Let mining affected transfer shares, bring LLPs in sector: MCA

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 29

The Ministry of Corporate Affairs (MCA) has said that mining concessionaires must go a step further than giving shares to people residing in mining project areas and allow them to sell or transfer their shares in addition to assuring adequate measures aimed at enabling them lead a life of dignity.

In its recent note to a Parliamentary Standing Committee, which is currently scrutinising the Mines and Minerals (Development & Regulation) Bill 2011 (MMDR Bill), the MCA suggested that certain provisions of the Bill should be fine-tuned in accordance with the provisions of the Companies Act 1956.

Under Clause 43 (3) of the legislation, a company holding a mining lease will have to shell out at least one non-transferable share for consideration other than cash to each family impacted by mining operations.

The Companies Act permits free transfer of shares subject to a lock-in restriction on the promoters of a public listed firm, while in the case of private firms the transfer can be done after Board approval.

"Thus under the Companies Act, for any form of company, a window for transfer/sale of shares ought to be provided to the shareholders with adequate safeguards for protecting the rights of the affected families. So the Clause 43(3) needs to be fine-tuned in accordance with the provisions of the Companies Act," the MCA said.

In addition, the ministry has stated that the MMDR Bill does not reflect the changed priorities of the mineral sector and has told the Standing Committee that firms formed as limited liability partnerships (LLPs) should also be allowed to participate in mining bids.

The Bill states that only companies set up under the Companies Act or registered under the Partnership Act and listed with the Indian Bureau of Mines would be eligible for grant of mining leases.

The MMDR Bill seeks to remove a host of anomalies in the existing Act, such as enabling registered cooperatives to obtain mining concessions for small deposits in order to encourage tribals and marginal miners.
ज्यादा खनन का मतलब नक्सलवाद को बढ़ावा : जयराम

संदेह (एजेंसी)। झारखंड के नक्सलवाद प्रभावित सरदार क्षेत्र में निजी पत्तों को खनन को संदेह करने के लिए निदेशक प्रभावित विकास मंत्री जयराम रोशन ने कुछ बातें कहीं कि ज्यादा खनन का मतलब है ज्यादा नक्सलवाद। पीएम मोदी के संस्करण के बाद हिंदुस्तान को संदेह करने के लिए सरकार के विविध कार्यों के क्रिकेट का समीक्षा करते हुए रोशन ने कहा कि विकास की जरूरत और राहत तलाश बनाई जा रही नक्सलवाद की टीम। पत्ता लगाने के लिए सरकार का संस्करण के साथ सहयोग किया है। संवेदनशीलता से कहा,” इस बात को संदेह करने के लिए मकदमा निर्माण सर्किट रेलवे (स्टील अब्बील्डिंग और हाइड्रो) के अलावा और मकदमा को खनन के अथवा अन्य अधेड़ सील नहीं किया जाएगा। पर उन्होंने कहा कि राहत जरूरत है और उन्होंने केवल सील के खनन की अनुमति दी थी। जब तक कि सील के खनन पर भी निर्णय नहीं होता है। इसलिए उन्होंने कहा कि जयराम मंत्री उन्होंने बहुत सार्वजनिक उपरांत सील को लिए अपने अधीक्षक के खनन की अनुमति दी थी। उन्होंने कहा कि जयराम मंत्री उन्होंने केवल सील के खनन की अनुमति दी थी। जब तक कि सील के खनन पर भी निर्णय नहीं होता है।
GDP growth at 6.1 per cent, slowest in 11 quarters

Policy paralysis, high inflation & interest rates cited as reasons

NEW DELHI: Growing at its slowest pace in nearly three years, India's economy in the third quarter (October-December) expanded only 6.1 per cent, lower from 6.9 per cent in the previous quarter, and continued poor showing by mining, manufacturing and farm sectors renewed fears that the full year growth may languish much below government's expectations.

Economists cited government's policy paralysis, prolonged high inflation and soaring interest rates as major reasons for slowing investment and hence slowing growth.

The official data released Wednesday showed a sharp fall in manufacturing at a meagre 0.4 per cent in the third quarter compared with 7.8 per cent in the same quarter a year ago, while mining contracted to stand at (-)3.5 per cent.

But, the growth in farm sector at 2.7 per cent compared to 11 per cent in corresponding period last year came as a real surprise despite the country having a record Kharif output this season.

Dampening effect
Experts said it may be possible that some of the other sectors like horticulture may have seen lower production numbers, dampening the growth in the farm sector.

The services was the only sector, which showed a better performance at 8.9 per cent but economists said that given the underlying weakness of the other sectors like industry, manufacturing and agriculture, services may not continue with this growth in the quarters ahead.

