GVK sees first coal from Hancock mines in 2016

K V Ramana • HYDERABAD

Infrastructure major GVK expects the first load of coal from its recently acquired asset in Australia to become available sometime in 2016.

The coal, however, would be used mostly for exports. Only a small part is expected to come into India to fire its thermal power plants. G V Sanjay Reddy, vice-chairman of GVK Power and Infrastructure (GVKPIL), said on Sunday.

GVK had acquired the asset from Australia-based Hancock Prospecting through a bidding process in October 2011 for about $1.26 billion.

The Hancock project, touted as one of the biggest mining projects, actually includes five projects — three coal projects, a rail link and a port project.

However, the undeveloped project would call for an investment of about $10 billion.

GVK expects to achieve financial closure of the project in the quarter ending March next year.

The group would raise about $7.5-8 billion in the form of debt and pump in the balance as equity.

The total outlay is to be spent till 3-4 years after the first coal stage, which would be in 2016. The initial stage, including rail and port development to support the coal evacuation, would cost about $6 billion.

Of the three coal projects, GVK has 100% holding in one — Kevin’s Corner mines. In the other two — Alpha Coal and Alpha West Coal — it has 79% stake in each, while the rest is still with the Hancock Prospecting chairman, Georgina Hope Rinehart.
GVK sees first coal from Hancock mines in 2016

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GVK, however, holds 100% stake in the rail and port projects.

"I am always here to invest more into the projects," Rinehart told reporters after the company's board meeting in Hyderabad, though her plans to increase her stake may not go well with the plans of the GVK group in raising funds.

GVK has invested in Hancock through family-owned entities and members of the family as core investors. GVKPL, the group's listed entity, has about 10% holding in the entire deal in lieu of assured coal supplies to its thermal power assets and also the guarantees extended by it to the debt the group would raise to fund the mega deal.

"The coal projects have about 8 billion tonne of coal and we would develop the Alpha Coal project in the first phase followed by Kevin's Corner mine. Alpha Coal has reserves of about 1.8 billion tonne and Kevin's corner has about 4.3 billion tonnes of reserves. We plan to produce about 32 million tonne of coal from Alpha Coal every year," said Reddy.

The coal projects would achieve a cumulative production of about 80 million tonne in about 10 years from the first coal stage.

According to Reddy, there is "solid order book" already available for the Alpha Coal project with buyers coming in from South East Asian countries including Korea, China, Taiwan and Japan. Interestingly, the prospective coal buyers are also said to be keen on investing in the project.

"Many buyers, in order to ensure that they have assured long-term supplies from the mines, would invest in the equity. In that scenario, we would reduce our stake and divest in their favour. However, we would hold at least 51% in all the projects," he explained.

To be sure, the project has been mired in environmental issues, particularly due to a tussle between the Queensland state government and the Australian federal government. Though the state government has already accorded approvals for the project, the federal government is still taking time in giving all the required clearances.

"I have not seen in my lifetime any project getting held up in the approval process in Australia. We expect all the clearances to come in by July-August this year. This project with GVK is important for Australia and particularly for Queensland. It means some revenue and jobs for Australia. Particularly, Australia needs the revenue," said Rinehart.

She, however, said the new tax regime including imposition of carbon tax on businesses in Australia would not make the country cost-competitive. "The new tax regime has come into effect from July 1 and this is a sad day for us. But, we see the next government in office would make changes to structure after the elections in 2013."
NMDC: A valuable resource

While business prospects look healthy, aided by rising volumes and forward integration into steel making, stock valuation is also attractive at current levels

JITENDRA KUMAR GUPTA

Unlike its first follow-on public offer (FPO) in the year 2010 which was oversubscribed by a little over one time, the company's second FPO which is expected this year could see far greater demand from investors if priced around current levels. Its last FPO did not excite investors much given the offer price, which was believed to be expensive at that point in time. The issue, wherein pricing ranged between ₹300 and ₹350, saw allotment being done at ₹300 a share. Post-FPO, the share prices corrected to ₹186 currently — during this period the Sensex has remained almost flat.

Nevertheless, and given the correction in the share price, analysts do not expect pricing of the planned FPO as any concern, assuming it is priced at current levels. And, if a discount on the current price is offered, it will only enhance demand from investors. That's because, at current levels, most analysts have a buy rating and believe stock valuations are attractive. Enam Securities, in its June report on NMDC, valued the stock at ₹244 per share. In terms of valuations, it trading at a reasonable price to earnings multiple of nine times its FY14 estimated earnings and four times the estimated enterprise value to operating profits. In this backdrop, investing at current levels with a one- to two-year perspective should prove remunerative.

Sound business

The stock valuation finds support from the company's strong position in the industry, while the current business environment extends further support. NMDC is one of the lowest-cost producers of iron ore in the world, having an operating profit margin of 76 per cent. It has huge high-quality iron ore reserves, of 1,200 million tonnes. This should take care of its growth for many years, as the company produces about 28 million tonnes a year. Even with an annual output of 50 mt a year, the reserves should last for 24 years. Further, NMDC is a zero-debt company, earning robust return on equity of a little over 35 per cent and has a consistent dividend paying record.

Growing volumes

NMDC is expected to be a key beneficiary of the shortage of iron ore in the country, after the ban on iron ore mining in Karnataka and the selective ban on illegal mining in other states. Analysts expect demand-supply to remain favourable for the industry in the near future, good news for companies like NMDC, a leading player.

