

Centre to set up mining authority

Bill to be tabled in current session of Parliament

NEW DELHI: The Centre has proposed to set up a national mineral regulatory authority to monitor mining-related activities and take steps to curb illegal mining in the country.

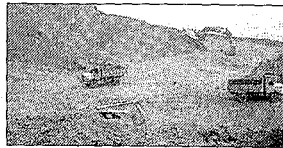
The government decision follows suggestions from the Group of Ministers (GoM) headed by Union Finance Minister Pranab Mukherjee constituted to vet the proposed Mines and Minerals (Development and Regulation) Bill, which is likely to come up in the ongoing monsoon session of Parliament.

The proposal to set up the mining regulatory authority will be included in the Bill and tabled in Parliament for its approval.

The members of the GoM, including Union Law Minister M Veerappa Moily and Minister for Commerce Anand Sharma, have favoured setting up a strong regulatory mechanism to prevent plundering of mineral wealth, especially by those in power. Karnataka's case, where three ministers from the BJP-led State government were facing charges of involvement in illegal iron ore mining, was among the examples given to press the need for a monitoring authority.

The regulatory body, to be formed by the Ministry of Mines, should oversee mining-related activities, including management of mineral wealth, by curbing illegal mining and proper auctioning of ore. The GoM also urged the Mines Ministry to probe the possibility of giving 26 per cent

The proposals



■ GoM headed by Pranab Mukherjee constituted to set up regulatory body

■ Mines and Minerals (Development and Regulation) Bill likely to be introduced in Parliament

■ Karnataka's mining scam taken as example for need to protect mineral wealth

■ Regulatory body to be formed by Ministry of Mines

■ GoM proposes 26 per cent stake in companies to people whose lands had been acquired for mining

stake in mining companies to people whose lands had been acquired for the activity. This will ensure that the benefits of mining reach the impoverished tribal population, the panel said.

The GoM's suggestion to share the inclusive growth in the mining sector with affected people may help decrease the influence Maoists have among the tribals of mineral-rich states, a senior Ministry official told *Deccan Herald*. The panel has also asked the Ministry to work out the modalities on how the stake could be given to those who lost land to mining activities.

DH News Service

Yechury demands nationalisation of mining 13-8

MYSORE, DHNS: Communist Party of India (Marxist) politburo member and MP Sitaram Yechury on Saturday demanded nationalisation of mining and said the party has pushed for a debate on the issue in both Houses of Parliament.

Speaking to reporters here, Yechury said the country's mines are being plundered in Karnataka, Andhra Pradesh, Odisha, Jharkand and other places.

"The national wealth cannot be exploited like this. It is illegal. The government should ban export of mineral resources.

"Those who are into mining should be asked to employ local people and distribute the resources locally," he said.

Instead, the government is not just allowing export of minerals but has also failed to check illegal export, Yechury slammed.

DH News Service

Sign an MoU, get a mine, make a windfall

Supriya Sharma | TNN

Raipur: The Delhi HC has rapped the Chhattisgarh government for granting mining rights to Pushp Steel and Mines Ltd, owned by two Delhi entrepreneurs, at a throw-away price of Rs 1 lakh.

In a detailed order, on July 20, 2010, Justice S Muralidhar said: "It beats imagination how a company incorporated in New Delhi on June 2, 2004, could have on that very day submitted an application in Chhattisgarh for grant of prospecting licence (PL)."

Second, it is inconceivable how such a company could be considered for grant of PL when the criteria laid down indicates that the applicant should have some prior experience in mining."

The court said, "In the original application, the date itself was left blank, and affidavits of I-T returns not filed. It is inconceivable that a company which came into existence that very morning could furnish any information about its income tax returns or its experience."

Experts say the case of Pushp is symptomatic of the way dubious mining companies have been given away precious mines through the MoU route in Chhattisgarh, which has one-fifth of the country's iron ore reserves.

Six months after it applied for a PL, the company that began with just Rs 1 lakh signed an MoU with the state to set up a sponge iron plant in Durg with the proposed investment of Rs 380 crore.

■ Proposed National Mineral Regulation Authority will have powers to prosecute to curb illegal activities

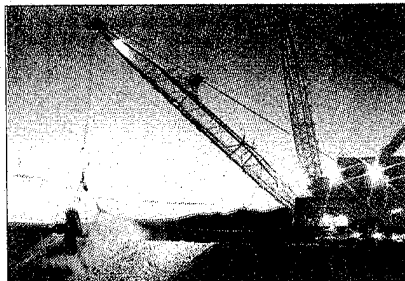
New authority soon to regulate mining

PRIYADARSHI SIDDHANTA
NEW DELHI, AUGUST 1

TO curb illegal mining and streamline growth in the sector, the government is actively considering setting up a National Mineral Regulation Authority (NMRA) and arm it with prosecution powers. The new authority, proposed by the home ministry, will put in place a strong regulatory mechanism. At present, the sector does have a regulator — the Indian Bureau of Mines, but at best it has technical expertise to clear mining

plans of players. 8/15
The proposal was backed by Law Minister Veerappa Moily and Steel Minister Virbhadr Singh at a recent meeting of a Group of Ministers on Friday. This GoM, chaired by Finance Minister Pranab Mukherjee, was set up last month to discuss contentious issues in the draft Mines and Minerals (Development & Regulation) Bill 2010 prepared by the Union mines ministry.

“The proposed authority will be vested with powers to grant mining leases, file cases against violators and act against illegal



mining. PSUs too will come under its purview,” said a government source. The Indian Bureau of Mines (IBM) would con-

tinue to be the technical regulator for the mining sector and monitor players’ compliance with mining plans,” the source added. A mining plan is a document that every player has to submit to the IBM detailing how he intends to mine the ores over the next five years.

The GoM has, so far, not considered the demands of the law and steel ministries to ban exports of iron ore. While the commerce and industry ministry is opposed to such an extreme measure, the mines ministry has recommended imposition of a windfall tax to curb iron ore exports. The

mines ministry’s proposal is pending with the finance ministry, the sources said. To stop illegal mining, Karnataka has, meanwhile, banned exports of iron ore from all its minor ports.

The draft MMDR Bill being discussed by the GoM does not talk of setting up such an authority. It only states that the IBM will report to the Central government the instances of illegal or unscientific mining. The Centre will then direct the respective state to investigate and prosecute. It may even ask the Centre to revoke the mineral concession granted to the player.

**S Vijay Kumar takes
over as Mines Secy**

NEW DELHI: Subramanyam
Vijay Kumar, a 1976 batch
IAS officer of the Himachal
Pradesh cadre, on Sunday
took over as the new Mines
Secretary, succeeding San-
tha Sheela Nair, a Tamil
Nadu cadre IAS officer, who
retired on July 31. Kumar,
who has been the additional
secretary and special secre-
tary in the Ministry of Mines
since January 2008, has a
wide experience in senior
management positions in
the government spanning a
period of over 15 years.

