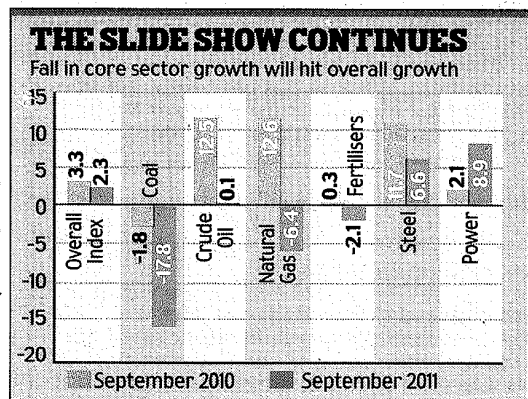


### NMDC net rises 8.9% to ₹1,963.15 cr

NMDC has reported a net profit of ₹1,963.15 crore as against ₹1,378.53 crore, a growth of 8.9% y-o-y for the quarter ended September 31. The net sales of the PSU stood at ₹3,062.32 crore as opposed to ₹2,459.98 crore, a growth of 24.4%. During the first half of the current financial year 2010-11, the company reported a net profit of ₹3,764.30 crore up from ₹2,882.57 crore posted during the same period last fiscal, while overall sales increased from ₹4,977.97 crore last year to ₹5,844.93 crore.

# Core sector growth dips to 2.3% in Sept

## First half numbers too show slide to 4.9%



By Mail Today Bureau in New Delhi

**T**HE GROWTH rate of the country's eight key infrastructure sectors slowed to a disappointing 2.3 per cent in September from 3.3 per cent in the same month a year ago, official figures released on Monday showed.

The output of coal, natural gas and fertilisers contracted during the month giving cause for concern as these are vital inputs that have an impact on the overall growth rate of the economy.

The growth rate has decelerated further after the 3.7 per cent recorded in August this year.

The coal sector was the worst performer as production declined by as much as 17.8 per cent, which is expected to have a cascading effect on the power sector as well in the days ahead.

Heavy rains in the coal mining areas and the strike by workers in Coal India Ltd (CIL), which produces 80 per cent of India's coal, is stated to be among the main reasons for the decline in coal production.

Natural gas output fell by 6.4 per cent as the turnaround of the giant KG basin field of Reliance Industries Ltd (RIL) was further delayed. The output of fertilisers was down 2.1 per cent, which is expected to lead to higher imports and an increase in the subsidy bill.

Electricity, however, witnessed 8.9 per cent growth in generation, though it was lower than 9.4 per cent in August.

The output of steel went up by 6.6 per cent, although its expansion was slower than the eight

per cent recorded in August. Refinery products, which include essential products like petrol, diesel and LPG, increased 4.4 per cent.

The slowdown in growth was also witnessed for the cumulative first half of the current fiscal with April-September showing an expansion of 4.9 per cent, down from 5.6 per cent in the same period last year.

Cement production remained flat during the month with a mere 0.9 per cent and crude oil was up an insignificant 0.1 per cent.

The dismal performance of the infrastructure sectors, which have a combined weight of 37.9

per cent in overall industrial production, is likely to impact the factory output numbers for September, scheduled to be released on November 12.

The industrial sector has been witnessing a slow-down while the Reserve Bank of India has raised interest rates by 3.75 per cent since March 2010 to curb rising inflation

The industrial sector has been witnessing a slow-down while the Reserve Bank of India (RBI) has raised interest rates by 3.75 per cent since March 2010 as part of its tight money policy to reduce demand and control prices.

However, headline inflation continues to remain stubbornly above the nine per cent mark even as high interest rates on loans have choked demand for consumer goods and

reduced corporate investments.

With food inflation jumping to double digits, matters have only become worse.

Finance minister Pranab Mukherjee on Monday said, "The current inflation pressures are mainly because of supply-side constraints of agricultural products. Necessary steps have already been taken. I hope it will have its impact and from November-December onward... the rate of inflation will be moderating."

On the RBI's decision last week to raise key policy rates for the 13th time since March, 2010, to tame the rate of price rise, Mukherjee said, "There was some liquidity excess which was required to be mopped up and through the adjustment of interest rates, efforts have been made to mop it up."



**BAD SHOW:** Coal sector was the worst performer as output fell by 17.8%, which is expected to have a cascading effect on the power sector, going forward.

## NMDC profit up 42% on iron ore demand

**New Delhi:** NMDC Ltd, India's largest iron ore producer, reported a 42% gain in second-quarter profit because of higher demand for the steelmaking ingredient.