The company will benefit both in terms of volumes although pricing could be an issue in the near-term. International iron ore prices have corrected almost 30 per cent from $170 a metric tonne in December last year to current levels at about $125 per tonne. However, domestic prices still remain relatively firm given the shortage of the commodity. Hence, the impact on this front will be lower, though some impact on margins should be visible in FY13. In terms of volumes as well, the company is ramping up its growth significantly from about 27 million tonnes in 2011-12 to 29 million tonnes in 2012-13 and further to 33 million tonnes by 2013-14. Thereafter, too, there are plans to further ramp up production. These expansions will have a positive rub-off on NMDC's earnings and cash flows in the coming years.

Road ahead

According to the estimates, the company's FPO could hit the market any time this year. Wherein, the government might look to offer another 10 per cent of NMDC. Even at the current market price, the size of the FPO works out to ₹6,600 crore. Analysts do not see any possibility of equity dilution in a fresh issue of shares, as the company has the requisite funds to finance its growth plans. In fact, NMDC is sitting on cash and cash equivalents worth about ₹20,900 crore as on March 31. What's more, its cash flow from operating activities has been consistently rising in the past nine years and was nearly ₹5,000 crore in 2010-11.

Going ahead, too, NMDC is expected to generate a good amount of free cash flow (after accounting for expansion) from its existing business, which should help sustain dividends and reinvest for future growth. If, as per expectations, each of its three million tonnes plant in Karnataka comes operational by the end of 2014-15, and of two million tonnes plant in Chhattisgarh, expected to become operational by the end of 2015-16, NMDC will have a strong balance sheet and a forward integration into steel making, by setting up steel plants. Among such plans is a three million tonnes plant in Karnataka.
Court orders mining ban in Karnataka village

CHIKMAGALUR: DHNS: In a development that may be considered a shot in the arm for environmentalists, the Additional Civil Judge (senior division) has ordered a permanent stop to iron ore mining at Kemmannugundi in the Chadravendra Hills of the Western Ghats.

Additional Civil Judge (senior division) Manjunath Nayak on Monday ordered a complete ban on mining and related activities, considering that the land is an eco-sensitive zone and located adjacent to the Bhadra Tiger Reserve. Bhadravati-based Visvesvaraya Iron Ore Company (VIIOC) had carried out incessant mining in Kemmannugundi between 1923 and 1983. As per the guidelines, the mining activities were stopped in 1983 soon after the validity of the third term of the permit ended. But, in 1995, when the demand for iron ore rose in the international market, three private companies obtained sub-contracts from VIIOC and resumed mining activities.

Wildcat-C, a local environmental organisation, and five environmentalists approached the court in 2008, questioning the move. They brought the issue of the companies undertaking mining activities by violating the Wildlife Protection Act and Mining Act, to the notice of the court.

The private firms argued in the court that they were not mining ore in the region, but were only engaged in transporting waste materials from the place, for which they had taken permission from the principal chief conservator of forests.
Paramilitary forces to guard SAIL mining project

NEW DELHI: The Centre has agreed to post paramilitary forces to guard the crucial Rowghat iron ore mine owned by Steel Authority of India Limited (SAIL) that feeds the Bhilai steel plant. SAIL requested for 5,000 personnel to guard the plant allegedly from Nazis. The security personnel will also help in construction of a 293km-long railway track for transporting ore slurry through the Naxal-hit Kanker and Narayanpur districts. The plant might need to stop production in a few years if a new source of iron ore is not found.
कॉपर के मूल्य में गिरावट का रूख

लंदन • शिक्षल संवाह यूरो जोन के कर्ज संकट से निपटने के लिए तेजी के बीच दुर तालीयों की राहत पर सहिद होने और चीन व जापान से आधुनिक समयदान के कारण, आकर्षण उठाने के लिए संबंध लंदन में एक सम्मेलन में कॉपर के दाम में गिरावट प्रतीत हो रही है। एक सफल के अनुसार यूरो जोन में समयदान गहराविस्तार जुलाई 2009 के बाद था। यह दृश्यों में आप और जापान में आधुनिक समयदान गिरावट जुलाई में समय माह के पिछले वर्ष 2009 के दाम देख सकते हैं। दूसरी, और चीन और जापान में आधुनिक समयदान गिरावट जुलाई में समय माह के पिछले वर्ष 2009 के दाम 3.45 प्रतिशत मिलकर 7.48 प्रतिशत उधार रहा था। शिक्षल संवाह का परिचय में फैक्टो को मिलने के बाद कॉपर 4.1 प्रतिशत मिला गया था। उधार ग्रहण के एन्क्लाव स्टॉक बिंबा ने कहा कि इस सत्याह शुद्धित अंत से रही। कॉपर के मूल्य पर दबाव दिखाई दिया। (एमसी)
अप्रधान खनिजों के खनन पर संकट

उदयपुर | पुरुषोत्तम कोठे के दक्षिण के बाद राजस्थान सरकार ने लोज अधिकारियों नहीं होने पर अप्रधान खनिजों के खनन पर रोक लगा दी है। ऐसी स्थिति में उज्जौल लोज अधिकारियों नहीं होने पर रोक हो सकती है। राजस्थान सरकार ने नियमों में संशोधन करते हुए अप्रधान खनिजों के लिए जारी लोज अधिकारियों के नवीनीकरण तक उसे बंद करने के आदेश जारी किए हैं। राजस्थान सरकार के इस आदेश से कई महत्व, जिसमें लोज अधिकारियों का नवीनीकरण नहीं हुआ है। उन पर संकट मचा गया है। लोज अधिकारियों के नवीनीकरण के लिए 12 महीने का समय मिला है और जरूरत में भी कई प्रतापगढ़ी लोजियां पड़ी हैं। ऐसे में जिन खनिजों का लोज अधिकार का नवीनीकरण नहीं हुआ है, वो बंद होने के कारण राजस्थान सरकार ने भी राजस्थान सरकार के भी राजस्थान की हाजिब होगी। हालाँकि लोज अधिकार का नवीनीकरण नहीं होने तक खनिज मादकों को जमी पटरा निषेध नहीं होगा।
NMDC plans to raise ore prices

Mumbai: National Mineral Development Corp. Ltd (NMDC) plans to increase prices of the steelmaking raw material for the second time this year to bolster earnings, two company officials aware of the development said.

