CBI grills OMC MD in mining case

U. SUDHAKAR REDDY 3/2
DC | HYDERABAD

April 1: Officers of the Central Bureau of Investigation on Friday questioned the managing director of the Obulapuram Mining Company, Mr B.V. Srinivas Reddy, in connection with the iron-ore scam. A mining engineer assisting Mr Reddy was also questioned.

Sources in the CBI said depending on what they get from Mr Srinivas Reddy, the OMC founder and chairman, Gali Janardhan Reddy, the tourism minister of Karnataka could also be questioned.

OMC exported 28 lakh tonnes of iron ore at the rate of ₹6,000 to ₹7,000 per tonne when the operating cost was ₹430 per tonne. “Even if OMC got ₹5,000 per tonne it would mean a whopping ₹1,400 crore of profit,” a CBI officer said. But the company paid only ₹12 per tonne as royalty to the government which amounts to a paltry ₹3.36 crore.

CBI officials said the major violation starts with the allotment of mining leases and, second, the iron-ore was granted for captive mining for the Brahmani steel factory, but was instead exported. The CBI has already proved that the iron-ore that was exported was different from that dug in the leased area.

“The modus operandi of the mining companies is that they dig out the iron-ore in areas other than those permitted in Karnataka and use the permits from AP to transport and export the iron-ore,” said an investigating official.
Vedanta: Orissa moves SC on clearance to project

The Orissa government approached the Supreme Court (SC) on Friday, challenging the Centre's decision to reject environmental clearance to Vedanta bauxite mining project in Niyangiri Hills.
Orissa Mining to move SC again against environment ministry

Promit Mukherjee MUMBAI

Orissa Mining Corporation (OMC) will file a fresh writ in the Supreme Court against the Ministry of Environment of Forests (MoEF) against the ban on mining in Niyamgiri hills.

The state-owned company had filed an interlocutory application challenging the MoEF decision in early February, almost six months after the MoEF order was served. Later, it also appealed to the apex court to take up the case for speedy hearing.

In its first hearing of the case on Friday, the Supreme Court asked OMC to either file a fresh writ or file it as a contempt of court by the MoEF since the matter was already disposed of by the apex court earlier.

According to sources, OMC urged that MoEF’s rejection of stage-II forest clearance to the company for mining of bauxite in Niyamgiri hills was in violation of the Supreme Court judgments given in 2007 and 2008. All the issues on which the ministry had rejected the proposal had already been observed in the Supreme Court during the 21 hearings held over three years.

It was also argued that Anil Agarwal-controlled Vedanta Group’s upcoming alumina refinery in Lanjigarh, whose expansion was also halted by the MoEF, was not related to the ban on mining in Niyamgiri.

“OMC argued that they were different issues and the alumina refinery case is separately being fought in Orissa High Court by the company and has nothing to do with OMC,” said a source.

After listening to both sides on Friday, Justice Ravindran and Justice A K Pathak asked OMC to file a fresh writ as a violation of the fundamental rights of an organisation under Article 32 of the Constitution, the source said.

“OMC will be filing a fresh writ as directed early next week and it is likely to come up for hearing in the next week,” the source added.

The MoEF in August 2010, after accepting the recommendations of the four-member Forest Advisory Committee headed by N C Saxena, stopped mining in Niyamgiri Hills and the expansion of Vedanta’s one million tonne alumina refinery, citing that mining would severely impact the ecology of the hills.

The mining contractor for the Niyamgiri project was a joint venture company with Sterlite Industries, a listed subsidiary of Vedanta Group, holding 74% stake and OMC having the rest. The bauxite to be mined was to be fed to Vedanta’s Lanjigarh refinery.

NIYAMGIRI ROW TIMELINE

2003: Vedanta group signs MoU with Orissa to set up 1 mt alumina refinery and 75 mw power plant at Lanjigarh. The state government promises 150 mt of bauxite
2004 Sept: Ministry of Mines approves grant of mining lease of Lanjigarh in favour of OMC
2004 Sept: MoEF grants environmental clearance for alumina refinery
2004 Nov/Dec: PILs filed by NGOs against the bauxite mining project before the Central Empowered Committee
2005: Vedanta moves Supreme Court (SC) for expeditious clearance of the mining project
2006 Feb: SC asks MoEF to appoint expert bodies to conduct studies on the project
2008 Aug: SC finally grants clearance to the forest diversion proposal for undertaking bauxite mining from Niyamgiri hills
2008 Dec: MoEF gives in-principle nod to mining project
2009 April: MoEF gives environmental clearance for start of mining in Niyamgiri
2010 June: MoEF sets up committee headed by N C Saxena
2010 Aug: Saxena committee submits its report to MoEF. MoEF refuses to give a final approval to the project
2011 March: OMC challenges MoEF’s decision in SC
Silver re-visits peak; gold slips on lack of buying

Press Trust of India
Mumbai, April 2
Silver prices moved up and revisited its previous all-time high on the bullion market due to renewed buying interest by stockists and firm industrial support.