"If the services sector also comes in weak and the ongoing weakness in the mining and industry continues, the fourth quarter may not be able to achieve 6.9 per cent, which is required to maintain this growth rate for the year as a whole," Director General of FICCI Rajiv Kumar said.

The slowdown in investment and in the manufacturing sector was actually worse than the slowdown witnessed during the 2008 financial crisis.

Capital formation
According to the data, the gross fixed capital formation, which refers to the share of investment in production, shrank for the second quarter running from a year ago level. It stood at 12 per cent indicating bleak investment outlook.

"In such a situation, all policy levers should be used to drive a revival in the economy. Project clearances should be hastened, implementation of the manufacturing policy should begin by identifying specific zones where industry can invest and interest rates should be reduced," CII Director General Chandrachut Banerjee added.

Economists were also of the view that high fiscal deficit was boosting consumption demand and crowding out investments.

"Unless action happens from the government's side and some amount of interest rate easing from the Reserve Bank of India's side, the growth cannot pick up at the desired level of 7 per cent for the year as a whole," Harish Gajpelli of Chennai-based brokerage firm JRG Securities, said.

He said that the private investment is waiting to see real results in the coal, power and infrastructure sectors and hoped that some action will be taken around the budget time.

Government has pegged this year's (2011-12) economic growth at 6.9 per cent but the current indicators such as today's lower GDP numbers, the core sector data, which came only at half a per cent and the expectations of a bleak industrial production number later next month, may put a dampener on government's expectations, analysts said.

DH News Service
VAL a headache for Vedanta Resources

Firm's valuation and sale to Sesa Sterlite has irked investors; analysts indicate Sesa Sterlite should be receiving money in return to buy VAL

SHUBHAGOURISH AND VEDAL ODHABA
Mumbai, 29 February

If Vedanta scrapped its 2008 initiated ambitious restructuring based on the business verticals, it was primarily due to two reasons: the valuation of Africa's Konkola Copper Mines (KCM) and a slowdown that had begun to plague the economy. Four years later, the metals and mining company is back with restructuring, this time, making one diversified resources company, Sesa Sterlite. However, Vedanta Aluminium, or VAL, could turn out to be the new KCM.

Vedanta Resources Plc, the London-based parent company, has pegged the equity value (001 per cent) of VAL at $2.333 crore ($473 million). Based on this, it will be selling its 70.5 per cent at $300 million to Sesa Sterlite, the new operating company set to emerge after the restructuring is complete. Sterlite Industries, Vedanta's Indian subsidiary, already holds 29.5 per cent in VAL. This means that Sesa Sterlite, after the restructuring, will own 100 per cent of VAL. But at what cost?

Tarun Jain, director (finance), Sterlite Industries said VAL has been valued at $473 million, or $2.333 crore. "Which means Vedanta Resources' 70.5 per cent stake is valued at around $300 million," he told Business Standard. "This was invested six years ago. Now the company is exiting its investment at cost, or the book value." Jain said Vedanta Resources has, for six years, put in equity, raised loans, built the plant and is now exiting at $300 million valuation. "I don't think this is unfair," he said, adding that the plant was coming cheap to Sesa Sterlite because of the issues it had been embroiled in for the past few years.

The company hasn't been able to mine bauxite from the Niyamgadh hills as promised by the Orissa government, because of the environment ministry's orders. The alumina refinery expansion to five million tonnes is also on hold. Jain said the company had the permission to build a one-million tonne refinery and it thought it did not need permission for its expansion to five million tonnes. "It turns out we did need further permissions," he said. "Therefore, it is a technical issue. We have sought the permission to expand.

The plant is currently running at 30 per cent capacity, and is suffering from cash flow. As per the project cost, VAL was expected to produce alumina at a cost of around $1,200 per tonne. However, non-availability of captive bauxite has increased the cost of production to about $2,000 per tonne. The aluminium prices of the London Metal Exchange have been hovering around $2,000 per tonne for the most part of the current fiscal.

It is not clear if the company on its own will be able to fund the project and what role is Sesa Sterlite going to play. It will be interesting to see how Sterlite Industries to VAL (worth $962 crore), the latter has other debt worth about $1.4 billion. Building out VAL means the $4 billion debt will now also be transferred to the new company. Sesa Sterlite, while the debt provided by Sterlite will stand cancelled. Jain, though, justifies the deal saying, "Sesa Sterlite is buying 70.5 per cent at $3 billion and becoming the 100 per cent owner of VAL, when the cost of its asset is $1 billion."

Further, "we don't expect the shareholders in London to protest this move", said Jain. "The advantage of this move is that everybody is saying that the company is doing good and is mired in troubles, so let it go."