The state-owned company, which controls 16% of domestic supplies, may take advantage of a shortage to charge customers 5% more this quarter, the officials added. The miner last increased prices in April by 15%.

BLOOMBERG
Projects in Western Ghats face uncertainty

BY RUCHIRA SINGH, SHAMSHEER YOUSAF & NEHA SEETHI

NEW DELHI / BANGALORE

The United Nations Educational, Scientific and Cultural Organization (Unesco) added India’s Western Ghats to its World Heritage List, putting a question mark over projects such as mines and power plants located there.

A press release on Unesco’s site said the World Heritage Committee on Sunday inscribed four natural and four cultural properties from around the world on the World Heritage List, including the Western Ghats for its “high level of biological diversity”.

Environmentalists lauded the move, while trade representatives and government officials denounced it as an anti-development measure, even though details such as which projects could be affected, and how, were not immediately clear.

“The 39 sites of the Western Ghats have been selected as heritage sites and all these are protected areas,” said Jagdish Vishwan, additional director general forests (wildlife) in the ministry of environment and
Projects in Western Ghats face uncertainty

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forests. "They are already governed by the present set of legal framework. No new regulation or legislation will come up," Kishwan said the whole of Western Ghats hasn’t been notified as a heritage site.

This should mean that projects outside these areas will not be affected, although government officials said the Western Ghats’ new-found status and the world’s attention could mean that getting clearances for fresh industrial development may become harder.

"The whole approach seems to be anti-developmental. There are many iron ore and manganese mines in the Western Ghats; we have no idea how they will be affected," said R.S. Sharma, secretary general of the Federation of Indian Mineral Industries lobby group. "India’s growth is being stalled."

Existing projects may continue

Environmentalists said existing projects are unlikely to be shut down, though they may have to ensure that operations do not run afoul of environmental rules.

Unesco officials were not immediately available to spell out more details on the impact of the new listing on existing and forthcoming projects.

But at the end of the day, shaping the balance between development and environmental policies in the Western Ghats will be the government’s prerogative, a former Union government official said.

"The heritage site status is more of a reputation tag, and practically it would mean that international officials might occasionally visit to check the status of degradation," said Pradip Ghosh, a former secretary in the ministry of environment and forests. "Ultimately, it’s up to the state and central governments to earmark regions of their choice for development purposes."

The Western Ghats are older than the Himalayas and represent geomorphic features of immense importance with unique biophysical and ecological processes, the Unesco media release said. It added that its high montane forest ecosystem influences the Indian monsoon.

"Moderating the tropical climate of the region, it presents one of the best examples of the monsoon system in the planet," it said. "It is recognized as one of the world’s eight ‘hotspots of biodiversity’.

Development hamstrung

Karnataka’s forest minister C.P. Yogeshwar said the heritage tag comes with a lot of restrictions, and other forest officers said it would empower environmentalists and non-governmental organizations.

"Already, people living in these areas are facing lots of pressure. For instance, we have not been able to build homes under the state-sponsored Ashraya scheme," Yogeshwar said. "There is a lot of resentment, and for that reason, I do not welcome the heritage status."

He said the Karnataka government has appointed a Western Ghats Task Force that is taking up conservation work in the state, and that there was no need for the heritage tag.

Several projects in the Western Ghats, many of which are not in the heritage zones, have been awaiting environmental clearance from the Union government for many years, and may find their cases weaker now.

For instance, a hydel power project at Gundia in Karnataka and the Hubli-Ankola railway line, which would ease transportation of iron ore to ports on the west coast, have been held back for lack of environmental clearances, said Ullas Karanth, director of the Wild Life Conservation Society.

"The government should sustainably use resources and not tamper with the ecology of the area. Since India is a member of the United Nations, governments are in principle supposed to abide by them (Unesco’s guidelines)," said Areeba Hamid, a senior campaigner at Greenpeace. "This recognition serves as a ready reckoner for the government to do the right thing. It is important to conserve whatever the Western Ghats have to offer."

Boost for tourism?

Nishant Alag, an environment campaigner at Environetics Trust, said tourism could be used to generate revenue for the states rather than projects like mining.

"We are against mining, and anything which puts an end to it and promotes biological diversity is a welcome move for us," Alag said. "Since the Western Ghats have been earmarked as a Unesco World Heritage Site, heritage tourism can boost the area."

The forests of the site include some of the best representatives of non-equatorial tropical evergreen forests anywhere and are home to at least 325 globally threatened flora, fauna, bird, amphibian, reptile and fish species, Unesco’s release said.

