CIL empowered

KOLKATA, 2 NOV: Coal India Ltd has got finance ministry’s nod for acquiring stake in overseas unlisted firms, CIL chairman Mr NC Jha said on the sidelines of the company’s foundation day celebrations, pti
CIL Gets Finmin Nod for Buying Unlisted Foreign Cos

KOLKATA Mining company Coal India has got the Finance Ministry's nod for acquiring stake in overseas unlisted firms. “We have received Union Finance Ministry's clarifications sought for overseas acquisitions. The ministry permitted (us) to go ahead with acquisition of unlisted firms,” CIL chairman Naveen Jha said on the sidelines of the company’s Foundation Day celebrations attended by coal minister Sriprakash Jaiswal. However, the Finance Ministry has not given complete relaxation to the norm of minimum 12% internal rate of return from such acquisitions. “The Finance Ministry has said we can go ahead with the proposals even if the return is below 12% if they are for strategic reasons, but these has to be cleared by them.” Jha said. Jha said they would now pursue with some of the proposals lying before them.
Monopoly after SC Ban on Mining Helps NMDC

CRYSTAL BARRETO
ET INTELLIGENCE GROUP

Mining company NMDC surprised investors with a 42% rise in per share profits. This has to do with the near monopolistic situation for mining ore in Karnataka, which currently favours the state-run firm after the ban imposed by the Supreme Court on mining activities in the state. But it appears that the performance has already been captured in the price as the stock traded at over 12 times its trailing 12-month earnings, making it fairly valued.

In the wake of the ban which halted operations of private producers, steel makers in the region have only one source of iron ore — NMDC. Moreover, due to numerous logistical constraints, it is unviable for steel manufacturers to procure iron ore from other states, increasing their dependence on NMDC. To meet the demand of steel makers in the state, the Supreme Court directed NMDC to double its output to 12 million metric tonnes a year. Having ramped up production, net sales increased 24% to ₹3,062.33 crore over the year-ago period.

Compared to the previous quarter, sales rose 10%, but blended realisations were flat. This is because iron ore prices have started to decline globally. Though NMDC earns only about 10% of its revenue through exports, iron ore prices in India are largely driven by global trends, where further softening could be expected. As a result, realisations are not expected to increase significantly.

The company’s operating profit for the quarter rose 32% to ₹2,435.35 crore and net profit 42% to ₹1,963.15 crore.

Last month, the company announced that it had acquired a 50% stake in Australian miner Legacy Iron Ore, for approximately ₹98.54 crore. It is also in the process of setting up a 3mtpa steel plant at Chhattisgarh. With a cash balance of ₹20.725 crore as on September 30, 2011, NMDC is in a comfortable position to fund its acquisition and expansion plans. The company is now debt-free.

During the quarter, the NMDC scrip declined 14% in a choppy market, but has started to recover. At ₹230, the stock trades at 12.5 times its trailing 12-month earnings and is fairly valued. Given the softening iron ore price scenario, there appears to be little upside left. Moreover, the lifting of the mining ban in Karnataka, though unlikely in the near term, will nullify NMDC’s monopolistic advantage in the state.

crystal.barreto@timesgroup.com
NMDC Q2 net jumps 42%  

BANGALORE, DHNS: NMDC has posted a turnover of Rs 3,062 crore, gross profit of Rs 2,906 crore and net profit after tax of Rs 1,963 crore in the second quarter of 2011-12 against turnover of Rs 2,480 crore, gross profit of Rs 2,056 crore and net profit after tax of Rs 1,379 crore representing an improvement of 24 per cent in turnover, 41 per cent in gross profit and 42 per cent in net profit after tax in comparison to second quarter of 2010-11.

NMDC’s production and sales of iron ore during the second quarter touched 69.92 lakh tonne and 75.78 lakh tonne respectively which represent about 52 per cent and 47 per cent improvement in both production and sales over that of the corresponding quarter of previous year.
For Orissa Mineral, turnover is nil but stock hits Rs 50,000

Board meets on Nov 9 to decide on stock split

R.Yegya Narayanan
Coimbatore, Nov 2

The words “mining and minerals” must spell rich for the investors. Or how could the shares of a company, that showed “nil turnover” in the quarter ending June 30 is quoting at an astronomical value of close to Rs 50,000 per share of Rs 10 face value?

That this value is about 40 per cent lower than its 52-week high price of Rs 92,200 on the BSE (on Nov 15, 2010) is all the more amazing.