एस विजय नए खनन सचिव

नई दिल्ली • सुब्रमण्यम विजय कुमार नए खनन सचिव बन गए हैं। 1976 बैच के हिमाचल प्रदेश कैडर के आईएएस एस विजय कुमार ने पूर्व खनन सचिव सांथा शीला के 31 जुलाई को सेवानिवृत्त होने पर पदभार संभाला। कुमार जनवरी, 2008 से खनन मंत्रालय में अतिरिक्त सचिव और विशेष सचिव के पद पर कार्यरत हैं। वरिष्ठ प्रबंधन पदों पर कार्य करने का कुमार का अनुभव पिछले पंद्रह सालों का है। उन्होंने पद भार संभालते हुए बताया कि उनका वरीयता रहेगी कि नए खनन एक्ट को जल्द संसद में पेश किया जाए।

Nature's gift to the Nation

Bounty At The Mercy Of Mining Companies

By Bharat Jhunjhunwala

THE National Mining Policy 2008 envisaged the exploitation of natural resources in keeping with the country's long-term interests. It was necessary to ensure the security of minerals during periods of international strife. But the export policy of iron ore runs counter to this commitment.

The superior iron ore is hematite, to use a geological expression. We have reserves of about 12 billion tons of this, and it is sufficient for 30 years. The inferior ore is magnetite, of which we have 11 billion tons. Indian steel mills use little of the magnetite. Thus our reserves will last only about 30 years. This is equal to a few minutes of a day considering the 5000-year history of our civilization. The export of iron ore should, therefore, be immediately banned if minerals have to be made secure.

This is precisely what the United States has done. It has iron ore reserves of 50 tons per capita. It has banned iron ore export. Our reserves are only 21 tons per capita; yet more than half of the ore production is exported. There has been a 20 per cent increase in ore exports. Surely, our consumption of steel per capita is less than that of the United States. But we aim to become 'developed' very shortly, don't we? We need to anticipate the future demand and not be focussed on the current low demand.

Ores are Nature's gift to the nation. They cannot be produced like milk or software. The supply of milk increases if there is a rise in price. But the supply of iron ore cannot increase because the availability is also limited by Nature. Therefore, export cannot be left to market forces. It may not be right to export even if global prices are high just as one does not sell the family jewellery when gold prices soar.

Citizens' rights

THE landed price of iron ore in the Chinese market today is about Rs 5,000 per ton. The cost of production is Rs 300, taxes amount to Rs 300, sea transport to China costs Rs 600 and, say, the profits of the mining company are Rs 100. The total cost is Rs 1,300 per ton. The question is: Who is the rightful owner of the remaining Rs 3,700? This is actually the value of Nature's gift. It belongs to all citizens of the country. Therefore, this money should be collected by the government as the custodian of common rights of the people. But this huge amount is being collected by the mining companies under the present dispensation.

Appropriation of this common wealth by individuals is the reason why mining mafias have emerged across the world. Therefore, a royalty equal to Nature's gift of Rs 3,700 per ton should be collected from all mining companies ~ domestic users as well as exporters. They should be entitled only to normal profits on the expenditure incurred in production.

Further, we should try to secure an increase in the global price of iron ore. This will enhance the value of Nature's gift. The major exporters of iron ore are Australia, Brazil



The government should rise both above the mining mafia and steel barons and evolve a policy in the national interest

and India. In 2008, the main Brazilian exporter, Vale, had sought an increase in price from Chinese importers. The latter did not agree. Instead they imported additional ore from India in the spot markets. That might explain the increase in exports from this country in recent years. As a result, India forestalled an increase in the global price. Just as a section of the trade union teams up with the mill owners and breaks the strike for petty personal gains, so also did India scuttle the Brazilian effort for short-term benefits. It was wiser for India to cooperate with Brazil and jointly seek an increase in the price from Chinese importers.

Three points emerge. One, a huge increase in the royalty on ores should be effected to collect Nature's gift and use it for the welfare of the people. This money may be distributed to all citizens in cash. This will lead to reduction in mining and help preserve our mineral security. Two, the rates of royalty on inferior magnetite ore may be kept low. This will encourage domestic producers to use this and extend the life of our reserves. Three, India should form an export cartel with Australia and Brazil and jointly impose

a hefty export tax in addition to the royalty. Joint action will prevent Chinese importers to play one exporter against the other and keep prices low.

The counter-argument is that we must make exports the engine of economic growth. Theoretically, this is correct. Every country should export those items which it can produce on the cheap. But this applies only to countries that have large reserves of ore and whose domestic requirements are much less than the available quantities. For example, Australia has iron ore reserves of 2,000 tons per capita. India has only 21 tons per capita. The export-led growth argument holds for both countries, but the items to be exported would be different. Australia may surely export iron ore, but India would do well to export labour, which is available aplenty. The farmer first stores grains for his domestic requirement and then sells the excess quantity. We should do the same for iron ore.

Ban on exports

THERE is a counter-argument to this as well. Banning exports will affect the employment potential of mining companies because domestic steel mills do not have the capacity to consume the entire domestic production. This argument is valid, but only in the short run. About 30 years ago, the export of raw hides was banned. Soon a vibrant industry of finished leather products was developed. Similarly, the domestic steel industry will grow as soon as exports are banned and jobs will regenerate. In any event, jobs in the mining sector are limited by the availability of iron ore. The question is whether we should generate these jobs now or leave it for the future. The farmer does not sell all the earth for the manufacture of bricks. Similarly we should not sell all the ore and try to grab all the jobs immediately.

The counter-argument is that the petty interests of mining and steel companies are involved in the debate. The mining companies want taxes to be kept low so that exports are buoyant. Steel companies, on the other hand, want export taxes to be jacked up so that domestic availability increases and prices move downwards. These petty interests are certainly at play. But the government should rise both above the mining mafia and steel barons and evolve a policy in the national interest. To ensure the security of minerals and maximise the income from exports calls for an increase in royalties and export taxes.

We should increase the export of manufactured steel instead of iron ore. The logic is correct in terms of value-added exports. But mineral security is a far larger issue. It can be affected both by the export of steel and ore. The government must rise above petty interests of various contending groups and impose a huge royalty as well as export tax on all mining and export of iron ore.

The writer is former Professor of Economics, Indian Institute of Management, Bangalore.

Mines secy

NEW DELHI, 1 AUG: Mr Subramanyam Vijay Kumar, a 1976 batch IAS officer of the Himachal Pradesh cadre, today took over as the new mines secretary. || PTI

Veerappan turf turns into illegal miners den

By **Aravind Gowda** in Bangalore

IT IS six years since dreaded sandalwood smuggler and poacher Veerappan was shot dead. But the threat to tigers and elephants in the forests along the Karnataka-Tamil Nadu border, formerly the territory of the brigand, is as strong as ever.

For, Karnataka has permitted granite quarrying in these forests in violation of the rules.

The Karnataka government had stopped mining and granite quarrying in Male Mahadeshwara hills and Kollegala in Chamarajanagara district (south Karnataka) keeping in mind the threat posed by Veerappan.

But since 2004, the government has approved black granite quarrying in and around this forest reserve, which includes the Biligiri Rangaswamy Temple (BRT) wildlife sanctuary, a critical habitat of tigers and elephants in Chamarajanagara.

Leases have been granted to 12 firms — including government-owned companies — for black granite quarrying in and around the BRT sanctuary.

