

Mineral Auctions: How fair is the game, and for whom?

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Non-Fuel Mining in India

- 1947-1993 Heavily regulated sector, with public sector units dominating
- 1993-2010 Sector liberalised; National Mineral Policy 1993; amendments to Mines and Minerals (Development and Regulation) Act, 1957; private and foreign investments
- 2010-2015 Coal scam fallout; sector comes to a standstill with few new leases granted; international companies leave
- 2015-2021 New auctions regime based on SC directive of fair, objective, and transparent allocation system; further amendments in 2021

Auction Theory

- Two important characteristics of auctions:
 - Format: how auctions are done
 - Information: common-value (known features of the auctioned good) and private-value (bidders' own evaluation)
- Mineral auctions in India: two-stage, electronic, English auction

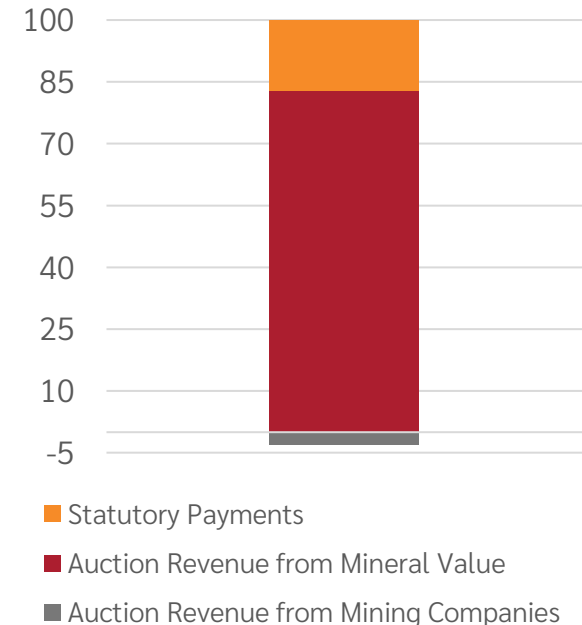
Auction and Statutory Payments

- Average Sale Price (ASP) of a mineral grade in a state (₹ / tonne) =
weighted average of ex-mine prices of non-captive mines
- Value of resources estimated using ASP
- Auction payments to be made monthly to the state government =
minerals despatched in a month x ASP x auction percentage quoted
- Royalty payment to state government – ad valorem or tonnage basis
- DMF = 10% / 30% of royalty payment
(auctioned mines / existing mines)
- NMET = 2% of royalty payment

