CAG trims coal diversion loss estimate

Noor Mohammad
New Delhi, Mar 4

The Comptroller and Auditor General (CAG) has softened its stance on the diversion of surplus coal from the Sasan and Tilaiya mines, saying the bid documents permitted such diversion, which was also in line with the coal ministry guidelines.

The CAG had triggered a controversy last October, saying the government’s decision to allow Reliance Power to divert surplus coal from these captive mines violated bid guidelines and entailed a windfall gain of ₹1.2 lakh crore to the private developer. It now says the gain could be only ₹1.84 lakh crore.

The CAG has now said although the bid document had spelt out how to use surplus coal from these captive mines, the confusion occurred because the allotment letter did not specify usage parameters upfront. “This ambiguity rendered bidders to interpret the clause for the usage of surplus coal and vitiated the process of allocation,” it added.

Reliance Power had bagged the Sasan and Tilaiya ultra-supercritical power projects through bidding route.

“It (change in CAG’s stance) ends a big controversy,” said former Union power secretary RV Shahi, who had played a key role in launch of the UMPP scheme.

The government has now sought the attorney general’s opinion on the matter. The CAG apparently modified its position after examining further documents made available to it by the power ministry relating to UMPP bids.

“Subsequent decision to allow the allocattee to use surplus coal to other projects resulted in accruing of undue benefits to the allocattee to the detriment of ultimate power consumers, as the allocattee was not expected to factor into the value of the surplus coal while offering the bid price for the sale of power,” the auditor said.

The auditor has also slashed its estimate on undue gains to Reliance Power.

Continued on Page 2
**CAG trims...**

“The undue benefit to RPL for Sasan and Tilaiya UMPP’s is estimated to be ₹18,940 crore,” the CAG said in its latest audit report on excess allocation of coal to Reliance Power. Moher and Moher-Amlohri extension captive blocks allocated for the Sasan UMPP were reserved for Northern Coalfields (NCL) when the CAG came out with its preliminary audit findings in October. But now, they have been transferred to the Sasan project, a move which necessitated drastic changes in the mining plan for these blocks. "The de-reservation of Moher and Moher-Amlohri extension from NCL will reduce..."
coal reserves of Amlohr open
cast project of NCL by 48 mil-
lion tonnes and also reduced its
project life from 24 to 20 years,”
the CAG said on the Sasan
UMPP. The CAG had not taken
cognizance of these facts in its
previous reports. Earlier, the
CAG had pegged the undue
gain to Reliance Power at
₹24,306 crore in its January re-
port when it took for calcula-
tion the difference between
CIL’s mining costs and its noti-
fied price, ignoring Reliance
Power’s mining costs for the
Sasan and Tilaiya projects. In
its latest report, the auditor has
taken as reference Reliance
Power’s mining costs and CIL’s
notified price for the same
grade of coal for calculating
the windfall gain to the private
developer from diversion of ex-
cess coal from Sasan and
Tilaiya mines. While the gov-
ernment has accorded permis-
sion to Reliance Power to divert
surplus coal from the Sasan
mines to its nearby Chitrangi
power project in MP, a final de-
cision is yet to be taken in case of
Tilaiya UMPP.
Sesa-Sterlite will generate $7-8 bn profits a year: Agarwal

The businesses of Sesa-Sterlite, the new entity announced by Vedanta Resources for its India operations, will generate annual surplus of $7-8 billion, group chairman Anil Agarwal has said. He said Sesa-Sterlite, which will be created out of the merger of metals producer Sterlite Industries and iron ore miner Sesa Goa, will have the capability to repay the debt within next three years, if it chooses to do so.
NGO seeks CEC's help to protect forests

Petitioner questions rationale in categorising mining firms

NEW DELHI: An NGO fighting against the illegal mining in Karnataka has pleaded the Supreme Court to direct the Central Empowered Committee (CEC) to suggest means for protection of forests and bio-diversity in ore-rich districts where highest loss of flora and fauna was witnessed due to rampant illegal mining.

Advocate Prashant Bhushan in his interlocutory application filed before the apex court on behalf of Dharwad-based NGO Samaj Parishad Samudaya said that though the CEC had submitted its report to the court recommending several measures to curb illegal mining, it had not made any suggestion to protect forests and biodiversity in the ore rich districts of Bellary, Tumkur and Chitradurga.