Apart from the 12 firms, several other companies have been granted 28 leases in Ponnachchi, Chingadi, Hoogyam and Meenym that are surrounded by the Yadiarahalli and MM Hills reserve forests in Chamarajanagara.

According to rules, no mining or quarrying is allowed either in the forests or the buffer zone (10 km from the forest periphery). But all the 28 leases have been granted for such activities

in the buffer zone. The quarrying companies have even started laying macadamised roads to transport the granite blocks through the forests with the help of local politicians.

Wildlife biologist Sanjay Gubbi said: "BRT sanctuary and MM Hills face one of the highest human-elephant conflicts and fragmenting forests will further degrade the elephant habitats, leading to increased conflicts. If we are serious about reducing human-elephant conflicts, which has cost the state government more than ₹4 crore in 2008-09 alone and 38 lives, we should halt this destructive activity."

He said legal and illegal quarrying around the BRT sanctu-

ary has disturbed wildlife in many ways. "The sound of blasts in the quarries disturbs wildlife. And the explosives used to quarry are also being used to hunt wildlife. Roads and power lines are laid illegally deep into the forests leading to habitat fragmentation. Apart from this, labour brought in to work in the quarries put pressure on forests by harvesting biomass for their daily needs.

"The dust from quarries dissolves in the nearby streams and affects flora and fauna of the freshwater ecosystem," Gubbi said.

The forest department and the Chamarajanagara district deputy commissioner have written frequently to the

department of mines and geology in the past five years to withdraw the quarrying leases granted to these companies.

"But no action has been taken so far," local wildlife activist D.S. Doreswamy said.

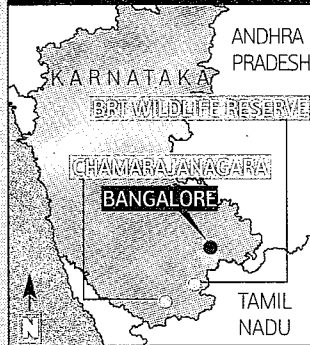
The BRT wildlife sanctuary is spread over 580-sqkm connecting the Western Ghats with the Eastern Ghats. The sanctuary is rich in biological diversity.

None of the 12 firms, or the other 28 lease-holders, has obtained environmental clearance from the Centre for quarrying black granite.

Taking cognizance of the threat quarrying poses to wildlife, the forest department has issued a warning to the mines and geology department.

A QUARRY THREAT TO KARNATAKA WILDLIFE

Rampant quarrying on the Karnataka-Tamil Nadu border has threatened the flora and fauna



SAJJAN JINDAL/JSW STEEL

If we can address raw material security, we can grow to any level

BY K. RAGHU
raghu.k@livemint.com

12-8

mint INTERVIEW

BELLARY

JSW Steel Ltd in July agreed to sell a 14.99% stake to Japan's JFE Holdings Inc. for around \$1 billion (Rs4,650 crore). The deal would give it access to technology to manufacture high-grade steel used in automobiles and other consumer durables.

For Sajjan Jindal, JSW Steel's managing director and vice-chairman, the biggest challenge is not building more steel making capacity, but to gain access to iron ore resources. Edited excerpts from an interview:

With JFE's investment, you are bridging the technology gap in building high-grade steel. What is the next challenge?

The only challenge for us is raw material security. If we can address that, we can grow to any level.

How much of JSW production comes from iron ore resources you own?

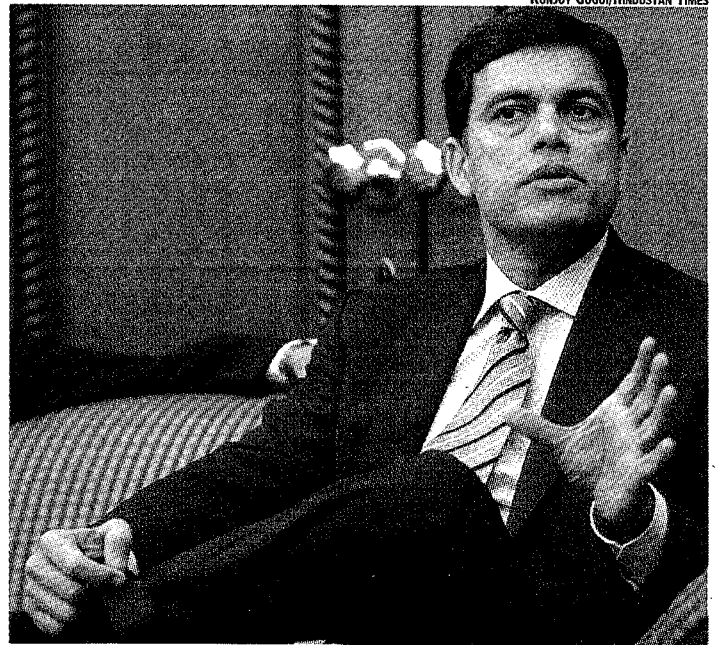
We have (only) 20% (of our own resources. The remaining 80% we don't have. It is very essential to own raw materials...

How are you addressing this?

...We are looking at (owning) mines locally as well as internationally. We have applied for new mining licences. We hope that the legal cases in Karnataka are sorted out so that we can use the (iron ore) from mines here. (JSW has licenses for four mines in Bellary region.)

Are you planning an expansion of your plant in Bellary?

We have plans. But our expansion from 10 to 16 million tonnes is only subject to our getting the iron ore... We are willing to invest another Rs15,000 crore to expand to 16 million tonnes. (But) we need at least 350-400 million tonnes of additional iron ore for the next 30 years. Unless we have that, we are not doing (it) in Bellary.



RONJOY GOGOI/HINDUSTAN TIMES

Bridging demand: JSW Steel managing director and vice-chairman Sajjan Jindal says the company needs at least 350-400 million tonnes of additional iron ore for the next 30 years.

The (state) government has given approvals to ArcelorMittal and Posco to set up units in Karnataka. Will competition hot up?

They are most welcome to set up plants here, but not at our cost. Not at the cost of JSW Steel. We (should) get our iron ore mines. Then, we don't care. The more the merrier. Because the more industries come here, it is good for the state and will generate quality jobs.

The Karnataka government has issued a notification to ban iron ore exports. The Union steel minister

is also in favour of a ban.

What the chief minister (B.S. Yeddyurappa) has done is correct. It is our country's mineral wealth, we should do value addition here and create jobs. The government must tell the mine owners that they should build steel plants or tie up with steel companies. We (the steel industry) will meet the Prime Minister and ask him for a ban on iron ore exports. Not a ban overnight, but reduce exports by around 20-25% a year over five years or bring in export duties...

APPOINTMENTS

**Vijay Kumar takes
over as mines secy**

New Delhi: Subramanyam Vijay Kumar, a 1976 batch Indian Administrative Service (IAS) officer of the Himachal Pradesh cadre, on Sunday took over as the new mines secretary, succeeding Santha Sheela Nair, a Tamil Nadu cadre IAS officer, who retired on Saturday.