This won't be surprising given that VAL reported a loss of $2.346 crore for the trailing 12 months ending December 2011, and has a huge debt to service. What's worse is that the situation is unlikely to change anytime soon at least till its bauxite mining operations get a clearance. "We could have sold the asset after all the bauxite mining and expansion related issues were solved," he said. "But who would sell this asset at $300 million? Is it being sold so cheap because of all these issues?"

He goes on to justify the deal with the 2008 episode when investors had turned down the restructuring process during. Under this restructuring process that year, Vedanta had planned to make three major business verticals based on the base metals the companies produced. Aluminium business was housed in one company, copper in another and iron ore in the third. Under this process, KCM of Zambia would be merged with the other Indian copper business of the group.

The company had valued the KCM business at $2 billion. It was this valuation that did not cut the ice with investors at that point in time. The investors were of the opinion that the company has valued KCM too high. "In hindsight," Jain said, "they should have agreed to the valuation as KCM is not a $7 billion company."

It is also because of these issues that KCM has been kept of the business simplification process. But then, for VAL in its current loss-making form and no access to bauxite mines, is just another piece of machinery. Which is why certain sections of the investors are demanding that Vedanta sideline the loan (charge no interest) it has extended to VAL. Most sections of the analysts community are also miffed by valuation assigned to VAL.

In a note dated February 26, Abhijeet Naik and Nitij Mangal of CLSA, wrote, "We believe VAL deserves a negative equity value, but think it was very unlikely management would have taken such a pessimistic view. $473 million equity value for VAL is just 2.4 per cent of Sesa's new share count and is not too unfavourable. But, we would have been happier with zero value.

Jigar Mistry and Anoop Fernandes of HSBC Securities and Capital Markets, too, believe the VAL's valuations may become a contentious issue.

Kotak Institutional Equities, too, said, "Assigning equity value to VAL is a surprise, in our view, as shareholding funds of VAL are eroding. VAL is carrying accumulated losses of $400 million and is unlikely to generate profits for three-five years."

Kotak further wrote that the shareholders of Vedanta Resources have got a good deal with this valuation of VAL. It said, "We value VAL at $2.333 billion, or $473 million. This is based on $2.333 billion enterprise equity plus debt of $962 crore, lower than debt transfer of $2.229 billion in this transaction. This results in a negative equity value of $3.130 billion, the cost of which will be borne by Sterlite and Sesa shareholders. Vedanta Resources shareholders (and promoters) have got a nice deal in the process. Equity value of $2.333 billion is on the books and plus $473 million, which is the current revaluation of VAL, is based on the sky assumptions of the start of captive bauxite mining after three years and restart of alumina refinery and production ramp-up from a new aluminium smelter."
GDP growth at two-year low of 6.1%

statesman news service

NEW DELHI, 29 FEB: A dismal show by manufacturing, mining and farm sectors pulled down the country’s GDP growth to 6.1 per cent in the third quarter of the current fiscal (October-December 2011), the lowest in more than two years, causing concern in official quarters and corporate India alike.

The GDP growth in the third quarter (October-December) last fiscal was 8.3 per cent, according to official data released here today. GDP in the April-December period also moderated to 6.9 per cent from 8.1 per cent in the first nine months of 2010-11. During the quarter ending 31 December 2011, growth in the manufacturing sector dipped to a meagre 0.4 per cent from 7.8 per cent in the corresponding period of 2010-11.

Farm output also exhibited a similar trend and expanded by just 2.7 per cent, compared to 11 per cent in the corresponding period last fiscal. Mining and quarrying production declined by 3.1 per cent during the quarter as against a growth of 6.1 per cent in Q3 of last fiscal. Growth in the construction sector also slowed to 7.2 per cent during the quarter from 8.7 per cent in the same period a year ago.

Trade, hotels, transport and communications segments grew by just 9.2 per cent in the quarter under review, as against 9.8 per cent expansion in the year-ago period. However, electricity, gas and water supply grew by a robust 9 per cent in the October-December period, compared to 3.8 per cent growth in the corresponding period last fiscal. The growth of the services sector, including insurance and real estate, slowed to 9.9 per cent in the third quarter ended December, compared to 11.2 per cent expansion in Q3 of 2010-11.

The Central Statistical Organisation has pegged the GDP growth for 2011-12 at 6.9 per cent, while the Prime Minister’s Economic Advisory Council expects it to be 7.1 per cent. The economy expanded by 8.4 per cent in 2010-11.

Manufacturing grew at 0.4 per cent against 7.8 per cent last year.

Farm output growth, 2.7 per cent; mining fell by 3.1 per cent.

Pressure now on RBI to cut interest rates.