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Jacob P. Koshy in New Delhi contributed to this story.
सेल के दुर्गापुर स्टील प्लांट को ग्रीनटेक सेफटी अवार्ड

नई दिल्ली: सेल के दुर्गापुर स्टील प्लांट (डीएसपी) को मेटल एवं मैटलरी नि:शुल्क नियोजन केंद्र में ग्रीनटेक क्वर्टेरल में ग्रीनटेक सेफटी अवार्ड 2012 प्रदान किया गया है। यह अवार्ड डीएसपी को कार्यक्षेत्र पर सुरक्षा एवं कर्मचारियों को सुरक्षित जातान्त्रिक प्रदान करने के लिए दिया गया है। दुर्गापुर प्लांट द्वारा संसाधन एवं कर्मचारियों की सुरक्षा के बारे में जागरूकता में सुनिश्चित करने के लिए वर्तमान भर प्रकाश किये गये। इस दिशा में प्लांट को ओएचएसएसएस 1800:2007 प्रमाण प्रदान किया गया। प्लांट द्वारा कर्मचारियों को सुरक्षा संबंधी विचारों एवं सुरक्षा प्रदान करने के लिए भी प्रोत्साहित किया जाता है।
भिलाई स्टील प्लांट का अस्तित्व खतरे में

नई दिल्ली (मूला)। नकसली हस्ताक्षर के अंदर और दुरुस्त बलों की कमी के कारण भिलाई स्टील प्लांट का अस्तित्व खतरे में पड़ गया है। अगले दो से चार साल बाद भिलाई प्लांट के लिए लोहे अस्पत (आयन ओर) छोरीसहिंग के साथी फिल्टर के रास्ते इसके से आता है, लेकिन नकसलीयों ने हर स्तर से इस इलाके में फिल्टर भी कार्यान्वयन के लिए फिल्टर का दुरुस्त बलों की कमी का कारण है उसे सरकार पूरी तरह नहीं कर पा रही है।

इस अस्तित्व की स्थिति के लिए सीमीयकर की पूरे सरोचना आर सिंह, छोरीसहिंग के मुख्य सचिव, इस्तान मंत्रालय के सचिव, रेलवे के उच्च अधिकारी और सुरुवात बलों के प्रमुख की आहम बैठक हुई। सरकार की मुख्यालय यह है कि लोहे अस्पत के भरे सारांश से इसकी क़ीमत के लिए 230 किलोमीटर रेलवे लाइन बिन्दुओं है।
अदानी आस्ट्रेलिया में शुरू करेगी खनन

मेलबर्न। अदानी समूह आस्ट्रेलिया में कोयला खनन कारोबार में उत्तर रहा है। कंपनी के मुख्यालय, जूलाई 2013 से यह आस्ट्रेलिया में 4 अरब टन की लागत से अपनी पहली कोयला खदान शुरू कर देगी। शुरूआत में इसकी उत्पादन तात्कालिक 2.3 करोड़ टन होने की संभावना है। कंपनी के आस्ट्रेलियाई कारोबार के प्रमुख हॉर्ली मिल्स के मुख्यालय कार्बोक्सिल सिस्टम कोयला खदान में अपने सुलभ से खनन शुरू हो जाएगा। एजेंसी
‘The biggest challenge is to ensure all projects are up on time’

Iron-ore miner NMDC has embarked on an ambitious growth programme, raising its capex in the 12th Five Year Plan by about ten times compared to that in the 11th Plan. CS Verma, chairman and managing director shares his views on the company’s future plans, in a conversation with Prashanth Chintala.

Edited excerpts:

Given the current business environment, what are the challenges NMDC is facing?
NMDC’s major challenge is to make proper investments for evacuation of iron ore. We are enhancing our production capacity from the present level of 28 million tonnes (MT) a year to 42 MT in the next three years. We are also making a perspective plan for NMDC, ‘Vision 2020’, whereby we plan to increase our iron ore production capacity to 50 MT. The Board of NMDC has also taken a decision to invest in value-added facilities. In response to that, we are setting up a steel plant in Nagarnar (in Chattisgarh). We have also taken a decision to set up a pellet plant. The biggest challenge is to ensure that all these facilities will be operational on time so that there are no time and cost overruns.

What are you doing to overcome this challenge?

We have prepared a very ambitious capex plan. Our capex, which was ₹3,083 crore in the 11th Five Year Plan has been increased to ₹30,072 crore in the 12th Plan. In the year 2012-13, our capex is around ₹4,500 crore for the acquisition of foreign assets.

What is the medium-term outlook for NMDC?
Steel consumption will go up from 80 MT today to 150 MT by the end of the 12th Plan and up to 200 MT by 2020. Steel capacity enhancement means we need more iron ore.

Any specific initiative the company is taking that will add to shareholder value?
Our heavy capex will generate more turnover and more profit for the company. Hence, all the stakeholders of the company will be benefited.

At what stage is NMDC’s fresh round of negotiations with Anglo-Australian miner Rio Tinto?
We have to take a final view of this. (The joint venture between NMDC and Rio Tinto for looking at investment opportunities in India and abroad was mutually scrapped a year ago).

What do you say about Minemakers of Australia dropping NMDC as its potential joint venture partner?
We have a perspective to enter into more joint ventures so that we can acquire assets and create value-added facilities. We are going to have joint ventures not only in our value-added facilities like pelletisation and steel plants but also while we are acquiring assets overseas.
Private mining firms not welcome in Saranda: Ramesh

SANTOSH NARAYAN RANCHI

Not deviating from his stated position on mining rush, Union Minister for Rural Development Jairam Ramesh on Monday reiterated that private companies were not welcome in Saranda.

Returning from his Sunday visit of heavily Maoist-infested areas, Ramesh stressed on development activities taking place for the welfare of residents, especially members of 6,000 BPL families. Addressing media-persons briefly after taking stock of the situation with senior officials, Ramesh said that preserving life, livelihood and rights of the tribes residing in Saranda should be the utmost priority.

