Auctions Handholding and Post-Auction Facilitation

4th National Conclave on Mines & Minerals

Indore    July 13, 2018
Presentation Structure

- Brief Introduction about SBICAP
- Mineral Block Auctions So Far
- Mineral Block Auctions – Handholding
- Post-Auction Facilitation
- Mineral Block Auctions – Way Forward
Introduction to the SBI Group

SBI Group offers a Full Spectrum of Financial Services

- SBI Card and Payment Services Pvt. Ltd.
- SBI Custodial Services Pvt. Ltd.
- SBICAP Trustee Co. Ltd.
- SBI Life Insurance Co. Ltd.
- SBI General Insurance Co. Ltd.
- SBI Global Factors Ltd.
- SBI Capital Markets Ltd.
- SBICAP (UK) Ltd.
- SBICAP Singapore
- SBICAP Securities Ltd.
- SBI DFHI Ltd.
- State Bank of India
- Overseas Offices / Subsidiaries / JVs
- SBI Funds Management Pvt. Ltd.
- SBICAPS Ventures Ltd.
- SBI Pension Funds Pvt. Ltd.
- SBI DFHI Ltd.
SBI Capital Markets Limited

- SBI Capital Markets Ltd. (SBICAP) is a wholly owned subsidiary of State Bank of India and was set up in 1986
- Headquartered in Mumbai with five regional offices in India and two international subsidiaries in London and Singapore
- Supported through international network of SBI and has long term association with many International Financial Institutions
- SBICAP was a nominee on various Committees of the Government of India
- SBICAP is a preferred choice of many Central Ministries (Ministry of Coal, Ministry of Mines, Ministry of Power, Ministry of Finance, Ministry of Railways, DIPAM etc.), State Governments and Public Sector Units
- Leadership positions in all areas including Project Advisory, Structured Finance, Funds Syndication, Capital Markets and Mergers & Acquisitions
- SBICAP has built a formidable presence in almost every sector viz. power, ports, roads, oil & gas, telecom, hospitality, urban infrastructure, real estate, steel, cement, textiles etc.
- SBICAP is working closely with many domestic lenders, International Financial Institutions, Export Credit Agencies, multinational banks
- Has raised over INR 7,500 billion through syndicated loans, bonds and equity during past few years for projects/corporates in various sectors
The principles of Corporate Governance are followed in letter and spirit even though SBICAP is not a listed Company. Corporate Governance is not just an objective in isolation for us but a means to an end “to be the Best India based Investment Bank”

Board of Directors
The Board of Directors comprises nine Directors out of which four are independent, i.e. Directors who are not having any pecuniary relationship or transactions with the Company, its promoters or management, which, in the opinion of the Board, is likely to affect the independence of judgment of a Director.

- **Shri Rajnish Kumar** – Chairman, State Bank of India and the Board of Directors. As Chairman SBI, he is also the Head of the entire SBI Group consisting banking and non-banking subsidiaries and joint ventures
- **Shri Dinesh Kumar Khara** – Managing Director & Group Executive (Associates & Subsidiaries), State Bank of India
- **Shri. T. L. Palani Kumar** is an independent director
- **Smt. Bharati Rao** – former Deputy Managing Director & Corporate Development Officer, State Bank of India
- **Smt. Varsha V. Purandare** – Managing Director & Chief Executive Officer, SBI Capital Markets Ltd.
- **Shri Narayan K. Seshadri** – Chairman and CEO, Halcyon Group
- **Smt. Aruna Jayanthi** – Chief Executive Officer (CEO) of Capgemini India
Awards and Accolades

Ranked 2nd Global Project Finance Loans Mandated Lead Arranger in 2017 by Dealogic

Ranked 1st Financial Adviser of Global Project Finance in 2017 by Dealogic

Ranked 1st Global Bookrunner in 2017 by Thomson Reuters

Ranked 2nd for Global MLA Project Finance Loans in 2017 by Thomson Reuters

 Ranked 2nd Mandated Lead Arranger for Asia-Pacific ex-Japan Project Finance Loans for 2017 by Bloomberg
Mining Sector Legislation

- Ministry of Mines, Government of India has engaged SBICAP as a ‘Sole Transaction Advisor’ on nomination basis for assisting in
  - Evolving auction methodology, timelines and auction processes for major minerals and preparation of standard templates for auctions
- SBICAP has successfully assisted the Ministry of Mines in notification of
  - The Mineral Conservation and Development Rules, 2017
  - The Atomic Minerals Concession Rules, 2016
  - Mineral (Non-exclusive Reconnaissance Permits) Rules, 2015
  - The Mineral (Mining by Government Company) Rules, 2015
  - Model Tender Document including Mine Development & Production Agreement
Exploration and Offshore Area Legislation