Manufacturing growth in the nine-month period ending December 2011 slowed to 3.4 per cent as compared to 7.6 per cent during the same period a year ago. During April-December, output of mining and quarrying sector declined by 1.4 per cent as against a positive growth of 6.7 per cent in same period last fiscal.

Agriculture, forestry and fishing sector grew by just 3.2 per cent in the nine-month period, as against 6.8 per cent expansion a year ago. Growth of the construction sector stood at 4.2 per cent during the 9-month period, compared to 7.7 per cent in the same period last fiscal.

Industry body CII said it is disappointed by “further deceleration in the economy”. In particular, the near stagnation in the manufacturing sector is worrying at a time when policy makers are keen to raise the share of this sector in the economy, it said. The data also reveals that gross fixed capital formation continues to shrink, indicating a bleak investment outlook. In such a situation, all policy levers should be used to drive a revival in the economy, the business lobby said.

The PHD Chamber of Commerce said the disappointing performance is mainly driven by the slackening in manufacturing and mining activities.

According to reports, the latest GDP data is likely to put pressure on the Reserve Bank of India to cut interest rates at its mid-quarter monetary policy review on 15 March. The finance minister, Mr Pranab Mukherjee, too, in his Budget for 2012-13, to be presented on 16 March, is expected to announce steps for arresting the economic slowdown.
एलएमई में कॉपर उच्च स्तर पर

ज़ेनेट * अंतरराष्ट्रीय बाजार में कॉपर के दाम मुक्कवार को लगभग चौथी एक तारीख के उच्च स्तर पर पहुंच गए। सुबह में ब्रेकीज में कॉपर के दाम 8650 डॉलर प्रति टन हो गए। ब्रेकीज के बाद भाव 8600 डॉलर प्रति टन हो गए। ब्रेकीज के बाद कॉपर के दाम 3,45 डॉलर प्रति टन हो गए। फरवरी के बाद वापसी के बाद कॉपर के दाम 2325 डॉलर प्रति टन हो गए।
जीवितीय की वृद्धि दर पहली सुसूत

नई ख़बरी। देश की आंकिक वृद्धि दर चालू वित्त वर्ष की तीसरी तिमाही में घटकर 6.1 प्रतिशत पर पहुंच गई जो दो स्तर की न्यूनतम तिमाही वृद्धि है। यह विनिमय, क्रांति व वृद्धि क्षेत्र के क्षेत्र में प्रदर्शन का परिणाम है। पिछले वित्त वर्ष की इसी अवधि में दोस्त परतिसूत्र उत्पाद (जीवितीय) की वृद्धि दर 8.3 प्रतिशत थी। दुबारा को जारी सरकारी आंकड़ों के मुताबिक चालू वित्त वर्ष के पहले नौ महीनों (अगस्त-डिसंबर) 2011-12 के दौरान जीवितीय वृद्धि दर 6.9 प्रतिशत रही, जबकि वीत वर्ष की इसी अवधि में यह 8.1 प्रतिशत थी। 31 डिसंबर 2011 को समाप्त तिमाही के दौरान विनिमय क्षेत्र की वृद्धि दर घटकर 0.4 प्रतिशत पर पहुंच गई जो पिछले वित्त वर्ष की इसी तिमाही में 7.8 प्रतिशत थी। वाह, इसी तिमाही में कृषि क्षेत्र की वृद्धि दर महज 2.7 प्रतिशत रही जो पिछले वित्त वर्ष की समाप्त तिमाही में 11 प्रतिशत थी।
दो साल की तलहटी पर आर्थिक विकास दर

नई दिल्ली, जगद्धांत खुशी : आर्थिक स्थिति की रक्षाद दो साल की तलहटी पर पहुंच गई है।

चाहूं जिस वर्ष 2011-12 की तीसरी तिमाही में आर्थिक विकास दर 6.1 प्रतिशत रही है।

खान, मैनूफूर्निकेशन और कृषि क्षेत्र के बुरे हाल ने सरकार की दिक्कतें बढ़ाई हैं।

बजट में तैनात पहले आए अर्थव्यवस्था के इंद्र अंकों ने वित्त मंत्री प्रज्ञा मुखर्जी पर पालट विकास के बीच संभागित किये जा रहे थे। विवाद बढ़ा दिया है। पिछले वित्त वर्ष की इसी अवधि में सकल बोर्ड पूंजी उपार (अवैध का) को मुंडा दर 8.3 प्रतिशत रही।

