Companies

Prosecution proceedings against Sesa Goa

PIB ■ New Delhi

The government on Thursday informed Parliament it had initiated prosecution proceedings against Vedanta Resources-owned Sesa Goa for violation of certain provisions of the Companies Act.
Copper at week’s low on global growth worries

Reuters
London, May 3
Copper fell to its lowest in a week on Thursday after US economic data was mixed and a bond sale by Spain failed to ease investor concerns that the heavily indebted nation may hinder the euro zone’s recovery, denting growth and commodities demand.

Three-month copper on the London Metal Exchange was down half a per cent to $8,255 a tonne in official rings from a $8,303 close on Wednesday.

Prices, which had rallied by more than 14 per cent by early February, have since shed 5 per cent, trimming the year’s gains to around 9 per cent.

Fears eased in the debt market that a deepening recession and a two-notch downgrade would hit Spain’s ability to fund itself after the government sold new three- and five-year debt, although its borrowing costs rose sharply.

In 2011, copper prices dropped 12 per cent in 12 days from late April to early May. From mid-April to early June 2010, copper shed one quarter of its value. Tin was untraded but bid at $22,050 from $22,400 a tonne while zinc, used in galvanizing, was at bid at $2,008 from $2,020 on Wednesday’s close. Battery material lead likewise was untraded but bid at $2,108 from $2,132 a tonne and aluminium was bid at $2,088 from $2,098.
‘340 rail-projects pending for want of funds’

Press Trust of India
New Delhi, May 4

A total of 340 railway projects, including new rail lines, were pending for want of funds, the Lok Sabha was informed on Thursday.

As on April 4, 2012, there are 340 ongoing, new line, gauge conversion and doubling projects requiring Rs 1.25 lakh crores for completion,” the Minister of State for Railways, Mr K.H. Muniraya, said.

The Minister said besides seeking higher gross budgetary support from the Planning Commission, efforts were being made to generate extra budgetary resources through State Government participation, and public-private partnerships.

IFPO eyeing Belaruskali: Co-operative miner IFPO is carrying out due diligence to examine the possibility of acquiring equity stake in Belarus-based potash miner, Belaruskali. In a written reply, the Minister of State for Fertilisers, Mr Srikant Jena, said Indian Potash Ltd (IPL) is also taking up the matter of long-term supply of potash from Belarus to India.

No IIP distortion: The figure for Index of Industrial Production (IIP) for January was not distorted, rather it was a revised index figure, the Minister of Statistics and Programme Implementation, Mr Jena, said in a written reply. He said the growth rate as per quick estimate for January 2012 was released as 6.8 per cent on March 12 and revised (first revision) to 11.1 per cent on April 12, 2012. “Final revision for IIP for January 2012 will be made on June 12, 2013,” he added. According to Jena, IIP for a particular month is released by Central Statistical Office (CSO) as ‘QI’ with six weeks’ time lag.

RAJYA SABHA

Kingfisher dues to AAI:
Kingfisher Airlines, which is reeling under more than Rs 7,000 crore of debt, owes dues of about Rs 380 crore to the Airports Authority of India (AAI).

“Kingfisher owes dues of Rs 279.52 crore towards landing and parking, RNPC, licence fee, etc., to Airport Authority of India (AAI),” the Civil Aviation Minister, Mr Ajit Singh, said in a written reply in the Rajya Sabha. In case of default in payment by airlines, such measures as changing of penal interest, withdrawal of credit facility are taken and the airlines are put on ‘Cash and Carry’ policy,” he said.

SAIL ore mines: A high-level committee of the Environment Ministry has refused clearances for SAIL’s three key iron ore mines in Jharkhand’s West Singhbhum district, as the area is severely polluted and appropriate control measures are not in place.