Net income climbed to ₹1,960 crore, or ₹4.95 a share, in the three months ended 30 September from ₹1,380 crore, or ₹3.48, a year earlier, the Hyderabad-based company said on Monday in a

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statement to the BSE. Sales rose 24% to  
₹3,060 crore. **BLOOMBERG**

# Green ministry extends moratorium on Ratnagiri, Sindhudurg projects

BS REPORTER  
New Delhi, 31 October

THE ministry of environment and forests (MoEF) has extended the moratorium imposed on projects in Ratnagiri and Sindhudurg districts of Maharashtra till December.

In a notification issued last

week, MoEF advisor Nalini Bhat said the moratorium had been extended because the ministry had received the report of the Western Ghat Ecology Expert Panel (WGEEP) and it was now under consideration.

Last year, the ministry, under the then minister Jairam

Ramesh, had imposed a moratorium till December 31, 2010, after locals complained about clearing power projects of over 33,000 Mw in these districts and other infrastructure projects such as ports and mining.

Both Ratnagiri and Sindhudurg districts fall in the range of Western Ghats. The WGEEP,

headed by renowned environmentalist Madhav Gadgil, has prepared a detailed report, which would be a road map for this eco-sensitive habitat.

The moratorium was earlier extended till August 30, 2011, awaiting the report from the Gadgil Committee, which was submitted last month.



# CORE SECTOR GROWTH HITS 30-MONTH LOW

BS REPORTER  
New Delhi, 31 October

**E**ight core industries performed below par in September, resulting in a disappointing industrial growth. The eight crucial sectors, having a weight of almost 38 per cent in the index of industrial production (IIP), grew by just 2.3 per cent in September year-on-year — the lowest in two-and-a-half years. The percentage was 3.3 in the corresponding month last year.

The latest set of data implies that the rest of the sectors in IIP will have to put up an extremely good show in September to push up industrial growth, which continued to be at below five per cent for the second month in a row in August. While consumer durable sectors are anyway facing the brunt of high interest rates, the capital goods sector is highly volatile.

There is an air of caution. "Don't expect these numbers (core sector) to improve in the coming months," says Madan Sabnavis, chief economist with CARE Ratings. "This will definitely have an impact on IIP numbers for the coming months," he told *Business Standard*. The last time the IIP grew lower than the latest was in February 2009. That time, a wave of economic downturn pulled the percentage to an abysmal 0.93.

As for the ongoing 2011-12, the core sector grew in the first six months by 4.9 per cent against 5.6 per cent in the corresponding period of the last fiscal. In the six core industries,

coal sector continued to be a drag. Its production declined 17.8 per cent in September on yearly basis, on top of 15.3 per cent fall in August.

This is the third time in the first six months of this fiscal that coal output declined in a month year-on-year. Mining in industrial production will have to bear the brunt of it, which, anyway, showed contraction in August for the second month this fiscal.

Besides coal, natural gas and fertilisers production also contracted in September. While natural gas production was down 6.4 per cent in September year-on-year, fertilisers fell 2.1 per cent. The lowest before this was in February 2009.

Already, government has told Parliament's standing committee that fertilisers will be in short supply this fiscal. Analysts said at a time when monsoon is so good, fertilisers production is not showing up.

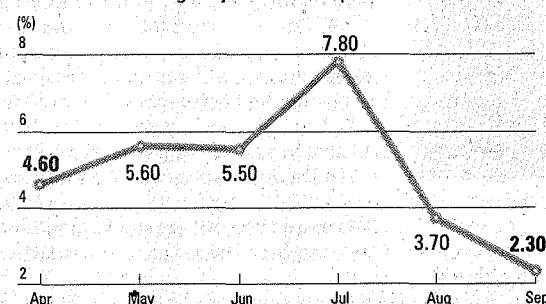
While there is demand from many quarters for the RBI to pause its tight monetary stance, analysts say a fall in production in these industries has nothing to do with interest rates. It is a larger policy issue, they note.

Heavy rains in coal mining areas and strike by workers in Coal India are stated to be among the main reasons for the downfall in coal production. Besides, the unrest in Andhra Pradesh's Telangana region, which houses most of the mines of Singareni Collieries Company, are causing problems for the sector.

"Coal and natural gas have

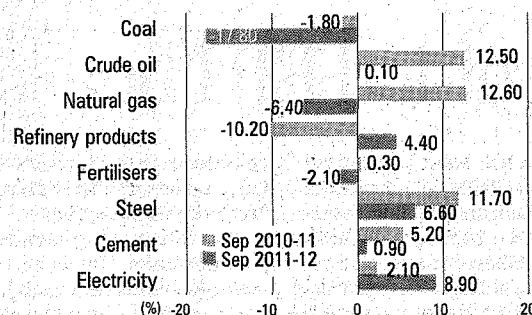
## LACKLUSTRE SHOW

Industrial growth is likely to continue with its slow pace in September as well, as index of 8 core industries having 38% weight in Index of Industrial Production grew just 2.3% in September



## Growth rates of the index of eight core industries

(Base: 2004-05=100)



Source: Ministry of Commerce and Industry

their own problems," notes Samiran Chakraborty, head of research, Standard Chartered Bank. "It is more due to sectoral challenges like environmental clearance, land issues and low natural gas production in KG-D6 (Krishna-Godavari) basin. Unless there is growth in these important sectors over next few months, they may become a bottleneck for production in other sectors."