- Ministry of Mines, Government of India has engaged SBICAP as a ‘Sole Advisor’ on nomination basis for assisting in
  - Developing Exploration Contractual Framework that includes Operational and Procedural Framework for undertaking wide spread exploration across the country under the aegis of NMET
  - Broad Exploration Contractual Framework has already been approved by the Ministry after public consultations and development of other templates is underway

- Ministry of Mines, Government of India has engaged SBICAP as a ‘Sole Advisor’ on nomination basis for assisting in
  - Drafting Offshore Areas Mineral (Development and Regulation) Amendment Bill [2018]
  - Drafting the Offshore Areas Mineral Concession Rules and other Rules to be notified under amended Ordinance or Act
  - Preparation of model templates for auction of mineral concessions in Offshore Area
Mineral Block Auctions and Mining Sector Legislation

- SBICAP has been engaged as the ‘Sole Transaction Advisor’ on nomination basis by the following State Governments for mineral concession auctions
  - Government of Odisha
  - Government of Gujarat
  - Government of Maharashtra
  - Government of Madhya Pradesh
  - Government of Telangana
- SBICAP has assisted the Government of Gujarat in framing following rules and in preparation of standard templates for auction of minor mineral blocks
  - The Gujarat Minor Mineral Concession Rules, 2017
  - The Gujarat Mineral (Prevention of Illegal Mining, Transportation and Storage) Rules, 2017
Auction of Coal Mines

- The Ministry of Coal (MoC), Government of India appointed SBICAP as a ‘Sole Transaction Advisor’ on nomination basis
- Extractable coal reserves totalling ~1.66 billion tonne were auctioned in record time of 86 days from the date of issuing Notice Inviting Tender
- MoC notified 101 coal mines for allocation vide MoC Order dated Dec 18, 2015
- Assisted in evolving auction design and had the chief responsibility for smooth end-to-end execution of e-auction and allotment of coal mines
- Prepared Tender Documents, Coal Mine Development & Production Agreement, Vesting Orders, Allotment Orders and all other relevant documents
- Assisted the Technical Evaluation Committee in evaluating technical bids
- The auctions received accolades from the Government of India and industry wide acclaim for smooth and transparent conduct
Mineral Block Auctions So Far
# Mineral Blocks Auction So Far

<table>
<thead>
<tr>
<th>State</th>
<th>Mineral Blocks Successfully Auctioned</th>
<th>Mining Lease</th>
<th>PL- cum- ML</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Odisha</td>
<td></td>
<td>4 (3 iron ore, 1 limestone)</td>
<td>1 (manganese)</td>
<td>5</td>
</tr>
<tr>
<td>Gujarat</td>
<td></td>
<td>3 limestone</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Rajasthan</td>
<td></td>
<td>6 limestone</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Karnataka</td>
<td></td>
<td>7 iron ore</td>
<td>–</td>
<td>7</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td></td>
<td>4 limestone</td>
<td>1 gold</td>
<td>5</td>
</tr>
<tr>
<td>Maharashtra</td>
<td></td>
<td>3 (1 bauxite, 1 limestone, 1 manganese)</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td></td>
<td>3 limestone</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Jharkhand</td>
<td></td>
<td>2 (1 gold, 1 iron ore)</td>
<td>3 (2 limestone, 1 gold)</td>
<td>5</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td></td>
<td>5 (3 limestone, 1 graphite, 1 iron ore)</td>
<td>1 diamond</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>37</strong></td>
<td><strong>6</strong></td>
<td><strong>43</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Mines, Government of India
## Mineral Blocks Auction | Likely Value Accretion

<table>
<thead>
<tr>
<th>State</th>
<th>Value of Estimated Resources</th>
<th>Likely Revenue to State over Lease Period</th>
<th>Additional Contribution through Auction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Odisha</td>
<td>41,782</td>
<td>31,726</td>
<td>24,923</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>49,184</td>
<td>32,800</td>
<td>23,086</td>
</tr>
<tr>
<td>Gujarat</td>
<td>35,277</td>
<td>16,202</td>
<td>9,469</td>
</tr>
<tr>
<td>Karnataka</td>
<td>30,929</td>
<td>34,353</td>
<td>29,157</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>26,937</td>
<td>27,193</td>
<td>22,164</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>8,004</td>
<td>5,360</td>
<td>4,486</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>2,237</td>
<td>3,062</td>
<td>2,655</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>1,808</td>
<td>494</td>
<td>159</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>3,625</td>
<td>4,267</td>
<td>3,621</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,99,782</strong></td>
<td><strong>1,55,457</strong></td>
<td><strong>1,19,721</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Mines, Government of India

