above activity takes long time.</p>	<ul style="list-style-type: none"> • State government should identify and earmarked the CA land from the land bank for each individual deposits and same to be mentioned in the Tender documents.
3	Acquisition of Private Land	<ul style="list-style-type: none"> • Public Hearing • SIA Study • Gramsabha • Moratorium period at each and every steps / activity 	<ul style="list-style-type: none"> • Multiple Public Hearing, Gramsabha, Pallisabha for EC/FC/Land acquisition to be combined together and only one Public Hearing should be done which should take care off all the requirement under various laws. • For Big Projects (May be Project value > 500 Cr) , every State Government should earmarked one Senior official as single point of contact for facilitating the Preferred Bidder.



THANK YOU