
Natural Resource and Energy – Caselet on Scaling up

Background:

- Maharashtra State Mining Corporation (MSMC) was allotted 3 Coal Blocks under Government Dispensation route in 2006.
- Blocks were regionally explored / partially explored with end use as Commercial.
- Funding for Capex was not possible due to Negative Cash-flows of the corporation and lack of State Budgetary support.
- The State Corporation was unable to develop the blocks in given time frame – signs of possible de-allocation.

Major hurdles:

- MSMC was an ailing entity so the project had to be structured under the PPP framework, to fund the project and prevent possible de-allocation.
- Project had lot of regulatory barriers; the policies were not in favour of private participation in Mineral assets.

aXYKno Strategy:

- Structured a robust PPP framework which was one of its kinds in India, keeping the regulatory compliances intact.
- 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.
- The Selected bidder had to pay upfront money to MSMC on per tonne of coal.
- MSMC would also get share in the profit from sale of coal as per the equity holding in the Joint Venture Company.

aXYKno impact:

- Bidding was carried out in a transparent manner wherein 163 corporates including international players participated in the bidding process.
- Bidding process enabled MSMC to select a technically and financially strong JV Partner who will bring best global technology for development of the mine.
- Selection of competent JV partner enabled fast tracking of development of the coal blocks.
- Project resulted into Cash flow of ₹ 100 crore as upfront sweat equity and another ₹ 300 crore by way of staggered payments till coal production to the ailing Corporation.
- MSMC turned into a profit making organization after the bidding process.



About áXYKno:

áXYKno 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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