Electricity generation and steel, however, performed quite well in an otherwise slowing down core industry. Electricity, which has 10.32 per cent weight in IIP, grew by 8.9 per cent in September, while steel production expanded by 6.6 per cent. Though much of the country's electricity generation is dependent on coal, the requirements could be met with imports, analysts say.

# Core sector growth down to 2.3% in September

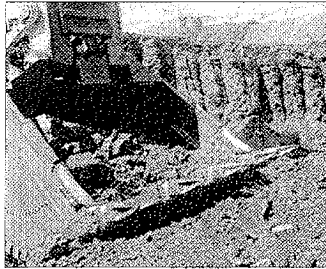
ENS ECONOMIC BUREAU  
NEW DELHI, OCTOBER 31

THE eight core infrastructure industries growth slowed down to 2.3 per cent for September as against 3.3 per cent during the same period a year ago, mainly due to rising cost of credit and inputs and weak demand.

While coal production contracted by 17.8 per cent as against a contraction of 1.8 per cent in September 2010, natural gas production declined by 6.4 per cent during the month as against expansion of 12.6 per cent during the year ago period. Fertilisers were down 2.1 per cent, according to official data released today. Production in both the steel and cement sectors also grew at a slower pace at 6.6 per cent and 0.9 per cent as against 11.7 per cent and 5.2 per cent during the same period last year.

The main reason, experts say, for the decline in coal production and natural gas are long term policy issues.

"Natural gas and coal have



**COAL** production contracted by 17.8% while natural gas production declined by 6.4% in September

long term problems. Coal supply has been constrained due to go, no-go policy of the government. As regard steel and cement, construction activity has been down. Construction has been the weakest component of the GDP. There could be a seasonal element in the cement as the rains have carried on a little longer," Abheek Barua, chief economist, HDFC Bank, said.

This may not augur well for the Index of Industrial Production (IIP) as eight core sector industries — coal, crude oil, natural gas, fertilisers, electricity, cement, steel, refinery products — have a share of 37.90 per cent in the IIP. Barua said that IIP for September "will not be more than 4-5 per cent as core sector has a huge share in the index." The eight key infrastructure industries grew by 3.7 per cent in August.

During the first half of the current fiscal (April-September), these key industries expanded by 4.9 per cent as against 5.6 per cent during the corresponding period last year.

During the month, electricity generation grew by 8.9 per cent generation while refinery products posted a growth of 4.4 per cent during the month.

The core sector growth has been hit by rising cost of credit as the central bank has been making money expensive by raising key interest rates 13 times since March 2010 to contain inflation.



Anand Sharma, Commerce Minister (centre) with Paolo Romani, Italian Minister for Economic Development (left) and Harsh Mariwala, FICCI President, at the meeting of Indo-Italian Business Forum in New Delhi on Monday.

RAAJ DAYAL

## बंगलूर विश्वविद्यालय को जिंदल एल्युमीनियम देगी एक अरब

बंगलूर, 31 अक्टूबर (भाषा)। जिंदल एल्युमीनियम बंगलूर यूनिवर्सिटी को डाक्टर सीताराम जिंदल स्कूल आफ इकनामिक्स की स्थापना के लिए 100 करोड़ रुपए का योगदान देगी। पूर्व में यह बंगलूर स्कूल आफ इकनामिक्स के नाम से प्रस्तावित था।



# Sterlite Loan to Arm May Turn Equity

SATISH JOHN & M V RAMSURYA  
MUMBAI

**C**opper maker Sterlite Industries plans to convert all its loans in a loss-making group firm into equity, putting it on a possible collision course with its shareholders.

In what may well turn out to be one of the largest capital restructuring exercises in recent times, Sterlite, which owns 29.5% in Vedanta Aluminum, plans to increase stake by converting ₹8,900 crore of its loans into equity. The conversion is expected to revive the beleaguered aluminum company by lowering its debt-equity ratio, helping raise outside money.

Last week in an analysts meet, Sterlite hinted at such a move by saying that it would "try to bring in more clarity" on its investments in Vedanta. But it did not go into specifics. On Saturday, a senior company official confirmed plans for a conversion after two brokerages issued reports speculating about such a move.

"Till now, all that Sterlite put into

Vedanta has been shown as pure investment. This exercise (to restructure the capital) will demarcate that investment into debt and equity and will make things more transparent," said Alok Nemani, a research analyst with Nomura Securities, who participated in the conference call.

Sterlite officials declined to comment on the issue.