Likely **Auction Premium** at Rs. 1.20 lakh crore is about **3.8 times** the likely **Royalties** of Rs. 31,907 crore over the life of leases.
## Mineral Blocks Auction | Value of the Blocks

<table>
<thead>
<tr>
<th>State</th>
<th>Mineral Block Size by Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Large</td>
</tr>
<tr>
<td>Odisha</td>
<td>–</td>
</tr>
<tr>
<td>Gujarat</td>
<td>–</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>–</td>
</tr>
<tr>
<td>Karnataka</td>
<td>–</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>–</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>–</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>–</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>–</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>–</td>
</tr>
</tbody>
</table>

**Note:** Size categorisation is based on Value of Estimated Resources (VER)

Large – VER above Rs. 25,000 crore
Medium – VER between Rs. 1,000 crore to Rs. 25,000 crore
Small – VER below Rs. 1,000 crore

39 blocks have VER below Rs. 10,000 crore and 24 blocks have VER below Rs. 5,000 crore
## Mineral Blocks Auction | Price Discovery

<table>
<thead>
<tr>
<th>Name of the Block</th>
<th>State</th>
<th>Reserve Price</th>
<th>Floor Price</th>
<th>FPO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limestone</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gudipadu Limestone Block</td>
<td>Andhra Pradesh</td>
<td>5.00%</td>
<td>5.02%</td>
<td>8.12%</td>
</tr>
<tr>
<td>Erragudi-Husainaparum–Yanakandla</td>
<td>Andhra Pradesh</td>
<td>10.00%</td>
<td>10.40%</td>
<td>10.60%</td>
</tr>
<tr>
<td>Nandavaram–Venkatapuram</td>
<td>Andhra Pradesh</td>
<td>10.00%</td>
<td>10.40%</td>
<td>10.70%</td>
</tr>
<tr>
<td>Kesla, Raipur</td>
<td>Chattisgarh</td>
<td>5.00%</td>
<td>5.45%</td>
<td>10.15%</td>
</tr>
<tr>
<td>Karhi Chandi, Balodabazar-Bhatapara</td>
<td>Chattisgarh</td>
<td>5.00%</td>
<td>23.60%</td>
<td>58.95%</td>
</tr>
<tr>
<td>Kesla- II, Raipur</td>
<td>Chattisgarh</td>
<td>5.00%</td>
<td>21.00%</td>
<td>96.15%</td>
</tr>
<tr>
<td>Harihaspura Block I, Ramgarh</td>
<td>Jharkhand</td>
<td>10.00%</td>
<td>10.10%</td>
<td>12.00%</td>
</tr>
<tr>
<td>Harihaspura Block II, Ramgarh</td>
<td>Jharkhand</td>
<td>10.00%</td>
<td>10.10%</td>
<td>12.00%</td>
</tr>
<tr>
<td>Kottameta, Malkangiri</td>
<td>Odisha</td>
<td>5.00%</td>
<td>12.00%</td>
<td>12.05%</td>
</tr>
<tr>
<td>Sindwari, Ramkhera, Satkhandha Block- B</td>
<td>Rajasthan</td>
<td>7.00%</td>
<td>16.00%</td>
<td>48.05%</td>
</tr>
<tr>
<td>Limestone block- 3B1-(a) n/v Deh of Tehsil Jayal</td>
<td>Rajasthan</td>
<td>7.00%</td>
<td>16.59%</td>
<td>67.94%</td>
</tr>
<tr>
<td>Limestone block- 3B1-(b) n/v Deh of Tehsil Jayal</td>
<td>Rajasthan</td>
<td>7.00%</td>
<td>16.59%</td>
<td>60.09%</td>
</tr>
<tr>
<td>3D1, n/v Harima-Pithsar</td>
<td>Rajasthan</td>
<td>10.00%</td>
<td>25.00%</td>
<td>41.60%</td>
</tr>
<tr>
<td>Mudhvyay Sub- block B, kachchh</td>
<td>Gujarat</td>
<td>5.00%</td>
<td>10.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Mudhvyay Sub- block C, kachchh</td>
<td>Gujarat</td>
<td>5.00%</td>
<td>5.25%</td>
<td>30.05%</td>
</tr>
<tr>
<td>Mudhvyay Sub- block D, kachchh</td>
<td>Gujarat</td>
<td>5.00%</td>
<td>10.00%</td>
<td>35.00%</td>
</tr>
<tr>
<td>Nandgaon Ekodi, Dist. Chandrapur</td>
<td>Maharashtra</td>
<td>5.00%</td>
<td>9.45%</td>
<td>125.05%</td>
</tr>
<tr>
<td><strong>Bauxite</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chitale-watangi, Dist. Kohlapur</td>
<td>Maharashtra</td>
<td>5.00%</td>
<td>13.00%</td>
<td>55.00%</td>
</tr>
</tbody>
</table>