The company, Orissa Minerals Development Company Ltd, a Government of India enterprise, in a notification to the stock exchanges today, said that a meeting of the board of directors will be held on November 9 to consider the proposal for sub-division of face value of shares.

It was on September 19, the company had stated that “at present there is no such specific plan about the stock split and bonus issue. However, in near future, there may be action in this regard.”

After touching day’s high of Rs 50,200, OMDC shares closed lower at Rs 48,628 on the BSE with 2,282 shares changing hands.

During fiscal year 2010-11, the company had a net income of Rs 48.82 crore. The total expenditure was in fact higher than the income at Rs 60.70 crore. However, boosted by other income of Rs 49.39 crore, the company posted a net profit of Rs 22.12 crore. With a paid-up capital of a mere Rs 60 lakh, the company’s EPS touched an astronomical level of Rs 386.69.

In the first quarter of current year, OMDC showed “nil income” and the profit from operations before other income was negative at Rs 12.72 crore. It was again the other income of Rs 17.61 crore that came to the company’s rescue and the company posted net profit of Rs 3.26 crore.

With a public shareholding of 49.99 per cent, OMDC should be creating several millionaires! The share hit its 52-week high price of Rs 92,200 on Nov 15, 2010 on the BSE and its 52-week low is no mean number at Rs 39,401.05 (August 19).

The Chairman of OMDC, Mr A.P. Choudhary, at the AGM on September 16, said following the implementation of a restructuring scheme of the Bird Group of Companies, approved by the Union Cabinet, 51 per cent of the shareholding of the Government of India in Eastern Investments Ltd (EIL) was acquired by Rashtriya Ispat Nigam Ltd (RINL). This makes RINL, the holding company of EIL and its subsidiaries OMDC and BSLC, with effect from January 5, 2011.

He said though the year witnessed firming up of iron ore prices, OMDC could not capitalise on rising trend of prices due to “closure of all its mines on account of non-availability of required statutory forest and environmental clearances.” Four mines remained inoperative, while two small mines: Bhadrakir Iron and Manganese Ore Mines and Bagiaburu Iron ore Mines produced small quantities of iron and manganese ores till September 30, when the lease period of both the mines expired.

He said financial performance was much below the expectations as all the six mines were inoperative, mainly on account of non-availability of forest and environment clearance. This has severely dented the financial performance. He expected the fiscal year 2012-13 to be better with several clearances expected for mining. The management has taken steps to install 2 million tonnes per annum beneficiation and 2 million tonnes pellet plant.

The Techno Economic Feasibility Report has been completed and placed under the consideration of the board. All formalities for obtaining single window clearance from the Government of Orissa for allotment of required land, power and water for the beneficiation and pellet plant have almost been completed, he added.

Still how the company’s shares have come to be valued so highly is difficult to fathom in the absence of financial performance.
Copper rises on risk appetite, supply constraint

Reuters
London, Nov. 2
Copper rallied on Wednesday as a weaker dollar prompted buying after two days of losses and as supply constraints boosted risk appetite, offsetting worries about a disorderly Greek default.

Benchmark copper on the London Metal Exchange was untraded in official rings, but bid at $7,925, up more than two per cent from $7,730 a tonne on Tuesday when it fell by more than three per cent. The metal rallied by a quarter last month from a 2011 trough of $6,635 to peak above $8,200 a tonne last week.

Across other metals, battery material lead was at $1,997 a tonne in rings from $1,982 and aluminium was at $2,124.50 from $2,111. Nickel was untraded but bid at $18,675 from $18,700. Tin was bid at $21,600 from a bid of $21,750 while zinc, used in galvanizing traded at $1,921 from $1,913 on Tuesday's close.
Hind Copper cuts cathode prices

**New Delhi, Nov. 2**

Hindustan Copper Ltd has slashed prices of cut copper cathodes by Rs 35,897 a tonne, or 8.3 per cent, to Rs 395,662, the company said on its website. It also cut prices of full copper cathode by 8.3 per cent to Rs 430,059 a tonne. The new prices, effective November 1, are exclusive of taxes and other levies. The state-owned company aligns its product prices in line with the trend on the London Metal Exchange. —**News Wire**
Police action against 101 ore traders ordered

Special Correspondent

PANAJI: The Justice M.B. Shah Commission of Inquiry, which is probing illegal iron ore mining and exports in Goa, has asked the Department of Industries and Mines to initiate police action against 101 erring traders.

