



MEAI- ALL INDIA GEOLOGIST'S CONFERENCE
MEGECON 2022



Review of Mineral Auctions In India

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Resource has no number, where
as reserve has one – the
difference is quantification



“Auction is simply put is a price discovery mechanism”



“We can’t auction what we can’t
Quantify”



“Globally, it is a thumb rule that the “exploration “ horse that pulls “Mining” cart and not the other way round. Auction of mines as a process is not conducive to incentivizing exploration and hence to pulling the engine of growth of economy”



Some Global Comparisons



Mineral Policy Comparisons



Easy and timely Process

Fair and Transparent

Secure Tenure

Exploration Incentives



Chile

EC's must be in 120 days or deemed to be granted

Courts are responsible for issuing mining licenses
Independent judiciary and Alternative dispute resolution mechanism

Mining concessions treated as an inalienable property; rights freely transferable;
ML can continue freely as long as annual fees is paid

No technical/financial ability or feasibility required while applying



Australia

Single Window Clearance, smooth and faster mechanism

Online applications for transparent processes

Provision of "retention status" for existing PL if economically unfeasible to develop
ML/PL completely transferable at any stage

Industry associations that support exploration



Canada

Exploration can be on Online, payment online

First –come-First Served Mechanism
- Registry updated electronically
- Well developed GIS1 based cadastre that prevents most disputes
- Independent Judiciary and Alternative dispute mechanism

Mining concessions treated as an inalienable property; rights freely transferable;
Assurance of obtaining right to mine a discovery

Right to exploration open to all regardless of applicant means



India

EC's struck for ears; Judicial intervention, Social clearances are fraught with pitfalls

Auction process for major & minor minerals

Corruption in the system

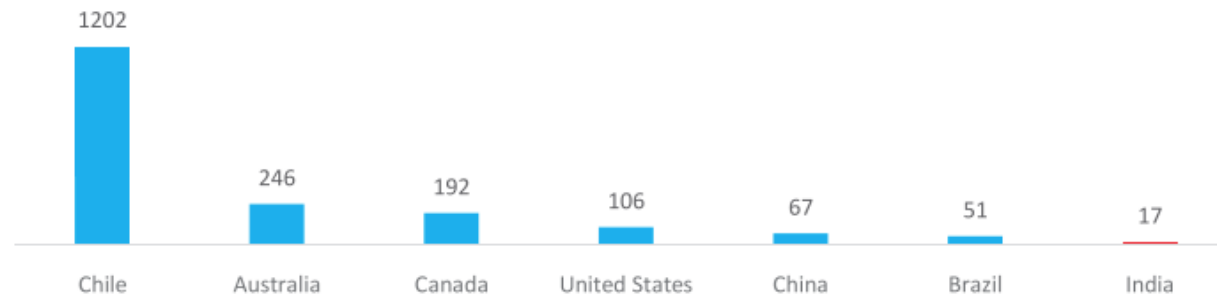
Mineral lands are often given for non-mining activity
Transferability for major minerals eased out;
Minor minerals have different laws in different states;

No incentives

COMPARISON

India's exploration spending landscape as compared to global mining economies

Exploration budget per square km area, 2013
USD/km²



Traditionally India's exploration spend has been low compared to other mining economies. India accounts for only 0.4 per cent of the World exploration budget. Further, only 11 companies have planned exploration activity in India. India needs to increase its exploration spend to keep reserve development in line with production.

Share of World's Total exploration budget, per cent











Number of Companies with planned exploration

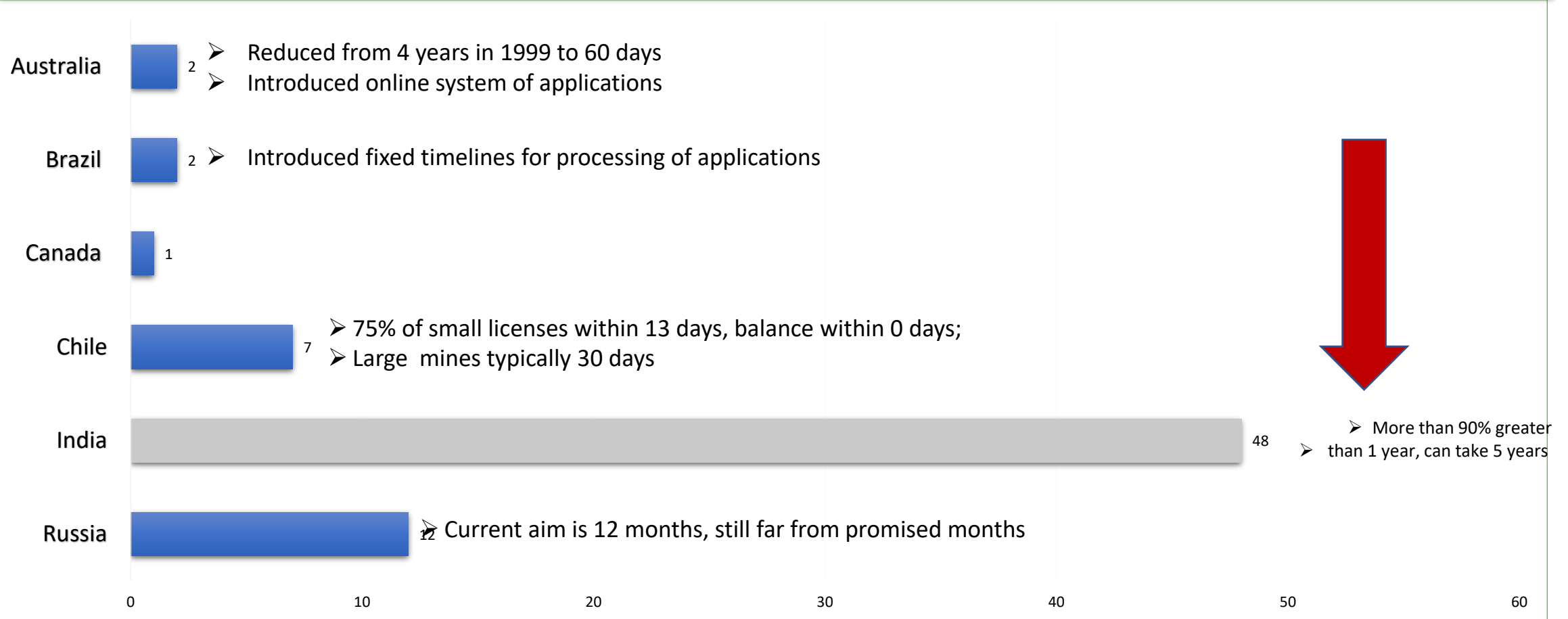


SOURCE:SNL metals and Mining (Corporate exploration strategy Oct'13): Mckinsey analysis

Allotment methodology and transferability for major mining economies

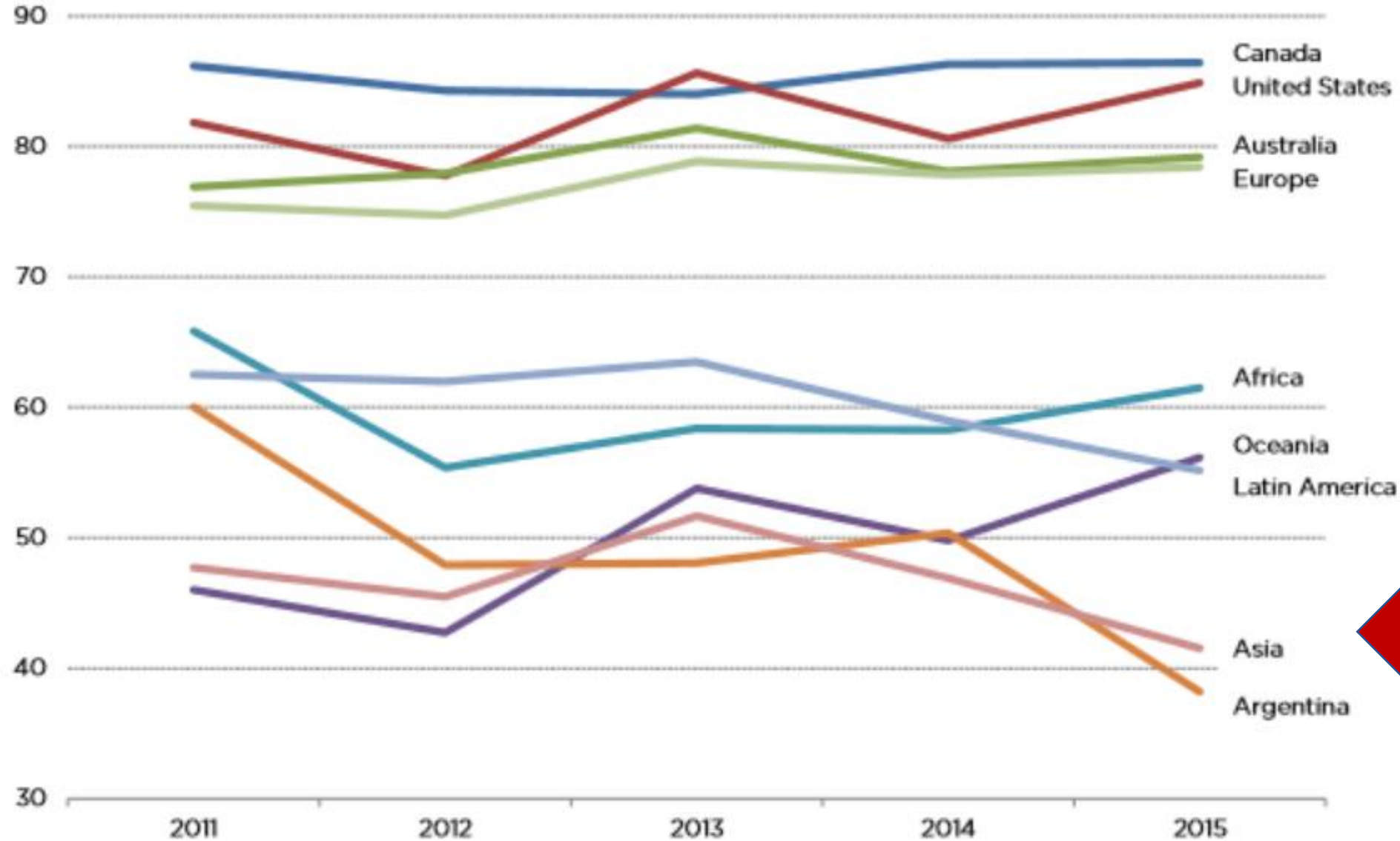
	Exploration rights (Exclusive FCFS/non-exclusive FCFS/action)	Transferability (Automatic/Conditional)	Mining rights	
 Western Australia	Non-exclusive FCFS	Automatic	FCFS	←
 Quebec, Canada	Exclusive FCFS	Automatic	FCFS	←
 Western United States	Exclusive FCFS	Automatic	Auction	
 Queensland, Australia	Exclusive FCFS	Automatic	FCFS	←
 Chile	Exclusive FCFS	Automatic	FCFS	←
 Russia	Exclusive FCFS	Conditional	Auction	
 Brazil	Exclusive FCFS	Automatic	FCFS	←
 China	Auction	Conditional	Auction	

Mining rights processing time



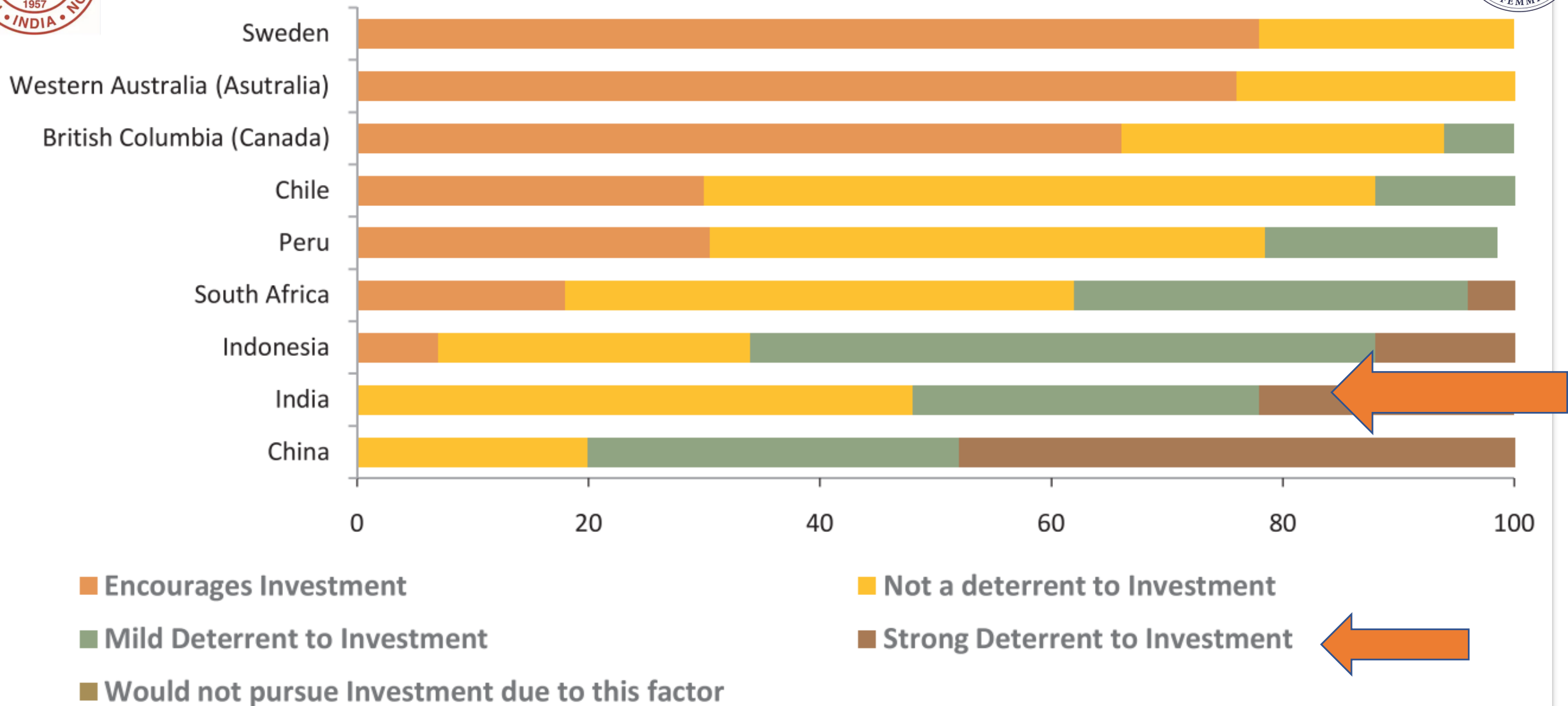


International Policy Perception Index 2015 by Fraser Institute, Canada





Quality of Geological Database



Country share in global exploration budget 2017

Country	%share in global exploration budget	Country	%share in global exploration budget
Canada	14%	West Africa	5%
Australia	13%	East Africa	2%
United States	7%	DR Congo	2%
Mexico	6%	South Africa	4%
Peru	6%	Russia	5%
Chile	6%	China	6%
Lat. America(rest)	6%	Pacific/South East Asia	5%
Brazil	4%	Former Soviet Union	1%
Europe	5%	Others (including India)	3%

