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

THURSDAY, APRIL 15, 2021 • 3:00 PM – 4:30 PM (INDIA)
Non-Fuel Mining in India

1947-1993  Heavily regulated sector, with public sector units dominating


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

<table>
<thead>
<tr>
<th>Section</th>
<th>Value (₹ crore)</th>
<th>Share of Estimated Resource Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Value of the Auctioned Resource</td>
<td>804,098</td>
<td>100</td>
</tr>
<tr>
<td>Expected Auction Revenue</td>
<td>693,371</td>
<td>86</td>
</tr>
<tr>
<td>Statutory Payments (Royalty + DMF + NMET)</td>
<td>133,771</td>
<td>17</td>
</tr>
<tr>
<td>Revenue to Government (50 years)</td>
<td>827,143</td>
<td>103</td>
</tr>
<tr>
<td>Revenue Left for Mining Companies</td>
<td>−23,455</td>
<td>−3</td>
</tr>
</tbody>
</table>

### Breakdown of Mineral Value (%)

- **Statutory Payments**
- **Auction Revenue from Mineral Value**
- **Auction Revenue from Mining Companies**
Iron Ore Auctions – Winning Bids

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

Pratappurra Mine, Madhya Pradesh: 275% winning bid

* 1 iron ore auction data missing from 2020/21
Limestone Auctions – Winning Bids

- Greenfield: 25; weighted average bid: 47%
- Brownfield: 3; weighted average bid: 26%

* 2 iron ore auction data missing from 2020/21
Remaining Auctions – Winning Bids

8 * 3 auction data missing from 2020/21
Discussion