

Sector:

Mineral and Mining

Project Title:

Coal Blocks for Captive Mining

Project Description:

Coal is the predominant source of energy in India and it has significant contribution in the rapid industrialization of the Country. Rapidly increasing population, burgeoning economy, expanding industrial base and increasing propensity towards leading a high quality life are key factors driving the energy demand in the Country. As per estimates, per capita energy usage in India is expected to rise to 450 kgoe*/ year by 2010. Abundant supply of coal is necessary for thermal power generation and it is also a key ingredient for steel, cement and fertilizer industry.

To ensure adequate production and supply, the Central Government has de-licensed coal mining. Further, foreign direct investment in the sector has been allowed upto 100% for captive power generation and other end utilization purposes. Due to paradigm policy changes, huge opportunities segments have opened for private and foreign investors in coal mining and processing.

Madhya Pradesh with fifth largest coal reserves in the Country offers lucrative value proposition for the private investors to engage in coal mining and processing functions. The State Government is keen to attract private investment in mineral industry. To facilitate the same, the Government invites participation from the leading domestic and foreign players to undertake captive mining and offers 4 coal blocks for the envisaged purpose.

Total 6 coal blocks have been identified for private allotment, out of which 2 have already been allotted to private parties. The total coal reserves in these blocks are estimated around 648 MT. The detailed description of the available coal blocks are:

S.no	Coal Field Non-cooking C	Block	Area (Sq. Km.)	Total Coal Thickness	Total Reserves (MT)	Status
1	Pench-Kanhan	Mandala North	10	10.15.	194.96	-
2	Pench-Kanhan	Rawanwara North	11.9	14	266.22	-
3	Pench-Kanhan	Sial ghoghri	12	12	67.2	-
4	Pench-Kanhan	Brahmpuri	7.5	10-15.	108.45	-
5	Mohapani	Gotitoria East	2	12	5.15	Allotted
6	Mohapani	Gotitoria West	2	12	6.53	Allotted

Source: Ministry of Coal, GOI

The State offers excellent opportunities for private investor to establish thermal power projects for captive purposes or to supply the coal to be used for other indigenous functions.

Project Rationale:

Madhya Pradesh is estimated to have 7.7% of the total coal reserves in the Country and it is among the key coal producing States in India. Major deposits of coal occur in Shahdol, Umaria, and Sidhi, Betul, Chhindwara and Narsingpur districts.

Presently, Coal India Ltd. (CIL) is the only agency engaged in mining and trading of the coal reserves in the State. However, the sector is likely to witness large investment from the private investors due to substantial policy changes, de-licensing and clearance to foreign equity investments.

In lieu of the recent Government Coal Policy, private entrepreneurs can be awarded leases of coal mines in the areas where Coal India Ltd. is not willing to operate their captive mines. Following which, leading private companies have evinced significant interest in mining and energy production activities.

For instance, Jaiprakash Associates Ltd. (JAL), a leading infrastructure development company has entered into joint mining venture with Madhya Pradesh State Mining Corporation to explore coal blocks and establish a 1000 MW coal based power plant in MP.

In another case, Mahan Coal Company (MCC) a 50:50 JV firm of Aditya Birla Group Flagship Hindalco Industries and Essar Power is soon to start coal mine development at the Mahan block of Sidhi-Singrauli fields in Madhya

Up-Coming Projects In M.P. (Indicative)		
Thermal Power Projects		
Malwa TPS,	Purni, Dist. Khandwa	2X500 MW
Essar Group Project,	Mahan coal field at Sidhi-Singrauli fields	1000MW
Jaypee Group	Siddhi	1000 MW

Pradesh. Essar would source the coal from this block to its proposed 1000 MW thermal power plant for generating power, for trading purpose. On the other hand, Hindalco would direct the coal supply form this block to its proposed 750 MW captive power plant for feeding its upcoming 3,25,000 tonne per annum aluminium smelter in MP.