Source: Worldwide Mining Exploration Trends 2017, S&P Market Intelligence Data

Note : As per Fraser Institute Annual Survey 2016, India falls in the bottom 10 are along with Venezuela, Afghanistan, Zimbabwe, and Mozambique.



Exploration budgets

Global Exploration budget = 12,000 million USD

Indian Exploration budget = 100 million USD

An aerial photograph showing a massive mining operation. The landscape is dominated by large-scale earthmoving, with extensive areas of brown earth and sand. A complex network of roads and tracks crisscrosses the site, connecting various processing and storage areas. The surrounding area is lush green forest, which is partially cleared to make way for the mining infrastructure. The overall scene depicts a large-scale industrial project in a natural setting.

Major Mineral Auctions -A Review

(i) MMDR ACT AS AMENDED IN DECEMBER, 1999

1.2. Following the recommendations made in the B. B. Tandon Committee's Report submitted in January 1998, the MMDR Act was amended in December 1999. Prior to 2015 amendment, the MMDR Act provided:

Reconnaissance Permit (RP)	Prospecting Licence (PL)	Mining Lease (ML)
For a period of 3 years	For a period of 3 years extendable by another 2 years if required.	For a maximum period of 30 years which may be renewed for another 20 years each time.
Maximum area of 10,000 sq.km. for a company in a State (single RP of maximum 5,000 sq.km.)	Maximum area of 25 sq.km. for a company in a State.	Maximum area of 10 sq.km. for a company in a State.



Later FDI in Mining is allowed in 2000



In February 2000, 100% FDI was allowed in mining sector. Upon successful exploration, an RP / PL holder had the right to mine as well as transfer the concession, at par with best global practices. Following this amendment, there was a spate of applications for RP / PL and almost all the global exploration and mining companies were present in India.



Hooda Committee 2006

To make mining more attractive and in tune with international practice, a High Powered Committee, popularly known as Hooda Committee, was set up. Following the recommendations of this Committee on 19th July 2006, National Mineral Policy (NMP) was revised in March 2008.



MAJOR
MINERAL
APPLICATION
PENDENCY
BEFORE
AUCTION

Prior to auction regime in India, **66,477 applications** were pending with both Central and State Governments, including 43,025 mining lease applications as on 05.05.2014.



Delays in clearances is no fault of the Applicant

- Any delay on the part of the Govt. Departments to provide the mineral concessions to the applicant can't be seen as fault of the applicant. And it should not deprive them the right of concession.
- All the delays in getting Survey's done, NOC's, should cost the applicant because a new law is in place?



PENDING APPLICATION AS ON 5-5-2014

Pending applications	State Government level	Central Govt level	Total
Reconnaissance Permit	643	15	658
Prospecting licence	19,891	123	20,014
Mining leases	42,861	164	43,025
Letter of Intent (LOI)	265	-	265
Renewals	2515	-	2515
Total	66,175	302	66,477

Source: MOM

AUCTION GENESIS IN INDIA

the origin of auction in case of mineral resources in India can be traced to the **Report of the Comptroller and Auditor General of India(CAG)** dated 17th August 2012, wherein the CAG observed that inefficient allocation of coal blocks (through means other than open competitive bidding) during 2004-2009 has resulted in a loss of Rs. 1.86 lakh crores to the exchequer.

The CAG report alleged that the said allocation process was based on Government dispensation and that despite having the opportunity to bring in transparency, the Government did not introduce the process of competitive bidding. It observed that revenue secured from the allottees for allocation was much less than what could have been realized if there was competitive bidding – a presumptive loss to the exchequer.

AUCTION GENESIS IN INDIA

- Subsequent to a Public Interest Litigation (PIL) filed in 2012, the Hon'ble Supreme Court of India in its judgment dated 25th August, 2014 and order dated 24th September, 2014 declared the allocation of 218 coal blocks made through Government Dispensation route during 1993-2011 as arbitrary and illegal and cancelled the allocation of 204 coal blocks ,except for 14 blocks (one of NTPC, one of SAIL and twelve of ultra-megapower projects).



AUCTION GENESIS IN INDIA

- Prior to cancellation of coal blocks by the Hon'ble Supreme Court, the total coal output from these blocks was around 42.882 million tonnes in 2014-15; post-cancellation and reallocation, coal output from the same set of blocks even after 4 years of auction / reallocation, barely reached about 30.042 million tonnes in 2018-19, a fall of 30%. This shows that auction has made even operational mines unviable / difficult to commence operation.
- Auction has further significantly reduced the country's coal production from the same blocks.





AUCTION GENESIS IN INDIA

2G SPECTRUM CASE NATURAL RESOURCES ALLOCATION



YEAR WISE/MINERAL WISE AUCTION SUMMARY

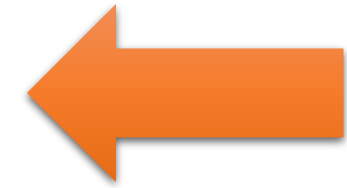
Year Mineral	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Limestone	4	5	10	5	4	9	15	52
Iron Ore	1	7	2	9	17	1	11*	47
Gold	1	1	1	1	0	2		6
Manganese	0	1	0	1	3	0	3	8
Diamond	0	1	0	0	1	0		2
Bauxite	0	0	1	0	5	1	4	11
Graphite	0	0	0	3	2	0		5
Iron Ore & Manganese	0	0	0	0	6	0	1*	6
Chromite	0	0	0	0	3	0		3
Copper	0	0	0	0	2	0		2
Kyanite	0	0	0	0	0	0	1	1
Rock Phosphate	0	0	0	0	0	0	1	1
Total	6	15	14	19	43	13	36*	144

***Note** :- 2 Iron Ore Block auctioned in 2019-20 in Odisha was Forfeited. The same are re-auctioned in September, 2021. Therefore, in total 146 mineral blocks were auctioned but in actual, the net figure is 144..

Gross Value Added (GVA): Share/Contribution of Mining and Quarrying (%)

GVA in Rs crore at current prices		
Sector	2021-22 (1 st AE)	2020-21 (PE)
Mining and quarrying	475202	292120
Total	21036541	17915167
Contribution in %	2.26	1.63

AE: Advanced Estimate; PE: Provisional Estimate;
Source: MoSPI, Press Note on First Advanced Estimates of National Income for the year 2021-22.



Number of Reporting Mines

Sector	2018-19(P)	2019-20(P)	2020-21(P)	2021-22(E)
All Minerals*	1427	1385	1332	1245
Metallic Minerals	610	602	588	525
Non-Metallic Minerals	817	783	744	720

Area Wise Distribution of Mining Leases (Other than Atomic, Hydro Carbons Energy & Minor Minerals) as on 31/03/2020(P) (All India)



Frequency (Hectare)	No. of Leases	Lease area (Hectare)
0 to 2	396	515.23
> 2 to 5	898	3476.95
> 5 to 10	414	3045.10
> 10 to 20	388	5735.68
> 20 to 50	470	15319.63
> 50 to 100	274	19554.02
> 100 to 200	207	29914.08
> 200 to 500	211	69555.86
Above 500	179	165529.17
Total	3437	312645.72

1 to 50 Hectares size leases constitute 75 percent of the total leases

But occupy only 9 % of the total lease extent in Hectarage

Sources: Respective State Governments (DGMs/DMGs etc); However, the data received from respective regional offices of IBM have also been taken in account wherever necessary.

INDEX OF MINERAL PRODUCTION

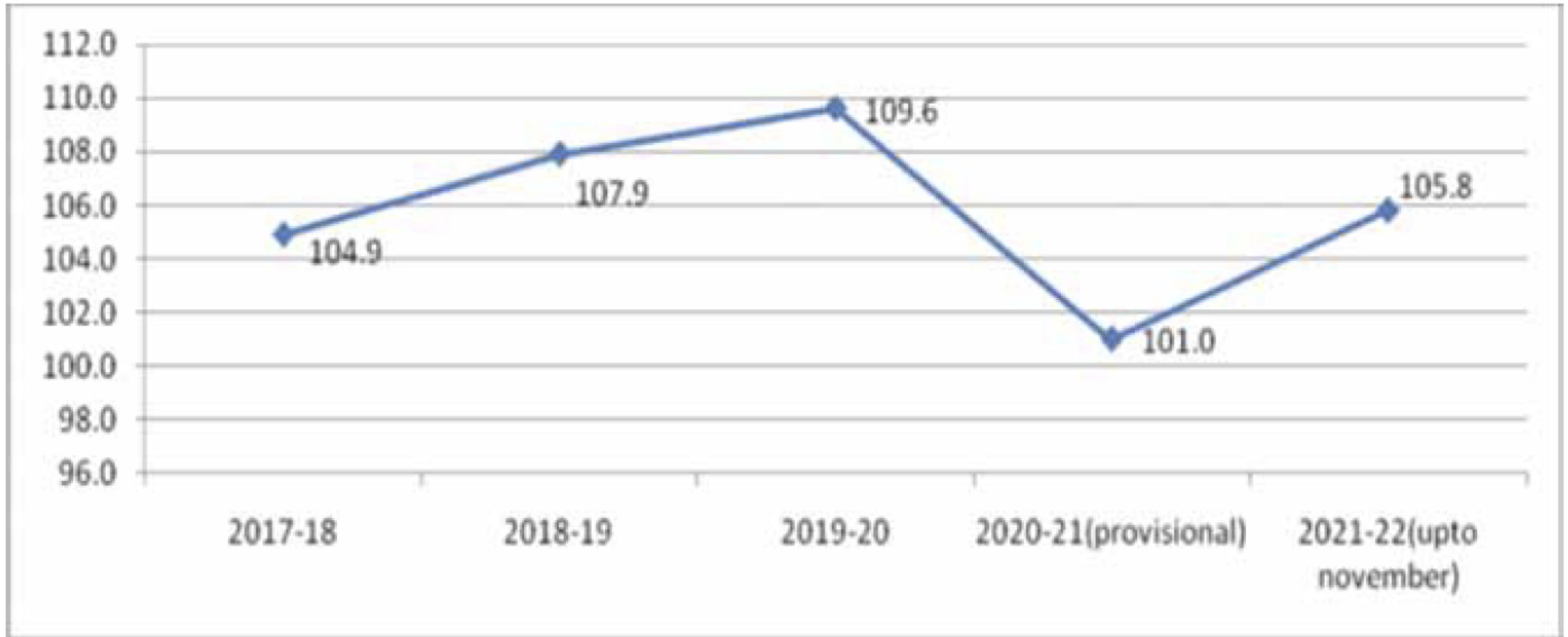


Figure 2.1: Index of mineral production (Base 2011-12=100)

