



**Department of Industrial Policy
and Promotion**

Ministry of Mines

Mining Sector

Achievements Report

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MAKE IN INDIA

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Mining Sector

India is blessed with abundant mineral deposits and the country's mining sector forms an important segment of the economy contributing around 2.6% to the country's GVA (FY 2015-16(PE)).¹ India produces 90 different types of minerals (fuel, atomic, metallic and non-metallic minerals). India is also the third largest coal producer, third largest steel producer, fourth largest Iron-ore producer globally and has the fifth largest Bauxite reserves in the world. With barely 20% of reserves mined, India presents a major opportunity for investors.

During the last two years, the sector has witnessed major policy interventions to promote exploration and enhance private sector participation that has aided in sector's growth. The mineral production witnessed a 9% growth in FY 2015-16. It recorded 7.23% growth in FY 2016-17 (Apr –Sep) driven primarily due to increase in production of Iron ore (25.85% growth) and Chromite (25.9% growth). The year also witnessed a significant increase in exports of Iron ore and ores & concentrates of copper and chrome along with a significant decrease in imports of Iron ore and ores & concentrates of aluminium, copper, chrome and manganese.

Policy Initiatives & Investments

FDI Policy

- 100% FDI permitted via automatic route for mining and exploration of metal and non-metal ores including diamond, gold, silver and precious ores, and for mining of coal and lignite for captive consumption by power projects, Iron, steel and cement units.

- 100% FDI permitted through Government route for mining of titanium bearing minerals and its ores, its value addition and integrated activities.

The MMDR Amendment Act, 2015

Effective from January 12, 2015, the amended Act has replaced the 'first-cum first serve' mechanism of mineral blocks allotment with a transparent and competitive auction process in place.²

Until November 2016, 17 mineral blocks across 7 States namely Andhra Pradesh, Karnataka, Jharkhand, MP, Rajasthan, Odisha and Chhattisgarh have been auctioned resulting in additional revenues of INR 47,551 crores and total revenue of INR 59,639 crores over the lease period.

Salient features of the Act

- Mining Lease (ML): ML to be awarded only through auction. The old Prospecting Licence (PL) holders would be given ML directly.
- Reconnaissance Permits (RP): The amended MMDR Act has removed the earlier provision of RP and provides for Non-Exclusive Reconnaissance Permit (NERP).
- Prospecting Licence (PL): New NERP holder to submit the exploration data and bid for composite license (PL- cum -ML). The old Reconnaissance Permits (RP) holders will be given PL directly.

1. IBEF-Metal & Mining-August 2015, Mines Annual Report 2013-14
2. National Mineral Exploration Policy 2016



- Uniform lease period of 50 years; no renewals; auction at the end of lease period.
- Ambit of atomic minerals have been widened to include minerals which are found necessarily associated with the existing atomic minerals i.e. beach sand minerals.
- In order to implement the amended MMDR Act, relevant rules such as Mineral (Evidence of Mineral Contents) Rules, 2015, Mineral (Auction) Rules, 2015, Mineral (Non-exclusive Reconnaissance Permits) Rules, 2015, Mineral (Mining by Government Company) Rules, 2015 and Atomic Minerals Concession Rules, 2016 have been framed and notified by the Government.
- **National Mineral Exploration Trust (NMET) Rules, 2015:** The amended MMDR Act established NMET to promote exploration in the country, where lease holders have been mandated to contribute a sum equivalent to 2% of the royalty to NMET.

Under NMET (till May, 2016), **around INR 201 crores** have been deposited.¹³ mineral exploration projects in States of MP, Odisha, Maharashtra, Chhattisgarh, Karnataka and Jharkhand, have been approved for implementation.

MMDR Amendment Act, 2016 has allowed transfer of mining lease, which has been granted other than through auction and where minerals from such mining leases are being used for captive purpose. This move is expected to revive the mining economy, lead to mergers & acquisitions and help in liquidation of stressed assets.

National Mineral Exploration Policy (NMEP, 2016) encourages private sector participation through its revenue sharing model. It also emphasizes on generation and dissemination of baseline geo-scientific data by the Government as public good and creation of a National Geoscience Data Repository to promote exploration activities. Implementation of this policy will promote the growth of the sector as currently India lags in baseline geophysical and geochemical data creation.

Major Investments & FDI Inflows

FDI equity Inflows: FDI equity inflows in the sector increased by 1606% to USD 1.2 billion during Apr 2014 - Mar 2016 compared to USD 70.62 million during Apr 2012 - Mar 2014.³

Details of major FDI equity inflow in the sector are provided in the Annexure.⁴

Fiscal Incentives

- Export duty on Iron ore (fines and lumps below 58% Fe grade) has been reduced from 10% and 30% respectively to 0% (Budget 2016-17).
- Export duty on Bauxite(natural) reduced from 20% to 15% and on Chromium ores & concentrates from 30% to 0% (Budget 2016-17).
- Export duty on Iron ore pellets has been reduced to zero from 5% (January, 2016).
- Export duty on Iron ore of NMDC origin by MMTC Limited to Japan and South Korea has been reduced from 30% to 10%, effective till March 31,2018 (October, 2015).
- Rates of distance based charges on movement of Iron ore has also been reduced to flat INR 300 (September, 2015).