"I am of the view that no private company should be given licence to explore iron ore in Saranda area. The tribals' rights should be protected," he said. Saranda and parts of East Singhbhum have the best quality iron ore along with precious sal forests. However, the population here is predominantly tribal and has turned into an ultra stronghold in the absence of developmental activities since long.

During his January trip in the area, where the Centre is running the special drive called the Saranda Development Plan, Ramesh had said that he, as Environment and Forest Minister, had disallowed several applications seeking mining leases except that of the Steel Authority of India Ltd in Saranda area.

Quick on the heels of his announcement, the SAIL on Monday dropped sufficient hints about its plan to invest ₹3,000 crore to upgrade the capacity of Gua Mines of the area. The current capacity of the mine is 2.5 million tonnes annually. Taking the focus back on the efforts undertaken for addressing problems of the residents, Ramesh said that two roads in the area had been completed besides building 260 houses under the Indira Awas Yojna for people belonging to below-poverty-line families.
Steel makers call for resuming mining in Bellary

PRIYADARSHI SIDDHANTA
NEW DELHI, JUNE 2

KARNATAKAS steel producers have called for resuming mining in the Bellary district, saying that there may be social unrest as lakhs of workers would be unemployed. They have asked the National Manufacturing Competitiveness Council (NMCC) to initiate talks with the central government's steel, mines and environment ministries and the state to redeem the situation.

In a letter to the NMCC chairman V Krishnamurthy, the Karnataka Iron and Steel Producers Association (KISMA), said major producers like JSW, Kirloskar Ferrous and Kalyani Steel have set up their projects with huge investments only on account of proximity and availability of iron ore. All these plants put together produce around 24 per cent of the country's annual crude steel production and are squarely dependent on iron ore supply from Karnataka.

It pointed out that the Supreme Court through its various orders has allowed 2.5 million tonne of iron ore to be made available to local steel but its orders have not fulfilled in letter and spirit.

The association said while the court asked NMDC to produce 1 MT per month from its Donimalai and Kumaraswamy mines and dispose of 1.5 MT monthly from the stockyards through auction, but since October 2011 the average dispatch from NMDC has been 0.60 MT per month.

Karnataka's steel producers have now begun looking for procuring iron ore from Orissa and Chhattisgarh as the mineral's quality from neighbouring Goa is inferior.

"Any interruption in operations without any visibility on supply of iron ore to the steel industry in the region would result in 80,000 direct and several lakhs of indirect unemployment. It shall pose the threat of creating a social unrest in the society at large," KISMA said. It said that this will have ripple effects like high inflation.
Nondescript firms got free coal blocks, sold them off for profits

Priyadarshi Siddhanta
New Delhi, July 2

Between 2006 and 2008, for a number of relatively obscure firms, getting hold of a coal block was akin to stumbling on a goldmine. The findings of an internal report conducted by the coal ministry on the allocation of resources to private players show that in order to bag a prized mine, applicants were willing to go to any extreme.

Take the case of Shree Veerangana Steels, which was allocated three coal blocks in Yavatmal district in Maharashtra in 2005. This company simply does not exist any more. The ministry has now discovered that the Nagpur-based firm had been rechristened as Topworth Urja and Metals, which subsequently got merged into yet another firm called Crest Steel and Power, a Chhattisgarh-based steel trading company.

"It appears the entire management of the original allocatee company has been handed over to others who were not the original allocatess of the said blocks. The allotment of coal blocks by the government is for captive purpose and is not for profit-seeking. The sale of shareholding for profit defeats the purpose of such allocation," the ministry has said, in a fresh show-cause notice issued to the firm.

In the case of Nagpur-based firm Sunflag Iron and Steel Company, which had been allocated the Belgaon block at Wardha (Maharashtra) and is producing coal from it since December 2007, it has come to light that excess fuel produced in the mine is possibly being diverted elsewhere.

Troubled by many block holders not starting production on time, the ministry has begun treating them as non-serious squatters.

Continued on Page 2
ed that the coal produced from the block was more than the requirement of the CPP. The matter has been considered by the ministry. It has been decided to constitute an inter-ministerial committee to carry out spot verification of the block as well as end use plants,” a top ministry official told The Indian Express.

Cases such as Shree Veerangana Steels and Sunflag are not the exception, but the general rule for blocks awarded by the government over the three-year period. Charges of rampant irregularities in allocations is buttressed by fresh evidences that a number of allocators, a host of them disqualified to get a block in the first place, have been misusing resources doled out to them by the government. Now, perturbed with the prospect of not less than 35 block holders failing to commence production within their stipulated time, the coal ministry has begun treating them as non-serious squatters. “We have served show cause notices. If they still do not perform, then the only recourse left is de-allocation,” a senior coal ministry official said.

So far, over 50 firms have been served show-cause notices, including a consortium of Adhunik Corporation and Visa Steel, Bhuswan Steel, Orissa Sponge Iron, Adhunik Metalliks, SMS Power and Deepak Steel & Power for delay in developing the Patrapara block in Orissa. All the blocks handed out to these applicants were based on a point-based screening system, where applications were scrutinised by a non-transparent inter-ministerial screening committee that included representatives of the state governments concerned.

“The moot point is that the coal ministry’s Screening Committee route for block allocations was a non-transparent mechanism as there were no objective parameters to decide the process to select the eligible firms. In fact bidding is the best route with an appropriate price discovery mechanism,” government sources contended. These irregularities in allocations has led to the coal ministry commencing an in-house scrutiny of the coal block allocates and the issues are also being looked into by the CBI.

