

SHOW CAUSE NOTICE

No. 47011/7(34)/93-CPA/CPAM/CA-I (Vol.II)

Government of India

Ministry of Coal

New Delhi, dated 16th February, 2015

To
The CMD,
M/s Monnet Ispat & Energy Limited,
Monnet House, 11 Masjid Moth,
Greater Kailash Part-II,
New Delhi-110048.

Subject: **Show cause notice** in respect of Gare Palma IV/5 coal block allocated for captive mining for supply of coal to sponge iron plant at Raipur by M/s Monnet Ispat Ltd.- regarding.

Sir,

I am directed to refer to M/s Monnet Ispat & Energy Ltd. (MIEL)'s letter No.MIEL/MOC/101/2010 dated 28th January, 2010 wherein the company submitted the details about actual coal production from Gare Palma IV/5 coal block allocated to the company. Company intimated that production from Milupara U/G Mine was started in 2004-05. As per approved Mine Plan, final capacity has been proposed as 1.1 MTPA and taking the Mineable reserve as about 50 Mte, life of the Mine would accordingly be about 45 years. Projected and actual production from 2004-05 to 2008-09 as intimated by the company vide their letter under reference are as under:

Year	Seam II (Milupara)			Seam III (Kondkel)			Total	
	Projected Production	Actual Production	Coal Grade	Projected Production	Actual Production	Coal Grade	Projected Production	Actual Production
2004-05	50000	125592	D	Nil	Nil		50000	125592
2005-06	150000	438844	D	Nil	Nil		150000	438844
2006-07	250000	615636	D	Nil	51928	F	250000	667564
2007-08	350000	507124	D	Nil	328276	F	350000	835400
2008-09	500000	512534	D	Nil	476577	F	500000	989111

2. The above information/submission of the company was examined in the Ministry of Coal in consultation with Ministry of Steel, Govt. of Chhattisgarh & Office of Coal Controller based on the specific details/comments received from them.

3. The matter regarding production of coal from said block and its utilization in end use plants was considered in the Ministry and with the approval of competent authority it was decided to refer the matter to Inter-Ministerial Committee (IMC) constituted under the Chairmanship of Director (Technical), Ministry of Coal. The Terms of Reference (ToR) of the IMC were as under:

- To examine the total quantity of coal produced (grade-wise/month-wise) from the date of start of production.
- To examine the capacity (existing, expansion and ultimate capacities separately) of Sponge Iron plant and captive power plant (CPP).

- (iii) To examine the actual consumption of coal extracted from the coal block in the Sponge Iron Plant and CPP since start of production (as per standard norms keeping in view the grade of coal produced) from the said block.
- (iv) To assess total amount of surplus coal produced, year-wise, since the commencement of production.
- (v) To examine the transit and ground loss of coal year-wise, since start of production from Gare Palma IV/5 coal block.
- (vi) To submit a report on any other matter as deemed fit by the IMC keeping in view the facts mentioned herein.

4. IMC after detailed deliberation has submitted its report to the Government. The report of the IMC has since been examined in detail.

5. In this regard it is stated that Gare Palma IV/5 (Mand Raigarh Coalfields) in the State of Chhattisgarh was allocated to M/s Monnet Ispat Ltd. for captive mining for supply of coal to sponge iron plant at **Raipur** vide allocation letter of even number dated 21.06.1996. In its report IMC has stated that the Committee visited the sponge iron end use plants at **Raipur** and **Raigarh** as well as underground mine Gare Palma IV/5 at Raigarh on 25th and 26th June, 2014. As per the report of IMC on the **Point No.(ii) of ToR of IMC** (i.e. capacity of end use plants and CPP); the IMC has stated in its report that the company has clarified to the IMC that they had informed the Ministry of Coal on 28.01.2005 about their plan to expand at **Raigarh**, Chhattisgarh for which company had signed an MoU with the State Govt. of Chhattisgarh and required an additional coal block Gare Palma IV/8 to meet the shortfall of Gare Palma IV/5 and coal requirement of Sponge iron and CPP at Raipur and Raigarh. However, the request was denied by Ministry on 26.09.2005. The company once again sought permission of MoC on 30.05.2006 to use coal in the 60 MW CPP installed at Raipur informing about setting up of 0.3 MTPA Sponge Iron Plant at Raipur and said that due to land availability issue at the existing site, balance 0.2 MTPA could not be set up at Raipur. MoC vide its letter dated 12.10.2007 conveyed no objection to installation of CPP of 60 MW capacity and use of coal obtained from the captive mine in the said CPP of 60 MW capacity and use of coal obtained from the captive mine in the said CPP and asked Monnet Ispat & Energy Ltd. to install balance capacity 0.2 MTPA forthwith.

6. IMC has concluded on this specific ToR that M/s Monnet Ispat Ltd. is having sponge iron plant facilities at Raipur and Raigarh which are under the same company covered under the one balance sheet which clearly shows the installed capacities of both the plants and are registered with the Excise Department as Unit 1 and Unit 5 respectively.

7. From the report of IMC as mentioned above, it is noticed that the allocatee company has utilized more coal in its Raigarh Plant compared to Raipur Plant. However, from the records available in the Ministry it is seen that as per the allocation letter of Gare Palma IV/5 coal block, the said block was allocated to M/s Monnet Ispat Ltd. for captive mining for supply of coal to sponge iron plant at **Raipur**. Further from the available records, it is observed that at no point of time Ministry of Coal has given permission to use coal from Gare Palma IV/5 for the **Raigarh** plant by the allocatee company; whereas the company has been

using the coal mined from the said block at its Raigarh plant also since 2005-06 till the date of submission of report of IMC.

8. Since there was no permission accorded by the Ministry of Coal for consumption of coal mined from Gare Palma IV/5 coal block by M/s Monnet Ispat and Energy Ltd. in its sponge iron plant at Raigarh, the same has been done in violation of the terms and conditions of the allocation letter.

9. Under the above circumstances, M/s Monnet Ispat and Energy Ltd. is called upon to **show cause** as to why the use of coal produced from Gare Palma IV/5 in its sponge iron plant at **Raigarh** should not be held as violation of the terms and conditions of the allocation letter of Gare Palma IV/5 coal block. The reply of the company to this show cause notice may be furnished **within three weeks' time** from the date of issue of this notice, failing which, it would be presumed that the company has no reply to offer and the competent authority in Ministry of Coal would take appropriate action including de-allocation of coal block/suspension of mining by declaring mining lease 'void' without giving any further notice.

Yours faithfully,



(A. Sanjay Sahay)

Under Secretary to the Govt. of India

Tel: 23073936

✓ Copy to NIC, Ministry of Coal for uploading on the Website of Ministry of Coal.