



# Amendments in the Mineral Auction Rules

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The Mines and Mineral Development and Regulation Act, 1957 was amended in 2015. Subsequent to the amendment, the Ministry of Mines notified the Mineral Auction Rules, 2015 on 20/05/2015 to prescribe the procedure of the auction process.

Auction of concessions for major minerals (other than coal, petroleum and natural gas) was done for the first time in the history of mineral administration in the country. 33 blocks were successfully allocated. The value of minerals auctioned out is Rs. 169,000 Crore. Revenue to states over lease period are estimated at Rs. 128,000 Crore. The additional revenue on account of auction process is Rs. 99,000 Crore. However, 60 auction attempts failed during this period.

The Ministry of Mines was monitoring the process very closely with the state governments. The consensus emerged that the Mineral Auction Rules need to be amended to make the process more pragmatic without sacrificing the checks on successful bidders. The Mineral Auction Rules have been amended on 30/11/2017.

## Changes and Their Impact:

1. Under the old rules the process of auction was annulled if there are less than 3 bidders and this process used to be carried out for 3 rounds at least. Only in the 4<sup>th</sup> round flexibility was allowed. Each round of auction carries on for 3 months at least and this resulted in many blocks getting annulled time and again. While a minimum of 3 bidders is still stipulated in first attempt to auction, in the amended rules now the states have the flexibility of allocating the block in the 2<sup>nd</sup> round itself even if there are less than 3 bidders. This will make the auction process less cumbersome and will help states auction mineral blocks quickly.
2. Earlier the state used to prescribe end use conditions on miners and it was very rigid. This resulted in inefficient mining as many mines with low grade ore dumps were saddled with this burden as they could neither use it for captive purpose nor could dispose it of. In the amended rules, such miners will be able to dispose of 25% of such dumps, which are not used for captive purposes. This will help progress towards zero waste mining and utilization of minerals even in low-grade ore. This provision holds good only for the mines that would be granted through auction after 30/11/2017 i.e. the date of publication of the amendment rules. Bid values are likely to improve and participation will improve further.
3. The amended rules have also provided adjustment of the upfront premium to be adjusted against the due payments of miner at the earliest. This would increase the liquidity of the mining entities at the most stressed time i.e. when production begins. This will further ease their capacity to carry out the business.
4. A major amendment in the rules has been that the requirement of net worth for the prospective bidders. In practical terms for an average annual production of up to Rs. 2 Crore, the net worth required was Rs. 4 Crore, which is reduced to Rs.0.5 Crore. For an average annual production up to Rs. 20 Crore the net worth required was Rs. 40 Crore which has been reduced to Rs. 10 Crore.
5. For small bidders the value of unencumbered immovable property can also be taken in net worth, thus allowing larger participation.
6. Provisions have been made to discourage squatting on bid out leases.

## Expectation from the changed Rules:

In sum, these changes in Auction rules will lead to enhanced participation in the auction process. Further, it is expected that this will also give a fillip to the auction process and will result in more mineral blocks being auctioned successfully. It is expected that by March 2018, 34 blocks will be put through the process of auction. We expect additional revenue over lease periods to be Rs. 75,000 Crore during the balance period of the current

year. It is expected that bigger effect of these changes will be felt in the year 2018-19, as some of the auctions may spill over from the current year 2017-18. Given below are the blocks in pipeline for the year 2017-18, which will be put to auction after amendment of Auction rules.

Details of Mineral Blocks in pipeline

State	Blocks in pipeline as confirmed by states
Chhattisgarh	3 blocks (2 Limestone, 1 Bauxite)
Gujarat	3 Limestone
Maharashtra	15 blocks (7 Bauxite, 3 Limestone, 2 Copper, 2 Manganese, 1 Iron Ore)
Odisha	5 Blocks (4 Iron Ore, 1 Limestone)
Rajasthan	5 Limestone Blocks
Telangana	3 Limestone Blocks
TOTAL	34

MINERAL PRODUCTION			
DATA	in Rs crore)		(value
Minerals	Cumulative Production		Growth % in value
	2016-17	2015-16	
	Value	value	
All Minerals *	47,088.395	40,162.547	17.24%
Bauxite	1,413.222	1,409.508	0.26%
Chromite	3,643.436	2,304.753	58.08%
Copper Conc.	640.089	625.986	2.25%
Iron Ore	25,124.401	22,115.822	13.60%
Lead Conc.	966.917	788.517	22.62%
Manganese Ore	1,616.890	886.493	82.39%
Zinc Conc.	4,338.561	3,494.311	24.16%

Other met. Minerals	2,017.138	1,843.520	<b>9.42%</b>
<b>Total Metallic Minerals *</b>	<b>39,760.653</b>	<b>33,468.910</b>	<b>18.80%</b>
Limestone	6,681.298	6,052.966	<b>10.38%</b>
magnesite	73.566	70.093	<b>4.95%</b>
Phosphorite	311.054	327.525	<b>-5.03%</b>
wollastonite	15.894	15.036	<b>5.70%</b>
Sillimanite	53.372	49.899	<b>6.96%</b>
Other non Metallic	192.559	178.117	<b>8.11%</b>
<b>Total Non- Metallic minerals *</b>	<b>7,327.742</b>	<b>6,693.636</b>	<b>9.47%</b>
<i>Source: IBM vide Ref: No. 231/9/Cabinet Summary/MMS/2017-18 dated 02.05.2017</i>			
<i>Figures have been estimated wherever required : * indicative and excludes precious stones and metals, hydro-carbons and atomic minerals.</i>			

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