TRENDS IN VALUE OF MINERAL EXPORTS & IMPORTS

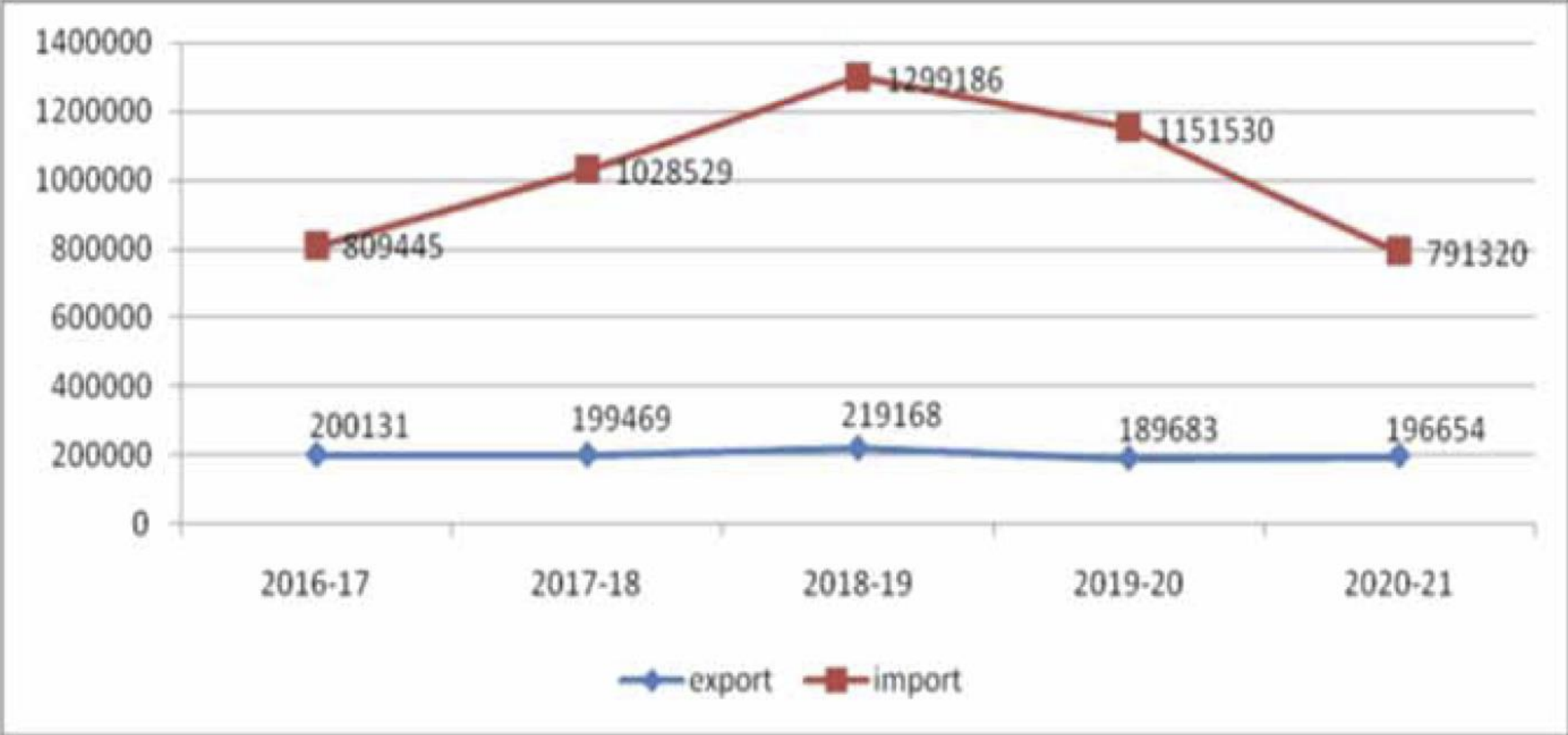


Figure 2.2: Trends in Value of Mineral Exports & Imports

Some Initiatives of MOM

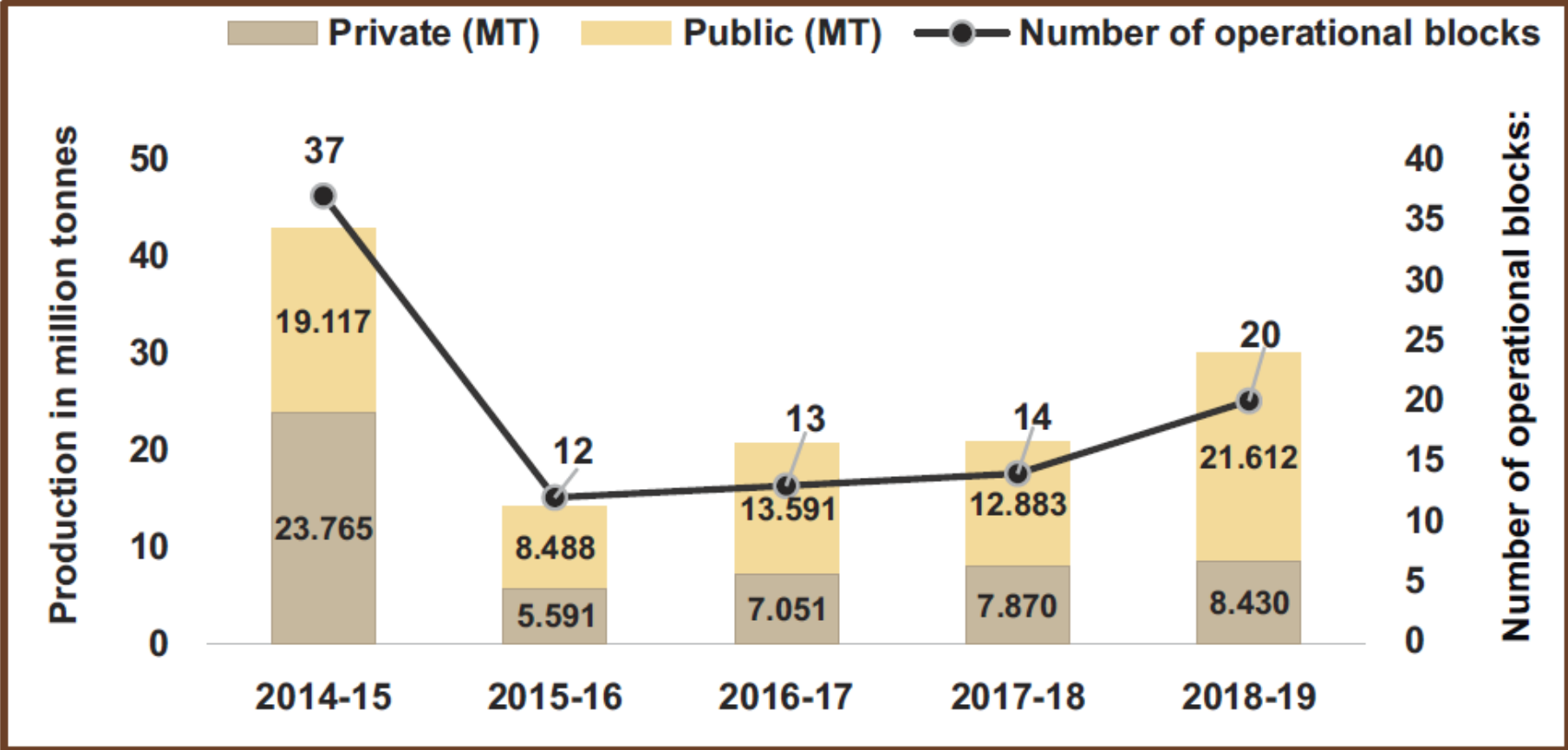
- **(i) Revitalize mineral sector by giving immediate boost to mineral production:**
 - (a) Removing the distinction between captive and merchant mines. It allows all captive mines to sell upto 50% of the minerals produce during the year after meeting the requirement of attached plant. All future auctions will be without any end use restrictions.
 - (b) Resolving pending cases under section 10A(2)(b) by bringing them under new auction regime. Around 500 cases under section 10A(2)(b) of the Act are still pending in absence of the sunset clause. (c) Substituting 'mining operations with 'production and dispatch'. Since the interpretation of the term mining operations is generic, it is difficult to cancel non producing leases.
 - (d) Re-allocation of non-producing blocks of the Government companies as some of the mining blocks reserved for Government companies are not brought into production for many years.
- **(ii) Promote ease of doing business:**
 - (a) Statutory clearances to be valid even after expiry or termination of mining lease and would be transferred to next lessee of the mine. This will ensure continuity in mining operations and production despite change in lessee. It will address around 23 clearances in turn facilitating ease in the business.
 - (b) Allowed transfer of all mineral concession without any charges. Lessee who is not interested in

Some initiatives

- The National Mineral Policy, 2019 includes provisions which will give boost to mining sector such as:
 - introduction of Right of First Refusal for RP/PL holders;
 - encouraging the private sector to take up exploration;
 - auctioning in virgin areas for composite RP cum PL cum ML on revenue share basis;
 - encouragement of merger and acquisition of mining entities;
 - transfer of mining leases and creation of dedicated mineral corridors to boost private sector mining areas;
 - proposes to grant status of industry to mining activity to boost financing of mining for private sector and for acquisitions of mineral assets in other countries by private sector;
 - proposes to auction mineral blocks with pre-embedded clearances to give fillip to auction process; proposes to make efforts to harmonize taxes, levies & royalty with world benchmarks to help private sector.

EFFECT OF AUCTION OF COAL BLOCKS – YEARLY PRODUCTION FROM BLOCKS

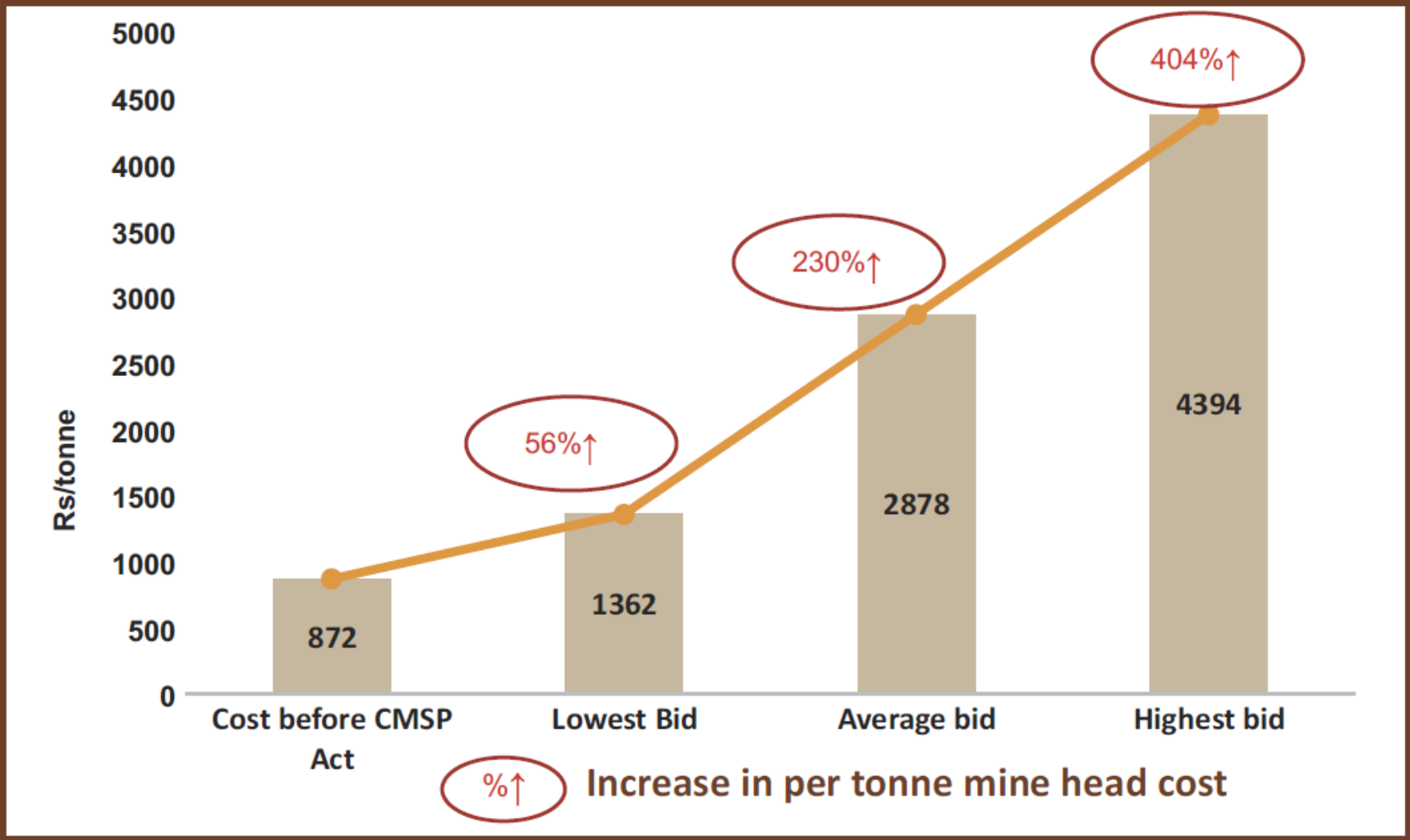
Yearly production from Schedule II blocks:
pre vs. post auction/allotment



Source: Coal Controller Organization: Provisional Coal Statistics

PRE-POST AUCTION MINE HEAD COST (RS/TONNE)

Pre vs. post auction mine head cost (Rs./tonne)
(for non-coking coal mine, average Grade G-10)



NET LOSS TO THE GOVERNMENT

Year	2014-15 base for production quantity (public + private) (million tonnes)	Actual production (public + private) (2015-19) (million tonnes)	Production loss (million tonnes)	Revenue without Auction (Rs. in Crores) (from table VIII)	Revenue with Auction (Rs. in Crores) (from table VII)	Earning /loss to Govt. (Rs. in Crores)	Import cost to the extent of production loss (Rs. in Crores) (from Table IX)	Net loss to nation due to auction (Rs. in Crores)
	(A)	(B)	(C) = (B - A)	(D)	(E)	(F) = (E - D)	(G)	(H) = (F+G)
2015-16	42.882	14.079	-28.80	813.26	701.85	-111.41	-9394.67	-9506.08
2016-17	42.882	20.642	-22.24	864.46	1499.21	634.75	-7541.70	-6906.95
2017-18	42.882	20.753	-22.13	864.46	1589.40	724.94	-9335.12	-8610.18
2018-19	42.882	30.042	-12.84	901.07	2025.61	1124.54	-5319.74	-4195.20