अर्थव्यवस्था की रक्षा के बुरे हाल को आए अंकों ने साथ ही रखा है कि चाहें जिस वर्ष में विकास की दर 6.9 प्रतिशत के अनुमान में भी कम रहेंगी। बाहरी नहीं सरकार की आमली वित्त वर्ष में रक्षाद बढ़ने के लिए उपार की भी अधिक से कम से कहने होगी। ताजा अंकों के बाद वित्त मंत्री पर बजट में अर्थव्यवस्था को प्रोत्साहन देने के ज्ञानांतर करने का विवाद बढ़ जाएगा। जब भी रिजर्व बैंक भी अप्रैल में अपने मौद्रिक नीति में आयोज देने में कमी का बांटलिंग बुऱा कर सकता है।

तीसरी तिमाही में विकास दर बढ़ने की प्रमुख चरण खान, मैनूफूर्निकेशन और कृषि क्षेत्र की बढ़ी हुई है। मैनूफूर्निकेशन क्षेत्र का बढ़ा दर मात्र 0.4 प्रतिशत रही, जबकि खनन क्षेत्र का उइन्टेक्स तो फिर चाल की समय अवधि के मुकाबले 3.1 प्रतिशत घट गया। कृषि क्षेत्र का बढ़ा दर 2.7 प्रतिशत पर है।

महागाई और अंद्रेज स्थान की चाल में वित्त वर्ष में औद्योगिक उपार को धारण बना है। तीसरी तिमाही को सुरक्षित है और औद्योगिक उपार में गिरावट में हुई हो। अक्टूबर, 2011 में और औद्योगिक उपार को विकास दर में लागू से 5.1 प्रतिशत नीचे आने गई। उसके चाल में हमारी हालत भूल से 2 काफी ओर संक्षेपी खड़े हुए।
दो साल की तलहटी पर
आर्थिक विकास दर

में कुछ सुधार तो हुआ है, लेकिन अभी भी वह पिछले साल को उपरान्त के मुकाबले कमजोर रही है। इसी महान हैदरपुर विधायक समिति में नीतीश कुमार से अनुग्रहित अंकड़ों जारी किए गए। उनके मुताबिक जीबीपी की विकास दर 6.9 प्रतिशत रहने का अनुमान लगाया गया था। मंत्रालय को जारी किया गया यह मामले के चरणों के अंतर्क्रम अंकड़ों के मुताबिक इस क्षेत्र में वृद्धि दर 0.5 प्रतिशत रह गई है। इसका
मलबा: यह हुआ कि चौथी तिमाही में भी उद्योगों के उत्पादन में सुधार की उम्मीद नहीं है। मना जा रहा है कि इसका असर आगे तिमाही की विकास दर पर भी पड़ेगा। चालू वित्त वर्ष की पहली तीन तिमाही की औसत विकास दर 6.9 प्रतिलाख पर रही है।
Mining, manufacturing sector pull down growth rate

GDP slowest in Q3

AGE CORRESPONDENT
NEW DELHI, FEB. 29

India's GDP grew the slowest in almost three years in October-December period (Q3) as high interest rates hit investment. This is the fifth straight quarter that the economic growth has slowed down.

The downward trend was led by manufacturing which grew by just 0.1 per cent in Q3 and mining which contracted by 3.1 per cent as the sector is facing regulatory issues in many states.

Overall the industry grew 2.6 per cent. Agriculture growth slowed to 2.7 per cent as compared to 11 per cent growth in October-December period in 2010. The only saving grace was services which grew 8.9 per cent. But this was also slower than the 10.5 per cent growth seen in the June-September period of 2011.

"GDP growth print for Q3 indicates a broad-based weakness across sectors and demand segments. Industrial growth, both manufacturing and mining, are lower than even the post-2008 crisis period, the investment rate is down to 26 per cent, the lowest in seven years. Although consumption has held up, this was mostly due to a base revision," said Mr Saugata Bhattacharya, senior vice-president, business and economic research, Axis Bank.

He said that there is an urgent need to revive manufacturing growth and capital, and this requires a coordinated thrust from monetary, fiscal and industrial policies.

Centre can take bold steps to boost growth

AGE CORRESPONDENT
MUMBAI, FEB. 29

With the 2012-13 budget being the penultimate one before the 2014 election cycle begins, economists feel that the Centre can take bold decisions in favour of growth while still keeping an eye on fiscal deficit.

Mr N.R. Madan Sabnavis of Care Ratings, for instance, says he is all for the Centre "taking a call on an expansionary budget rather than focusing on fiscal conservatism. The need is for capital formation for growth and government can undertake big projects as if it can borrow at 8 per cent against the private sector which has to borrow at 14 per cent and more."

Mr Ajit Ranade, chief economist of the Birla group, says this is the year the government has an opportunity to do something bold to revive private capital expenditure and focus on growth.