On the other hand, gold, declined owing to lack of local buying interest amid weak trend in the global market.

Silver ready (999 fineness) moved up by Rs 30 a kg to close at Rs 56,900.

However, standard gold (99.5 purity) dropped by Rs 45 for 10 gm and finished at Rs 20,760.

Pure gold (99.9 purity) also fell by a similar margin to end at Rs 20,860 for 10 gm.

Chennai: Bar silver: Rs 56,350; retail silver: Rs 60,30; standard gold: Rs 20,840; retail ornament gold (22 carat a gm): Rs 1,938.

Kolkata: Silver ready: Rs 55,900; gold ready: Rs 21,070.
It makes sense to have commodities in your portfolio

Lakhshmi S.K. Rajakalakshmi

Commodity exchanges function pretty much like other financial markets. There are well organised brokers and there are guidelines available on how brokers and clients need to act. It needs to be understood that futures price incorporates all the present information. Every time new information comes in, the price gets adjusted. Futures price is for a forecast but it says that based on information we have now, this is the most likely price, 3 months, 6 months and 1 year from now.

Getting started

Are these markets complicated? In reality, no. The modes of access are the same as in securities. You open a trading account with a broker, you give instructions, you get confirmations of your positions all pretty straightforward.

Commodity derivatives permit you to go both long and short. So you can take positions that make you benefit from price increases and also take positions that help you benefit from price declines. It really makes sense to understand the underlying market so that you can take positions depending on how you view the developments in the underlying.

There are some risks involved. In commodities, prices are full for fixed return periods. If some broker says give your money to me for monthly income of 1 per cent or 1 per cent; that may not be wise.

Understanding commodity price movement

Commodity prices are driven by supply and demand which is perfectly understandable. If you have a given supply and level then there is always growth in the future. If you have a given supply and demand then there is always growth in the future. If you have a given supply and demand, you know that faster growth means higher prices in the future and higher consumption. Faster growth in infrastructure means greater import demand for maybe copper or iron ore. Supply reacts slowly to copper and iron ore prices will go up.

On the consumption side, you know that some Chinese and more, pork needs cattle feed and cattle feed means imports of rough soybeans that puts pressure on soybean prices.

Supply-demand equations determine commodity price as most commodity products have a delivery mechanism. If certain prices are too high or too low, people will make or take delivery from the exchange. Changes bring together physical prices and future market prices.

For our local contracts, we don’t have physical settlement. Our international reference contract prices are linked to physically settled contracts on international commodity exchanges. There is 99 per cent correlation between the above two.

Transaction costs

We have several levels of transaction cost charged by MCX depending on the volume of the broker going from Rs 1 per lakh to Rs 2.5 per lakh. The average transaction fee for the exchange is Rs 1.8 per lakh. Brokerages are very low since many brokers are aiming at rapid expansion.

Margin requirements are determined by the volatility in the commodity. So margins are higher when prices are volatile and lower when prices are stable. Maximum margin collected is 10 per cent. Standard margin is between 4 to 5 per cent.

Meet traded contracts on MCX

If we consider the long term, the top traded contract is gold. Number 2, 3, 4, is filled by either copper, silver, crude oil and so on. Right now the top traded contract is silver because silver prices have been very volatile of late.

Apt commodities feature very low on the list. In absolute terms it is high but in relative terms they make up less than 2 per cent of the turnover.

The reason is two-fold. First, because the policy environment is not very conducive. It is difficult. The concern is inflation, but it is not based on any facts, exposes exchanges and clients to risk. It has happened in the past when wheat futures were hiked overnight making many clients and brokers incur huge losses. Some investors have been afraid of moving into these silver contracts. The other reason for low turnover is that the physical environment for agricultural products in India is very underdeveloped. Lack of warehouses, very poor logistics and so on.

Commodity indices

MCX publishes a number of indices and they can be live on investment instruments. Unfortunately under current regulations, trading on these indices is not yet allowed. Some amendments have to be made to the law to permit trading in indices. These amendments are more or less ready since 2005. At one time they were even notified by the government and then they were allowed to lapse. We are waiting for these amendments to be passed.

International reference contracts

Through international reference contracts such as that for copper or lead, MCX provides entrance to global markets to Indian hedgers and speculators. There is an RBI regulation that permits large companies to hedge through international exchanges such as the London Metal Exchange.

They need permission from RBI, then open a credit line from a broker in London or Singapore and then execute their transactions. Smaller companies with similar price exposure can not use overseas markets. But they can use our exchange and get similar benefits. Since our contracts are settled in rupee, currency risk is also eliminated.