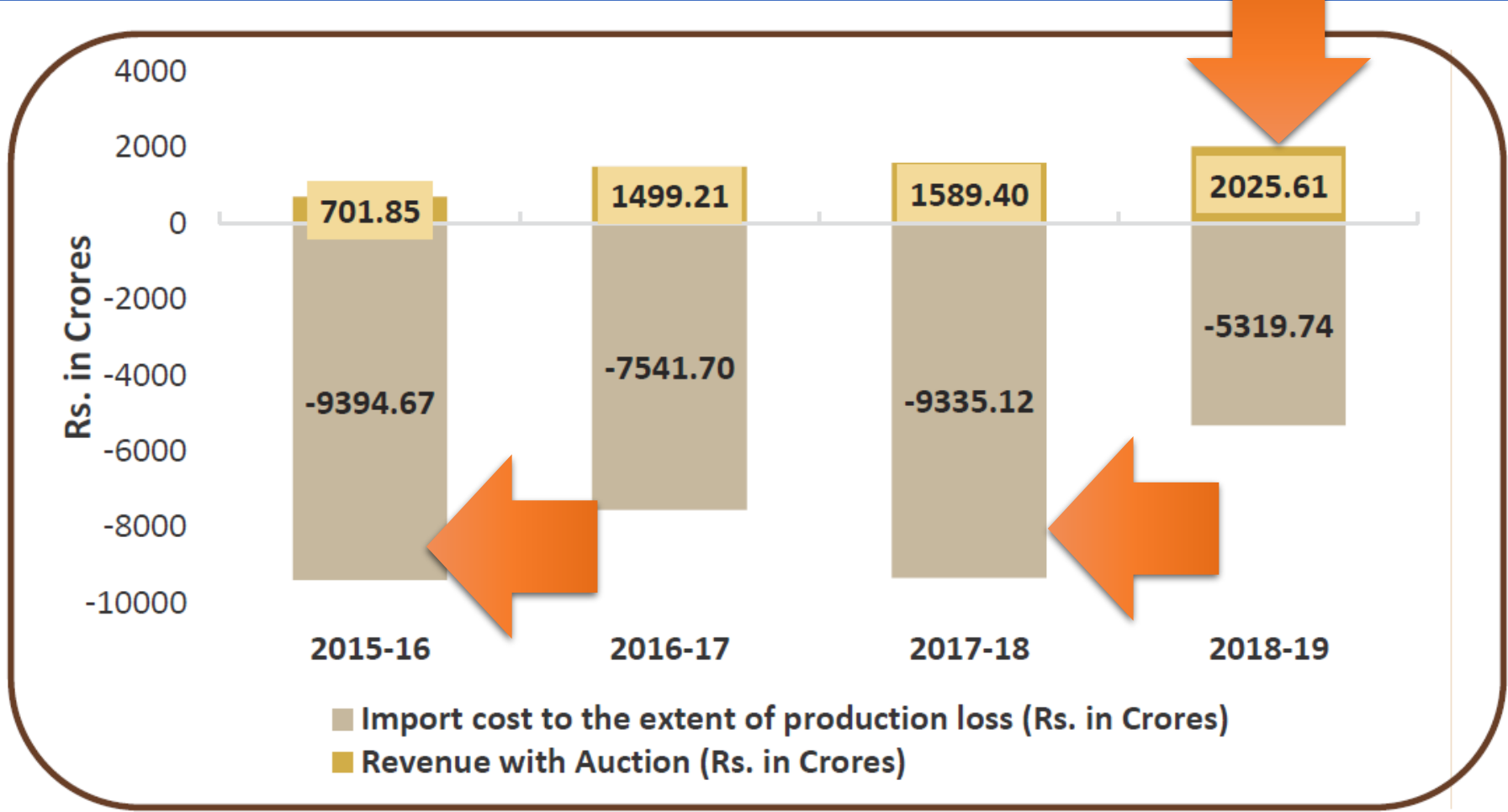
Source: FIMI analysis based on Table VII, VIII and IX; **Note:** Negative value indicates loss to the nation

Imports for the Production Loss = [Per tonne import price (Rs.)] x [production loss during 2015-2019]

- Taken Indonesia's Per tonne Import Price of thermal coal for each year. (**Source:** Coal Manual: The Tex Report Ltd.)
- Assumed \$US price Rs. 65



REVENUE REALIZED VS IMPORT COST



Source: Table X

Government's claims appear questionable



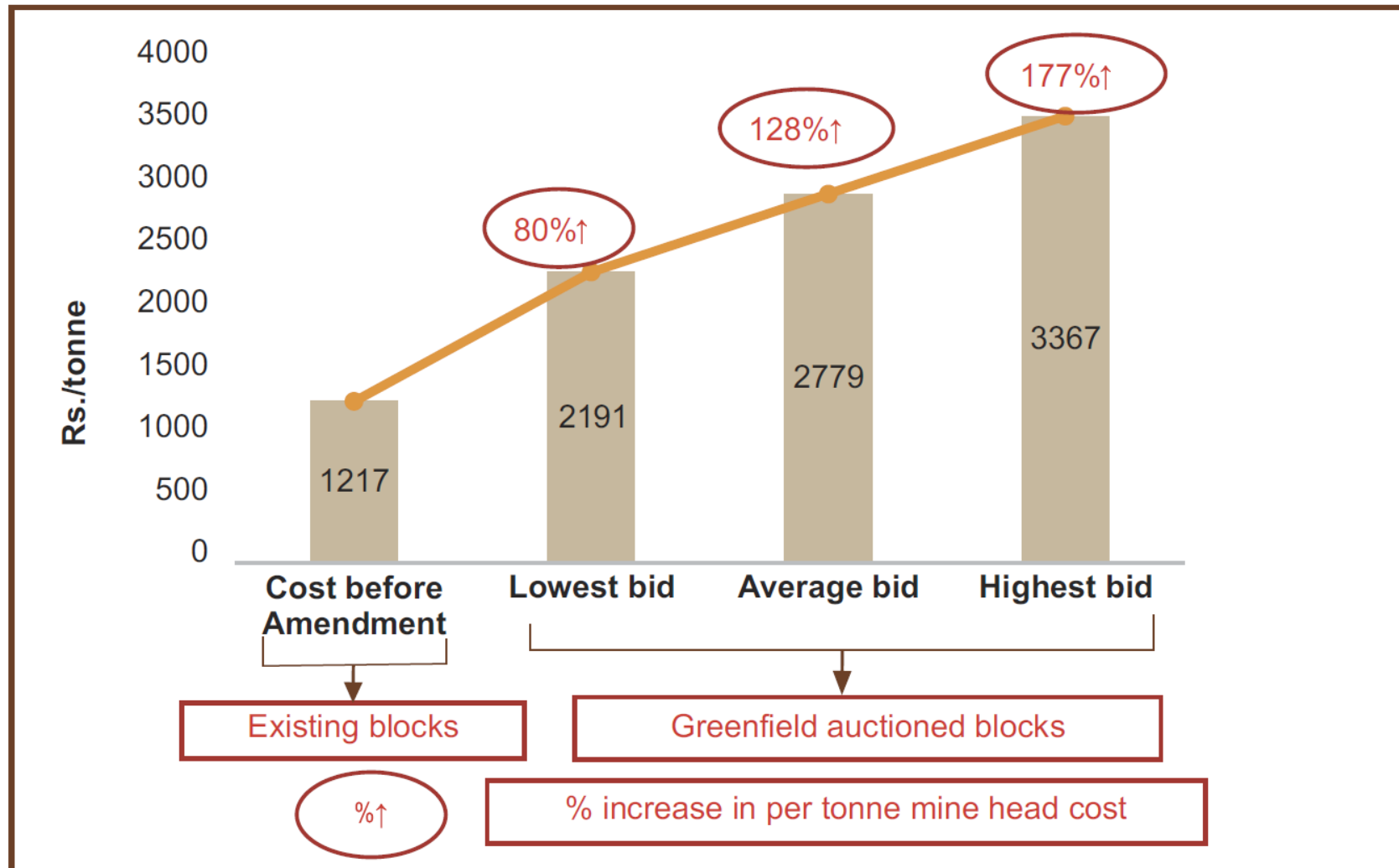
- Production from blocks that were producing at the time of auction / allocation was disrupted, with production levels still much below what they were producing six years ago despite the fact that the statutory clearances were seamlessly transferable for such blocks to new mine allottees.
- As production decreased drastically, imports rose during the last 5-6 years which eventually converted the revenues (generated by State Governments) into loss to the nation.

Orissa mineral blocks Auctioned

Total mineral blocks (ML and PL-cum-ML) auctioned	31	<p>30 — Mining Lease (ML)</p> <p>24 — Working MLs expired on 31st March, 2020:</p> <ul style="list-style-type: none"> – 13 Iron ore – 6 Iron and Manganese ore – 3 Chromite – 2 Manganese ore <p>6 — Greenfield blocks:</p> <ul style="list-style-type: none"> – 3 Iron ore – 2 Limestone – 1 Graphite <p>1 — Prospecting Licence-cum- Mining Lease (PL-cum-ML) for Manganese ore</p>
Execution of MLs of expired mines	17	17 MLs have been executed out of 24 MLs auctioned mines expired on 31 st March, 2020 (these mines were already operational). The validity of existing FC, EC and mining plans of these mines were extended by 2 years.
Execution of greenfield ML	Nil	

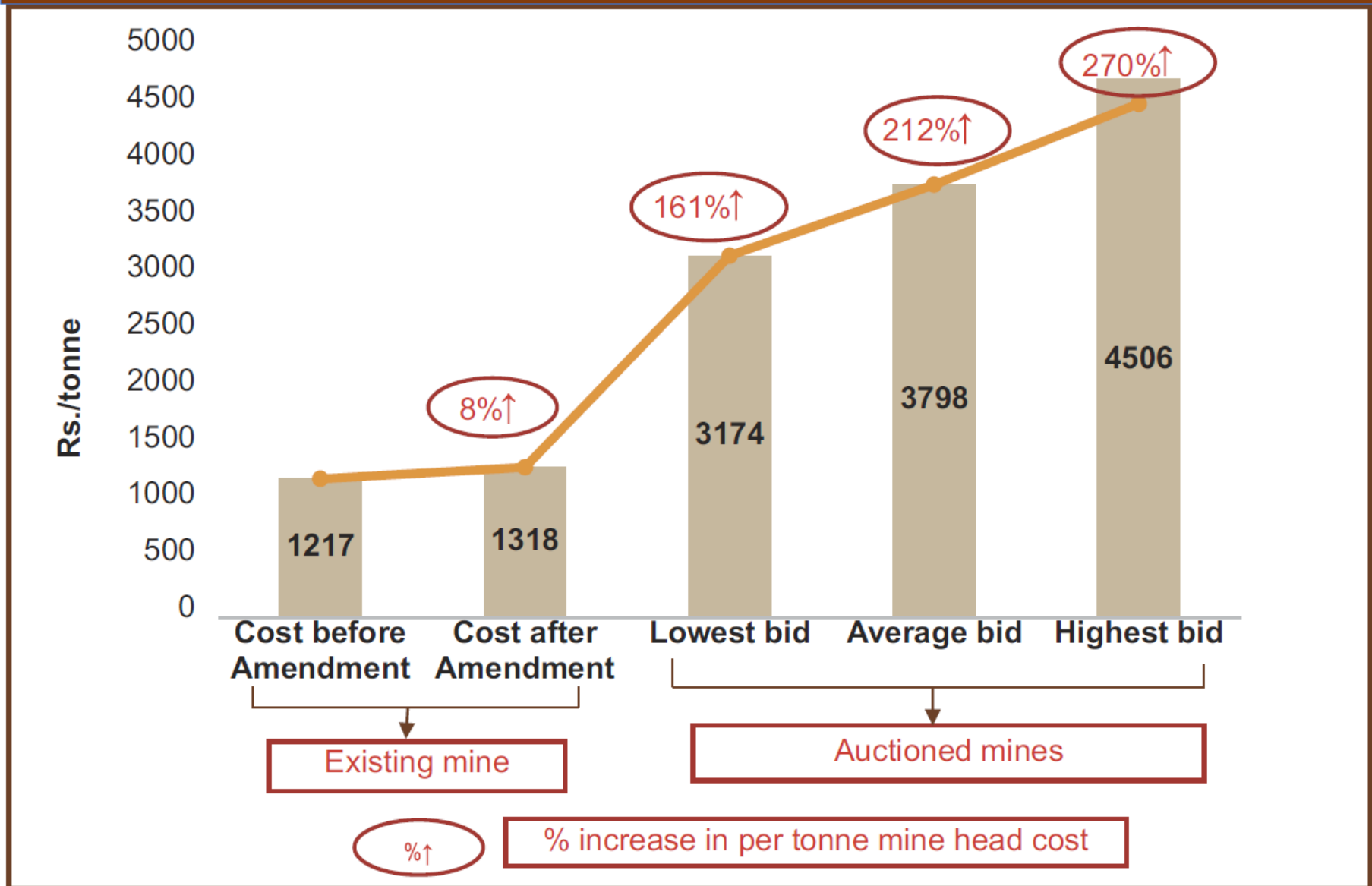
Source: FIMI analysis based on Ministry of Mines data

