

Natural Resource and Energy – Caselet on Scaling up

Background:

- Madhya Pradesh State Mining Corporation (MPSMC) had been allotted with 6 Coal Block in the state of Madhya Pradesh and Chhattisgarh allotted under Government Dispensation route in 2007.
- Blocks were regionally explored or partially explored blocks, end use – Commercial.
- Coal blocks have combined geological reserves of 510 million tones.
- Funding for Capex as not possible due to inadequate cash reserves and lack of State Budgetary support.
- The State Corporation was unable to develop the blocks in given time frame – signs of possible de-allocation.

a'XYKno Strategy:

- Detailed discussion with the State Cabinet and Secretary Mines to devise a win-win strategy.
- Project had to be structured under the PPP framework to fund the project and prevent possible de-allocation.
- Cash flows were linked to actual production and so the payment was not upfront but the returns were calculated in such a way so as to increase revenue earnings for the State.

Project Structure:

- Joint Venture strategy was adopted this was inline with the existing mining regulation and conditions of the allotment letter.
- Project was based on '*Build Own Operate*' (BOO) model, wherein all activities like exploration, development, operation and post operation including mine closure has to be undertaken by the Joint Venture partner.

- For undertaking MDO activities the JV partner was solely responsible for successful Mine Developing and Operating.
- JV partner would mine the Coal from the coal blocks and transfer the same to the JVC formed between MPSMC and JV partner.
- End use of the Coal shall be for industrial purpose (Non power / merchandise) in the State of Madhya Pradesh.

a'XYKno impact:

- Process resulted into regular stream of cash flows of around ₹ 885 crore of profit before tax, apart from the statutory royalty.
- Innovative strategy brought phenomenal value to the State Exchequer and the State Mining Corporation.
- Madhya Pradesh State Mining Corporation leapfrogged to Mini-Ratna league.



About a'XYKno:

a'XYKno an ISO certified company is a consulting powerhouse with footprints in Natural Resources, Energy, Clean Energy, Nuclear Energy, Infrastructure, Rail, Port, Transport, Banking, Insurance and Healthcare, through its robust capabilities in Investment Banking, Mergers & Acquisition, Government Advisory and Public Private Partnership services offerings.

Strong Pan-India presence with office in Mumbai, Pune, Nagpur, Chennai, Thiruvananthapuram with a 100+ cross functional team of professionals consisting of Chartered Accountants, Cost Accountants, Engineers, IITians, MBAs, Sector and Policy Experts, Ex-Bankers, Lawyers, Ex-IAS, uniquely positions us as the “**Preferred Advisor**”.

Our key differentiator is the cross-functional team of technical, financial, legal and policy/sector experts which enables us to take our clients to the next level.

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