But the move is likely to be resisted by shareholders upset over the loss of a steady income and the increased exposure to a loss-making business.

One shareholder who spoke with ET on the issue said they are not comfortable with the company's investment levels in Vedanta Aluminum as it does not generate high returns.

"Aluminum is a drag on the overall business and has also been hit by environmental issues. And as aluminum has not been integrated, the prospects for the project looks fragile," he added. Sterlite now earns interest of around ₹500 crore every year on the loan. Post-conversion, this income would disappear.

## Copper slips as investors await Europe bailout details

**Bloomberg**

Oct. 31

Copper, poised for the biggest monthly advance since December, fell in New York as investors awaited details about European government's revamped strategy for curbing the regions debt crisis.

Copper for December delivery dropped 3.4 per cent to \$3.5815 a pound by 8:46 a.m. on the COMEX in New York. Prices are up 14 per cent in October, headed for a first gain in three months. Copper for three-month delivery fell 3.4 per cent to \$7,898 a tonne on the London Metal Exchange.

Copper stockpiles moni-

tored by the LME slid 9.4 per cent this month, the most since June 2009. They dropped 0.7 per cent to 429,375 tonnes, the lowest level since March 17, on declines in Asia, exchange figures showed. Cancelled warrants, or orders to draw copper from inventories, fell 5.1 per cent to 52,125 tonnes, paring Octobers gain to 63 per cent.

Aluminium in London dropped 0.8 per cent to \$2,225 a tonne, zinc declined 2.4 per cent to \$1,937 a tonne, and lead retreated 3.6 per cent to \$2,014 a tonne. Nickel lost 1.3 per cent to \$19,450 a tonne and tin fell 0.5 per cent to \$22,000 a tonne.

# Green nod breach may lead to closure

■ Non-serious violators to be put on watch list

Kirtika Suneja  
New Delhi, Oct 31

**A**FTER a short period of lenience in allowing coal mining in "no-go" forest areas, the environment ministry has decided to impose stringent penalties on violators. In a significant move, the ministry has categorised non-compliance with the environment clearance (EC) conditions as 'serious' and 'not-so-serious' across 27 sectors and said that violators of the serious ones would be issued closure orders.

The move will impact projects across sectors — mining of minerals and metals, exploration of oil and gas, airports, seaports, highways, cement, steel, thermal and nuclear power and even pesticides. The new policy leaves little room for interpretation and helps avoid cases like Lavasa and Adarsh Housing Society where the ministry and the companies concerned were seen having different views on the compliance level.

At present, failure to com-



Jayanthi Natarajan,  
environment minister

## GREEN WHIP

- 'Serious' violations will include immediate threat to life, property
- General rules to apply to all projects; specific ones to particular projects
- New policy leaves little room for differential interpretation of rules

ply with EC conditions attracts a penalty of ₹1 lakh or three years' imprisonment. It is reckoned that these are not an effective deterrent. As per the new policy, state agencies will increase their vigil on non-serious violations.

Under the new categorisation, serious violations are those involving an im-

mediate threat to public life and property. In these cases, the ministry can order direct closure, prohibition or regulation of any industry, operation or process. These conditions are related to implementation of rehabilitation and resettlement, compensatory afforestation and wildlife management plan.

Similarly, pollution abatement technologies, adoption of clean technologies and waste minimisation technologies in developmental projects are items whose violation will be termed 'serious'. The categorisation was proposed by a committee the ministry had set up earlier this year.

So, in the case of mining, serious violations will occur if mining operations are not restricted to above-ground water table and intersects the groundwater table while for nuclear power plants, not complying with continuous on-line monitoring of the temperature of the discharged cooling water will amount to a serious violation.

■ Continued on Page 4

## Green nod...

Interestingly, these strict measures have not evoked the kind of criticism the ministry got when it introduced the 'go, no-go' categorisation for coal projects. "The new rules will make us comply more, and ensure that compliance happens regularly. We are seeing it in a positive light rather than an impediment," said the director of an infrastructure company, asking not to be named.

The ministry, while according environmental clearances, generally stipulates two types of conditions – specific and general – in all categories of projects. While there are changes in the specific conditions from one

category of project to other, the general conditions by and large remain the same.

"Therefore, the committee decided to categorise general conditions across all projects and specific ones sector-wise. The sectors selected for the categorisation were the same in line of environmental appraisal committees constituted for appraisal of projects for environmental clearance," according to the ministry.

An official of another infrastructure company said the government has now cleared its stance that EC is not an impediment and that firms would now know beforehand that non-compliance is not an option.



### **NMDC board declares interim dividend**

NMDC has informed BSE that the Board of Directors of the Company at its meeting held on October 31, 2011, inter alia, has approved an Interim Dividend of ₹1.00 per equity share for the financial year 2011-12.