mine head cost per tonne in Orissa – Green field blocks

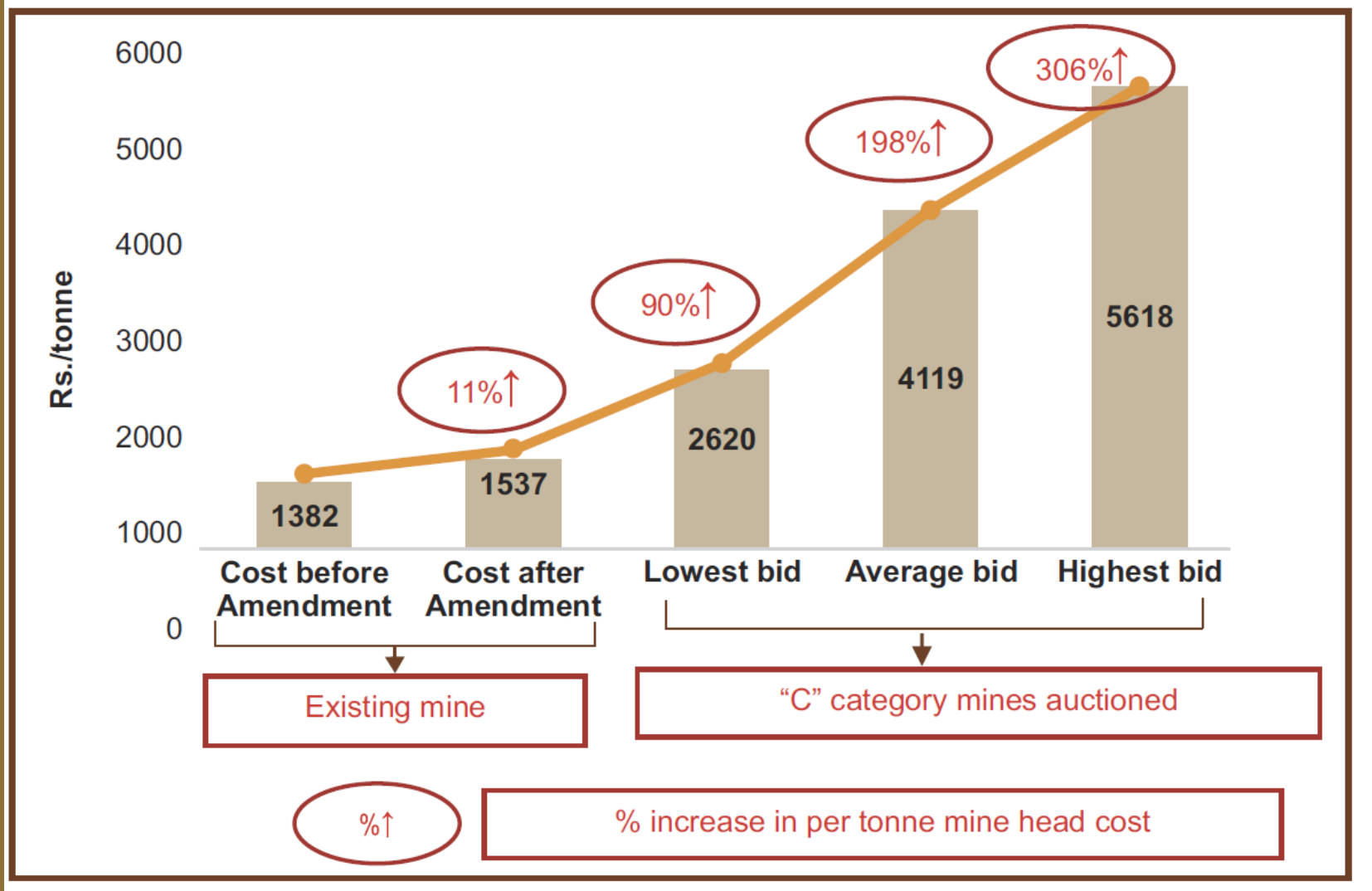




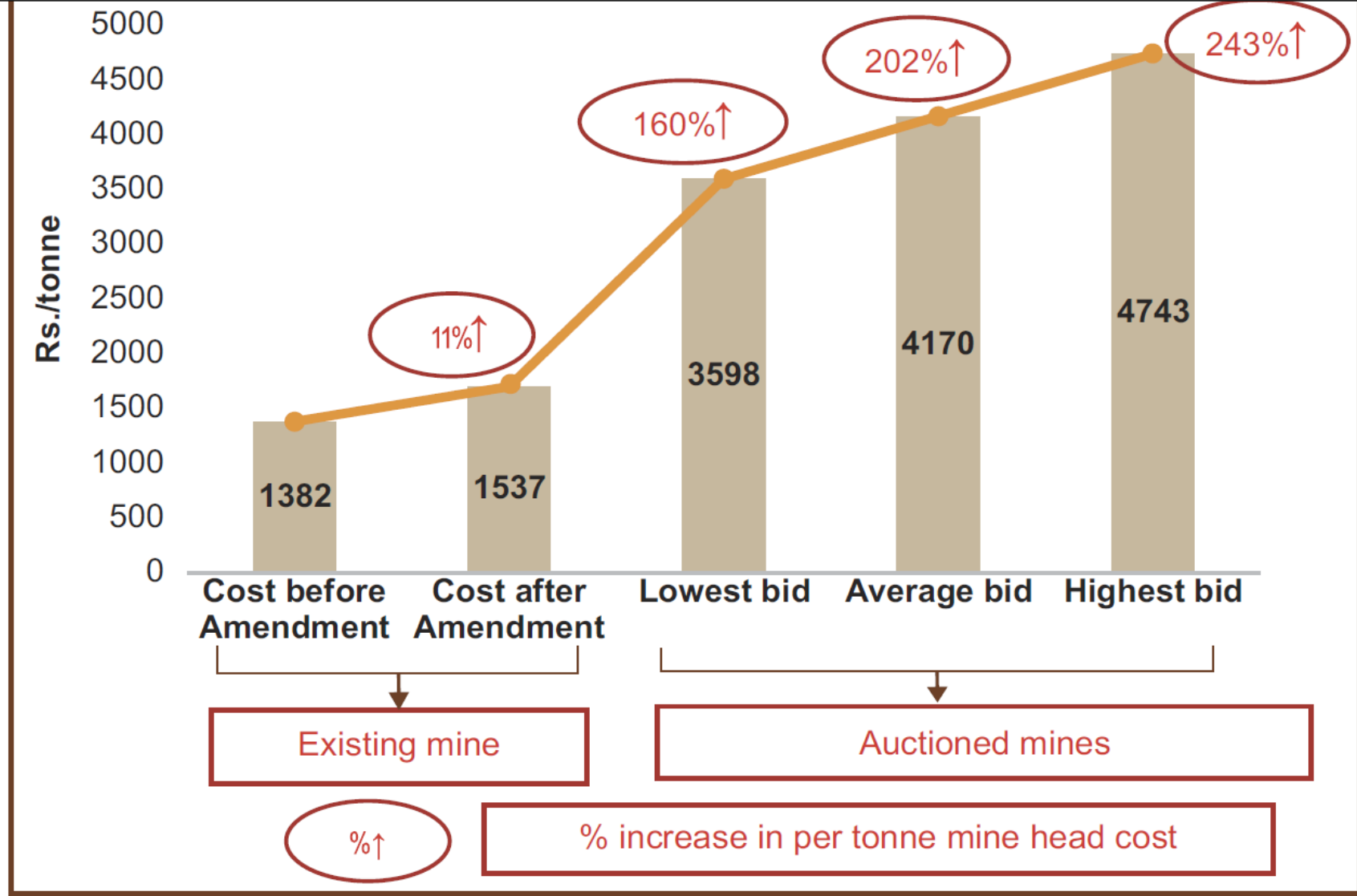
Mine head cost per Tonne – Pre-Post Auction Iron ore & Manganese (av. 62% fines)



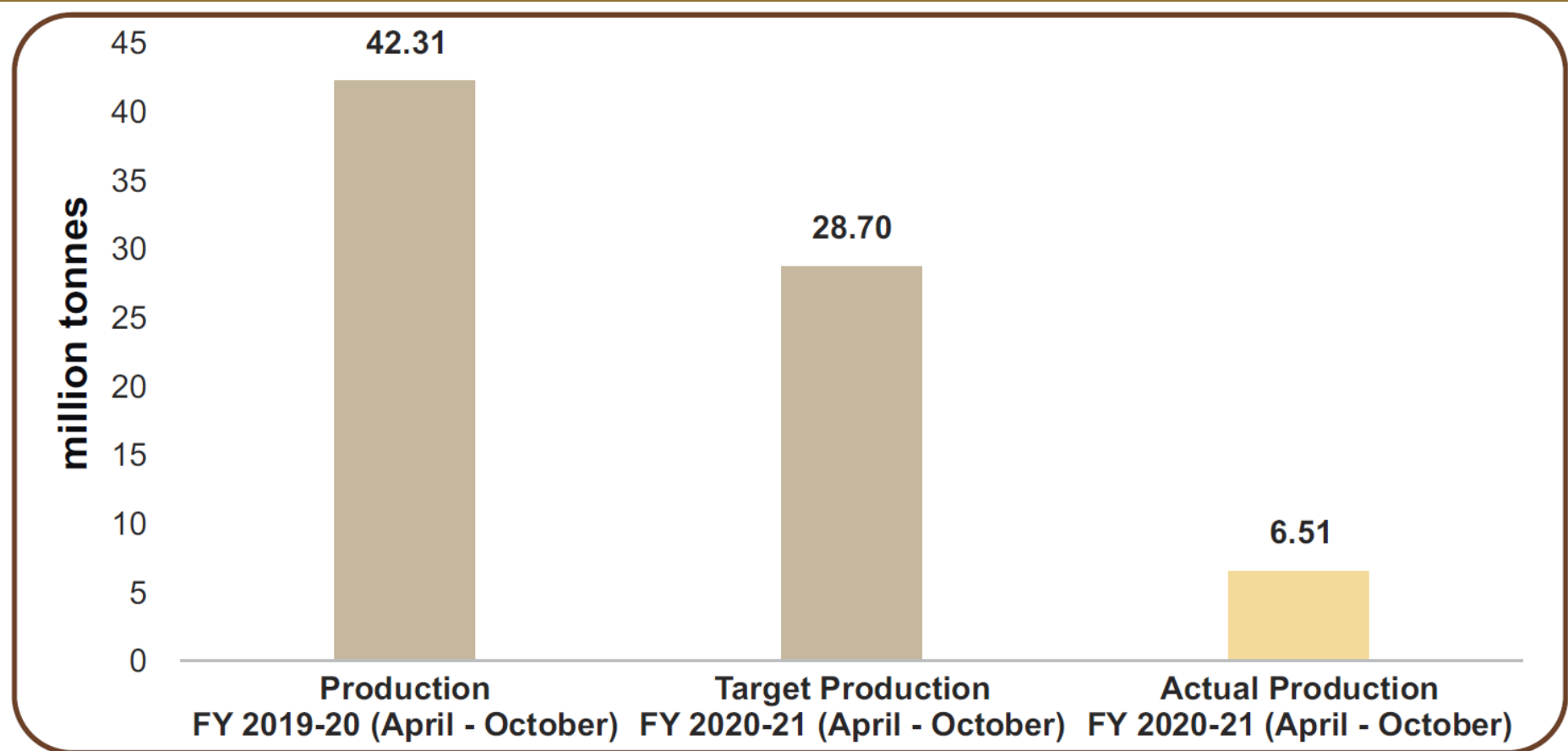
C category Iron ore mines – Karnataka Cost of production at mine –head Pre vs Post auction



C category Iron ore mines – Karnataka Cost of production at mine –head Pre vs Post auction



ODISHA – IRON ORE PRODUCTION SCENARIO AFTER AUCTION, 2020



Source: SteelMint; **Note:** Target production for auctioned mines during FY 21 (April-October): considering 80% of last 2 years' production



Unsustainably high bids



- Auctions have created artificial scarcity to the extent that companies are placing unsustainably high bids beyond 100% of the sale value of resources.
- Any mine at a premium in excess of 100% would inevitably run at a loss.
- A lessee in auction is paying out more to State Government theoretically than what he / she earns.
- Mining, like any economic activity, cannot be operated at a loss. There are press reports that three successful bidders in Odisha have surrendered iron ore and iron ore-cum-manganese mines citing unsustainability of the leases, by letting their security deposits forfeited. Similarly some coal block auctions
- There are scores of examples in India where auctioned blocks did not yield the desired results



Winner's curse and prohibitive cost of production:



- Auction has led to the phenomenon called '**winner's curse**', where the winner of auction, who participated over-enthusiastically has to keep the mine running at a loss. Although the winner is jubilant due to his initial success in being granted the mineral block, the prohibitive high cost of production and statutory payments will lead him to pay more than the true worth of the mineral. In reality, the return from winning mineral in auction is negative for an investor.



Loss of production:

- 17 mines which could resume production post-auction have been incurring heavy losses from the start itself and are struggling to start production. Moreover, these lessees are trying various means to somehow reduce the cost of production and statutory payments to the Government.