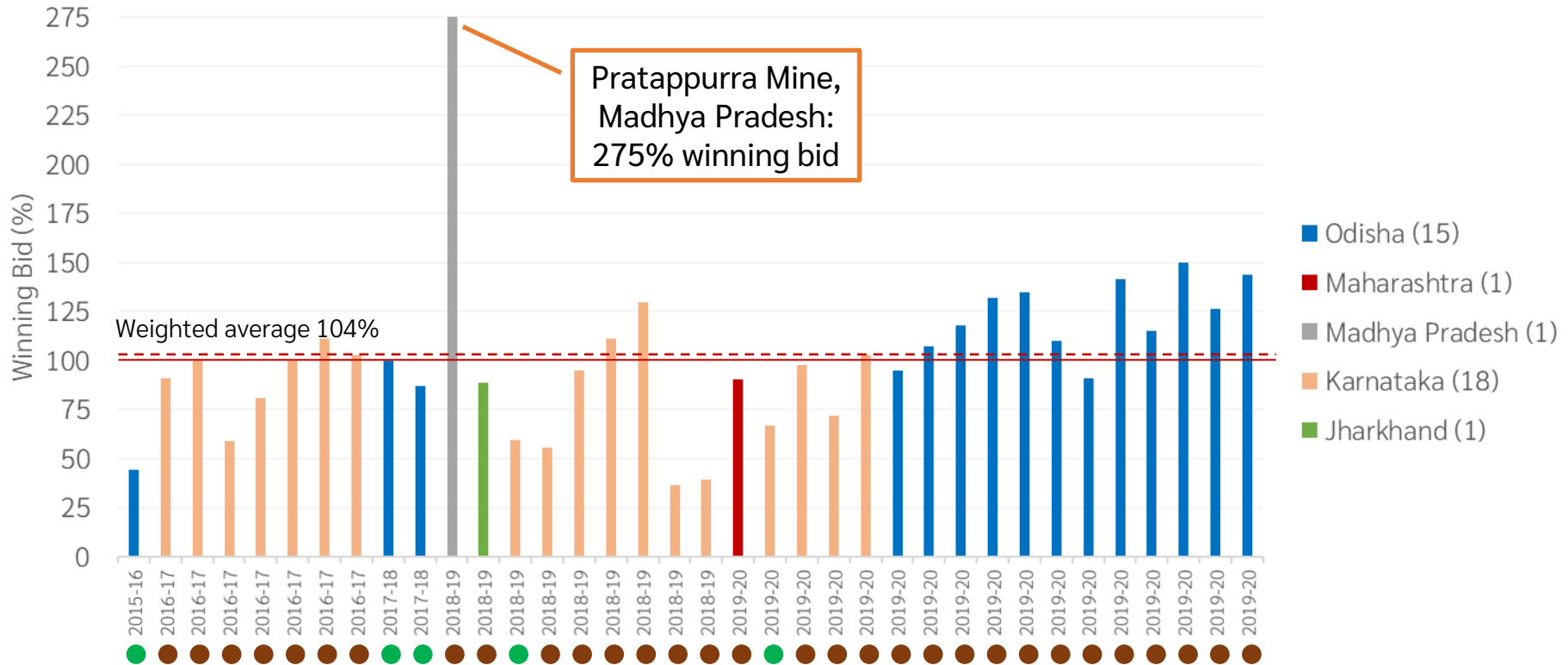
Summary of 103 Auctions

	Value (₹ crore)	Share of Estimated Resource Value (%)
Estimated Value of the Auctioned Resource	804,098	100
Expected Auction Revenue	693,371	86
Statutory Payments (Royalty + DMF + NMET)	133,771	17
Revenue to Government (50 years)	827,143	103
Revenue Left for Mining Companies	-23,455	-3

Breakdown of Mineral Value
(%)

