Buoyed by success of EIL offer, govt lines up 3 more selloffs

Surabhi & Subhash Narayan

NEW DELHI

THE disinvestment department is readying three more state-run firms for equity offers, confident that its formula of attractive pricing will ensure good investor response, as evident from the over 13 times subscription of the recently-concluded Engineers India offer.

The festive season sale of government stakes is likely to kick off with the year’s largest public offer by Coal India (CIL) between October 18 and 21. This is likely to be followed by offers by Hindustan Copper and Power Grid.

“There is still a little uncertainty about the exact timing of the offers but the expectation is that the offers (of Hindustan Copper and Power Grid) would be launched around Diwali. We have been told to keep everything ready,” an investment banker who is participating in one of the issues said.

Engineers India’s offer, which sought bids in ₹270-290 price band, well below the market price of about ₹330 a share, was priced at the top of the bidding band (₹290) for the institutional investors. With a 5% discount, it works out to ₹273.5 a share for retail investor. Such pricing is sure to attract greater investor interest in stake sales by the government, allowing it to raise the budgeted ₹40,000 crore.

“There is no reason the planned offers will not attract investors if the market conditions sustain. They are all very good stocks,” said Jagannadh Ram Thunuguntla, equity head, SMC Capital, but cautioned that they would have to be priced reasonably.

Stake sales in Manganese Ore India and Steel Authority of India are likely early next calendar along with disinvestment in at least one more big company to reach the target of ₹40,000 crore from sell-off proceeds. The department of disinvestment is in the process of appointing merchant bankers and getting clearances for all the five issues. “We are trying to get all regulatory approvals in place so that Hindustan Copper’s FPO (follow-on public offer) can be scheduled for late October or November,” a mines ministry official said.
लूट की छूट ५५

कॉन्ट आरोपी के अधिकारियों का अधिकार निर्धारित करने के उनके तौर पर कुल दर्जा है। राज्य में लूट का लालच भी सामने आया है।

खुद मुख्यमंत्री जीएस येदियुर्णाड ने बताया कि राज्य में लूट के लोगों ने चोरी-चोरी करते हुए दर्जा लगाया। इसका निर्धारण भी मान्य किया गया।

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Illegal mining on rise, Moily for regulatory body

RASHME SEHGAL
NEW DELHI

Aug. 5: The ministry of mining and the ministry of environment & forests (MoEF) have received over 20,000 cases of illegal mining during the last two months. These complaints have been received at the state and national level, many of them having been filed at groups of villagers, NGOs and rival mining groups complaining against business rivals who are mining much larger tracts than they were originally allotted. Most of these complaints have been made in the states of Karnataka, Andhra Pradesh, Orissa and Jharkhand.

But states like Haryana and Rajasthan are also affected by this epidemic. In Haryana, despite high court strictures, illegal mining of the Aravali hills continues unabated. Admitting this trend, Haryana state minister, Kiran Choudhury said, “I recently called a meeting of the Haryana Pollution Control Board insisting that they submit videographed reports to me so that I can keep track of what was happening on the ground.”

The minister for environment & forests, Jairam Ramesh, is equally candid pointing that although a great deal of mining was being carried out on unallotted forest land, “we do not have a regulatory system that is effective enough to stop this illegal mining.”

The minister of mines, B.K. Handique, also admits that once the mining leases are allotted, “the Center had little stake or knowledge about what was happening on the ground.” He recently met the finance minister Pranab Mukherjee to suggest a “windfall tax” to stop this “profiteering.”

The extent of illegal mining can be gauged from the fact that no less a person than Karnataka chief minister B.S. Yeddyurappa admitted that over three crore tons of iron ore worth Rs 12,000 crore was illegally shifted out of his state. “In 2009-10 alone 71 lakh tons of iron ore was illegally shipped out of Karnataka,” he had recently pointed out.

But senior officials in the ministry of mining point out that it is impossible to give a figure as to just how much this illegal mining is costing the exchequer. “It is running into thousands of crores but these are all estimations,” said a senior bureaucrat.