The NGO had earlier pointed out serious irregularities in dereservation of forest lands for mining which had caused severe damage to the forest due to rampant mining in the areas. In the final report submitted to the apex court, the CEC had departed in its emphasis on environmental conservation to outlining a model for the restoration of mining activities. The petitioner also said that the panel had failed to establish a deterrent to prevent the recurrence of massive environmental damage in the future and actually stood to favour private mining entities and their corporate partners.

Questioning the CEC rationality in categorising the mining companies based on their areas of encroachment, the petitioner said that as the criminal intent is common to all offenders, categorisation and differential treatment of small and large mining entities is uncalled for.

The petitioner also said that the amount of illegally extracted ore should be determined by using sophisticated technology like laser mapping on a case by case basis. The petitioner also said that penalty against guilty mining lease holders should be at five times the market value irrespective of the percentage of violation.

Pleading the apex court that no new mining leases should be granted on the basis of the stand-alone assessment, the petitioner said that cumulative impact of all the mining leases on the environment must be used as a guide to evolve ways and means to restore the environment.

The recommendations made by the CEC in the latest report fall short of the goals of inter-generational equity conservation of mineral resources and protection of forests. Some of the recommendations are made with the goal of facilitating the resumption of mining operations on a significant scale, the petitioner said.

There should be no mining along common boundaries of neighbouring leases. Mining along the common boundary creates opportunities for encroachment leading to inter-tenee disputes between mine lease holders, it complained.

DH News Service
Sesa Sterlite will generate $7-8 bn profits: Agarwal

NEW DELHI: Businesses of Sesa Sterlite, the new entity announced by Vedanta Resources for its India operations, will generate annual surplus of $7-8 billion, group chairman Anil Agarwal has said. “We have a debt of $7 billion whereas the assets are amazing,” Agarwal said.
यूरेनियम निकले तो जगमग हो देश
MINISTERS OPPOSE MINING IN TRIBAL AREAS

AGE CORRESPONDENT
NEW DELHI, MARCH 4

Two Central and a state minister have come down heavily against bauxite mining in the Pedaveedu tribal areas of Andhra Pradesh. Andhra Pradesh minister for tribal welfare P. Balarama has also opposed bauxite mining as it is a Naxal-infested area. Mr Balarama pointed out in a public meeting at Chintapalli, Andhra Pradesh, that “as a tribal, I oppose this mining as I cannot go against the wishes of my community”.

Union minister Jairam Ramesh added that rapid industrialisation and destruction of environment is triggering increasing Naxal conflict. The ministers inaugurated 89 multi-purpose halls across 11 tribal mandals using MPLAD funds. These halls will be used as daily ration depots which are the lifeline of the daily public distribution system. Several NGOs are also strongly opposing bauxite mining across all tribal areas in the country.
Hindustan Zinc, Balco residual stake sale soon

Vedanta offered to pay Rs 16,000 cr for both companies

Shishir Sinha
New Delhi, March 4
The Government expects to complete its residual stake sale in Hindustan Zinc and Balco within the next 3-6 months. Sterlite has already made its offer to buy remaining stake in these two companies.

A senior Government official told Business Line, "We had our first meeting late last month and hope to have another soon. These meetings will pave the way for finalising the plan for residual stake sale."

At present the Government has a residual stake of 49 per cent in Balco and 29.53 per cent in Hindustan Zinc. Both the companies were strategically divested by the Government. Sterlite is a part of Anil Agarwal's Vedanta Group.

Vedanta had earlier said it has offered to pay Rs 16,000 crore for residual stake in both the companies. However, the official claimed that Sterlite's offer was Rs 15,000 crore for Hindustan Zinc and Rs 2,000 crore for Balco. The Vedanta chief, Mr. Anil Agarwal, said on Friday that they were waiting for a response from the Government.

The official clarified that the matter will be first examined by a group of secretaries consisting of the Disinvestment Secretary and the Mines Secretary and officials. Then it will go the Committee of Secretaries and on its recommendation, the Empowered Group of Ministers (EGoM) will take a call on the valuation.