Source: Ministry of Mines, Government of India

5 out of 18 winning FPOs (Are these outliers? Will this continue into future?)
## Mineral Blocks Auction | Price Discovery

### Table: Mineral Blocks Auction Summary

<table>
<thead>
<tr>
<th>Name of the Block</th>
<th>State</th>
<th>Reserve Price</th>
<th>Floor Price</th>
<th>FPO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Iron Ore</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghoraburhani-sagasahi, Sundargarh</td>
<td>Odisha</td>
<td>5.00%</td>
<td>27.00%</td>
<td>44.35%</td>
</tr>
<tr>
<td>Kalamang West (Northern Part), Sundergarh</td>
<td>Odisha</td>
<td>10.00%</td>
<td>40.05%</td>
<td>100.05%</td>
</tr>
<tr>
<td>Netrabandha Pahar, Sundargarh</td>
<td>Odisha</td>
<td>10.00%</td>
<td>52.10%</td>
<td>87.15%</td>
</tr>
<tr>
<td>Rama Rao Paol, ML. No. 2621, Ramgad, Bellary</td>
<td>Karnataka</td>
<td>35.00%</td>
<td>61.22%</td>
<td>90.82%</td>
</tr>
<tr>
<td>Lakshminarayan Mining Co., ML. No. 2487, Bellary</td>
<td>Karnataka</td>
<td>35.00%</td>
<td>60.00%</td>
<td>100.30%</td>
</tr>
<tr>
<td>Tungabhadra Minerals Pvt. Ltd. ML. No. 2365, Bellary</td>
<td>Karnataka</td>
<td>35.00%</td>
<td>55.00%</td>
<td>81.10%</td>
</tr>
<tr>
<td>Pratappura Iron-ore Block, Jabalpur</td>
<td>MP</td>
<td>5.00%</td>
<td>73.00%</td>
<td>275.00%</td>
</tr>
<tr>
<td>Karthikeyas Manganese, ML No. 2559, Bellary</td>
<td>Karnataka</td>
<td>35.00%</td>
<td>55.00%</td>
<td>111.10%</td>
</tr>
<tr>
<td>Hothur traders, ML No. 2313, Malgolla, Bellary</td>
<td>Karnataka</td>
<td>35.00%</td>
<td>55.00%</td>
<td>100.10%</td>
</tr>
<tr>
<td>V S Lad &amp; Sons, ML. No. 2290, Sandur, Bellary</td>
<td>Karnataka</td>
<td>35.00%</td>
<td>55.00%</td>
<td>102.52%</td>
</tr>
<tr>
<td><strong>Gold</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baghmara, Balodabazar-Bhatapara</td>
<td>Chattisgarh</td>
<td>1.00%</td>
<td>3.00%</td>
<td>12.55%</td>
</tr>
<tr>
<td>Pahadia Gold Block, Singhbum West</td>
<td>Jharkhand</td>
<td>10.00%</td>
<td>12.10%</td>
<td>28.10%</td>
</tr>
<tr>
<td>Parasi Gold and Tamar Block, Dist. Ranchi</td>
<td>Jharkhand</td>
<td>10.00%</td>
<td>n/a</td>
<td>17.00%</td>
</tr>
<tr>
<td><strong>Manganese</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lasarda-Pacheri, Kendujhar</td>
<td>Odisha</td>
<td>5.00%</td>
<td>21.00%</td>
<td>44.65%</td>
</tr>
<tr>
<td><strong>Diamond</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hatupur Block, Brijpur, District- Panna</td>
<td>MP</td>
<td>1.00%</td>
<td>2.36%</td>
<td>22.31%</td>
</tr>
</tbody>
</table>

Source: Ministry of Mines, Government of India

6 out of 10 winning FPOs (Is this normal? Can we expect similar trend in future?)
Data of 18 limestone blocks that were auctioned reveals that:

- **Floor Price** discovered after first round of auction was **1 to 5.4 times** the **Reserve Price** set for that block.
- **Final Prices Offers (FPO)** moved from the **Floor Price** by **1 to 13.2 times**
  - FPOs were **1.1 to 25 times** that of **Reserve Price** set for that block.
  - Within same commodity, bidders valued the blocks differently.

