

# Indian coal block auction faces tepid response, Coal Ministry relaxes rules

India's ongoing auction of 27 coal blocks with end-use restrictions has evoked tepid response from prospective developers with 45 bids received for the assets on offer, prompting the Coal Ministry to further tweak auction rules.

According to information available from government sources, only six of the 27 coal blocks received an "adequate number of bids" and another six blocks evoking interest from state and central government undertakings.

A section within the government maintained that recent opening up of coal mining for foreign investor permitting 100% foreign direct investment (FDI) in commercial coal mining without end use restrictions had impacted investment sentiments among domestic investors and their interest in bidding for coal blocks with end-use restrictions.

This even though such captive mining regulations had been eased permitting captive miners free sale from the asset up to 25% of production.

It also seems that the location of the coal blocks put up for bidding is acting as deterrent to attracting sufficient number of bidders as most of the blocks now up for auction were in western region, mostly in Maharashtra state whereas most of coal end-use plants are located in eastern states. Investors are apprehensive of logistics and transportation costs of shipping coal from the mines to plants located at a distance, a section of officials said.

Since the government had opened up coal mining for global majors enabling the latter to under coal mining projects through wholly owned subsidiaries and additional coal blocks were being identified for exclusive auction including foreign investors before the current year end, comparatively smaller domestic developers are wary in making investments in the current round of auction of coal blocks with end-use restrictions. It is apprehended that smaller domestic developers would not be able to compete in changed domestic coal market with advent of overseas resource majors and more coal being available in the market dampening viabilities of captive mining, officials said.

In a bid to get around the bearish response to the auction of coal blocks for captive mining however with relaxed end use restrictions and free sale of up to 25% of production, the Coal Ministry has relaxed rules that would not permit going ahead with the bidding process even if each coal block received less than three bidders.

Officials said that the Coal Ministry has decided to put in play a recommendation made by an expert committee that auction would be completed even if each coal block received only two bids.

The expert committee had submitted its recommendation permitting auction even if number of bids fell short of the minimum number of bid specified in the auction rules. The relaxation of the auction rules was suggested soon after fourth and fifth round of coal block auction were cancelled over the past two years after number of bids for each block fell short of bids fell short of the minimum stipulated in the auction rules.