



REGULATORY

Redefining the Auction Landscape: A Legal Analysis of India's Mineral (Auction) Second Amendment Rules, 2026

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Legislative Background

On 30th March 2026, the Ministry of Mines, Government of India, exercising the powers conferred under Section 13 of the Mines and Minerals (Development and Regulation) Act, 1957 (“the Act”), promulgated the Mineral (Auction) Second Amendment Rules, 2026 (“the Amendment Rules”) through Gazette Notification G.S.R. 223(E). The Amendment Rules further amend the principal Mineral (Auction) Rules, 2015, which were originally notified vide G.S.R. 406(E) dated 20th May 2015 and last amended on 29th January 2026. The Amendment Rules came into force on the date of their publication and introduce a series of substantive and procedural amendments expressly provided under Rules 8, 10, 18, 19G, 24 and newly inserted Rule 25.

Exemption from Auction Premium for Minor Minerals

One of the most commercially significant provisions of the Amendment Rules pertains to the exemption from auction premium liability. Under the amended Rule 8(4), any mineral enumerated in Part D of the First Schedule to the Act with the express exclusion of Graphite, Phosphate, and Potash shall be deemed an “included mineral” within the meaning of Section 15B of the Act in respect of mineral blocks auctioned after the commencement of these rules. Consequently, the auction premium stipulated under the Eighth Schedule of the Act shall not be payable in respect of such minerals, provided that the aggregate estimated value of their resources constitutes less than ten per cent of the total estimated resource value of all minerals within the subject block.

This threshold-based exemption is a calibrated measure aimed at reducing the financial burden on bidders who acquire blocks with predominant primary minerals but incidentally hold low-value associated minerals. The exclusion of Graphite, Phosphate, and Potash from the exemption reflects a deliberate policy decision to preserve premium obligations for critical minerals of heightened strategic significance.

Automated Issuance of Letters of Intent

A transformative procedural reform introduced by the Amendment Rules is the mandatory automation of the Letter of Intent (“LoI”) issuance process. Under amended Rules 10(2), 18(1), 18(6), and 19G (1), upon the receipt of prescribed payment and performance security by the preferred bidder, the LoI shall be automatically generated and issued through the Online Unified Mining Portal on behalf of the concerned State Government, with effect from a date to be separately specified by the Central Government. This automation shall simultaneously render the corresponding manual approval sub-rules specifically Sub-rules 2A, 1B, and 6A operative, in effect replacing discretionary State-level issuances with a rule-bound digital process.

From a legal standpoint, this amendment significantly curtails administrative discretion and introduces a degree of statutory certainty in the commencement of rights for preferred bidders. Entities engaged in mineral block acquisition would be well advised to ensure the timely and accurate submission of payments and security instruments to trigger automated LoI generation without procedural delay.

Partial Block Exclusion and Extended Execution Timelines

The newly inserted Rule 10(2B) empowers State Governments to permit a preferred bidder to exclude peripheral portions of a mineral block from the scope of the mining lease, subject to a defined threshold. Specifically, such exclusion is permissible only where the estimated quantum of mineral resources in the affected portion is less than twenty-five per cent of the total estimated resources of the block, and where mining therein is demonstrably infeasible on account of factors such as the presence of forest land, wildlife corridors, rivers, habitations, or critical infrastructure. This provision offers meaningful relief to bidders who may otherwise be constrained to retain technically unworkable portions of a block.

In addition, the Amendment Rules modify the timeline provisions governing the execution of Mining Lease Deeds and Prospecting Licence Deeds. Under the revised Rule 10(6), a further period of two years for the execution of a Mining Lease Deed may be granted by the designated committee under Rule 10A (2), subject to the satisfaction that the preferred bidder is capable of complying with all requisite conditions within such extended period and has already discharged all three instalments of the upfront amount. Analogously, Rule 18(3) now provides for a six-month extension for the execution of Prospecting Licence Deeds under comparable conditions. It bears emphasis that for blocks falling outside forest land, the extension provisions in certain

rules shall apply only to forest-encumbered blocks under notices issued after the commencement of these Amendment Rules.

Refund Protections and Payment Rescheduling

A notable safeguard introduced through the amendment to the Explanation under Rule 10(6) mandates the return of security deposits and upfront payments to bidders within a preferential period of ninety days in cases where an auction is annulled owing to circumstances not attributable to the preferred or successful bidder, as determined by the review committee. This provision addresses a longstanding grievance among industry participants regarding the risk of capital forfeiture in scenarios beyond their operational control. The ninety-day refund window, while aspirational rather than strictly enforceable in the absence of penalties, establishes a clear normative expectation that shall inform administrative conduct.

Furthermore, the Amendment Rules revise the payment schedule for the second instalment of the upfront amount. For Notices Inviting Tender issued after the commencement of these rules, both under Rules 10 and 18, the second instalment shall be payable within one year of the issuance of the relevant Lol. This rescheduling offers bidders an extended liquidity window during the pre-mining clearance phase, which is frequently the most protracted stage of block development.

Establishment of the Online Unified Mining Portal

Perhaps the most structurally significant reform in the Amendment Rules is the introduction of a new Rule 25, which mandates the establishment of an Online Unified Mining Portal (“the Portal”) by the Central Government in consultation with State Governments. From the date to be specified by the Central Government, all implementation and compliance activities under the Mineral (Auction) Rules, 2015 shall be conducted exclusively through the Portal, whether by the Central Government or by any State Government. The Central Government retains the flexibility to notify different implementation dates for different functional modules of the Portal, allowing for a phased rollout commensurate with technological readiness.

Rule 24 has also been consequentially amended to expand the scope of composite licences within the auction framework, while removing the earlier limitation restricting certain provisions to minerals specified only under Part D of the First Schedule or the Seventh Schedule of the Act.

Conclusion

The Mineral (Auction) Second Amendment Rules, 2026 represent a comprehensive regulatory intervention aimed at modernising the mineral block auction regime in India. By introducing threshold-based premium exemptions, automating Lol issuances, expanding bidder protections, and institutionalising a unified digital compliance portal, the Amendment Rules seek to reduce transactional friction, enhance investor confidence and align administrative practice with contemporary standards of e-governance.

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