Whether this trend of high premiums **sustainable in the long run**?

Is the industry **sharing some margins** with Government now, which the Government could not access in the past?

What will be the impact of **raw material cost** on the end use industry?

Will **end consumers** bear the brunt of higher prices of minerals?

Why the industry is behaving **irrationally** when there is **no compulsion**?

Should the governments **wait for right timing** of market to realise best prices for granting mineral concessions?
Mineral Block Auctions | Enabling Legislation

- Mines and Minerals (Development & Regulation) Amendment Act, 2015
  - **Section 10B** and **Section 11** laid down provisions for auction of Mining Lease and Composite Licence of major minerals respectively

  - Transparent and non-discretionary process for grant of concessions
  - Revenue Sharing model (i.e. Bidding Parameter – **Percentage Value of Mineral Dispatched**), linked to IBM notified price of the mineral
  - **Market reflective revenue share** which moves in tandem with commodity prices (win-win for bidder and Government)

- Model templates (NIT, Tender Document, MDPA etc.) are made available to the State Governments by the Central Government
Pre-requisites for Auction

- Mineral block **identification and demarcation** by using Total Station and Differential Global Positioning System
- Completion of **prescribed level of exploration** and preparation of geological reports for sharing during auction
- Establishment of mineral contents as per the Minerals (Evidence of Mineral Contents) Rules, 2015 and **estimate mineral resources**
- Determination of **Value of Estimated Resources** of mineral blocks identified for auction
  - Performance security and upfront payment are linked to VER
- **Delineation of land parcels** – forest land, land owned by the Government and land not owned by the Government
- Prior approval of the Central Government is needed in case of auction of PL-cum-ML for Notified minerals
Role of a Transaction Advisor

- Transaction Advisor (TA) is responsible for smooth and successful conduct of entire auction process in time bound manner.
- TA assists State Government in the following matters:
  - Finalising various bid parameters like reserve price, bid security, tender document price etc.
  - Preparatory work for launch of auction and ensure auctions conform to applicable Rules.
  - Customization of Tender Document and other auction related documents in conformance with the MMDR Act and Rules.
  - Conducting Preliminary Stakeholder Meeting before launch of auction to understand concerns of prospective bidders.
    - Market feedback, understanding bidders expectations would help in strategizing for successful auction.
  - Conduct Pre-bid Meeting and address queries raised by the bidders and modify Tender Document appropriately.
  - Evaluation of technical bids.
Role of a Transaction Advisor ... 2

- For smoother auction process rollout TA could do handholding of the State Government(s)
  - during the preparatory stage, auction stage and post-auction stage
- Auction is time bound process and it is essential that TA ensures that all the activities are carried as per timelines without slippages
- Coordinate with all the parties to ensure each one carries out his part of duties in timely manner
  - State Government, Auction Portal, Legal and Technical Advisors, Technical Evaluation Committee etc.
- TA also assists the State Government in
  - Resolving any peculiar or difficult situations that may arise during the course of auction
  - Providing necessary post-auction support
Auction | Exploration Pre-requisite

Grant of Mining Lease (ML)

- **General Exploration (G2 level)** as per the Minerals (Evidence of Mineral Contents) Rules, 2015 for notifying an area

Grant of Composite Licence (CL)

- It is a Prospecting License-cum-Mining Lease (PL-cum-ML)
- State Government may initiate auction by notifying an area
  - If **Preliminary Exploration (G3)** is carried out as per the Minerals (Evidence of Mineral Contents) Rules, 2015
- As per the Minerals (Evidence of Mineral Contents) Rules, 2015
  - All the exploration to conform to the UNFC (1997) and CRIRSCO templates
Exploration and Mineral Resources

- Level of exploration and estimates of mineral resources are two most critical elements for establishing commercial attractiveness of a block