^{3,4:} DIPP- FDI Data Cell



Ease of Doing Business

- Mineral Conservation and Development Rules have been amended to enable the filing of returns online (giving details of mineral transaction by individual miner).
- Restrictions on sharing baseline geo-scientific data in public domain has been relaxed by Ministry of Defence (MoD).
- Exploration companies now have an option to either retain the reconnaissance data in contrast to the earlier requirement of mandatorily sharing it with the State Governments or opt to submit the information to the State Governments and participate in the auction process.
- Non-Exclusive Reconnaissance Permit (NERP) is to be given as per the discretion of the State Government and has to be issued within 30 days to the company upon submission of online application along with the required documents.
- Lease period can now be extended up to March 31, 2030 for captive mines and till March 31, 2020 for merchant mines or till the completion of the period of renewal already granted, if any, whichever is later.
- To facilitate auction of blocks, Indian Bureau of Mines has recently started releasing monthly prices of additional two minerals namely, Gallium and Vanadium apart from the existing 32 minerals whose prices are released every month.
- Requirement of “prior approval” or approval of mining plan of the state from the Central Government in case of 10 important minerals, like Iron ore, Bauxite etc., has been done away with making the process quicker and simpler.
- Process for obtaining survey/flight related approvals for aero-geophysical survey has been expedited by Directorate General of Civil Aviation (DGCA).
- A model tender document containing format of Mines Development and Production Agreement (MDPA) for mining leases to be granted through auction has been published by Ministry of Mines.
- Several Central and State PSUs such as Rashtriya Ispat Nigam Limited, Steel Authority of India Limited, NMDC Limited, KIOCL Limited, and MOIL Limited have been enlisted to do prospecting operations without obtaining prospecting license. This will strengthen the mineral inventory database of the country.
- An inter-ministerial group - Post Auction Mining and Approvals Facilitator (PAMCAF) has been constituted to expedite the various clearances/ approvals required after the allotment of mineral blocks through e-auction. This will help these blocks reach operationalization stage as early as possible.



Innovation & Technology

The Government has been proactively using technology to deter illegal mining. An MoU was signed between Indian Bureau of Mines (IBM) and National Remote Sensing Centre (NRSC), ISRO in January 2016 to undertake a pilot project on “monitoring of mining activities using satellite imagery.”

In October 2016, the Government launched **Mining Surveillance System (MSS)** to check illegal mining through automatic remote-sensing detection technology. The system is designed to check 500 meters around the existing mining lease boundary to search for any unusual activity relating to illegal mining and any discrepancy is flagged off as a trigger.

Star Rating Scheme has been launched to track the implementation of Sustainable Development Framework (SDF) in the mining leases. This scheme will help in recognizing good performers in the sector and will encourage all mining lease holders to strive for excellence. A web portal has also been launched for online filing up of the star rating template.

Other Initiatives

- Revision in rates of royalty: The Central Government in September 2014 revised the rates of royalty for major minerals (except for coal, lignite and sand) for stowing).

The rate revision will benefit the States receiving royalty and it is expected that it may lead to more than 45% increase in revenue in some States.

- **Stronger provisions for checking illegal mining:** All illegal mining offences will now be subject to a maximum punishment of 5 years imprisonment or fine of INR 5 lakh per hectare. State Governments have been empowered to set up Special Courts for speedy trial of offences under the Act.
- **Notification on Minor Minerals:** The Central Government notified 31 minerals as ‘minor’ minerals in February 2015 thus delegating entire regulation for these 31 minerals to States. This will empower States to frame their own rules for grant and regulation of these 31 minerals and prescribe the method for grant of mineral concessions, rates of royalty, contribution to District Mineral Foundation (DMF) etc. for these minerals.





Annexure

Major FDI equity inflow in the sector (March 2014 - September 2016)

Foreign Collaborator	Country	Indian Company	FDI inflows (USD Millions)
Twinstar Holdings	Mauritius	Sesa Sterlite Ltd.	616.04
Surya Abha Investment Pte. Ltd.	Singapore	Essel Mining & Industries Ltd.	482.82
Rio Tinto Minerals Development Ltd.	United Kingdom	Rio Tinto Exploration India Ltd.	44.30
Thiess(Mauritius & Australia) Pty Ltd.	Mauritius	Thiess Minecs India Pvt Ltd.	20.90

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