Kumar, who has been additional secretary and special secretary in the ministry of mines since January 2008, has wide experience in senior management positions in the government. **PTI**

S Vijay Kumar takes over as mines secretary

NEW DELHI: Subramanyam Vijay Kumar, a 1976 batch IAS officer of the Himachal Pradesh cadre, on Sunday took over as the new mines secretary, succeeding Santha Sheela Nair, a Tamil Nadu cadre IAS officer, who retired on July 31. Kumar, who has been the additional secretary and special secretary in the ministry of mines since January 2008, has a wide experience in senior management positions in the government spanning over 15 years. "My priority would be to get the new mining Bill introduced in Parliament as early as possible," Kumar said. The mines ministry has prepared a draft legislation to replace the existing Mines and Minerals Development and Regulation Act to bring about greater transparency in the allocation of mining leases, besides attracting investment.

Iron ore mines going for ₹1 lakh in C'garh?

Supriya Sharma | TNN

SA

Raipur: There's not much you can get for Rs 1 lakh when it comes to potentially lucrative assets. But two Delhi businessmen gained access to a multi-crore iron ore mine in Chhattisgarh for just this much. On June 2, 2004, two brothers, Atul Jain and Sanjay Jain, pooled together Rs 1 lakh in Delhi to set up a company, Pushp Steel and Mines Ltd. The same day, the company applied for a prospecting licence for an iron ore mine in Chhattisgarh, more than 1,000km away.

The company had zero experience and almost no capital — both pre-requisites for a licence. But the state government granted it not just a prospecting licence but also a mining lease. This meant it could start extracting ore right away.

On the state government's recommendation, the Centre approved the grant. And when a rival company challenged the grant in the mines tribunal, it was dismissed on technical grounds.

Windfall Profit

► On June 2, 2004, brother's Atul and Sanjay Jain pool ₹1 lakh to set up Pushp Steel & Mines

► On the same day, the company applies for a prospecting licence for an iron ore mine in Chhattisgarh. Gets mining lease

► Rival firm's challenge rejected by tribunal. 5 yrs later, Delhi HC strikes down grant as "unsustainable in law"

Finally, it took an order by Delhi High Court, five years later, to hold the grant to Pushp Ltd as "unsustainable in law".

Allegations of corrupt mining deals have dogged the Raman Singh government for years. But this is perhaps the first time an HC has set aside a decision of the state government.

► Sign MoU, get mine, make profit, P 13

Silver may decline on weak demand

126-24

DUBAI: Silver may continue to trade between \$17.40 and \$18.50 this week. Prices have potential to head lower as seasonally weak demand may weigh on prices over the next several weeks. Silver prices fell last week, although the price decline spurred some bargain hunting. August is typically the weakest monthly period of the year for silver prices. Reduced market participation over the next few weeks and tepid demand for the metal may weigh on prices, but could also have potential to increase volatility. However, silver's function as a financial asset continues to prevent prices from falling too low for too long. Price declines are expected to be met by investor buying. Combined silver exchange traded fund holdings (ETF) were at a record high of 488.5 million ounces on 29 July, up from 487.8 million ounces at the end of the previous week.

'State reluctant to check illegal mining'

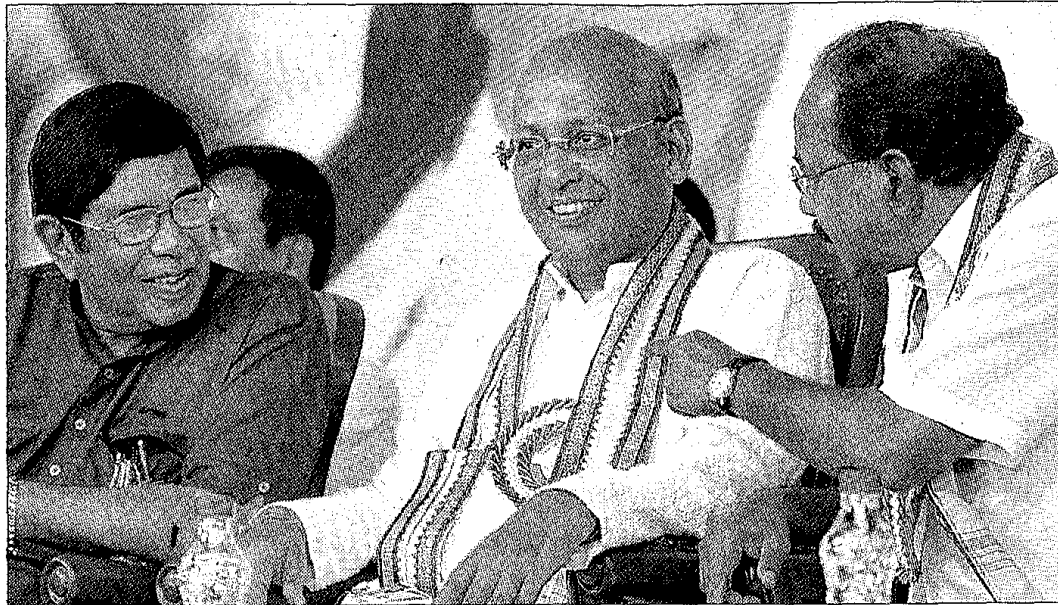
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BANGALORE: A day after the Central Government proposed to set up a National Mineral Regulatory Authority to curb illegal mining, Union Minister of Law and Justice M Veerappa Moily said the State Government had all the powers to check illegal mining but was reluctant to use them.

"The State Government has all the powers to stop illegal mining but sadly it's not using them," Moily told reporters after a conference here on Saturday.

He also said that the ball was in the State's court and the Centre could do very little about it.

Too little too late

Later addressing a press conference, AICC spokesperson Abhishek Singhvi criticised the Government's decision to ban



MP Oscar Fernandes, AICC spokesperson Abhishek Singhvi and Union Minister of Law and Justice M Veerappa Moily at a KPCC programme organised in Bangalore on Saturday. DH photo

export of iron ore saying it was "too little too late".

It was not an export ban per se, but restrictions placed on

transporting iron ores to the ports, Singhvi observed.

"It is similar to closing the stable after letting the horse es-

cape," Singhvi maintained. Claiming that 35 lakh tonnes of iron ore went out of Karnata-

ka between November 2009 and February 2010, Singhvi said that the amount was "10 percent of the State's total iron ore export".

Rs 1,800 crore loss

"If we estimate the global price of the ore at \$130 per tonne, it would mean that the State's exchequer incurred a loss of Rs 1,800 crore. This is just the tip of the iceberg of the total booty," he said.

Terming the BJP rule in Karnataka as "Gunda Raj", Singhvi said the Government was just playing out a "drama of inquiries". "This is the distorted version of Sushasan advocated by BJP leader Lal Krishna Advani," he said.

Coming down heavily on the Government's refusal to hand over the probe into illegal mining to the CBI, Singhvi termed

the move as "shameless".

Repeating his party's demand for a CBI probe, Singhvi said: "Why don't they file a three-line FIR and transfer the case to the agency."

"What is happening in Karnataka is a gigantic, white-collar crime right under the nose of the Chief Minister. Yeddyurappa should at least order an inquiry by a sitting judge of the Supreme Court with a mandate to submit the report within three months," he said.

Severe punishment

About the allegation of Congress leaders' involvement in illegal mining, Singhvi bluntly said that they should be punished severely.