Of the 410-odd traders, who had registered themselves with the Department of Mines, it was found during a scrutiny done by the department at the behest of the commission that many could not be traced to their addresses in the State and outside.

After many traders failed to respond to its summons, the department handed over a large number of cases to the police through the Home Department. A report of non-existent and fake traders that the Home Department compiled was forwarded to the commission, which has ordered police action.

The method followed by the Department of Industries and Mines for registration of traders has raised questions: many have been registered without verification of their documents, with no proper addresses and hardly any personal or business details.

The manipulation by unscrupulous traders came to light when it was revealed that a whopping 7 million tonnes of ore was found exported from Goa by 67 traders last year. It was categorised as “unclassified” by the Goa Mineral Ore Exporters’ Association, as these traders failed to reveal the source of the ore.
CBI Summons Jagan in Ore Mining Scam Case

OUR POLITICAL BUREAU
NEW DELHI

YSR Congress chief YS Jagan Mohan Reddy has been summoned by CBI to its Hyderabad office on Friday for questioning in connection with the multi-crore iron ore mining scam.

Reddy’s links with BJP’s Bellary brothers – Janardhana, Karunakara and Somasekhar Reddy — are widely known. CBI is trying to find out whether the two sides had any business dealings. Obulapuram Mining Company (OMC), owned by Janardhana Reddy, has been accused of violating mining norms in the Ananthapuram district of Andhra Pradesh.

The clearance for mining leases to OMC was given during the chief ministerial tenure of YS Rajasekhara Reddy, the late father of Jagan Mohan Reddy. CBI had recently questioned former cabinet colleagues of Rajasekhara Reddy in connection with the mining scam as it found that mining leases for OMC were cleared in an unusual haste.

Jagan Mohan Reddy also faces allegations of amassing wealth disproportionate to his known sources of income as well as alleged dilution of stake in the Andhra Pradesh Industrial Infrastructure Corporation, which has a joint venture with Emaar for the development of township on the outskirts of Hyderabad. CBI had registered a case against Jagan Mohan Reddy on the direction of Andhra Pradesh High Court under relevant sections of the Indian Penal Code pertaining to cheating, criminal conspiracy, criminal breach of trust and under provisos of Prevention of Corruption Act.

Acting on separate petitions filed by state Textile Minister P Shankar Rao and TDP leader K Yerram Naidu, the AP High Court had recently ordered CBI to probe the alleged illegal assets. Jagan Mohan Reddy had amassed during his father’s tenure as chief minister. CBI has also booked Jagan for allegedly ‘conspiring’ with his father and other individuals and companies to ‘cheat’ the Government of Andhra Pradesh in the matter of granting certain favours to many companies.
Ministry Pushes for New Iron Ore Royalty Maths

MEERA MOHANTY
NEW DELHI

The mines ministry will push for a new system of calculating royalties instead of the current practice of basing it on an average price determined by the Indian Bureau of Mines, ministry officials said. Under the new method, pithead prices, on which royalty is based, will be discovered from iron prices across the supply chain. The ministry says this proposal, which is unlikely to raise royalty collections for states, will be taken up by its study group later this week.

In its report on illegal mining in Karnataka, the state, Lokayukta had criticized the practice of using the state-wise average prices put out by the bureau, saying that it lead to lower royalty collections. The Lokayukta had found that the bureau’s weighted average pitmouth value of ore, to be collected from the top 10 non-captive producers, did not accurately reflect market price of iron ore.

The ministry, however, maintains that royalty can only be collected on the pithead price of iron ore and cannot be based on market prices.

In May, Orissa chief minister Naveen Patnaik had also asked for royalty to be charged on NMDC’s prices or all-India average prices. Last month, in his reply to Patnaik, mines minister Dinsha Patel said the current practice was adopted after states decided that determining sale prices from individual invoices, particularly for captive mines, was difficult.

In February, rule 45 of Mineral Conservation and Development Rules was amended to allow states to calculate prices at different points of sale. Until states decide on what is most convenient to them, the mines ministry will suggest this method for calculation of royalties. An upward revision of royalty rates, allowed once in three years, is now only possible after August 2012. States collect a charge either on the tonnage as in the case of limestone which is largely mined for captive use, or on an ad valorem basis. A royalty of 10% ad valorem is levied on iron ore.