Trying to curb this, law minister Veerappa Moily is keen to set up a Mineral Regulatory Authority which will have the powers to regulate mining. The body will grant mining leases and file cases against violators as a deterrent against illegal mining of minerals. Mr Moily is not willing to give a time frame about when such a bill will be introduced.
Sterlite plant set to be opened

STERLITE ENERGY LTD, the energy arm of Vedanta Group, is all set to commission the first unit of its 4 X 600 MW independent power plant at Jharsuguda. The 600-MW unit, the first of this size in the private sector, is expected to go on stream sometime this month with the distinction of being completed in record time. The IPP is coming up in the same premises where Vedanta has its 1215-MW captive power plant. Once fully operational, Sterlite Energy’s power station at Jharsuguda will currently be the largest power station in the country with a total production capacity of 3615 MW. The total power produced from the IPP’s first unit will be given to Orissa at a cheaper rate.
Copper falls as China policy counters risk appetite

REUTERS
London, 5 August

Copper eased on Thursday as moves by top consumer China to tighten rules for its mortgage lenders offset improving risk appetite, while investors looked ahead to key jobs data in the United States on Friday.

Benchmark copper for three-month delivery on the London Metal Exchange traded at $7,422 a tonne, down from $7,555 at the close on Wednesday and compared with a session low at $7,422.

"The Chinese government is now talking about stress testing banks, but you shouldn't overestimate it. They should know the results before they start the tests," said Eugen Weinberg, an analyst at Commerzbank. "There is high risk appetite and high inflows into commodities markets," he added.

China's banking regulator has ordered lenders to test the impact of a fall in house prices of up to 50 percent in key cities where prices have risen sharply, banking and regulatory sources said on Thursday.

The move, which runs counter to speculation in some quarters that China might ease some curbs before long to boost the slowing economy, is a new sign that Beijing is intent on fighting property speculation and deflating record prices. Also denting sentiment, China's benchmark Shanghai Composite Index ended down 0.7 percent.

On Wednesday, data showed that the US service sector grew slightly more than expected in July and that private employers added 42,000 jobs in July, versus a revised gain of 19,000 in June.

The US numbers helped push copper, used in power and construction, to a fresh three-month top of $7,527 a tonne on Wednesday, up around 15 percent this quarter.

But investors are now starting to focus on forthcoming data, particularly the US non-farm payrolls report on Friday, which will offer clues on the health of the economy. The consensus forecast is for a drop of 65,000 jobs in July.

Before that, data from Europe's largest economy Germany, showed that manufacturing orders beat expectations to rise by 3.2 percent on the month in June.
FIMI TO DRAG KARNATAKA GOVT TO COURT

The state government banned export of iron ore on July 26

DILIP KUMAR JHA
Mumbai, 5 August

The Federation of Indian Mineral Industries (Fimi), the apex body of mining companies in India, has decided to move court on the issue of ban on iron ore exports imposed by the Karnataka government. Fimi has prepared the draft writ petition which it plans to file in the Bangalore High Court in a day or two.

"We have decided to approach the Bangalore High Court either on Friday or Monday on the ban, which is affecting the livelihood of thousands and leading to a revenue loss of crores of rupees," said D V Pichamuthu, director of the southern region.

Fimi termed the ban unconstitutional. The state government has banned export of iron ore and stopped issuing permits for transporting iron ore for exports from July 28 onwards.

"Since the pipeline is not fully exhausted and transport is completely unoperational, both mining companies and steel mills are working normally. Once the pipeline inventory is over, independent steel mills will start reducing operating capacity gradually. Simultaneously, mining output cannot be stopped overnight as hundreds of people are associated with that," said Pichamuthu.

But, we want judicial intervention before the situation worsens, he added.

Meanwhile, in the absence of export opportunity, inventory is piling up and is gradually entering agricultural land through rainwater seepage. This is not only affecting the environment but also threatening crops.

The attempt by the state government to curb illegal mining has lead to a ripple effect on the mining economy.

The operations of as many as 30 fully export-oriented units have come to a grinding halt as more than one million tonnes ore is lying idle at various ports, causing a foreign exchange loss of around Rs 300 crore.