"The entire process cannot be done in haste, so it will take some time," he added.

Since Hindustan Zinc is a listed concern, there is not much complication in fixing the valuation. But the real issue is about Balco, as it is not a listed entity.

"We will discuss with the company and the financial advisors like SBI Caps before reaching a mutually agreed price," he explained.

Change in the value of net worth, increase in revenue besides other factors will be considered before arriving on valuation.

The Government had sold 51 per cent of its equity in Balco at Rs 551.50 crore in 2000.

The Government has asked Sterlite to make a formal proposal. A letter in this regard was sent following Empowered Group of Ministers' (EGoM) decision taken in its meeting on November 30.

The EGoM had decided to ask Sterlite to send a formal proposal in response to the Vedanta Group Chairman, Mr. Anil Agarwal's letter to the Prime Minister on July 4.

Shishir.s@thehindu.co.in
Supreme Court curb on mining in Haryana, U.P. and Rajasthan

Court takes serious view of environment degradation due to illegal mining

J. Venkatesan

New Delhi: Taking a serious view of environment degradation due to illegal mining, the Supreme Court has made it clear to Haryana, Uttar Pradesh and Rajasthan that no mining activity should be permitted or auctioned including renewal of leases for an area less than five acres without getting clearance from the Ministry of Environment of Forests.

A Bench of Justices K.S. Radhakrishnan and C. K. Prasad in its judgment dealing with the mining issue said: “We are of the view that all State Governments/Union Territories have to give due weight to the recommendations of the MoEF which are made in consultation with all the State Governments and Union Territories. Model Rules of 2010 issued by the Ministry of Mines are very vital from the environmental, ecological and bio-diversity point of view and therefore the State governments have to frame proper rules in accordance with the recommendations, under Section15 of the Mines and Minerals (Development and Regulation) Act, 1957.”

Haryana was seeking to auction plots of less than 4.5 hectares for mining in the districts of Panchkula, Ambala and Yamunanagar. It was significant to note that Central Empowered Committee (CEC) had recommended that mining in these areas might be permitted as mining blocks as identified by Haryana were separated from each other by at least one kilometre.

However, Mohan Jain, Additional Solicitor General, appearing for the MoEF, had argued that where the mining area was homogenous, physically proximate and on identifiable piece of land of 5 hectare or more, it should not be broken into smaller sizes to circumvent the MoEF notification dated September 14, 2006. The said notification was not applicable to the mining projects having lease area less than 5 hectare. He also opposed similar mining activities in other States.

Accepting Mr. Mohan’s stand, the Bench said: “Quarrying of river sand, it is true, is an important economic activity in the country with river sand forming a crucial raw material for the infrastructural development and for the construction industry but excessive in-stream sand and gravel mining causes the degradation of rivers. In-stream mining lowers the stream bottom of rivers which may lead to bank erosion. Depletion of sand in the stream bed and along coastal areas causes the deepening of rivers which may result in destruction of aquatic and riparian habitats as well.”

The Bench said: “We are of the considered view that it is highly necessary to have an effective framework of mining plan which will take care of all environmental issues and also evolve a long term rational and sustainable use of natural resource base and also the bio-assessment protocol. Sand mining, it may be noted, may have an adverse effect on bio-diversity as loss of habitat caused by sand mining will effect various species, flora and fauna and it may also destabilize the soil structure of river banks and often leaves isolated islands.”

Taking note of the fact that the MoEF guidelines had not been implemented, the Bench directed all the States and Union Territories to give effect to the recommendations made by MoEF in its report of March 2010.
More action on mines

India is, by no means, a mineral-rich nation. The country imports bulk of its oil and gas, and has no in-house deposits of potash, rock phosphate or sulphur that go into fertilisers. It has no bauxite or ilmenite, or chromite, and manganese used by stainless steel makers, where one could perhaps claim some degree of abundance. The mining sector, in other words, cannot be a growth driver for India the way it is for Chile, Australia, South Africa, Brazil or, for that matter, China.