"Crime is caste-less, creed-less, and colour-less," Singhvi remarked.

DH News Service

FE STUDY

Significant rise in PSUs' ability to service debt

Interest coverage ratio of 50 major companies increase to 9.66 in FY10 from 5.71 the year before

Pradip Kumar Dey

THE interest coverage ratio for about 50 public sector undertakings (excluding banks and NBFCs) increased to 9.66 in 2009-10 from 5.71 the year before. The higher the ratio, the lower is the risk of default on debt by a company.

The interest coverage ratio is used to determine how easily a company can pay interest expenses on its outstanding debt. The ratio is calculated by dividing a company's earnings before interest and taxes (Ebit) by its interest expenses for a period.

The 'coverage' aspect of the ratio indicates how many times the interest could be paid from available earnings, thereby providing a sense of the safety margin a company has for paying its interest for any period.

A PSU that sustains earnings well above its interest requirements is in an excellent position to weather possible financial storms. By contrast, a PSU that barely manages to cover its interest costs may easily fall into financial difficulties if its earnings suffer for even a single quarter.

The lower the ratio, the more the company is burdened by debt expense. When a company's interest coverage ratio is only 1.5 or lower, its ability to meet interest expenses may be questionable.

The aggregated profits (Ebit) of 50 PSUs increased by 12.8% to Rs 1.04 lakh crore during 2009-10 from the level of Rs 92,324 crore during 2008-09. The total interest expenses of these companies fell 33.2% to Rs 10,781 crore during 2009-

10 from the level of Rs 16,155 crore during 2008-09. This helped PSUs to increase their interest coverage ratio in 2009-10.

The top five PSUs according to the interest coverage ratio in 2009-10 were Bharat Electronics, Oil India, Dredging Corp of India, National Aluminium Company and Engineers India.

A significant increase in the ratio was witnessed in IOC, NHPC, GAIL, ONGC, RCF, NPL, OIL, HCL, and BEL.

IOC posted Ebit of Rs 15,632 crore against Rs 8,281 crore in 2008-09, registering an increase of 88.7%. At the same time, its interest expense decreased by 61.4% during the year.

In the case of RCF, though its Ebit decreased by 9.2% to Rs 364 crore during 2009-10 from Rs 401 crore, its interest outgo fell steeply by 73.5% during the year. The company's loan funds decreased by 6.5% to Rs 1,331 crore and the debt-equity ratio to 0.72 from 0.85.

A significant fall in interest cover was observed for SAIL, Petronet LNG, FACT, SCI, BEMIL and Neyveli Lignite.

The interest outgo of SAIL increased by 55.2% to Rs 402 crore during 2009-10, though its Ebit went up from Rs 9,658 crore to Rs 10,534 crore.

In the case of Petronet LNG, its Ebit fell by 10.5% to Rs 783 crore when its interest outgo climbed up 81.7%. Its loan fund rose 0.8% to Rs 2,299 crore during 2009-10 while its debt-equity ratio decreased from 1.15 to 1.03.

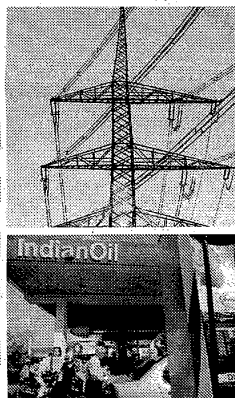
Out of 50 PSUs, only three, namely FACT, Madras Fertilisers and TN Telecom, had an interest coverage ratio below 1.5 during 2009-10.

Improving cashflow

Interest coverage ratios of major PSUs

(Rs crore)	Ebit		Interest coverage ratio	
Companies	2009-10	2008-09	2009-10	2008-09
SAIL	10,534	9,658	26.20	37.23
IOC	15,632	8,280	10.24	2.10
NTPC	12,694	11,355	7.02	5.69
SJVNL	1,190	1,618	6.88	4.87
NHPC	2,859	1,683	6.26	3.33
Petronet LNG	783	875	4.26	8.65
HPCL	3,028	2,795	3.35	1.34
BPCL	3,377	3,170	3.34	1.46
Powergrid Corp	4,169	3,870	2.70	2.36
NPCIL	915	969	2.07	1.98

Basic Source: Capital Line



Ashley Coutinho

GOLD is close to achieving the rare feat of becoming the consistent performer among all asset classes of the decade. It has appreciated year after year for the last ten years. And this year, if prices end higher than that of last year, it will perhaps be one of the few assets to do so. It is already up 6.5% for the year till date in dollar terms. As an investor, perhaps one might ponder if having a bit of gold is a smart strategy. After all, it is only moving one way (that is, up) and even for the June quarter, when all commodities corrected, it moved up 11.5%—giving the best returns among all commodities.

So, should you invest heavily in gold at this juncture? Historically speaking, perhaps not. From a supply (mining) perspective, it should not be more than \$750 per ounce. The current cost of mining gold is around \$350-400 per ounce. And gold mining companies have earned around 35-40%, which puts a figure of around \$550-600 per ounce. Factoring in cost escalation, the long-term average should not be more than \$650-750 per ounce over the long term. Of course, new investments into gold mines are coming at much higher costs, which justifies higher gold prices, but the rising demand seems to be ephemeral.

Low jewellery demand: Interestingly, it is the investment-led demand that is spurring gold demand and not the jewellery demand. Jewellery demand in the past has constituted 60% of the overall annual demand of around 3,500-4,000 tonnes. But in

2009, it fell to 51%. Higher gold prices and its volatility are keeping jewellery buyers away. Perhaps at these prices, women in India and the Middle East are buying lesser and lesser. "It's a lean period at present. We expect prices to be supportive post-Diwali and the demand to pick up during the marriage season in October to December," said Amar Singh, head, commodity and currencies, business development & research, Aditya Birla Money. In the lean season of June-July, gold prices back home have already slipped to a three-month low.

According to Amol Tilak, senior research analyst, Kotak Commodity Services, gold prices will bottom out at \$1,050 per ounce or Rs 17,750 per 10 gm this year, which is a fairly good level to buy. That said, he believes, the pick up in demand for jewellery won't be substantial, but only slightly incremental.

Rising scrap sales: The rise in scrap sales is also leading to lower demand for new gold jewellery. "While jewellers purchased gold (bars to make jewellery) at higher prices last

year, they seem to be wary of taking any such decision this year. The caution comes from a rise in scrap sales through exchange of old gold for new by consumers," said Rajini Panicker, head of commodities research, MF Global.

Panicker expects India's gold imports to decline by 40% in 2010 from 343 tonnes in 2009. "Last year, Indian consumers sold 115 tonnes, a third more than in 2008. We could continue to see a similar trend this year again given such high price levels," said Panicker.