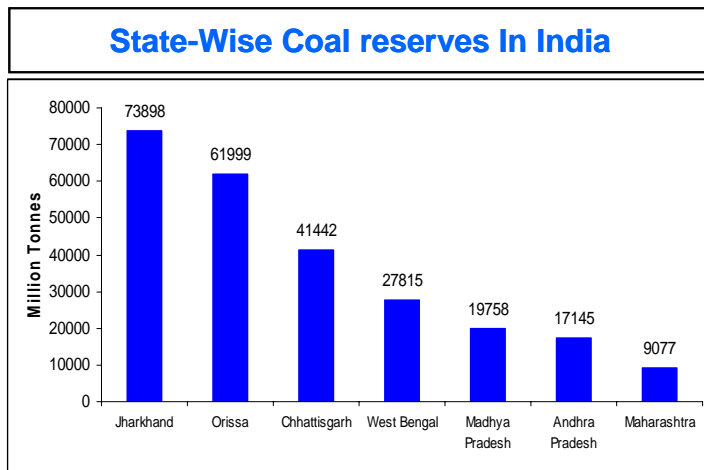
MP, with its vast natural reserves, Strategic central location, developed infrastructure and well developed connectivity presents a lucrative value

proposition for the private and foreign investor's to explore possibilities in the mining. Further, presence of leading private companies provides testimony to increasing investor's confidence in the State.

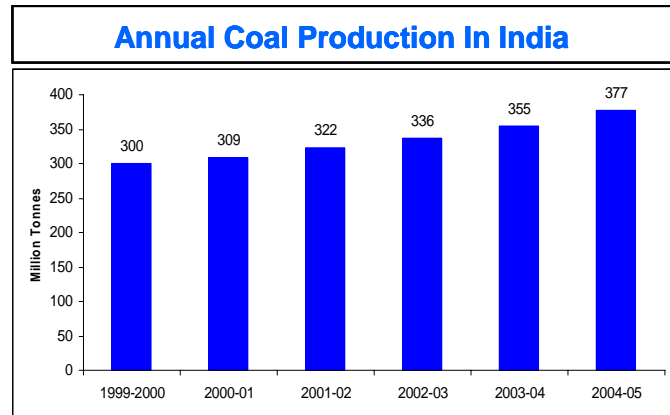
Market Potential and Demand Dynamics:

India with its vast coal reserves ranks 3rd amongst the coal producing countries across the globe. Coal is the most abundant fossil fuel in India and accounts for around 55% of the Country's energy need. Presently, around 70% of coal production is used for power generation while the remaining 30% is used by heavy industries such as steel, cement and fertilizers.

In 2006, the total coal reserves in the Country are estimated around 253.30 billion tones. The Major coal reserves are available in the States of Jharkhand, Orissa, Chhatisgarh, Madhya Pradesh, Andhra Pradesh and West Bengal. Most of the coal production in India comes from openpit mines which contribute over 81% of the total production while underground mining accounts for around 19% of the national output.



Source: Ministry of Coal, GOI



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The production of coal has been rising at a steady rate. In 2004-05, the total annual production of coal was 377 million tones. Indigenous reserves of coal are sufficient to meet the rising energy demand of the Country's rapidly burgeoning economy.

The energy demand of the County is increasing at a tremendous pace. Commercial energy consumption has grown by about 700% in the last four decades. Presently, the per capita energy consumption in India is about 350 Kgoe/year

which is way less than that of the developed nations.

The contribution of coal towards meeting India's energy concerns is of special significance in view of limited reserve potentiality of petroleum & natural gas, environmental restriction on hydel projects and geo-political restriction on nuclear power. Thus, coal will continue to dominate India's energy scenario in future.

Why Madhya Pradesh?

Cost Competitiveness

- Land prices are highly competitive as compared to other regions like Maharashtra, Andhra Pradesh, Gujarat etc.
- Labour cost is less as compared to other mineral intensive States.
- Cost of living in M.P. is much lower vis-à-vis other industrial States in the Country.

Quality Human Resource

- Disciplined workforce which results in zero man days lost in past several years in the State.
- Large pool of skilled technical people along with the skilled labour force.

Well Established Infrastructure

- High end technology used for mapping the mineral resources in the State and mining of the same.
- Good connectivity through road and rail to other States acts beneficial for transporting raw/crude minerals
- Well established industries such as thermal power, cement, refractories, cutting and polishing units in the State, reemphasises the advantage of its strong industry base and technical know-how.

Location Analysis:

Four blocks of coal deposits in Chindwara district are open for private investors.



Government Support:

Exemption from electricity duty give for 5 years to industries for their captive power plants (thermal) for which the effective steps have been taken within a year and where the units commence their power generation within 3 years.

Coordinating Agency:

Madhya Pradesh State Mining Corporation

Madhya Pradesh State Industrial Development Corporation

** kgoe means Kilogram of Oil Equivalent*