Loss of State's revenues



- It was expected that State Government will realize substantially higher revenues from auction. However, not a single auctioned lease in Odisha has been able to fulfill this commitment and the State has lost huge amount of revenue. As per media reports, the loss to Government of Odisha from only 4 auctioned mines during the 6 months period from April–September 2020 was Rs. 1,155 crores and the State has served notice on these mines for loss of its revenues.



Adverse impact on mining ecosystem:

- Auction is leading to mines being taken over by large companies having end-use plants creating monopolistic conditions. It was expected that MNCs and large companies having technology and financial strength will bring in advanced technology, skilled manpower into mining sector which unfortunately did not happen.



Auctions of mineral resources

What is
expected of
Auctions

Has it delivered?

**Transparent
and fair
allocation**

- auction” has neither brought transparency nor expected revenues to the States which led to high and unsustainable bids; making the industries unviable,
- The biggest drawback in transparency of auction system is the information asymmetry among the bidders about the geological worth of the block, which is the most important factor to place a bid / quote.

Auctions of Major mineral resources

What is expected of Auctions

Has it delivered?

Employment Generation

- Auction has also left investors with negative return on investment. With no surplus / profits to be ploughed back into R&D, upskilling of workforce, improving health and safety, the employment conditions of present workforce has been adversely affected. auction has throttled the mining sector, instead of strengthening it, Auction system has completely failed for resource development, both in coal and non-coal sector.



Auctions of Major mineral resources

WHAT IS EXPECTED
OF AUCTIONS

HAS IT DELIVERED?

Competitiveness

- Auction does not help in timely development of resources, as is evident from a comparison of grant of mining leases before and after auction. post-2015 only 28 brownfield mining leases have been executed, having pre-existing EC and FC.
- **In the auction regime, not even a single greenfield mining project has seen the light of the day.**



Analysis of the publicly available data on the auctions conducted so far indicates a number of factors at play:

- Adequacy as well as quality of exploration data and mineralization studies/geological reports is an underlying issue.
- Availability of mineral resources in terms of quantity and quality may not be adequate to attract bids in some cases.
- Mineral blocks lying within forest/eco-sensitive/ disturbed areas may be seen negatively. Encroachment over the government land may also negatively impact success of an auction.

- **The auction system may result in the slow demise of the micro, small and medium enterprises (MSME) sponge iron industry, which today contributes more than 25% of crude steel production through the secondary route.**
- ***The auction system should be used for adequately prospected deposits only in line with recommended practice.***

PSS: Policy Support System

6.21 Central Geological Programming Board

**MINUTES OF THE 61st MEETING OF THE
CENTRAL GEOLOGICAL PROGRAMMING BOARD**

**A. P. Shinde Symposium Hall, Indian Council of Agricultural Research,
NASC Complex, Pusa, New Delhi**

(24th March 2022)

61.01.00	The 61 st meeting of the Central Geological Programming Board (CGPB) was held on 24th March 2022 at A.P. Shinde Symposium Hall, Indian Council of Agricultural Research (ICAR), NASC Complex, Pusa, New Delhi. The list of participants is given at Annexure-I .
INAUGURAL SESSION	
Welcome address by Shri. R.S Garkhal, Director General, GSI	

THE CENTRAL GEOLOGICAL PROGRAMMING BOARD (CGPB)

The Central Geological Programming Board (CGPB) is the apex body at the national level under the chairmanship of Secretary, Mines, to coordinate the activities on geological mapping, mineral prospecting and exploration in the country.

The CGPB meeting, chaired by the Secretary, Ministry of Mines, is organized annually to discuss the geological programs, and the related issues and concerns of the state governments, central institutes and other stakeholders working in mineral exploration and other geoscience fields.

	<p>concessions (CL & ML). On the one hand, the Act is non-facilitatory for investment by the domestic exploration companies and, on the other hand the Act has resulted in flight of Indian private capital to overseas mineral-friendly destinations.</p> <p>Further, the Glasgow Climate Pact 2021, recognizes that the limiting global warming to 1.5°C requires rapid, deep and sustained reductions in global greenhouse gas emissions, including reducing global CO₂ emissions by 45% by 2030 relative to the 2010 level and to net zero around mid-century. To honour the Glasgow Pact for the global good, India has to drastically reduce the fossil fuel consumption (Coal and Oil) and quickly focus on exploration and mining of non-conventional energy-storage minerals for manufacturing EVs and to harness solar and wind energy on large scale.</p> <p>To achieve these goals, India has got no other option but to encourage the private enterprises by doing away with the failed Auction-mode of granting mineral concessions and adopt a combination of FCFS and PPP (PSU-Private-Partnership) mode of granting both CL and ML.</p> <p style="text-align: center;">(Suggestion: Geological Society of India)</p> <p>Additional Secretary, MoM clarified that as per the Minerals (Evidence of Mineral Contents) Rules, 2015, the grant of a mining lease for potential block can only be achieved through a mandatory auction process.</p> <p>AS, MoM urged private sector agencies to come forward to take active participation in auction processes.</p>
61.04.07	Issue-7: 1. Mineral Exploration for Diamond Exploration in Gumla and Simdega District. A. Background Information: - Diamond Mineralization is reported in Gumla and Simdega district of Jharkhand. As per Report published in Mineral year Book of IBM G4 stage investigation to locate Kimberlite lamproite bodies was taken up in parts of Simdega district. Reconnaissance mapping of an area of 700 sq km has



What was said in the Supreme Court Judgement in Presidential reference of 2G case?

Supreme Court Observations



...auctions may be best way of maximizing revenue but revenue maximization may not always be the best way to subserve public good. “Common good” is the sole guiding factor under Article 39(b) for distribution of natural resources It is the touchstone of testing whether any policy subserves the “ common good and if it does, irrespective of the means adopted, it is accordance with the principle enshrined in Article 39(b)...”

Supreme Court Observations



- *Therefore, in conclusion, the submission that the mandate of Article 14 is that any disposal of a natural resource for commercial use must be for revenue maximization, and thus by auction, is based on law nor on logic... **besides legal logic, mandatory auction may be contrary to economic logic as well.** Different resources may require different treatment.*

Supreme Court Observations



- **Where revenue maximization is the object of a policy, being considered qua that resource at that point of time to be the best way to subserve the common good, auction would be one of the preferable methods, though not the only method.**

Supreme Court Observations



- **Court cannot mandate one method to be followed in all facts and circumstances. Therefore, auction, an economic choice of disposal of natural resources, is not a constitutional mandate. [para 139, 144, 146] 4 [440 f, 443-d; 444 B-D]**



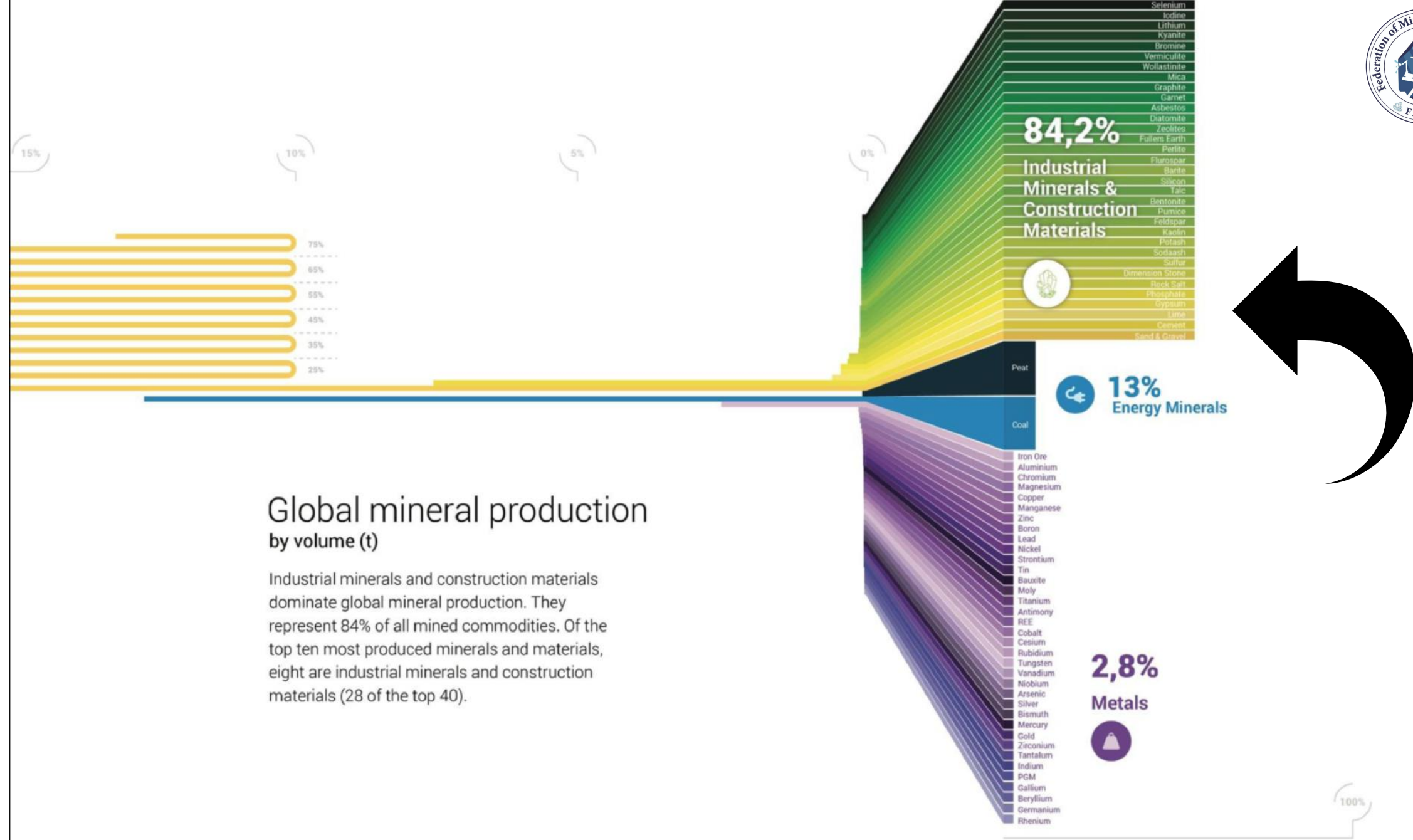
Supreme Court says

- in Conclusion, answer of this Court to the first set of five questions is that **auctions are *not the only* permissible method for disposal of all natural of all natural resources across all sectors and in all circumstances. [para 150] [444-f]**