Mines were distributed to applicants “who managed to produce only a letter of recommendation from the concerned state government indicating that the party was planning to set up a permitted end-use plant of specified capacity.” Interestingly, all these blocks were de-allocated from Coal India and Singareni Collieries by amending the Coal Mines (Nationalisation) Act 1972 to promote captive mining by private entities. While the bigger companies with their financial muscle and wherewithal preferred to present themselves as stand-alone players, the smaller firms with no known background joined consortiums to press for coal blocks.

As early as 2004, the law ministry had opined that auctioning of coal blocks could be done by amending the CMN Act. Again in 2006, the law ministry, in reply to a specific query from the coal ministry, had said the Mines and Minerals (Development & Regulation) Act 1957 could also be amended to introduce competitive bidding for blocks.

But it took the government more than two years to present the amended legislation in the Parliament in 2008, which was subsequently passed by the Parliament in July 2010.

Even the Parliamentary Standing Committee on coal and steel has questioned the efficacy of allocating blocks. In its report in 2009, the committee had already recommended that 136 blocks which were de-allocated from CIL be returned back to the PSU to help meet the Eleventh and Twelfth Plan production targets. It expressed concern that only 25 coal blocks allotted under captive coal regime have started commercial operations.

“This clearly shows a non-serious attitude on the part of such private parties to develop coal blocks allotted to them within slated time,” the panel argued. A total of 192 blocks as on March 21, 2011 stand allocated with geological reserves of 44.44 billion tonnes.
Sponge iron units accuse private miners in Odisha of cartelisation

Miners claim ore price hike was due to market forces

Santanu Sanyal
Kolkata, July 2

Taking cue from the Competition Commission of India’s order against 11 cement companies recently, sponge iron units are planning to approach the Commission against some private iron ore miners. They allege that these miners, mostly from Odisha, have formed a cartel.

The office-bearers of several State-level sponge iron manufacturers’ associations are to meet in Delhi shortly to firm up their plan. They will also meet senior officials of the Ministries concerned in the Union Government, it is learnt.

In the past one year, the domestic price of iron ore has been raised at least by Rs 1,000 a tonne by these miners. In May alone, the price was hiked by Rs 500 a tonne. During the period the international price dropped by at least 30 per cent. More important, an estimated half of the sponge iron units are either closed or are operating much below their capacity.

“Given the present situation in the market, the iron ore price should be reduced at least by 20 per cent,” said a spokesman for a State-level sponge iron manufacturers' association.

CRACKDOWN
For iron ore, the sponge iron manufacturers in the country are by and large dependent on the supplies from mines in Odisha. This is because private mining in Karnataka has virtually come to a halt following a Supreme Court order and Goa’s ore, mostly of inferior quality, is by and large exported. Odisha’s iron ore mining, it is complained, is controlled by less than a dozen miners. The crackdown on illegal mining by the Odisha Government for the past one year or so has hit operation of many mines, causing shortage of the ore. The argument of the Odisha miners, therefore, is that the recent price hike is the inevitable outcome of free interplay of market forces, with demand far exceeding supply. But the sponge iron units are not convinced.

The sponge iron manufacturers make it clear that public sector organisations such as NMDC and Odisha Mining Corporation (OMC) are not part of the cartel but any announcement of price increase by private miners will have some effect on the prices declared by the State-owned enterprises.

Meanwhile, OMC, an Odisha Government undertaking, is believed to have received a not-so-satisfactory response to its bids for supplying high grade iron ore. The bidders, it is learnt, have quoted prices which are lower by Rs 200 to 300 a tonne (3 to 7 per cent) for the July-September supply as compared with the prices OMC received in the current quarter.
Lead, zinc meet to discuss opportunities

Our Bureau
Mumbai, July 2

A 3-day international conference and exhibition on lead and zinc, to be held in New Delhi, during July 8-10 is set to bring on a single platform several experts from within the country and outside to discuss what is described as 'unlimited opportunities' for the two metals.

Organised by Indian Lead and Zinc Development Association (ILZDA) as part of its golden jubilee celebrations, the technical sessions will discuss topics covering current developments and future outlook for the global lead and zinc industry; market drivers and medium-term price outlook; sustainable mining; environmental issues; technological advances; and related topics.

Lead is largely used in making lead battery cells for automobiles while zinc is used in the steel industry for galvanising or anti-corrosive coating.

Speakers from countries as far and wide as the US, UK, Portugal, Germany, Italy, China, Australia, Malaysia and Japan are set to make presentations on different aspects of the two metals, including production, processing, quality and consumption.

The event will bring together market participants from the country's metals and industrial metals sectors. Exhibitors include lead and zinc producers, user sectors (galvanising, die casting, lead battery etc); plant and equipment suppliers; and a host of related others including researchers.

According to Dr L. Pugazhenthy, Executive Director, ILZDA, India offers unlimited opportunities for consumption of the two base metals as the economy has been registering robust growth and current levels of consumption are low. “The draft 12th Plan anticipates a demand level of about 9 lakh tonnes of zinc and 6 lakh tonnes of lead by terminal year of the Plan (2016-17),” he said.

As the country moves from an era of shortage to near self-sufficiency, ILZDA is currently engaged in promoting the sector through technology upgrades, skill enhancement, standardisation and market development.

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JSPL Bought Iron Ore Below Mkt Price, Says Probe Panel

Odisha reasessing royalty payment; violation of rules may lead to cancellation of lease

MEERA MOHANTY
NEW DELHI

Naveen Jindal’s flagship Jindal Steel and Power is under the scanner for allegedly accessing iron ore from Sarada Mines—the group’s mining associate—at rates below the market price, thus depriving the Odisha government of royalty.

