

GOVERNMENT OF KARNATAKA

No: DMG-17012/9/2018/2019-20
C. No. 64001

4388

Office of the Director
Department of Mines and Geology
Khanija Bhavan, Race Course Road
Bangalore-1 Date: 23.12.2019
Email id: dir-mines@karnataka.gov.in

23 DEC 2019


To,
**Kirloskar Ferrous Industries Limited,
Laxmanrao Kirloskar Road,
Khadki, Pune – 411 003.
Maharashtra.**

Sub: Letter of intent to acknowledge the Preferred Bidder as Successful Bidder with reference to e-auction dated **04.09.2018** for grant of iron ore mining lease for "**M/s Bharath Mines & Minerals, ML No: 2245**" Block in Nandihalli village, Sandur Taluka, Ballari District over an extent of 24.47 Hectare Area of Forest land.

1. Background:

- 1.1 The Director, Department of Mines and Geology, Karnataka, issued the notification and notice inviting tender dated 30th January 2018 for grant of mining lease for "**M/s Bharath Mines & Minerals, ML No: 2245**" located in Nandihalli village, Sandur Taluka, Ballari District of Karnataka (the "**Tender Document**") pursuant to the Hon'ble Supreme Court judgments and orders in Samaj Parivartana Samudaya and Ors. Vs. State of Karnataka and Ors in W.P.(C) No. 562 of 2009, the Mines and Minerals (Development and Regulation) Act, 1957 (the "**Act**") and the Mineral (Auction) Rules, 2015 (the "**Rules**"). The e-auction process was conducted in accordance with the Mineral (Auction) Rules, 2015 after completion of first and second round of e-auction for the said mineral block "**Kirloskar Ferrous Industries Limited**" was declared as the "**Preferred Bidder**" in accordance with Rule 9(4)(b)(iii) of the Mineral (Auction) Rules, 2015.
- 1.2 The upfront payment being an amount equal to 0.50% of Value of Estimated Resources (VER) for "**M/s Bharath Mines & Minerals, ML No: 2245**" Block is Rs. 3,81,61,718/- (Rupees Three Crore Eighty One Lakhs Sixty One Thousand Seven Hundred and Eighteen Only). As required under Rule

10(1) of the Mineral (Auction) Rules, 2015, **Kirloskar Ferrous Industries Limited** has deposited the first installment of the upfront payment, being ten percent of the upfront payment, of **Rs. 38,16,172/- (Rupees Thirty Eight Lakhs Sixteen Thousand One Hundred and Seventy Two Only)** through Demand Draft (DD) bearing No. 025616 dated: 14.09.2018 which was received on 14.09.2018.

- 1.3 It has been confirmed that the Bidder has submitted a declaration stating that the Bidder is continuing to be in compliance with all the terms and conditions of eligibility as per the Tender Document.
- 1.4 The Second Installment of the upfront payment for "**M/s Bharath Mines & Minerals, ML No: 2245**" Block being ten percent of the upfront payment **Rs. 3,81,61,718/- (Rupees Three Crore Eighty One Lakhs Sixty One Thousand Seven Hundred and Eighteen Only)** as required under Rule 10(3) of the Mineral (Auction) Rules, 2015, which is **Rs. 38,16,172/- (Rupees Thirty Eight Lakhs Sixteen Thousand One Hundred and Seventy Two Only)** has been deposited by **Kirloskar Ferrous Industries Limited** through Demand Draft (DD) bearing No. 028151 dated: 30.09.2019.
- 1.5 The Bidder has furnished the Performance Security pursuant to the Mineral (Auction) Rules, 2015 valid for the period specified in the MDPA, for an amount equal to 0.5% of Value of Estimated Resources and is **INR 3,81,61,718/- (Rupees Three Crore Eighty One Lakhs Sixty One Thousand Seven Hundred and Eighteen Only)**. Pursuant to sub-rule (1) of rule 12 of the Auction Rules, the Performance Security shall be adjusted every five years so that it continues to correspond to 0.50% of the reassessed value of estimated resources determined in accordance with the Auction Rules. In such case, bank guarantee constituting the Performance Security shall be substituted with another bank guarantee of the same value issued in accordance with Clause 10.2 of the Tender Document, which is for the revised amount or if the Performance Security has been provided through a security deposit, additional amount towards security deposit shall be provided; 

