Mine Developer and Operator (MDOs)

Name of anchor: Kundan Pandey
In Coalgate verdict, Supreme Court said,

“The State PSUs, besides having been allocated coal mines for commercial purpose, have also been allowed to form joint venture companies. However, in the joint venture agreements between the State PSUs and the private companies, mining operations have been given to private companies......This modus operandi has virtually defeated the legislative policy in the Coal Mines (Nationalisation) Act and winning and mining of coal mines has resultantly gone in the hands of private companies for commercial use.”
What is happening now?

• The Coal Mines (Special Provision) Act, 2015-categorically sets the terms for giving coal mines to players active in the field.
• Private players will get the coal mines through an auction route
• The government may allot coal mines to public sector companies.
• Majority of coal blocks (63 %) have been given through allotment routes
• Out of this, around 75 per cent of coal blocks had gone to PSUs, like,
  - Rajasthan Rajya Vidyut Utpadan Nigam Limited
  - Chhattisgarh State Power Generation Company Limited
  - Punjab State Power Corporation Limited
  - West Bengal Power Development Corporation Limited
Mine Developer and Operator (MDOs)

- State PSUs hand over the allotted mines to private mine companies (MDOs)
- What they do: Securing clearances, ensuring mine access, physical possession of land, implementing rehabilitation and resettlement, equipment handling & maintenance and coal production
EMIL, the mining arm of the Aditya Birla Group, is in mining business since 1950 operating iron ore mines in the Barbil region of Orissa. To garner the experience gathered in iron ore mining, EMIL has decided to diversify into other minerals like coal, etc.

However due to policy restriction, coal for merchant mining is not allowed to private sector in India and the only available route to enter into the sector was through the mine developer-cum-operator (MDO) route. The MDO contractor carries out entire gamut of activities right from land acquisition, R&R, mine planning to development and operation of mine and coal extraction and coal transportation up to the owner’s loading silo on behalf of mine owner who holds the mining lease. In return, the mine owner pays a contractually agreed fixed mining fee on per tonne of coal and/or per cum of over burden (OB) basis to MDO. Large sizes heavy earth moving machinery (HEMM) are deployed to achieve economies of scale. Focus is more on achieving higher levels of equipment availability through Maintenance and Annual Repair Contracts (MARC) given to reputed vendors.

EMIL is the largest mine-developer-cum-operator (MDO) in the private sector in India. EMIL currently operates two projects — Bhubaneswar Coal Mine & Rajmahal Coal Mine, through its subsidiaries Bhubaneswar Coal Mining Limited (BCML) in Odisha & Rajmahal Coal Mining Limited (RCML) in Jharkhand states respectively.

EMIL diversified into coal mining business following the Government of India’s decision to invite private participation to bridge the deficit in coal production. EMIL became the first MDO in India when it was awarded the Bhubaneswar open cast project, now the largest coal mine, under Mahanadi Coalfields Ltd. (MCL) in Odisha.
Big MDOs

- Adani Enterprises, Essel Mining, Sainik Mining, Thriveni, Ambey, BGR, NCC, VPR, Dilip Buildcon- Bigger players of the field, as per KPMG report
- Around 17 coal mines have been given to private players.
No transparency

• Terms and conditions are not known
• In the Coal Mines (Special Provision) Act, 2015, there is no mention of MDOs

• The fact is that private sector has its hands in coal already
• Then why the recent auction?
Thank you

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