The rates charged for the mine ore that JSPL processed, largely for its own use, was about one-tenth the prevailing market price for processed iron ore in 2008-09, an enquiry report by a five-member committee has stated. The report, which was finalized in November last year but is not in the public domain, claims “prima facie evidence in respect of violation of Rule 37 of Mining Concession Rules 1993” which could potentially lead to the mining lease being cancelled.

Acting on the report, AK Rath, the additional secretary of Odisha, has asked the state’s mines director to reassess royalty payment from 2009 onwards, excluding Sarada prices from consideration. The lessees affected by the revision should be asked “to pay the differential royalty amount,” Rath said in a communication dated 29 June.

Email queries to JSPL did not elicit any reply as senior officials were travelling.

The enquiry report of the committee constituted by the state government also alleges that Jindal Steel and Power controls the Thakurani iron ore mines of Sarada Mines. Some verifications, however, are pending as documents were unavailable for inspection by the committee. The committee will be sent again for inspection, confirmed the mines director Deepak Mohanty.

"Violation of rule 37 needs to be established and we will be resubmitting a report before end-July," added Mohanty.

Mineral royalty earned by the state is calculated on the basis of average price charged by the 10 largest mines in the state. The state relies on data compiled by the Indian Bureau of Mines for the purpose of calculation.

A discounted sale will lead to a lower average and in turn to a loss of royalty for the state.

Sarada’s 947.06 hectare mine in Block B of the Thakurani Reserve Forest in Keonjhar district has a long association with the Naveen Jindal company. All of the hilltop mine’s 6 mtpa high grade ore is carried through a 1.8km conveyor belt to JSPL’s 4 mtpa pellet plant in Joda. Some of it also goes to its 3 mtpa Raigarh plant.

The enquiry committee has alleged that JSPL’s access to ore at way below prevailing market rates amounted in effect to “transferring the interest in the lease to JSPL”.

According to the report filed by the committee, a copy of which is with ET, “The arrangement, apart from being in violation of provisions of Rule 37 of MCR, 1960, also contributed to lower value added tax collection by the Odisha government on account of low pricing in comparison to the value derived by JSPL from the product vis-a-vis the market price.”

Mining rules also forbid a miner from transferring a lease without prior state and central government approvals under rule 37 of MCR. The lease owner is, however, allowed to control finances and management and make all the major capital investments.

The state had constituted a special committee which submitted its report in November after a visit to the Sarada’s Thakurani mine in August last year.

In its report, the committee noted that Sarada had sold JSPL iron ore during 2008-09 at an average rate of Rs 600 a tonne according to its tax audit report. JSPL then crushed this ore for its own use.

Other miners (such as Mid East Integrated Steel Ltd, for example) in the market sold crushed ore for Rs 4,200 a tonne and Rs 4,000 a tonne in the market during the same time, according to the report.

"It is pertinent to note that by spending an insignificant amount on processing ROM the value of product obtained in the form of sized ore and others enhanced significantly," it observes.
Red trouble may shut Bhilai plant

MHA Okays More Cover For Mining Project

TIMES NEWS NETWORK

New Delhi: Facing serious threat from Maoists to iron ore mines which cater to the government-owned Bhilai steel plant in Chhattisgarh, the Centre has decided to deploy additional paramilitary forces in the area to guard an ambitious mining project of Steel Authority of India Ltd (SAIL) and help in construction of a 235-km railway track to transport ore slurry through the Naxal-hit area.

The decision was taken at a high-level meeting chaired by Union home secretary R K Singh and attended by steel secretary D R S Chaudhary and others here on Monday.

“The steel ministry has told the home ministry that the public sector steel plant may face closure in three to four years if adequate security is not provided to the nearby mining project,” said an official.

Sources said at least two battalions would be provided in the first stage to guard mining project and help in constructing 253-km railway track.

SAIL had recently sought five battalions (5,000 personnel) of paramilitary forces to guard the Rowghat iron ore mines, spread over 2,000 hectares in Kanker and Narayanpur districts, which feed the Bhilai steel plant that may have to stop production in 5-4 years if new source of iron ore is not found.

Official sources said at least two battalions would be provided in the first stage to guard the proposed project as it has huge economic prospect in the future. Large presence of Maoists in and around Rowghat is hampering SAIL’s plan. It has agreed to pay for the security forces.

The steel maker had approached the home ministry seeking its help for the development work of Rowghat mines which has over 500 million tonnes of iron ore reserves. SAIL had received environment and forest clearances in 2009 for developing the prolific mines, located in the Bastar region of the state, but could not make much progress because of Naxal activities in the area.

The problem is so acute that Australian consultancy firm Hatch Associates, appointed by SAIL to prepare a detailed project exploration report, could not move ahead due to Maoists threat.

SAIL plans to invest Rs 5,000 crore in the Rowghat mines, including Rs 702 crore for laying of a rail line from Dalli-Rooppur. The construction of the line has also faced resistance from Naxals.
Govt to Tell SC Auctions Not the Only Way to Allocate Resources

ROHINI SINGH
NEW DELHI

The government will tell the Supreme Court that auctions cannot be the only permissible method of allocation of natural resources and that courts cannot interfere with policy decisions 'only on the grounds' that another policy decision would have been better; a law ministry official told ET on the condition of anonymity.