Excise duties should remain the same and government can curtail fiscal deficit by expanding the tax base as only three per cent of Indians pay income-tax," he said.

It may be difficult for the Centre to contain fiscal deficit sharply says YES Bank's Shubhada Rao, "but the government can right-size the quantum of subsidies, backed by administrative reforms that would plug leakages."

There is also a need for the Centre to send a strong message through reforms that it is serious about reviving investment in the private sector, to address the supply side constraints, she said. It should have a 5-year road map not only for fiscal consolidation but more so for disinvestment.

Mr Simil Sinha, senior economist at Crisil expects the budget to address the issue of fiscal deficit and supply side issues so that the country is able to attain and sustain high economic growth.
Foundry industry hit by non-availability of iron ore

Our Bureau
Bangalore, Feb. 29

The foundry industry in India may find it tough to sustain the 15 per cent growth rate because of dwindling iron ore resource.

Iron ore for the foundry industry is mainly supplied from mining pits in Karnataka, Goa and Chhattisgarh. The ban on mining of iron ore in Karnataka and Goa has impacted the supply of high grade iron ore for pig iron.

POWER SUPPLY WOES

In addition to iron ore supply, the supply of uninterrupted power in all the major foundry clusters of West Bengal, Karnataka, Punjab, Tamil Nadu, and Gujarat, is poor, said Mr Vinod Kapur, vice-president, World Foundry Organization.

“In Tamil Nadu, foundries are being forced to run just one shift per day. Besides, every year, the power tariff is going up significantly. The ban on mining of iron ore has impacted foundries which are basically small and medium units are not in a position to secure supplies as it will significantly increase the cost of production,” he added.

Dr H. Sundara Murthy, President, Institute of Indian Foundrymen said, “For the next five years, the foundry industry will be on the growth trajectory, reaching an all-time high of 20 per cent. Unfortunately, poor supply of iron ore and erratic power supply to foundry units are seriously impacting the growth of the sector.”

There are an estimated 5,000 foundries in India producing castings of grey iron, ductile iron, SG iron, malleable steel, non-ferrous and steel totalling about 9.05 million tonnes (2010) annually.

The industry employs five lakh people and indirectly about 1.50 lakh people. Country’s share in the global market is approximately 10 per cent of 91.67 million tonnes. India is the second largest producer of foundry-based castings, while China is the market leader with 43 per cent (39.6 million tonnes) of the total output.

In India, majority of the foundries are placed under the Micro, Small and Medium Enterprises (MSME). The foundry industry has been consistently growing at a rate of 13 per cent to 14 per cent since 2001 except in 2008-09 (12 per cent) because of global recession.

CASTING PRODUCTION

A recent study conducted by the World Foundry Organization (WFO), revealed that the worldwide casting production increased by 13.7 per cent (91.4 million tonnes), whereas India showed a growth by 22 per cent in 2010 primarily because of new projects and increase in local demand.

anil.u@thehindu.co.in
Growth at crossroads: will budget bring a turnaround?

MEANDERING STEPS

Companies worry over govt’s policy paralysis, stagnating reforms & populist measures as polls loom

The Picture is Disturbingly Clear

India’s GDP growth slumped to its lowest levels in 11 quarters as a crippling industrial slowdown, clearly caused by an interest rate squeeze, hit hard.

What is pulling down growth?

- The manufacturing sector, which accounts for 60% of industrial output, has slowed considerably.
- Companies are seeking to cut corners to stay afloat, as rising input costs and costlier borrowing have forced firms to defer planned investments.
- Weakening investment
  - Costly money, high inflation and policy logjam has hurt investment activity.
  - Mining output shrunk due to policy uncertainty.

More worries loom

- Euro zone worries would affect the Indian economy.
- Global commodity prices remain high.
- Growing risk aversion by banks could affect credit to productive sectors.
- High govt borrowing can squeeze pvt sector credit.
- Food inflation dip could be short lived due to costly protein-based items.

We need to undertake reforms and speed up implementation of various programmes to revive growth.

All policy levers should be used to drive a revival: project clearances hastened, manufacturing policy begun

Government must make a stronger statement of intent by taking real measures in the budget.

All figures are for the October-December quarter of 2011.

THE PICTURE IS DISTURBINGLY CLEAR

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth, %</th>
<th>Growth in Farm Output, %</th>
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<tr>
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8.6% 9.6% 8.9% 8.7% 8.7% 7.2% 7.3% 6.9% 6.1%

NEW DELHI: Barely a fortnight ahead of the Union Budget, national income data released by the government on Wednesday confirmed signs that a widespread slowdown has hit most sectors of the economy.