The mines, Jhilingbur-I, Jhilingbur-II and Topliari, are located in Goa iron ore reserves area and are estimated to hold 8,812.6 million tonnes of deposits, the Steel Minister, Mr Ben Prasad Verma, said.
Government keeps Chawla report, Mining Act review from Supreme Court

Both documents extensively discuss need for competitive bidding for scarce natural resources

Shalini Singh

NEW DELHI: The fate of the Ashok Chawla Committee report on allocation of natural resources suggests a wider government unwillingness to accept competitive bidding, auctions and market-linked pricing for scarce, natural resources lies at the heart of its 2G review petition.

The Committee was set up on January 31, 2002, at the peak of the 2G scam expose and just a few days before the former Telecom Minister, A Raja, was arrested by the CBI for illegally allocating 2G spectrum on a first-come, first-served (FCS) basis, causing a massive loss to the exchequer. The objective of the exercise was to help the government make allocation of natural resources more transparent.

Not made public

The guiding thrust of the Chawla Committee’s recommendations was the use of market-determined processes like auctions for allocation of all scarce natural resources with nuanced deviations in specific cases alone. Its contents have been extensively debated across multiple government ministries, with industry, the committee, economists and other experts, and even accepted by the Group of Ministers headed by Pranab Mukherjee on November 15, 2011. Its recommendations tie in closely with the Supreme Court’s 2G licence cancellation order of February 2, 2012 which directed that all scarce, natural resources such as spectrum which are alienated for commercial reasons to private parties be allocated through a pre-announced, fair, and transparent auction process. Despite this meeting of minds, the government has steadfastly refused to make the Chawla Committee’s report public, while simultaneously challenging the Supreme Court’s 2G judgment through the filing of a Review Petition and a Presidential Reference.

Additionally, in its 2G Review Petition, the government has relied extensively on Section 11 of the Mining and Minerals Development Regulation (MMDR) Act, which prescribes a first-in-time procedure to be followed for the allocation of minerals in order to dislodge the Supreme Court’s decision for auctions, without disclosing to the court that this Act is itself under review for similar allegations of lack of transparency and resultant corruption.

The Chawla Committee report reveals that the government’s legal references and disclosures to the Supreme Court on the MMDR Act is not the whole truth, which could be an additional reason for the report gathering dust.

The Ministry of Mines has framed a new MMDR Bill 2013 to replace the old MMDR Act, 1957 which has been referred to the GoM and vetted by the Law Ministry. The review was undertaken because: “The decision-making process involved in the grant of concessions is perceived as non-transparent, inefficient, and subject to huge delays at all levels, resulting in poor investments in the sector, discontent in host populations for mining projects and illegal mining which is causing loss of revenue to State governments,” states the Chawla Committee report.

Following this, a high-level committee under the chairmanship of A Hoda, Member, Planning Commission, made recommendations for changes in the existing procedure. The narrative and deliberations in the Ashok Chawla report illustrate how for the mining sector, auctions have been actively discussed, accepted, included and then willy-nilly removed from various government drafts.

Politics against transparency

The politics against transparency is so severe that the Ministry of Mines refused to share the current version of the MMDR Bill 2013 even with the Chawla Committee, placing instead, a June 3, 2010 draft that was already available in the public domain.

The June 3, 2010 draft Bill discusses the allocation of re-coinnance licence (RIL), prospecting licence (PL), and large area prospecting licence (LAPL). Since FCFS or first in time was being followed, the June 3, 2010 draft, Section 130(I)(a) did envisage replacing FCFS with bidding for LAPL. When brought up in the Committee, Mines Ministry officials clarified that “During discussions the current draft under consideration (which the mining ministry refuses to reveal publicly or even share with the Committee) has removed this aspect.”

Fiercely opposed

Bidding as an option was discussed in all seriousness in the Mining Bill but was fiercely opposed by Mining Ministry officials on grounds that auctions “may sound the death knell of the industry,” achieve mistrust and disruptions. The Ashok Chawla report illustrate how for the mining sector, auctions have been actively discussed, accepted, included and then willy-nilly removed from various government drafts.