- TA could ensure the following before launch of an auction
  - Review of geological reports for compliance with the parameters as per the Minerals (Evidence of Mineral Contents) Rules, 2015
  - Mineral resources mentioned in geological report are consistent across entire report
  - Grades mentioned in geological reports correspond to grades for which prices are published by the Indian Bureau of Mines
  - Prices for the mineral and/or grade are available (if not, escalate the matter to the State Government for necessary action in this regard)
  - Value of Estimated Resources is reflective of underlying resources
    - Has an impact on performance security and upfront payment instalments (e.g. selling price of iron ore lumps is more than double that of fines)
  - Raw data in digital format/ geographical coordinates of boreholes and core logs (if available, will be very helpful)
Demarcation of a Mineral Block

- Demarcation of the mineral block is one of the most critical steps of auction as most of subsequent problems could be avoided
  - **Forest land/eco-sensitive zones are avoided** at block demarcation stage itself
  - **Adequate area to be provided** for the proposed mining activity including dumps, tailing ponds and other mining infrastructure
    - **Rule 5(3)** of Mineral (Auction) Rules, 2015 provides for such matters
  - Mineral blocks with **50-60 or 100+ corner points could be avoided** as it will pose operational challenges for lessee as well as Government
  - Mineral Block could be a **simple polygon** with few corner points
  - **Cluster of mineralised zones** could be clubbed as single mineral block as per provisions of **Section 6 (1)** of MMDR Act, 1957
- TA could assist State Government in demarcating commercially attractive mineral blocks with minimal issues
Tender Document Preparation

- There are substantial changes to the manner in which auctions are conducted
  - After notification of the Mineral (Auction) Amendment Rules, 2017
- Model Tender Document notified earlier cannot be used as it is and requires substantial changes to be compliant with the Rules
- With the lowering of net worth requirement, many individuals and partnership firms etc. are actively participating in auctions
  - Rules and Model Tender Document notified earlier do not provide for such cases requiring customisation of Tender Document
Post Auction Processes

- TA could also assist the State Government in preparation of
  - Notice announcing Preferred Bidder(s) for uploading on the auction portal
  - Demand notice giving the details of how the first instalment of upfront payment could be made
    - Account number, last date for payment etc.
  - Letter of Intent giving details of
    - Date of payment of first instalment of Upfront Payment
    - Percentage Value of Mineral Dispatched that will be part of the Lease Deed
    - Last date for execution of the Lease Deed
    - Conditions to be complied with
Post Auction Facilitation
Post-auction Facilitation | TAMRA

- The Mineral (Auction) Amendment Rules, 2017 provides
  - An outer limit of 5 years (i.e. 3+2 years) for executing a lease deed by Preferred bidder from the date of issuance of a Letter of Intent

- Post-auction processes till signing of lease deed – LoI issuance, mine plan approval, environment and forest clearances, MDPA execution, lease deed execution etc.

- For post-auction facilitation, the Central Government launched TAMRA in February 2017
  - Transparency, Auction Monitoring & Resource Augmentation

- Stakeholders – Preferred Bidders, State Governments, Central Government and people of India

- All stakeholders have varying levels of access to TAMRA portal

- Facilitation for clearances and approvals by the State Government and Central Government through timely interventions
Post-auction Facilitation | TAMRA ...

- Preferred Bidder is given access to TAMRA portal for updating status of various clearances/approvals relating to mineral block.

- Each post-auction activity has in-built predefined timelines in TAMRA portal.
  - Triggers are generated if an activity goes beyond predefined timelines for necessary escalation.

- In case of delays, the matters are escalated to appropriate authorities in the State and Central Governments.

- Is an excellent platform, if the stakeholders believe in it and use it to the fullest extent (scepticism will take us nowhere).

- Preferred Bidders in their own interest should ensure that TAMRA portal is used well to ensure right interventions of
  - State Governments and Central Government for securing necessary approvals and clearances in timely manner.
Mineral Block Auctions | Way Forward

- Auctions have definitely improved – credibility, transparency, certainty of allocation and clearly demonstrate policy continuity
- Impact of auctions will be visible on the economy over a decade
- Auction is only small part of mineral grant process and auctions can not fructify unless other steps are completed in time
- Time bound clearances/consents from relevant departments/ ministries are essential for long term success of auctions
- Post-auction monitoring and facilitation is the most critical element for making auctions successful for converting auctioned blocks into leases
  - TAMRA has been very good start and has all built-in elements for appropriate escalation of matters needing facilitation
  - States, Bidders and Centre could use this tool for continuous monitoring and resolution of issues
  - Increased inter-departmental, inter-ministerial and inter-governmental coordination would be more helpful in this regard
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Thank You

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