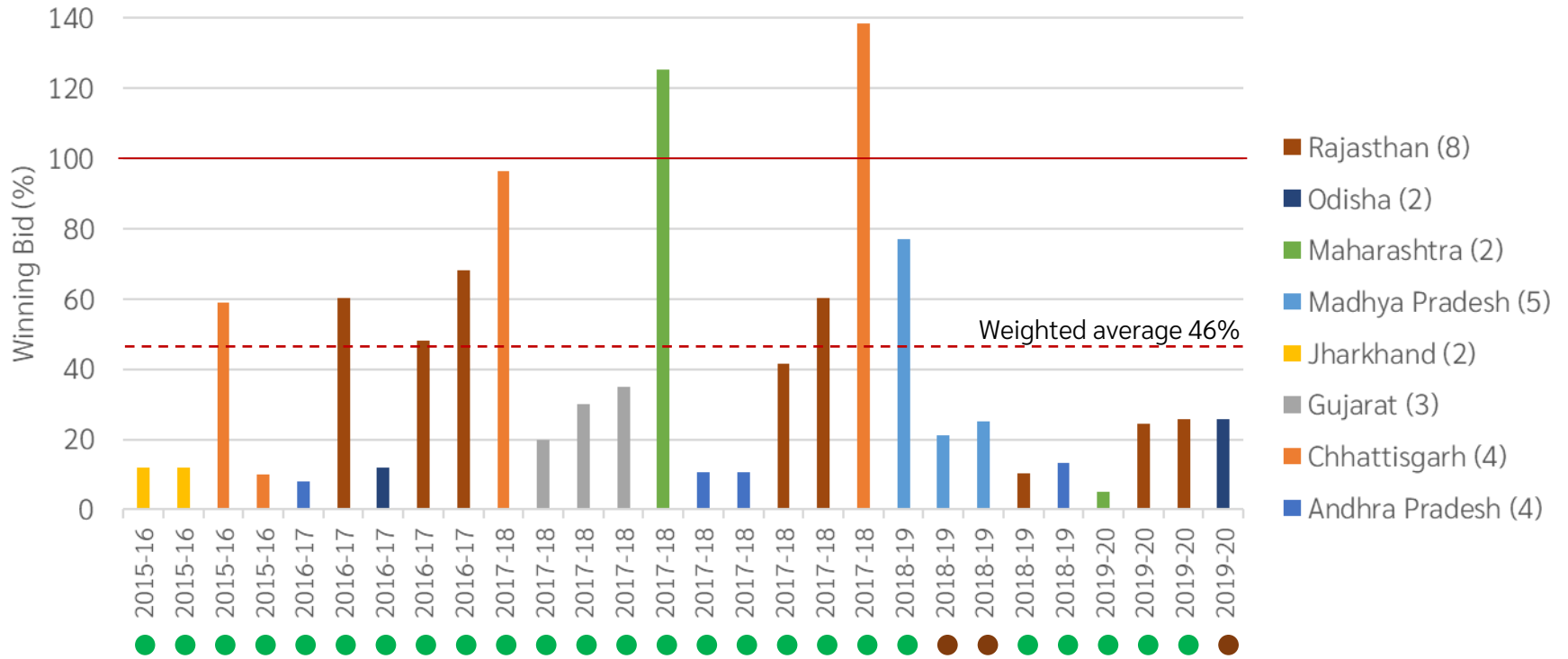


Iron Ore Auctions – Winning Bids



● Greenfield: 5; weighted average bid: 70%
 ● Brownfield: 31; weighted average bid: 107%

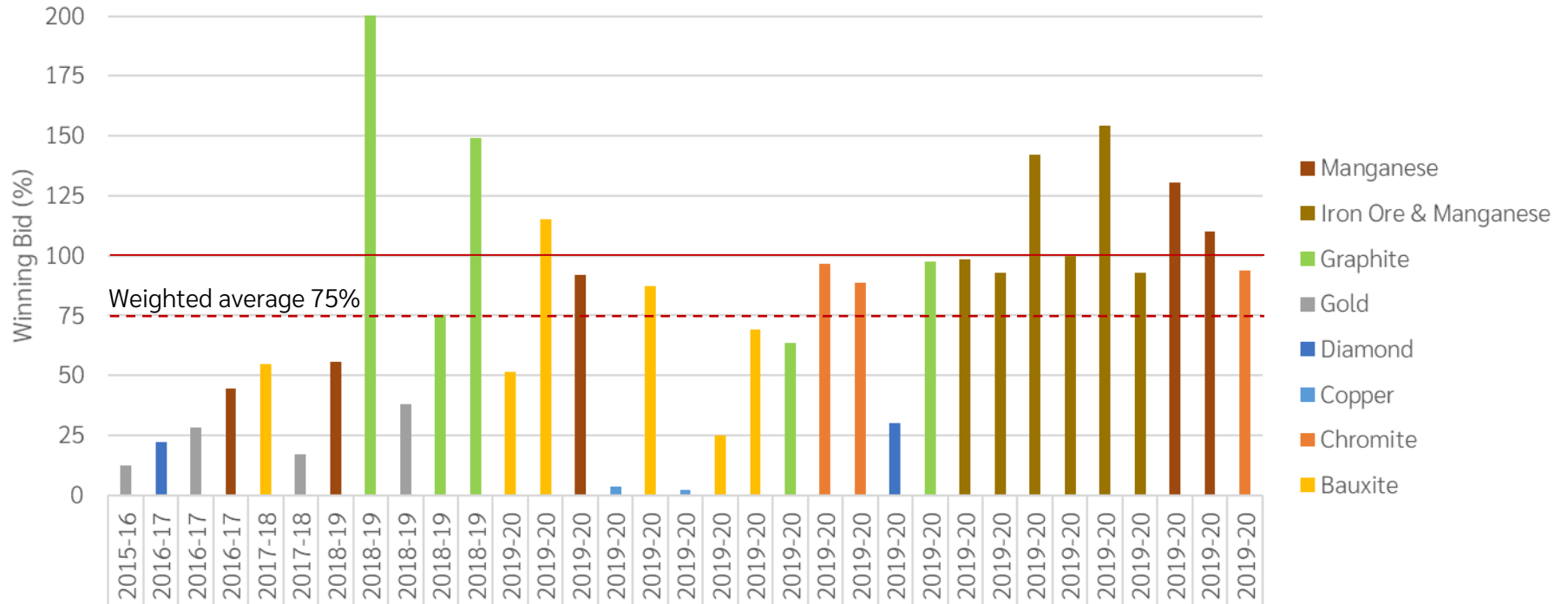
Limestone Auctions – Winning Bids



● Greenfield: 25; weighted average bid: 47%

● Brownfield: 3; weighted average bid: 26%

Remaining Auctions – Winning Bids



8 * 3 auction data missing from 2020/21

Discussion