Commodities - returns (%)

	QoQ	YoY
Gold London PM x (\$/oz)	11.5	33.1
Silver London x (\$/oz)	7.1	34.4
Palladium (\$/oz)	-7.9	76.4
Platinum (\$/oz)	-6.7	30.3
Aluminum (\$/t)	-15.9	19.1
Copper (\$/t)	-16.8	27.5
Lead (\$/t)	-20.3	-2.3
Nickel (\$/t)	-22.1	21.4
Tin (\$/t)	-4.8	16.8
Zinc (\$/t)	-26.7	11.2
Brent crude oil (\$/bbl)	-9.1	8.1

Source: IHS Global Insight, WGC

GOLD

ASSET OF THE DECADE

But wait for jewellery-led demand to pick up before you invest in the yellow metal

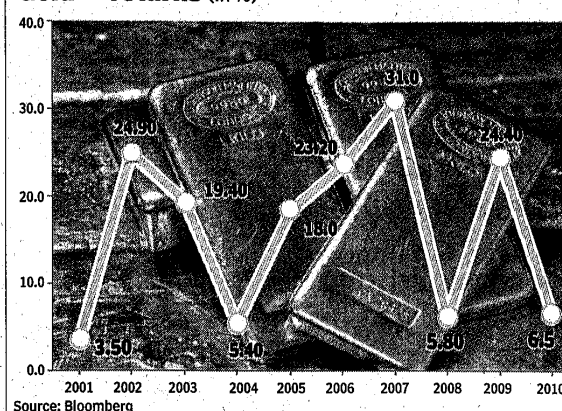
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ETF (exchange-traded fund) demand picks up in Q2: The decline in jewellery demand, though, is now offset by the rising investment demand in gold ETFs, coins and medals. With European crisis and weakening of the dollar, investors are clinging to gold to offset portfolio losses. In the June quarter, when the Chinese economy controlled investments into the real estate, many of them bought gold bars instead.

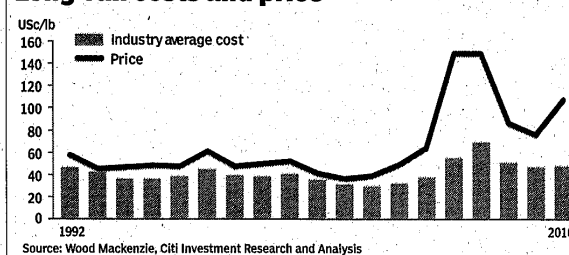
According to World Gold Council's July report, the second quarter of 2010 saw a flurry of fresh gold purchases via ETFs. With 273 tonnes of gold ETF buying, it was the second-largest quarterly inflow on record. Globally, gold in ETF form reached a record 2,014 tonnes worth \$81 billion.

"The numbers clearly indicate that holdings in gold ETF will rise due to economic worries in the near future," said Kuljeet Kataria, VP, commodities, Motilal Oswal Commodities. "We believe the ETF demand should continue to accelerate in a scenario of low interest rates, which keeps

Gold - returns (in %)



Long-run costs and price



opportunity cost for holding gold low, making gold a safe haven in times of uncertainty," said Panicker. But the worry is that when the tide turns and the world economy comes out of the current gloom, this investment might find its way back into equities or other assets. Perhaps, nothing could act as a stronger demand support for gold prices than jewellery demand.

Central bank mop-up: Central banks worldwide, though, are compensating for the fall in gold demand. China, Russia and even

India are lapping up gold as a means of diversification of their reserves. "Some buying may be seen because of inflationary concerns in major economies as a result of the excess cash pumped in the market in the form of stimulus packages," said Kataria. Adds Singh: "Gold reserves will help central banks diversify their foreign exchange portfolio."

Last year, sales from central banks had almost dried, compared with the average sales of 520 tonnes a year between 2000 and 2007, said Panicker of MF Global.

"Going forward, we believe central banks of non-gold producing countries will be net buyers," she said.

Future: Industry observers continue to be bullish on gold in the long term and feel that uncertainties in major economies and currencies (dollar and euro) will be the major triggers for gold prices, going forward. "From a long-term perspective, inflation concerns will be a major factor for the upsurge in gold prices, apart from central bank buying and ETF demand," said Singh. According to Panicker, more quantitative easing measures and an extended period of lower interest rates will support gold prices.

Prices have cooled down a bit of late, though. That's because the monsoon is generally a slack period for gold buying, say market observers. "Already, gold has moved from Rs 19,000 levels to Rs 18,000 levels and might test the bottom. But both the price and demand for the metal will pick up post-October," said Tilak, senior research analyst, Kotak Commodities Services. Prices are hovering at Rs 17,750 per 10 gm.

Gold has long been perceived as an inflation hedge and a safe haven in times of geopolitical and financial market instability. Unsurprisingly, in these times of uncertainty — as the world struggles to emerge out of an economic blackhole and paper currencies get increasingly debased — the allure of the yellow metal is proving even more irresistible. Even its past track record of performance has been impressive. But perhaps the timing of investments now might not be right, given that the genuine jewellery-led demand is still elusive. And the festive season is a testing period.

K'taka Cong critical of BSY's ban

Kestur Vasuki ■ Bangalore

The ongoing *padayatra* to Bellary is significant for the Karnataka Congress because the party believes it will keep the issue of illegal mining alive in the State. State Congress chief RV Deshpande and leader of the Opposition Siddaramaiah are trying their best to keep workers enthused, more so when the State Government has banned mining in a bid to pre-empt Congress efforts to derive political capital.

From how the *yatra* has progressed so far, it is clear the State Congress has been targetting the Bellary brothers more than settling scores with Chief Minister BS Yeddyurappa or even the BJP.

Speaking to *The Pioneer* in Sira, around 110 km from Bangalore, recently, Deshpande found Yeddyurappa's decision to ban iron ore exports meaningless. He said it would also adversely affect legal miners. He pointed out that the mineral policy was a national issue and Yeddyurappa's ban on exports of iron ore was eye-wash and a move to help Reddy brothers.

He reiterated the demand to hand over the illegal mining investigation to the CBI since the Lokayukta, who was looking after the probe, had limited territorial jurisdiction. He also accepted that the decision would harm several Congress leaders involved in legal mining.

"Most of the ports he



COME RAIN OR STORM: Congress leaders on the eight day of their *padayatra*, in Sira on Sunday Pioneer photo

(the CM) has banned are fishing ports. It is only in two ports that iron ore exports take place. Due to the monsoon, there is no activity in those ports too. The decision will help Reddy brothers, who have indulged in illegal mining. They are exporting iron ore from ports in Andhra Pradesh," Deshpande said.

Inspired by his wife and music from his iPod, Deshpande hopes to help the Congress regain its old glory. The march to Bellary, he believes, could be one medium to achieve that goal.

Siddaramaiah was vocal in criticising the iron ore ban. On cloud nine after receiving what he says is the people's overwhelming sup-

port of the *yatra*, he said, "We will continue our march. Bellary is no one's property. The iron ore ban will help Reddy brothers and a conspiracy to hurt legal miners in the State."

Meanwhile, differences between Yeddyurappa and the Bellary brothers came to the fore when Chief Minister disapproved of their counter-march, Swabhimani Samavesha. A group of BJP MLAs and a Minister led by Renukacharya — who had been in the Reddy camp — now wants the Chief Minister to drop Reddy loyalist and Health Minister B Sriramulu from the Cabinet.

The Reddy brothers' protest in Bellary district

against the Congress *padayatra* continued under the leadership of Sriramulu. Despite the Chief Minister's disapproval of the move, BJP the Reddy brothers and their associates continued with their protest meetings.

