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# **Commercial Coal Mining Auction**

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## Auction for Commercial Coal Mining Draws Close to Big Expectations

India concluded its first ever auction for commercial sales of coal blocks based on revenue sharing model which had also incorporated relaxation on entry barriers and end-user restrictions.

The government had initially proposed 50 coal blocks for these auctions, but due to states resistance it had to bring it down to 38, wherein interest came in for 23 blocks in the technical round, among which 4 blocks receiving single bid were omitted from the list as they failed to realize the minimum bid criteria.

Eventually, 19 blocks enter the financial round of bidding from 5 states namely-Madhya Pradesh, Jharkhand, Odisha, Maharashtra and Chhattisgarh.

A total of 76 bids were received in the technical round from 42 different companies, but only 14 emerged as the winners at the end of financial round of auction carried out during 2-9 Nov '20.

Upon analyzing the nature of these companies, it was found that only few participants having end-user plant had shown interest in procuring the blocks including the likes of Sarda Energy and Minerals, Hindalco, Vedanta, and Jindal Power.

On the other hand, almost three-fourth of the blocks was won by firms for commercial purpose. While there is no restriction for sale of coal from these blocks, it would certainly improve domestic coal availability and reduce burden on part of CIL.

S.No	Name of Block	Geological Reserve	State	Auction Date	Winner	Floor Price	Final Price
1	Marki Mangli-II	11.54	Maharashtra	2 Nov'20	Yazdani International	13.50%	30.75%
2	Takli-Jena-Bellora (North and South)	117.26	Maharashtra		Aurbindo Realty and Infrastructure	30.25%	30.75%
3	Radhikapur (West)	312.04	Odisha		Vedanta	15.75%	21.00%
4	Chakla	76.053	Jharkhand		Hindalco	14.00%	14.25%
5	Urtan	55.391	Madhya Pradesh		JMS Mining	10.25%	10.50%
6	Brahmadiha	5	Jharkhand	3 Nov'20	APMDC	34.75%	41.75%
7	Sahapur West	52.68	Madhya Pradesh		Sarda Energy & Minerals	12.50%	26.00%
8	Bandha	441.5	Madhya Pradesh		EMIL Mines and Minerals Resources	20.75%	21.00%
9	Dhirauli	586.39	Madhya Pradesh		Stratatech Mineral Resources Pvt Ltd	12.00%	12.50%
10-11	Gotitoria East & West*	10.41	Madhya Pradesh	4 Nov'20	Boulder Stone Mart Pvt Ltd	21.75%	54.00%
12	Gare Palma IV/1	159.444	Chhattisgarh		Jindal Power	24.00%	25.00%
13	Urtan North	69.823	Madhya Pradesh		JMS Mining	9.00%	9.50%

S.No	Name of Block	Geological Reserve	State	Auction Date	Winner	Floor Price	Final Price
14	Sahapur East	63.36	Madhya Pradesh	5 Nov'20	Chowgule & Company Pvt Ltd	26.00%	41.00%
15	Rajhara North (Central and Eastern)	20.27	Jharkhand		Fairmine Carbons Pvt Ltd	22.00%	23.00%
16	Urma Paharitola	579.3	Jharkhand	6 Nov'20	Aurbindo Realty and Infrastructure	26.25%	26.50%
17	Radhikapur East	176.33	Odisha		EMIL Mines and Minerals Resources	16.50%	16.75%
18	Gondulpara	176.33	Jharkhand	7 Nov'20	Adani Enterprises	20.25%	20.75%
19	Gare Palma IV/7	239.045	Chhattisgarh	9 Nov'20	Sarda Energy & Minerals	44.00%	66.75%

Source: MSTC/CoalMint Research

Quantity in Million Tonnes \*Gotitoria are two blocks in close proximity.

## Key Findings:

- The auction itself was special for the kind of reception it garnered from the participant. Interestingly, smaller mines saw more aggressive bidding than the bigger mines, contrary to expectations as the major companies were competing for these bigger blocks.
- Some of the newcomers showed greater determination to procure the blocks for which they had submitted bids and were desperate to grab the opportunity in the final round.

Notably, Boulder Stone Mart acquired the Gotitoria blocks at a premium of 32.23% over the floor price by edging out the other 7 bidders. Similar determination was also seen from Yazdani and Chowgule group.

- Credit should also be given to the Coal Ministry in terms of selection of coal blocks which belong to the same coalfields, in order to incite higher participation for them.

As was the case with the Urtan and Urtan North blocks, which were both bagged by JMS Mining, who now has an advantage to carry-out the mining operations by setting up the necessary equipment in close proximity.

- Selective preference was seen for some of the blocks which hold additional benefits in order to make ground for commercial sale swiftly.

Andhra Pradesh Mineral Development Corporation claimed Bramhadiha block which boost superior grade of coking coal, while the schedule-II blocks including Gotitoria and Gare Palma having the necessary clearance in hand to commence production were also booked at fairly high final price offers.

- Talking about potential game changers, Aurbindo Reality and Infrastructure, Boulder Stone Mart and Essel Mining can emerge as major coal traders after securing two blocks each in the auctions.

While Adani Enterprises has been rather unfortunate in the financial bidding round, as it managed to win only a single block out of the 7 in which it had contested in. Stratatech Mineral Resources, its subsidiary company managed to grab Dhirauli block which holds the highest coal reserve in the lot.

All in all, these 19 coal blocks were booked at an average final price of 27.32% which translates into revenue share of INR 626 per unit metric tonne coal production, considering average representative price of INR 2292/t for various non-coking coal grades.

A second-attempt for sale of remaining 4 blocks has been initiated by carrying out further modification in the tender document. However, the effort made was in vain as only a single bid has been received for just one block. The decision regarding its allotment is to be made by the nominated authority.

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