Growth of India’s gross domestic product (GDP)—the sum of the income of all entities—slumped to 6.1% during October to December, the lowest in 33 months, at a time when finance minister Pranab Mukherjee and his team of officials are giving final touches to the government’s budget.

Experts said policy uncertainty is one of the major factors that have hit growth.

"It is difficult to firmly establish when the government’s policy inaction will reverse, but concrete action for investment is still missing, though the noise level and concerns have risen," said Rajeev Malhotra, senior economist at Singapore-based CLSA.

All eyes are on what action Mukherjee announces in the budget to allay of perceptions of a policy paralysis, as investors appear increasingly worried that the Manmohan Singh-led United Progressive Alliance (UPA) government, stung by a series of corruption scandals, low business sentiment, poor investment outlook and the need for populism, will fail to push through policy reforms in critical areas to boost long-term growth.

"I think the market will be looking for action rather than comments," said a top executive of a foreign bank. "Confidence can come back only when there is perceptible movement in the policy stance.

The government, starting at a Rs 6,000-crore shortfall in tax revenues compared to budget projections, and a mounting food subsidy bill arising from the proposed food security bill, finding resources—apart from imposing a specific cess—will not be easy.

A swelling deficit (government borrowing this year is set to touch a record Rs 25,000 crore—25% higher than budget estimates) and a fiscal deficit target of between 5 and 6% will severely constrain the government’s ability to borrow and fund a stimulus package.

"Unless strong measures are taken to have an implementable plan for revival of the manufacturing sector, it is unlikely that GDP numbers in the coming quarters will improve noticeably," Anil Chauhan, director and senior economist, Dai-ichi Life & Securities.
Copper rallies to 2-week high

Reuters
London, Feb. 29
Copper prices rallied to a more than two-week high on Wednesday after banks snapped up more than $500 billion in cheap funding from the European Central Bank aimed at injecting liquidity into the market, helping risky assets push higher. Three-month copper on the London Metal Exchange traded at $8,650 a tonne by 10:54 GMT, up 0.6 per cent from Tuesday's close of $8,600 a tonne. It earlier hit a session high at $8,695.25, its highest level since February 10.

Copper stocks in warehouses monitored by the LME fell by a further 2,425 tonnes to 296,425 tonnes -- a fresh 2 1/2 year low.

The ratio of cancelled warrants, material earmarked for delivery, to total stock stood at 31.69 per cent, mostly in US locations.

In other metals, battery material lead was at $2,277.25 from Tuesday's close of $2,255 a tonne and aluminium was at $2,146.25 from $2,123. Nickel climbed to $20,150 from $19,785.
Economic Times, Delhi
Thursday, 1st March 2012, Page: 20

LME Clients Question Fee Hike

Global Guru

ANDY HOME
REUTERS

The board of the London Metal Exchange (LME) met last Thursday to review a number of bids for the institution that dominates industrial metals trading outside of China.

A "good number", according to the LME itself, although what constitutes a "good number" is anyone's guess. Since then, though, the curious have been met by a wall of silence. What was the outcome of the board's review? Presumably the board and the bidders have some idea but the rest of us are in the dark, at least until information starts to percolate down through the exchange's many unofficial communications channels.

But there is one thing we know for sure after Thursday's meeting: The customers of the LME, particularly the industrial users who form the backbone of the exchange's price discovery function, are starting to make themselves heard.

There were actually two main items on the agenda at last week's board meeting. The review of that "good number" of preliminary bids, obviously. But also the revolt against the proposed changes in exchange fees, a revolt that forced the LME executive into a "town hall" meeting with its membership on February 7. The LME promised to consider the feedback it received at that meeting and last Thursday's board meeting amounted to a major climbdown.

More significant than the delay in introducing the new fee structure from March to July 2 was the move completely to exempt short-dated carries, anything from "tom" to 15 days inclusive. Although led by some of the LME's own members, including three board members, this revolt originated in the LME's customer base. The LME, when it originally announced the proposed hikes in exchange fees, expressed confidence that the costs would be passed through by its members to their customers. Well, the LME should probably have asked the customers what they thought about that first.

Because it's no great secret that some of the biggest of them had very different thoughts about paying for a trade they had previously been offered for free.

They have flexed their collective muscles and in doing so have drawn one red line for any would-be bidder: The LME's damage limitation exercise was to claim that exempting these short-dated carry trades would affect forecast revenue by only 5%.

We have to take their word for it, although without further contextual detail, it's not much more useful than describing the number of preliminary bids as "good".
Coal Ministry to Outsource Bidding Process

DEBOJY SENGUPTA
KOLKATA

The coal ministry has decided to outsource the entire bidding process for auction of over 50 coal blocks that hold an estimated 18,000 million tonnes in reserves.