Meanwhile, on the eight day on Sunday, AICC leader BK Hariprasad and veteran B Janardhana Poojary joined the *padayatra* that resumed its onward journey from Javalagondanahalli in Chitradurga district, according to agencies. The *padayatra* continued to draw good support from locals, besides Congress workers from other parts joining it.

Partymen from Mangalore travelled to

Chitradurga and became part of the protest on Sunday. *Yakshagana* (traditional art form of Karnataka) artistes' performance not only enthralled those walking towards Bellary but added glitter to the *yatra*.

Congress leader Siddaramaiah, who is leading the *padayatra*, took a swipe at state Tourism Minister G Janardhana Reddy, who had challenged him to contest from one of the Assembly constituencies of Bellary. "Let BJP dissolve the Assembly. I am ready to contest from

Bellary (stronghold of Reddy brothers) itself," he said.

On the other hand, the *padayatra* by Health Minister B Sriramulu and Reddy brothers — Janardhana and Karunakara — to counter Congress' entered the fourth day on Sunday. Sriramulu, along with Reddy brothers and BJP supporters, went on *padayatra* in Hospet.

They had set out from Chellagurki village on July 29 to garner public support on the issue and also for the mega rally planned in Bellary on August 20.

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BJP set to hold counter-rally today

Davanagere: The ruling BJP in Karnataka will hold the first of its series of four rallies to counter the Opposition's campaign on illegal mining issue on Monday.

Apparently worried about the fallout of the illegal mining issue, the BJP is seeking to counter the Congress and JDS' campaign by holding the *Jana Jagruthi Samavesha*, a people's awareness convention. BJP national General Secretary H N Anant Kumar and senior leader M Venkaiah Naidu would address tomorrow's rally, party sources said.

The party is staging similar rallies in Gulbarga, Mysore and Bellary even as the Congress is into the eighth day of its 320-km Bellary *chalo padyatra* against illegal mining and export of iron ore in the state.

Chief Minister B S Yeddyurappa, who has come under attack from Opposition, has said the government's two-year achievements would be highlighted at these rallies. The BJP Government last month had organised its "achievements conference" in Bangalore.

Through the rally, Yeddyurappa would be explaining to people about what he has been harping on — "non-cooperation" by opposition parties.

Health Minister B Sriramulu, who is facing allegations of illegal mining, along with Ministers Janardhana and Karunakara Reddy, has also hit the streets in their home district Bellary, to counter the Congress.

However, Yeddyurappa himself has disapproved of Sriramulu's *padyatra*. The chief minister told reporters in Mysore today that there was no need for Sriramulu to undertake the *padyatra* and he had not discussed it with him before the latter embarked on it.

PTI

Ban on iron ore exports

Smart move by Karnataka, make this policy



57-8
In a stunningly impressive move, Karnataka Chief Minister BS Yeddyurappa has banned the export of iron ore from, and its transportation to ports, in the State. Not only does this address serious concerns about illegal mining with its long-term disastrous consequences as well as the increasing political clout of mine owners, but it also puts paid to the Congress's orchestrated campaign against the BJP regime in the State to paint it as being soft towards those who flout rules and regulations. The campaign against the Bellary Brothers, which has the blessings of the Congress high command and is being used by the Governor to embarrass the Government, is now likely to lose all steam. Ironically, the ban on iron ore exports will impact those mine owners who are aligned with the Congress and have been minting money through illegal mining and exporting the ore to China. The Bellary Brothers' operations will largely remain unaffected as they are based in Andhra Pradesh. In a sense, it's a masterstroke by Mr Yeddyurappa who has at one silenced his critics who have been carping about corruption and created problems for the Congress vis-a-vis that section of the mining lobby which is aligned with the party. So much for the Congress's efforts to destabilise the Government through intrigue and deceit, not to mention the conspiratorial role played by the current occupant of the Raj Bhavan in Bangalore. Mr Yeddyurappa has done well to stress that the ban is primarily meant to stop illegal mining and exports as well as help domestic consumers — namely steel producers — who have been feeling the heat of rising prices on account of increasing demand for iron ore in the international market led by China.

The issue, however, is not entirely one of illegal mining. There are several aspects that merit the attention of the Union Government and call for urgent action. For instance, illegal mining is not restricted to Karnataka alone. It poses a serious problem in Odisha, as revealed by a Supreme Court appointed panel, and Jharkhand where politicians and bureaucrats looking for easy money resort to milking the 'system' of illegal mining. Former Chief Minister of Jharkhand Madhu Koda was deeply involved in this racket and much of his ill-gotten wealth has come from this flourishing 'industry'. In Odisha, the gross violation of rules and rampant exploitation of natural resources by greedy contractors and mining firms with no scruples has understandably led to a simmering resistance which could burst into the open any day. The State Governments should push the Union Government for a law to govern mining and export of ore that factors in the concerns of all stake-holders. There really is no reason why the Government should allow the export of precious natural resources that can be better utilised for strengthening Indian industry. For instance, Indian steel manufacturers would get a tremendous boost if the export of iron ore were to be banned across the country. At the moment, prices are artificially bloated because of demand in countries like China. At another level, the Government would do well to consider whether it's such a good idea to meet China's increasing demand for iron ore through Indian supplies. Strategically it makes far better sense to preserve our natural resources and use them judiciously for India's growth and prosperity. Everything cannot be driven by the greed of a few people.

Gold prices – not a one-way street

G. Chandrashekhar

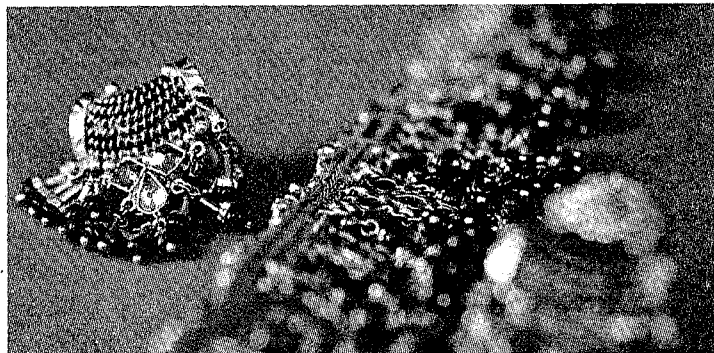
Mumbai, Aug. 1

Commodity market performance in recent days has been a mixed bag as base metals are broadly higher, agricultural markets are moving up with the help of adverse weather in some origins while oil market, although upwardly mobile, is struggling to decisively breach the \$ 80 a barrel mark despite tightening fundamentals.

On the other hand, gold and silver have taken a beating because of long liquidation. There are several issues – currently nebulous – that investors will have to think through. If there are signs of recovery driven by emerging markets demand, there are also perceived risks to recovery.

Slower growth in the US consumer spending has resulted in US GDP growth of 2.4 per cent in Q2 2010 (versus 3.7 per cent in Q1). Consumer confidence waned in the wake of poor employment reports recently, experts remarked adding business investments increased strongly.

Specifically, the entire metals complex was in focus. Most base metals and precious metals prices were up on Friday. Aluminium was ahead more than 4 per cent. Tin and palladium were exceptions despite being two of the tightest markets from a fundamental perspective.