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Orissa seeks PM’s intervention on super profit tax on miners

Parul Chhaparia
New Delhi, May 3

The Orissa government has sought Prime Minister's (PM) intervention in levying the super-profit tax on iron ore miners, after the mines ministry turned down its proposal. The state government has sent a letter in this regard on Thursday. “We have already given many reasons to the mines ministry why such a levy was important, however, they have rejected our request. That is why we have now approached the PMO (prime minister's office)

Earlier, in a letter to state chief minister Naveen Patnaik, Union mines minister Dinesh Patel has told him that the profits being earned by other miners cannot be estimated on the FoB free on board value of the minerals as it includes cost of transportation and handling, on which royalty cannot be levied.

“It may not be appropriate to only see FoB value of iron ore to come to the conclusion that super profits are being generated,” the mines ministry said in its letter to the state government.

Orissa government had last year sought the central ministry's concurrence to levy a special tax similar to the Australia’s mineral resource rent tax on miners, which are supposedly making “super profits”. Disagreeing with the proposal, the mines ministry told the state that “it was not prudent to generalise that the entire iron ore mining sector was earning profits to the scale equivalent to NMDC, considering that it was a fairly large miner with high grade deposits”.

Although royalties are levied by the state, the rates are fixed in consultation with the Centre.

Rejecting the Orissa government's argument that the average price of iron ore in the state was lower than many other states, the mines ministry said that “the prices were comparable and in fact, it was better than the average price of iron ore in states like Chhattisgarh and Karnataka”.

The iron ore price for fines up to 55%-58% in Orissa in December 2011 was ₹1,042 per tonne as against ₹2,866 in Chhattisgarh and ₹1,640 in Karnataka. For lumps up to 62-65% fines, however, the prices in Orissa were more at ₹5,221 per tonne as compared to ₹4,289 in Chhattisgarh and ₹4,250 in Karnataka.

The state’s royalty collection for iron ore has also more than doubled in the last few years even as its production fell marginally. The iron ore royalty grew from ₹149 crore in 2008-09 to ₹1,852 crore in 2010-11. In 2009-10, the iron ore production was 80.90 million tonne and the royalty was ₹668 crore, which rose by 177% in the next year, even as the production fell to 76.35 million tonne.
Govt begins issuing notices to firms over captive blocks

Parul Chhaparia

New Delhi, May 3: For the power and steel companies struggling to meet their fuel requirements, the problem might get bigger. Following the recommendations of a review committee headed by additional coal secretary, the coal ministry has started issuing show-cause notices to companies that have failed to develop the allocated captive coal blocks.

Among the first ones that have been warned of cancellation of coal blocks are Arcelor Mittal (India) and GVK Power; Jindal Steel and Power; Hindalco and Sasan Power.

One of the major criteria in allocation of captive coal blocks is that the allottee needs to commence the operations of an open-cast mine within 36 months (42 months in case the area is in forest land) and an underground block in 48 months (54 months for forest land) from the date of allocation.

The companies are required to submit their mine development and end-project schedules to the coal ministry with in three months of coal block allocation. Most of these companies have already crossed the limit of 36 months. The review committee-headed by the additional secretary coal had in March said that there were 36 blocks allocated to companies including Sasan Power, Tata Sponge Iron, Orissa Mining Corporation, Andhra Pradesh Mineral Development, Electrotherm and Electrosteel Castings, that have not been developed and therefore, the allocatees should be served with show-cause notice to explain why the block should not be de-allocated.

While the coal ministry did send two-three notices last month, the numbers of such notices have zoomed from this month.

On Thursday alone, more than 10 companies were issued show-cause notice. The ministry has given them 20 days to send their replies on “why the delay in the development of coal block should not be held as violation of the terms and condition of the allotment.” Failing which, it would take an appropriate action.
Panel refuses clearance to SAIL’s 3 iron ore mines

A high-level committee of the environment ministry has refused clearances for SAIL’s three key iron ore mines in Jharkhand’s West Singhbhum district, as the area is severely polluted and appropriate control measures are not in place. The mines, Jhillingburu-I, Jhillingburu-II and Topailore, are located in Gua iron ore reserves and are estimated to hold 82,812.6 million tonne of deposits.