The ministry will soon hire a consultant to finalise the bid documents, carry out the bidding exercise. The task of inviting global bids and selecting a consultant has been given to Central Mine Planning & Design Institute Ltd ( CMPDIL), a Coal India subsidiary that specialises in coal block exploration, research and development. According to reports, the ministry will auction the blocks on upfront payment basis. Bidding in the first round will be done for blocks in Chhattisgarh, Jharkhand, Maharashtra, West Bengal, Orissa, Madhya Pradesh and Andhra Pradesh.
Economy on course to achieve 7% growth, say economists

New Delhi: Agriculture grew at a slower pace during October-December 2011 than a year ago, and this has been attributed to a high base in the third quarter of 2010-11. Data released by the Central Statistics Office showed that the farm sector expanded by 2.7% during October-December 2011, as compared to 11% a year ago.

Economists at Citibank and ratings agency Crisil predicted that the economy was on course to achieve 7% growth in the current financial year as services were still recording a strong growth. Three of the four sectors clocked over 9% rise in activity, with construction too growing by over 7% (see table). "In order for the government to meet its first advance GDP estimate of 6.9% for 2011-12, growth in the fourth quarter is likely to be 6.0%," Citibank economists Rohini Malik and Anushka Shah said in a note.

"We would expect this to be the bottom or close to the bottom and Q4 is likely at 6.1% too. RBI is expected to factor in these growth dips and start cutting rates from April, first cut of 25 basis points. But RBI might not be able to cut the policy rates aggressively as inflation concerns persist, especially with international crude oil prices remaining firm," said Kotak Mahindra Bank chief economist Indranil Pan.

The continued fall in growth rates prompted industry chambers to argue for a rate cut to boost economic activity. CSO data estimated investment at 30% of GDP as compared to 32.3% a year ago. This was the fourth quarter in a row when it had declined. At the same time, private consumption also remained constant.

RBI, however, faces twin dilemmas. One inflation, especially in the manufactured good segment, remains high. Two, it has already made public its concern over the Centre's fiscal situation.
At 6.1%, GDP grows slowest in 2 years

Manufacturing, mining drags Q3 GDP growth

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 29

INDIA'S economy grew by 6.1 per cent during Q3 of this fiscal, its slowest pace in over two years, with manufacturing and mining sectors dragging down growth from the 8.3 per cent clocked during the corresponding year ago period.

The moderation in growth rate, which comes ahead of RBI's monetary policy review on March 15, is largely being attributed to a high interest rate, higher cost of borrowing along with inaction from the government on the economic reforms front.

Finance Minister Pranab Mukherjee said though the figure was "disappointing", it was "not unexpected". "If I take first quarter, second quarter, third quarter taken together, it is also indicating a downward trend," he said.

According to data released by the Central Statistical Organisation (CSO), manufacturing sector growth during the quarter fell sharply to 0.4 per cent from 7.8 per cent during the same period a year ago. The farm sector registered a growth of 2.7 per cent, down from 11 per cent in Q3 of the last fiscal while mining and quarrying production contracted by 3.1 per cent during the quarter as against a growth of 6.1 per cent in the corresponding period last fiscal.

During April-December 2011-12, the growth rate slowed to 6.9 per cent from 8.1 per cent during the same period last fiscal. Low growth in Q3 is likely to impact the overall economic growth. While the CSO has projected GDP growth for 2011-12 at 6.9 per cent, the PMEAC pegs it at 7.1 per cent.

The dismal growth figure prompted industry to demand a cut in key interest rate and concrete policy action from the government to prop up growth. The industry has also urged the finance minister to refrain from increasing excise and service tax as it will hurt manufacturing.

"GDP growth print for Q3 FY12 indicates a broad-based weakness across sectors and demand segments. Industrial growth, both manufacturing and mining, are lower than the post 2008 crisis. Investment rate is down to 28 per cent, the lowest in the last 7 years. Although consumption growth has held up, this was predominantly due to a base revision. There is an urgent need to revive manufacturing growth and capex, and this requires a coordinated thrust from monetary, fiscal and industrial policies," Saugata Bhattacharya, chief economist, Axis Bank, said.

According to the data, the construction sector slowed to 7.2 per cent during Q3 from 8.7 per cent in the same period a year ago while the services sector recorded a growth of 8.6 per cent. "It was on expected lines... We would expect this to be the bottom or close to the bottom and Q4 is likely at 6.1 per cent too. RBI is expected to factor in these growth dips and start cutting rates from April... But RBI might not be able to cut policy rates aggressively as inflation concerns persist..." Indranil Pan, chief economist, Kotak Mahindra Bank, said.

Fiscal deficit balloons to ₹4.3 lakh crore PAGE 16