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## End users must hold at least 26pct in captive coal ventures

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According to the new guidelines approved by the Indian government for mining of coal from captive blocks, steel, cement or power companies that sit on captive coal mines will have to own a minimum 26% equity in their mining ventures.

However, the government currently allows 100% foreign direct investment in exploration or mining of coal and lignite for captive consumption of iron, steel, cement producers. While this policy would remain unchanged, the captive block owners will have to maintain beneficial ownership in their mining operations.

An official in the coal ministry said under condition of anonymity that "The changes have already been approved by the law ministry and would soon be notified for implementation."

As per the proposed changes, the approved end user company will have to maintain at least a 26% equity ownership in an associated coal company formed for supplying coal on an exclusive basis to it. The captive coal block owner will have to maintain 51% equity in the subsidiary coal company in case the mining company does not have an exclusive coal supply arrangement with the parent.

In case a coal block is jointly owned, equity participation in the JV company shall be made directly by owners and not through their subsidiary.

The proposed regulations have specified that in case the company to whom the captive block has been awarded is also a holding company, it would have to maintain at least 51% equity in its subsidiary company engaged in approved end uses.

As per the proposed guidelines, it would, however, need to have just 26% equity in the second subsidiary company engaged in coal mining provided the entire output is supplied exclusively to the holding company. Independent coal and lignite mining companies could also be allocated captive blocks on the condition that they enter into firm supply contracts for coal at the application stage itself. Such companies would not be allowed to enter into fresh agreements with new end use companies subsequent to award of the coal block.

As on date, 198 coal blocks with geological reserves of about 42 billion tonne have been allocated to various public and private sector companies. The private sector has 98 blocks with reserves of close to 15 billion tonne.

(Sourced from Economic Times)

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