- 1.6 The Bidder submitted through a declaration that he is satisfying the conditions specified in clause (b) of sub-section (2) of section 5 of the Act with respect to a mining plan;
- 1.7 Bidder has submitted declaration that he had cleared all dues to the Government of Karnataka arising from mining activity that the preferred bidder has undertaken in Karnataka in the past, if such dues have been determined to be payable by him in terms of the extant provisions of the MMDR Act, 1957 and the rules framed there under, along with an undertaking that he shall also clear, all dues that the Government of Karnataka determines in future, payable by him in terms of the extant provisions of the MMDR Act, 1957 and the rules framed there under, to the Government of Karnataka arising from mining activity undertaken by him in Karnataka in the past, if such dues have not been determined;
- 1.8 Bidder had already paid the actual expenses incurred by the Government of Karnataka on mine exploration, preparation of Provisional R&R Plans, survey, construction of pillars and DGPS survey i.e. amount **Rs 2,89,16,848/- (Rupees Two Crore Eighty Nine Lakhs Sixteen Thousand Eight Hundred and Forty Eight Only)** through DD bearing No. **026089** dated **03.12.2018**, which was received at the Directorate of Mines and Geology on 04.12.2018.

2. Grant of Letter of acknowledgement as Successful Bidder

- 2.1 Accordingly, pursuant to Rule 10(3) of the Mineral (Auction) Rules, 2015, the Government of Karnataka is issuing this letter of Acknowledgement to **Kirloskar Ferrous Industries Limited** as Successful Bidder for "**M/s Bharath Mines & Minerals, ML No: 2245**" **Nandihalli village, Sandur Taluka, Ballari District** over an extent of **24.47 Hectare Area of Forest land**.

3. Conditions

- 3.1 **Kirloskar Ferrous Industries Limited** shall be granted the mining lease only upon satisfactory completion of all the requirements and submission of all the statutory clearances under the Act, the rules made there under and the Tender Document.

3.2 For reference, the current requirements under the Rules and the Tender Document for grant of the mining lease are reiterated below. It is clarified that the requirements mentioned below are only for reference and in the event of any change in Applicable Law, the requirements under the modified law, shall be applicable.

a) Signing of the Mine Development and Production Agreement (MDPA)

Kirloskar Ferrous Industries Limited shall sign the Mine Development and Production Agreement with the Government of Karnataka upon obtaining all consents, approvals, permits, no- objections and the like as may be required under Applicable Law for commencement of mining operations.

b) Grant of mining lease

Subsequent to execution of the MDPA, **Kirloskar Ferrous Industries Limited** shall pay the **third installment** of the Upfront Payment which is **Rs. 3,05,29,374/- (Rupees Three Crore Five Lakhs Twenty Nine Thousand Three Hundred and Seventy Four Only)**. Upon such payment the Government of Karnataka shall grant the mining lease to **Kirloskar Ferrous Industries Limited**.

There after within a period of **30 days Successful bidder** shall execute the lease deed. The date of the commencement of the period for which a mining lease is granted shall be the date on which a duly executed mining lease is registered.

4. Validity

4.1 This letter is valid for a period of **Three** years from the date of its issuance, within such time all the above conditions must be fulfilled and the Mining Lease Deed must be executed between **Kirloskar Ferrous Industries Limited** and the Government of Karnataka. In case **Kirloskar Ferrous Industries Limited** is unable to fulfill all or any of the above conditions, then it may submit an application to Government of Karnataka, requesting for further

extension. It is in the sole discretion of the Government of Karnataka to extend the validity of this letter.

- 4.2 If the Government of Karnataka is satisfied that an admissible period is required to enable **Kirloskar Ferrous Industries Limited** to satisfy all or any of the above conditions, it may extend the validity of this letter of intent for such period or periods as the Government of Karnataka may specify.
- 4.3 It is amply clarified that **Kirloskar Ferrous Industries Limited** is obligated to make Annual Payments /Periodic payments and any other payments as may be applicable as per the provisions of the Tender Document.

Yours faithfully


DIRECTOR