Less attractive: Gold prices have been under downward pressure with less-committed investors exiting the market. — K.K. Mustafah

Gold: Prices have been under downward pressure with less-committed investors exiting the market. Signs of economic recovery and improved equity markets make the yellow metal slightly less attractive. No wonder, gold and silver finished last week with declines of 1.8 per cent and 2.8 per cent respectively. On Friday, London PM Fix for gold was at \$ 1169 an ounce and AM Fix for silver at \$ 17.66/oz.

Gold prices have traded at three-month lows with long liquidation and outflows from ETPs. On the bourses, speculative length has fallen from record levels. Interesting part is that

physical demand is showing signs of emerging in markets such as India. Summer is traditionally a low season for gold imports and consumption.

The global economy in general and asset classes are still beset with uncertainties. The shape of recovery, inflation fears, role of easy money and regulatory issues continue to cause unease. Over the medium-term, investor interest would be key to further upside for gold. Clearly, currently gold and silver prices are not on a one-way street. In the short-term, caution is the watchword as volatile conditions are foreseen.

Base metals: Prices of all base

metals were up over the last week as a whole. While the month-long range trading mood has been broken, whether the rally reflects a change in sentiment remains to be seen. Recent economic data have been positive bringing in their wake hopes of recovery. Improved sentiment has also sparked a bout of short covering which has led to prices rising. More concrete and sustained evidence of economic recovery is sure to prove positive for base metals.

In this scenario, copper and lead offer the strongest potential for a price rebound in the coming months. There is stagnation in copper mine supply, while lead market fundamentals are seen improving. Will the confidence improve to take prices higher? For 2011, copper, tin and lead are seen having potential for higher prices, while the upside is more muted for aluminium and mixed for zinc.

Crude: The market is torn between tightening market fundamentals and lack of macroeconomic optimism. Despite demand-supply situation holding some justification for prices to rise above \$ 80 a barrel, there is strong resistance. How long the tug-of-war will last remains to be seen. One has to simply wait for the trigger that will catapult prices decisively above \$ 80 a barrel.

Goa to put curb on illegal mining

Makes Mandatory For Vessels To Take Nod From Mining Dept Before Leaving State

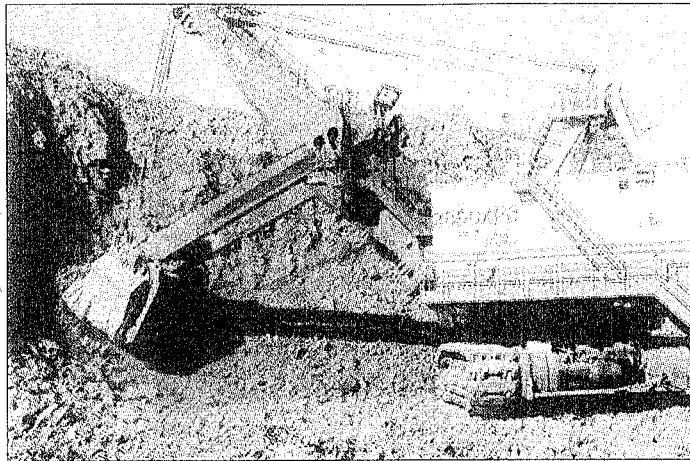
Our Bureau
PANAJI

THE Goa government has decided to freeze mining exports of all companies found selling iron ore illegally.

"We have asked for total export data of various companies. This will be tallied to royalties paid. If any company is found selling ore illegally, their vessels will not be allowed to leave port unless previous dues are cleared," said chief minister Digambar Kamat.

The state government has also made it mandatory for iron ore carrying vessels to take clearance from the state mining department before leaving berth. "Captain of ports will check if royalties are paid on time. If any payment is due, or a mismatch in previous years are found, then ore from that particular company will not be allowed to leave the state", added Mr Kamat as opposition BJP blamed government of covertly helping illegal mining in the state.

Rising demand for Goa's low grade ore in China has led to rampant



CONTROL ON MINING ACTIVITIES

illegal mining in the state. So even as royalty collections increased many-fold from ₹36 crore in 2007-08 to over ₹166 crore as of April this year, illegal mining is also said to be on the rise. In 2008-09 alone total Goan iron ore production was over 38 MT, while the official export fig-

ures stands at 32.72 MT, showing a mismatch of 5.3 MT.

Official documents show that in the past five years more than 8 million tonnes (MT) of iron ore has been unlawfully exported from Goa. This means a loss of royalty to the tune of over ₹70 crore.

To have some control on the mining activities here, the ministry of environment and forests (MoEF) in February put a moratorium on granting more mining licences - till a solution is found to curb illegal extraction. Even then iron ore produce has increased to 46.22MT as of April this year, "Goan iron ore cannot be sold in India, all of it is meant for exports. We are working to get a mechanism to find out who is selling ore illegally", secretary, department of mining Rajiv Yaduvanshi had earlier told ET.

An estimate committee report tabled on Friday blames the government for failure on procedure for accounting mineral activity in the state. Excise department procedures must be followed for accounting total production, it says. The committee has now asked the government to assign people on a one-person-per mine basis, to monitor the actual extraction tonnage of iron ore on a daily basis. This means over a hundred people stationed only to monitor operative mines, whilst many more will track illegalities many of which operate inside private forests.

**Gold likely to fall
further this week**

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DUBAI: Gold prices will be vulnerable to further declines, but bargain hunting may increase given recent relatively low prices. Gold fell last week to trade below \$1,160, although by week's end it had recovered. Prices have trended lower after reaching record highs in June. Since late June, support levels have been tested as short-term investors took profits and short-selling increased. With the roll of the futures contract in the New York mostly complete toward the end of this week, support for prices may be reduced. Gold could head toward \$1,140 if current support at \$1,160 is forcefully broken. That said, longer-term investors continue to hold large amounts of gold.

मेटल के सात नए कांट्रेक्ट

मुंबई • एमसीएक्स में मेटल्स के सात नए कांट्रेक्टों में कारोबार शुरू किया गया है। इन कांट्रेक्टों का निपटान अक्टूबर में होगा। एक्सचेंज के एक परिपत्र के मुताबिक 7 मेटल कांट्रेक्टों के अलावा आयातित थर्मल कोल का सितंबर कांट्रेक्ट भी शुरू किया गया है। मेटल्स में अल्यूमीनियम, लेड, मिनी लेड, निकिल, टिन, जिंक और मिनी जिंक में वायदा कारोबार उपलब्ध है। ये सभी अनुबंध अक्टूबर में समाप्त होंगे, जबकि थर्मल कोल का वायदा सितंबर में परिपक्व होगा। एमसीएक्स में जुलाई निपटान के लिए मेटल्स के फाइनल मूल्य की घोषणा की गई हैं। अल्यूमीनियम की निपटान दर 98.80, लेड 95.80, लेड मिनी 95.80, निकिल 955.10, टिन 908.25, जिंक 91.70 और जिंक मिनी का निपटान मूल्य 91.70 रुपये प्रति किलो होगा। (ब्यूरो/एजेंसी)