All the more reason, then, for the country to properly exploit its existing proven reserves and spend whatever is necessary for exploration of prospective resources. According to the Mines Ministry, a staggering 50,000 applications for mining concessions (including renewals), prospecting licences and reconnaissance permits are currently pending before State governments. It takes anywhere from 5-8 years to get a mining lease in India, against a year or so for Australia. Exploration activity, too, is restricted to 50-100 metres, whereas in many countries, reconnaissance is undertaken for depths of 300 metres or more. Surely, there are better and more transparent ways for the state, as the owner of the country's natural resources below the ground, to allocate the rights to mine or scientifically explore these to ensure their optimal utilisation for the benefit of its people.

The Mines and Minerals (Development and Regulation) Bill, now before Parliament, allows grant of fresh mineral concessions only on the basis of competitive bids invited by the Centre in respect of coal and by the States in all other minerals. Moreover, it stipulates clear timelines for disposal of applications for awarding reconnaissance and prospecting licences or executing mining leases. Equally welcome is the provision for a new High Technology Reconnaissance-cum-Exploration licence exclusively to locate deep-seated base/precious metals and other concealed minerals. Since they involve huge investments besides advanced geophysics and remote-sensing capabilities probably beyond what the Geological Survey of India or the various State Geology and Mining Departments can offer — these concessions are to be given on a first-in-time rather than the auctioning route for normal reconnaissance, prospecting or mining licences. The Government should target passage of the Bill in the coming budget session itself. In addition, it could draw lessons from the New Exploration Licensing Policy in oil and natural gas. Before its implementation in 1999, barely 1 per cent of India's sedimentary basins were under exploration. Today, that figure has risen to over a third. There is a need to replicate this success in other minerals, too.
Copper Cos Turn Bullish on Supply Worries, Strong ₹

TAPASH TALUKDAR
MUMBAI

A stronger rupee and an expansion in China’s manufacturing combined with supply constraints in copper have led traders and firms to take a bullish view. Analysts expect the price range, now around Rs 451 per kg, to find resistance at Rs 443/kg next week.

Domestic copper firms expect their fourth-quarter results to be better than the previous quarter’s when numbers were down due to a weak rupee. International prices rallied nearly 12% since the start of 2012, buoyed by hopes that Chinese demand will pick up after the lunar new year.

“We believe our realizations for the fourth quarter will improve from the third quarter as our TC/RC rates will not be affected much in this quarter,” says Shazeeb Ahmed, CMD of Hindustan Copper. TC/RC (treatment and refining charges) for this year have settled 12.4% higher at $95.5 a tonne and 8.5c/lb respectively. This is the benchmark for global copper smelters and mining companies and TC/RC are paid by mining companies to smelters for converting copper concentrate into refined copper products like cathode and bars.

Hindustan Copper manufactures 32,000 cathodes a year and expects to refine more once it commissions a few mines in India. “We expect our refining capacity to go up as soon as a few underdeveloped mines will be commissioned in sometime,” adds Ahmed. The company’s stock closed at Rs 302 on BSE on Friday. Copper concentrates are largely imported and a rise in refining and treatment charges means an improvement in the revenues of copper firms.

Hindalco, another metals major, said earlier it has recovered a significant profitability from its copper business last year that helped it to compensate the drop in aluminium business. “The copper business has covered up for the drop in the profitability of the aluminium business to a large extent,” said Debu Bhattacharya, MD of Hindalco Industries. India produces nearly 6,80,000 tonne of copper, of which 3,40,000 tonne and 3,10,000 tonne are produced by Hindalco and Sterlite Industries respectively. India imports some volume of copper from Chile, which produces the 40% of world’s total output.
अवैध खनन पर बीस करोड़ का जुर्माना
बढ़ाना। किले की राजपूर तहसील के श्रीमत वनोद में पवार हजार
-हमर गाँव खनिजों के अन्तर्गत उत्खनन के आरोप में संबंधित टैक्सेट "देशा
शिल्पित बनना प्रतिवर्ष हेवान्त" पर बीस करोड़ रुपए का जुर्माना जारी किया
गया है। अनुविभागीय अधिकारी राजस्थान राजपूर ने यह आदेश जारी किया है।
इसके पूर्व भी फेरीलेन निगम में लगे सीड़ी हमर खनिज का अवैध उत्खनन के
आरोप में प्रत्याशा ने निगम कांग्रेस से सबा करोड़ रुपए बढ़ाने के आदेश दिए थे।