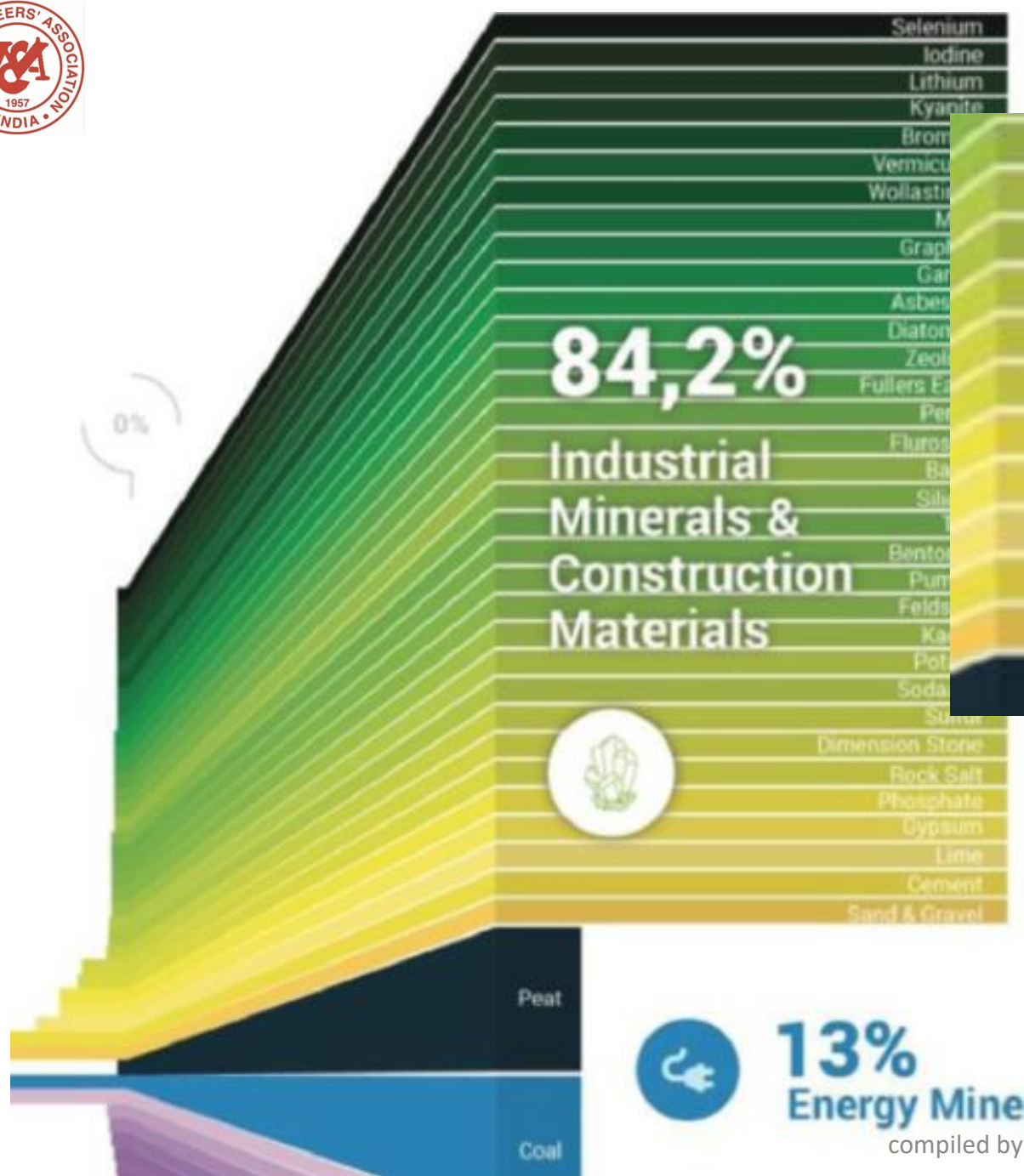


MINOR MINERAL AUCTIONS





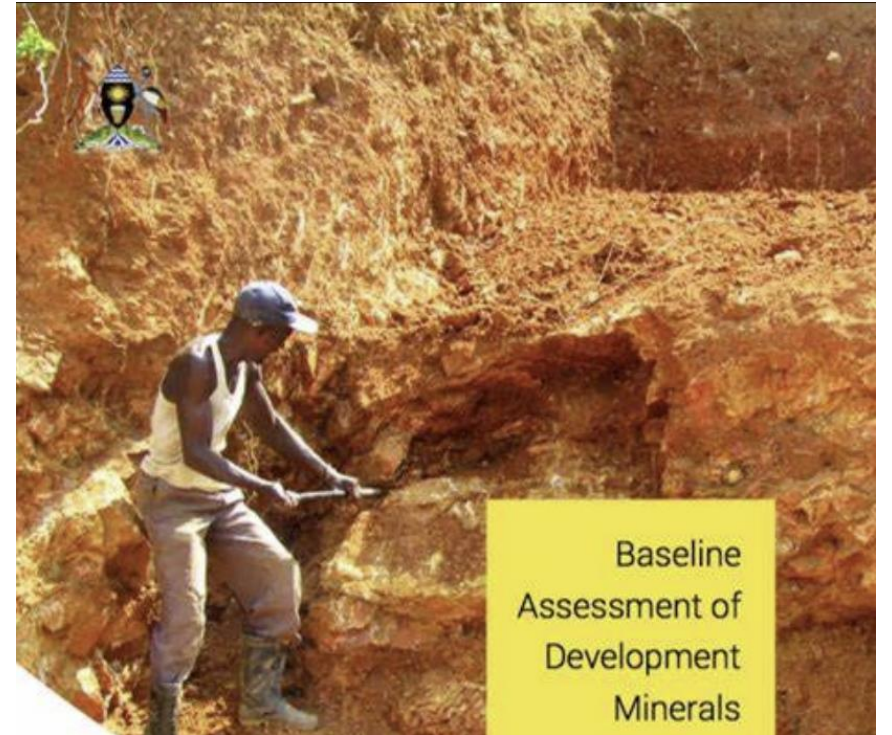
Source: analysis by the authors, after Peduzzi (2014), UEPG (2015) and USGS (2017). <https://minerals.usgs.gov/minerals/pubs/mcs/2017/mcs2017.pdf>



- Selenium
- Iodine
- Lithium
- Kyanite
- Bromine
- Vermiculite
- Wollastonite
- Muscovite
- Graphite
- Garnet
- Asbestos
- Diatomite
- Zeolite
- Fuller's Earth
- Perlite
- Fluorspar
- Barytes
- Silica
- Bentonite
- Pumice
- Feldspar
- Kaolinite
- Potash
- Soda Ash
- Silver
- Dimension Stone
- Rock Salt
- Phosphate
- Gypsum
- Lime
- Cement
- Sand & Gravel

Materials	
Kaolin	
Potash	
Soda Ash	
Sulfur	
Dimension Stone	
Rock Salt	
Phosphate	
Gypsum	
Lime	
Cement	
Sand & Gravel	

Minor Minerals are DEVELOPMENT MINERALS



AUCTION DATA FROM VARIOUS STATES – WITH EXCEPTION OF RAJASTHAN NO WHERE THE SYSTEM IS SUCESSFUL FOR MINOR MINERAL AUCTIONS

STATE	MODE OF CONCESSION		YEAR	BLOCKS AUCTIONED		REVENUE COLLECTED In crores (INR) In 3 years	REMARKS
	PATTA LAND	GOVT LAND		AUCTIONED	WORKING		
GUJRAT	AUCTION	AUCTION	2014-15	162	-	39 c	FAILED
KARNATAKA		AUCTION PREMIUM ON ROYLATY	2015	34	2	-	<p align="center">FAILED</p> <p>ONLY 2 QUARRIES OPERATIONAL DUE TO AUCTION PROCESS</p> <p>M-SAND& Road Metal and Granite were auctioned. Revenue will come only when the mine is operational.</p> <p>No approach roads, No feasibility study was conducted for the areas.</p>
TAMILNADU		AUCTION	2020	13	0	About 50 CRORES	<p align="center">FAILED, NEVER TOOK OFF</p> <p>FOR BLACK GRANITE ONLY And All the matters are pending before the Courts</p>
21-12-2022				Dr.C.H.Rao, 20-12-2022, MEGECON HOSPETE			
MAHARASHTRA		AUCTION	2016	0	0		

CHATTISGARH		AUCTION PREMIUM ON ROYALTY	2016 TO	265	-	26 CRORES	AUCTION FAILED, NEVER TOOK OFF There are 2000 Quarry leases are working and the revenue out of minor minerals is 265 crores and about 10 percent comes from auctioned blocks; Intending to replace auction policy for minor minerals with FCFS policy.
TELENGANA							AUCTION G.O ANNOUNCED THE MODALITIES NOT ANNOUNCED
ANDHRA PRADESH							ONLY 35 LEASES AUCTIONED TILL NOW AND REVENUE COLLECTED IS 19 CRORES. (BASED ON DIRECTORS PRESS NOTE IN SAKSHI DATED 28-9-2022
RAJASTHAN	NO AUCTION UPTO 4 HECTARES	AUCTION	2018	2018- 40 2019- 365 2020-427 2021-993 TOTAL – 1825 OPERATING –	205	1066	PARTLY SUCESSFUL, BUT MASSIVE EVASION OF TAXES
ORISSA			2019	19			AUCTION SYSTEM NOT SUCESSFUL

							includes 11 dimension and decorative stone blocks and three quartz/quartzite blocks
KERALA			October 2021				Once the bidder receives the NOC from the revenue department, one will have to obtain other mandatory licences from the mines and geology department, respective local body, pollution control board, explosive and environmental clearances.
MADHYA PRADESH			2015				<p style="text-align: center;">FAILED SYSTEM</p> <p>Online auction of sand and flagstones mining leases in 2015. Auction has not happened due to lack of bidders, poor conversion ratio and flaws in the bidding method.</p> <p>“Big miners using the process to inflate bid amount by blocking the mines and when the letter of intent is issued they do not come forward to take it.</p> <p>During the first round of online auction of 260 sand mines in July-August last year, 91 were sanctioned for which only 51 bidders came forward after letters of intent were issued.</p>

HIMACHAL PRADESH				AUCTION			LOW LEVEL PARTICIPATION, FAILED
<i>UTTAEAKHAND</i>				<i>LOTTORY SYSTEM</i>			<i>PEOPLE OVER BID COULD NOT OPERATE SURRENDED BACK</i> FAILED
<i>UTTAR PRADESH</i>				<i>AUCTION</i>			<i>CHALANGED IN COURTS FAILED</i>
<i>PANJAB</i>				<i>AUCTION</i>			<i>181 BLOCKS NO REVENUE DETAILS</i>

MINOR MINERAL AUCTION

HIGHLY UNSUCCESSFUL IN ALL STATES EXCEPT RAJASTHAN

NO MINERAL EVIDENCE ACT FOR MINOR MINERALS

BENGAL , JAHARKAND AND ORISSA HAS SOME mineral EVIDENCE rules

AUCTION ON THE VALUE OF DEAD RENTS IN AP AND TELANGANA

Why Minor Mineral Auctions are not possible?

- The average size of a lessee across the minor mineral spectrum is 2.5 to 3 hectares;
- Prospecting is difficult; No ROI
- Even states did not come out with Mineral evidence Acts barring Jharkhand, Bengal and Orissa;
- Auction is a price discovery mechanism;
- Auctions of minerals are failures across the states due to cartelization, price fixation, no upper cap on bidding; corruption; name sake e-auctions; all are offline;

NO MINERAL EVIDENCE ACT FOR MINERAL MINERALS



The biggest effect is death of mineral investigator and the mineral enterprise

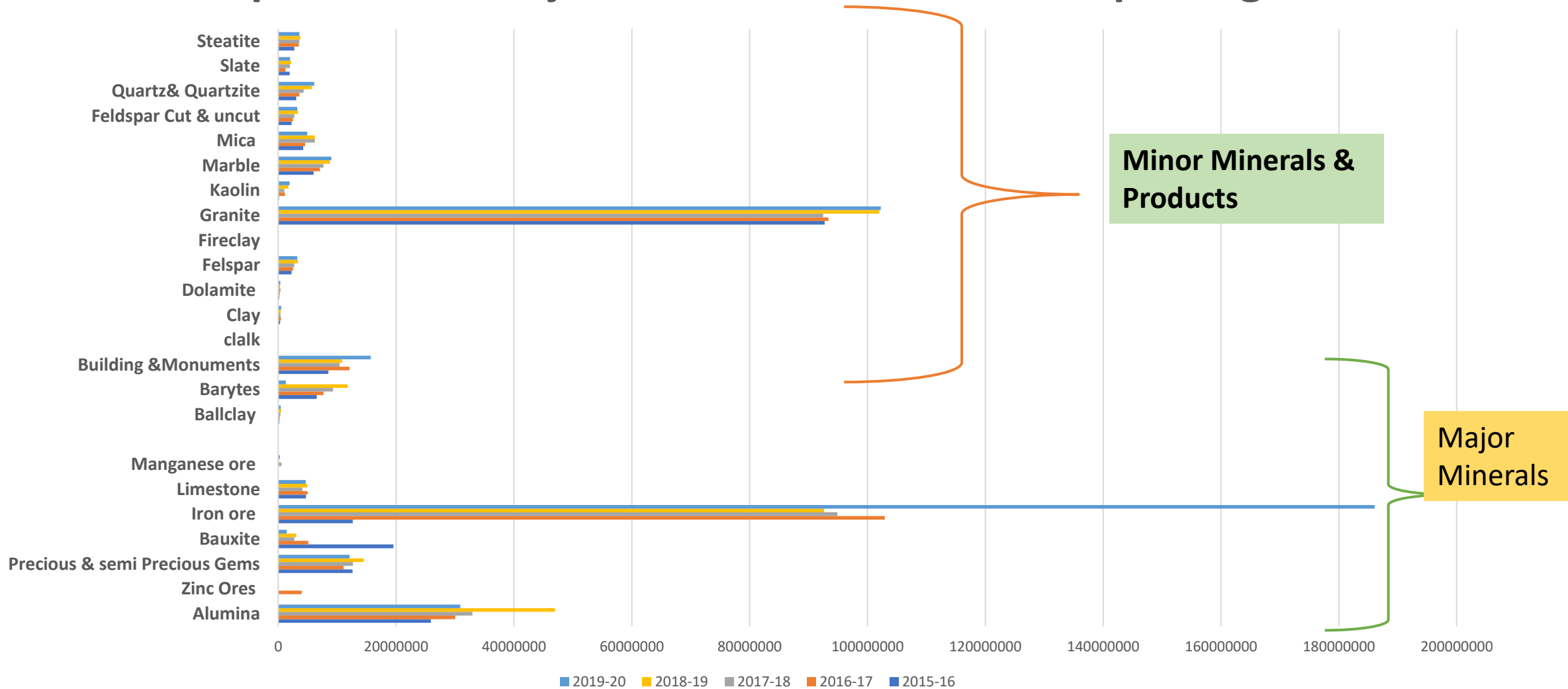
Rural based micro and small enterprises are dead because the right of finding is gone, finders advantage is gone.

auction kills small players –

Shut doors on small time investor;