These arguments will be presented by Attorney General G E Vahanvati during the hearing on the presidential reference filed by the government seeking the apex court's opinion on issues arising from the 2G spectrum judgment. The Supreme Court on February 2 cancelled 122 licences issued by former telecom minister A Raja, and pronounced that the auction route should be followed for the allocation of all natural resources.

Govt feels courts can't interfere with policy decisions only on the grounds that another decision would have been better.

The presidential reference seeks the Supreme Court clarification on several issues including whether its judgment applies to all telecom licenses awarded by the government from 1994. But a five-member constitution bench headed by Chief Justice S H Kapadia will in the first phase beginning next week deal only with questions relating to whether auctions should be the only way of allocating natural resources and what should be 'the permissible scope for interference by courts with policy making'.

The SC's view on the presidential reference will be closely tracked as it will have wide ramifications on the allocation of all natural resources including airwaves, coal, minerals, oil and gas, forest land, to name a few.

The law ministry official said the government will argue that the court cannot strike down a policy decision merely because it feels that another policy decision would have been more appropriate.

Quoting several judgments of the SC, the government will stress that auctions cannot be the only permissible route for disposal of natural resources.
Copper Concentrates and the Problem of Timing

ANDY HOME
REUTERS

The copper market, according to the International Copper Study Group (ICSG), is still suffering from supply deficit to the tune of an estimated 2,73,000 tonnes in the first quarter of this year. There are plenty of statistical pitfalls in this sort of assessment.

The dangers of including an “apparent” Chinese consumption estimate, based as it is on “imports” of metal, are now well understood. What is imported may indeed be metal destined for use by a fabricator. But it could equally be metal “imported” only as far as a bonded warehouse in Shanghai to be used as collateral by financiers.

But the market certainly feels as if it is still struggling to balance supply with demand, even if the latter is looking increasingly fragile given recessionary impulses in Europe and slowdown in China. The copper price is still comfortably above the marginal cost of production, unlike, say, nickel and aluminium, which are now trading into the global cost curve.

Front-date tightness is still a feature of the LME contract. The benchmark cash-to-three-months period closed Thursday valued at $8.75 per tonne backwardation. And outside of Shanghai’s bonded warehouse zone there still seems to be a highly finite amount of accessible copper, part of which is simply being shuffled between regions and exchanges.

The root cause of this deficit is the same as it has been for several years now; a chronically underperforming copper mine sector. Global mine supply grew by 2% in the first quarter of this year, according to the ICSG. But stripping out the straight-to-metal solvent-extraction-electrowinning (SX-EW) component shows production of copper concentrate actually fell by 0.7% in the period. This is not exactly news. There were some horror show Q1 production reports from some of the world’s biggest copper miners, leading many analysts to take more red ink to their already generous disruption allowance calculations. But things will change. A long-terminating supply response, a combination of new mines and expansions at existing mines, is now starting to crank up. The only question is one of timing.

When will this wave of new supply start to change copper’s underlying raw materials dynamite? And when will it flow through to rebalance the refined metal market? Treatment and refining charges (TCRs), the fees paid by miners to smelters for processing concentrates, are the best signals as to what is happening at the start of copper’s supply chain. The only problem is that the current signals are highly confused, the newly minted mid-year term contracts diverging significantly from recent spot deals. BHP Billiton has just negotiated a roll-over of calendar 2012 terms with both Japanese and South Korean smelters, namely a treatment charge of $63.5 per tonne and a refining charge of 6.35 cents per lb. Spot deals, by contrast, have recently gone for as low as $20 and 2 cents with a very recent Chilean tender said to have been awarded in two parcels of $40 and 4 cents and $50 and 5 cents.

So which is the “correct” signal about the current availability of copper concentrates? Is it the lower spot terms, which imply a still super-tight raw materials market, or the mid-year terms, which paint a much more benign supply picture? The answer is probably neither.

Spot deals can be poor signals because of the unique nature of each mine’s concentrates and because of the “hidden” below-the-headline pricing components. Bloomsbury Minerals Economists (BME), one of the few research houses that tracks the copper raw materials market, warns that recent low numbers “are mostly for nearby delivery and may include attractive QP terms to the smelter”.

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Bhillai plant may shut down due to iron ore shortage

AGE CORRESPONDENT
NEW DELHI, JULY 2

The government will provide Central paramilitary forces to guard the ambitious mining projects of Steel Authority of India in Chhattisgarh and help in construction of a 235-km-long railway track to transport ore slurry through the Naxal-hit area. The decision was taken at a high-level meeting chaired by Union home secretary K.K. Singh, steel and railway ministry officials and state government officials here on Monday.

The steel ministry officials have told the MHA that the Bhilai steel plant is under threat to shut down as its existing iron ore is getting over in two-and-half-years to four years. Maoists, however, are opposing any mining in the areas identified by government virtually forcing the MHA to step in to provide additional forces along the route, including along with a route where a new railway line has to be established first. SAIL had received environment and forest clearances in 2009.
मोबाइल 240 करोड़ रुपए निवेश करेगी

नई दिल्ली। सरकारी इकाई की मैगनिटुड व्यावसायिक कंपनी मोबाइल बिल, की
समय राष्ट्र में बालाबाट खदौन की श्रमता देखना कर आठ लाख 82
शानदार करने के लिए, 240 करोड़ रुपए निवेश करने की घोषणा है।
इस्तीफा मंत्रालय के एक सूचना ने बताया कि कंपनी के निदेशक मंडल ने
पिछले गहरे बैठक में बालाबाट खदौन में उपाधि श्रमता बढ़ने के
लिए 240 करोड़ रुपए निवेश करने की मंजूरी दी है।