Proportion of hedgers and traders

It is difficult to put a number to that. In exchanges globally 50 to 60 per cent of the trades happen within one day. We are no different. This is a day trading and day trading is not hedging. We are probably close to 40 to 50.

As for the trades that are carried over, there are people who take longer term speculative positions and they are also hedgers. Globally it is 60 to 70. Since we do not have institutions operating on the exchange we have probably around 40 to 50 hedgers.

The gold sector uses our contracts extensively for hedging. Other sectors such as metals, jewellery and mining sectors from SME sector also use MCX for hedging.
HC seeks reply on Bhatti mines as landfill site

SEEMA HARKAULI □
NEW DELHI

The Delhi High Court has sought a reply from the Ministry of Environment and Forests on whether pits at the Bhatti mines sanctuary can be used by the city as a sanitary landfill site. Justice Rajiv Sahai Endlaw passed the order on Thursday following a plea by the MCD seeking the use of mines as a landfill site as the existing landfills at Bhalswa and Okhla are overflowing.

The Delhi Government, in its affidavit filed in March, has submitted that the pits in the Bhatti Wildlife Sanctuary cannot be allotted for landfill sites for municipal waste to the MCD.

Appearing for the MCD, advocate Sumeet Pushkarna has submitted that the civic agency requires around 1,500 acres of land to meet requirement for disposal of garbage in next 20 years. The estimation is based on a study conducted by the National Environment Engineering Research Institute in Nagpur. The MCD has sought the use of Bhatti mines near the Delhi-Haryana border as a landfill site. The civic agency has submitted that it will comply with all environmental norms and that the groundwater table in the area is low and there is no water body in the area. The MCD has said that the existing sanitary landfill sites at Bhalswa, Okhla and Ghazipur are almost saturated and it is becoming difficult to operate these sites.

Citing the example of the millennium park near the Nizamuddin bridge the MCD submitted that the same pits could be developed as green forests after they were filled up.

In November 2010, during a meeting convened by Chief Secretary of Delhi, Rakesh Mehta, a decision was taken to undertake a survey of the site of the pits in the Bhatti mines area. On January 22, 2011, a team including the Chief Secretary and MCD Commissioner KS Mehra carried out the inspection of the pits proposed by the MCD for their use as sanitary landfill sites for depositing municipal solid wastes.

The four pits proposed by the MCD for use as landfills were found to be part of the notified Bhatti Wildlife Sanctuary, the reserved forest and the uncultivated surplus Gaon Sabha land in the ridge.

According to the status report filed by the Government of NCT in March 2011, the Bhatti area cannot be used by the MCD for the purpose of Sanitary landfill sites. Subsequent to the inspection and inputs from the Chief Conservator of Forests, it was decided by the Government that the MCD should explore the feasibility of segregation of the municipal solid wastes for disposal in a suitable area outside the Bhatti Wildlife Sanctuary.
[IN BRIEF]

GOLD SLIPS ON US JOBS DATA

Gold slipped on Saturday as an encouraging US jobs report boosted the dollar, though euro zone debt worries and unrest in the West Asia lifted bullion off lows. Positive nonfarm payrolls and manufacturing data confirmed a strengthening US economy, but economists said the news was not enough to push the Federal Reserve away from an ultra-easy monetary stance that has helped gold hit record highs. Spot gold dropped 0.6 per cent to $1,428.20 an ounce as of 2:01 pm EDT, sharply off its low at $1,112.55 hit earlier in the session.

REUTERS
The forest’s cry

TITHIYA SHARMA

I have a small family,” he shares, “only two brothers and two sisters!” Pradeep Marak led the simple life in Bokapiri, in the North Cachar Hills of Meghalaya. Three years ago, when Pradeep was only 23, he rose to the challenge that turned him into a dynamic leader of the Garo Students Union (GSU) into a war warrior. GSU is the apex body of Garo Youth.

Despite his young age and no formal training in journalism and public speaking, he has been very effective in dealing with the issues at hand. The GSU has fought many battles for the rights of the Garo people and has emerged victorious. Pradeep and his young colleagues have taken on the mining mafia that dominates much of the north eastern state of Meghalaya.

The southern edge of the Balakpam National Park is rich in coal and it is one of the most mineralized areas. The movement of the community-owned forest land is illegal. Pradeep has been fighting against the invasion of the mining mafia. In a matter of days, they have destroyed the eco system that has been thousands of years in the making.

Tithiya Sharma writes that the forest’s cry is of the Garo people who are fighting against the mining mafia. The forest is their home and they are fighting to keep it that way. The mining mafia has been destroying the forest and the Garo people are fighting back.

The forest is their source of livelihood and they are fighting to keep it that way. The mining mafia has been destroying the forest and the Garo people are fighting back. The forest is their home and they are fighting to keep it that way.