Comparison of Major versus Minor Mineral Export figures

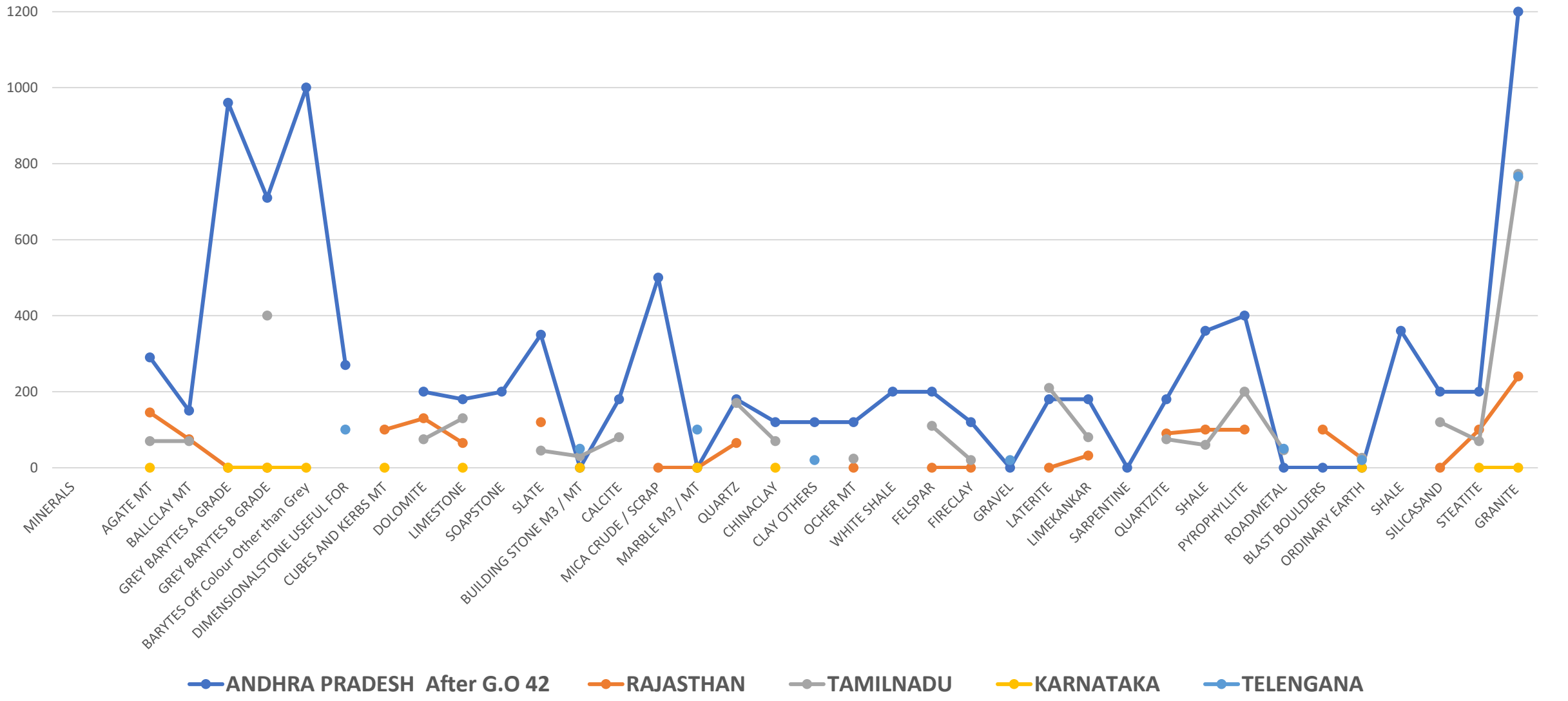




	UNIT	ANDHRA PRADESH After G.O 42	RAJASTHAN	TAMILNADU	KARNATAKA	TELENGANA
MINERALS						
AGATE MT	MT	290	145	70	240	
BALLCLAY MT	MT	150	75	70		
GREY BARYTES A GRADE	MT	960	150		400	
GREY BARYTES B GRADE	MT	710	90	400	300	
BARYTES Off Colour Other than Grey	MT	1000			200	
DIMENSIONALSTONE USEFUL FOR CUBES AND KERBS MT	MT	270	100		150	100
DOLOMITE	MT	200	130	75		
LIMESTONE	MT	180	65	130	70	
SOAPSTONE	MT	200				
SLATE	MT	350	120	45		
BUILDING STONE M3 / MT	MT	120		30	60	50
CALCITE	MT	180		80		
MICA CRUDE / SCRAP	MT	500	625/150	2000		
MARBLE M3 / MT	MT	240	205		1000	100
QUARTZ	MT	180	65	170		
CHINA CLAY	MT	120		70	80	
CLAY OTHERS	MT	120				20
COCHER MT	MT	120	45	24		
WHITE SHALE	MT	200				
FELSPAR	MT	200	90	110		
FIRECLAY	MT	120	80	20		
GRAVEL	MT	200				20
LATERITE	MT	180	80	210		
LIMEKANKAR	MT	180	32	80		
SARPENTINE	MT	-				
QUARTZITE	MT	180	90	75		
SHALE	MT	360	100	60		
PYROPHYLLITE	MT	400	100	200		
ROADMETAL	MT	120		46		50
BLAST BOULDERS	MT	120	100			
ORDINARY EARTH	MT	60	25	26	40	20
SHALE	MT	360				
SILICASAND	MT	200	90	120		
STEATITE	MT	200	100	70	40	
GRANITE	MT	1200	240	773	1000 FOR EXPORT/400*DOMESTIC	77 766



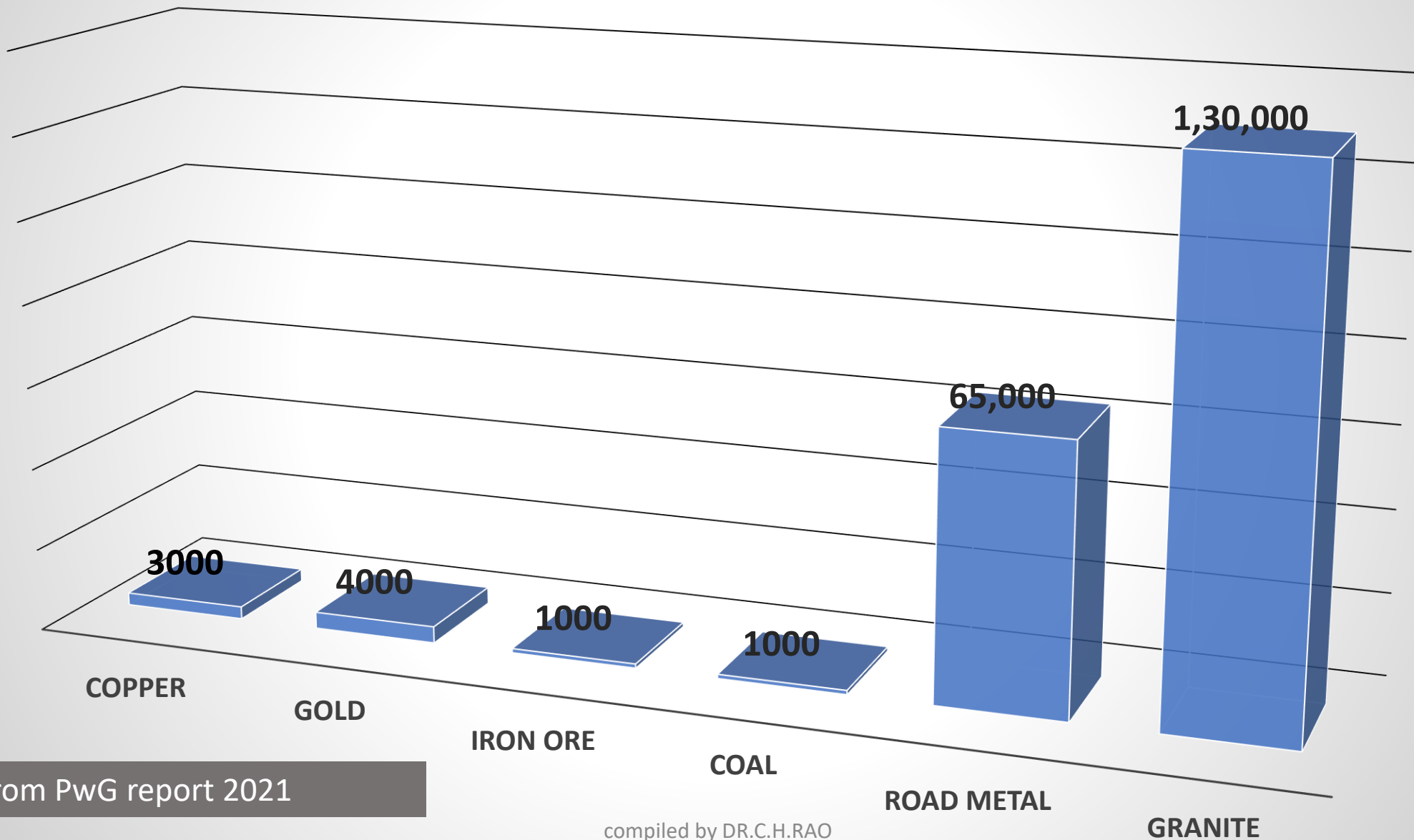
COMPARISION OF ROYALTIES IN VARIOUS STATES



compiled by DR.C.H.RAO



Comparison of Dead rents per Hectare in India for some major mineral dead rents and minor minerals



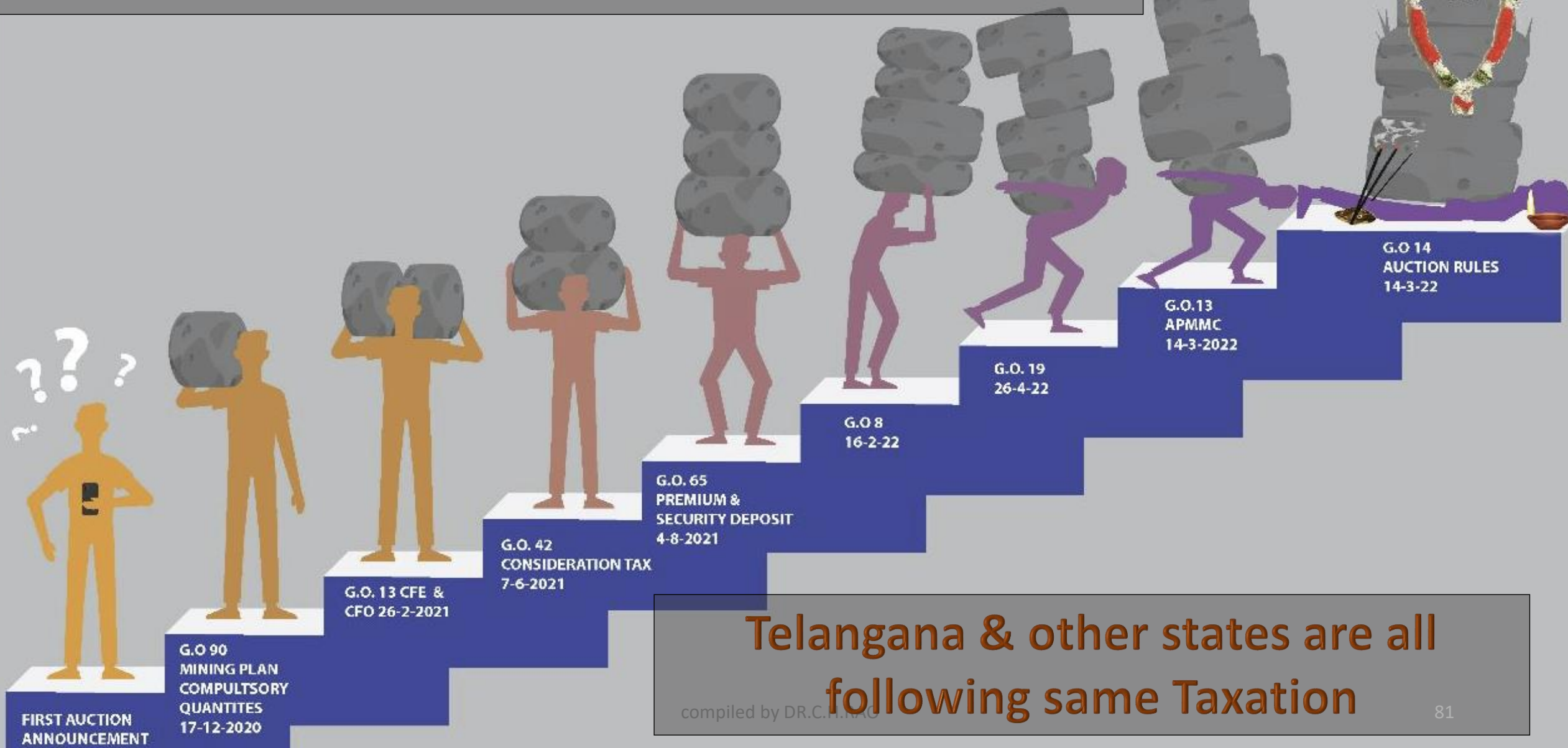
Data from PwG report 2021

compiled by DR.C.H.RAO

Dimensional Stones can't be Auctioned

- Prospecting of Granite or any other natural stone, identification of the deposits, assessments of its mineability, marketability, the entire life cycle is primarily determined by the Private Investors only.
- The defining feature of dimension stone is that unlike other mineral commodities which have value mainly as a result of their ***physical properties***, ***the physical properties of a rock are merely the minimum qualification*** in determining whether it is fit for use in dimension stone applications.

Demise of minor mineral mining industry in Andhra Pradesh



Telangana & other states are all following same Taxation

End result !



COMPLEXITY

Multiple Key decision factors



VOLATILITY

Rate of change



AMBIGUITY

Lack of clarity about
meaning of n event



UNCERTAINTY

Unclear about the
present

FEMMI IS LEGALLY FIGHTING AGAINST AUCTION OF MINOR MINERALS

- **FEMMI is working
Auctions**
- **Filed writ petitions
against auction
policy in Andhra
Pradesh and
Telangana**



Conclusions

- *Under the grab of transparency and fairness and so called online e-auction which is a facade for the bureaucracy to subvert the system and serve the powerful, moneyed class. There is no transparency in the system. System is corrupt, inefficient and only sub-serve a class. None of the systems effectively live up to the constitutional provisions of serving common-good.*

- *Neither Governments nor Industry is*

Conclusions

- I propose that all the MEAI Chapters simultaneously shall send memorandums with examples on failed auctions from their chapter regions to MOM and PMO.
- There has to be a continuous effort on the part of Civic society, stake holders and Associations. Change should begin with us.
- We are the Change.



Thank you.