The freight loss to the Indian Railways is in the order of Rs 80 crore while truckers who move cargoes from mines to ports have lost Rs 40 crore. The loss of wharfage charges for ports is in excess of Rs 3.5 crore.

Apart from this, the state government itself has seen a loss of Rs 30 crore by way of royalty from the mining companies.

Export-oriented units like Mineral Enterprises Limited, Sesa Goa Limited, Deccan Mining Syndicate Pvt Ltd, KMMI Group, Kuminex Minerals Pvt Ltd, Alfa Exports and Dodnamavar Brothers are likely to face penalty from overseas buyers. These companies cannot sell to the domestic buyers unless they export at least 50 per cent of their total produce in a year.

The companies are also losing lakhs of rupees on demurrage charges for holding up ships at ports to upload the steel making raw materials for exports. For each day, they have to pay $20,000 as demurrage charges.

For example, Sesa Goa, one of the leading exporters of iron ore from India, is keeping one ship at the New Mangalore Port since July 30. India exports around 100 million tonnes of iron ore annually, out of which Karnataka accounts for nearly 25 per cent.
प्रणब मुखर्जी देंगे
इंडिया प्राइड अवार्ड
13 सितंबर को होगा समारोह
भारत नेताक • नई दिल्ली

सार्वजनिक उपक्रमों के देश के विकास में उत्साहीय योगदान के लिए 13 सितंबर को धौली प्रशासन इंडिया प्राइड अवार्ड 2010 में सम्मान जारी किया जाएगा। भारत सरकार के अनुसार सभी सरकार के उपक्रमों को भी पुरस्कारित किया जाएगा। समारोह के मुख्य अध्यक्ष डॉ. प्रणब मुखर्जी होंगे।

अवार्ड के विजेताओं का चयन करने के लिए जनजीवन की बैठक 26 अगस्त को वहाँ होगी। सार्वजनिक उपक्रमों होंगे जो बुनियादी अपनी ऐतिहासिक कार्यभारतीय विज्ञान की सूची तैयार करने का जिम्मा आगे बढ़ाएं और जनजीवन समारोह में अन्तर्निहित उत्साह बढ़ाएं।

केंद्रीय उपक्रमों के लिए केंद्रीय इंडिया, निकाय के सेवकों, वातावरण, भारतीय वाणिज्य व व्यवसाय (वाणिज्य सहित), शैक्षणिक, परिसंचार, कृषि और प्राकृतिक विकास के मूल से आ तक ऑफिस प्राइड अवार्ड मिलेंगे।

इसमें इसे ट्रैकर तकनीकी अभियान, निजी समुदाय के रूप में भाग लेने का मौका तैयार करने वाले जनजीवनीय इंडिया को अवार्ड प्रदान किया जाएगा।

राजनीति सत्यक उपक्रमों की कृति, विज्ञान, वाणिज्य राजस्व, पेशेवर और संस्कृति के जीवन रूप से आम भारतीय अवार्ड मिलेंगे।

इसमें राजस्थान सरकार के रूप में अवार्ड ले लिए जाएंगे। इसके अलावा, जनता, राजस्थान अभियान और पेशेवर अभियान भी दी जा सकती हैं।

फिर साथ में "चेहरे मैंं" में नई दिल्ली को लक्ष्य-रेखा संरचना में अवार्ड दी जाएगी।
Rio’s net up as commodity prices improve

BY DAVID PICKLING

Rio Tinto Ltd. reported Thursday its first-half net profit more than tripled from a year earlier as commodity prices improved and announced that it will invest $12 billion on capital spending over the next 18 months to improve the company’s position in the iron ore market.

“Growth is the first priority for our cash flows,” Chief Executive Tom Albanese said.

The comments suggest Rio Tinto, Australia’s second-biggest miner, is emerging from a downturn last year when the company had cut spending and cancelled its dividend as the plunge in global commodities prices from 2008’s record levels left it with heavy debt and expenditure overhangs.

Chief Financial Officer Guy Elliott said Thursday along with capital spending, the company would consider mergers and acquisitions, particularly of small and medium-sized projects.

Rio Tinto said net profit for the six months ended June 30 rose to $5.84 billion from $1.62 billion a year earlier.

Consolidated revenue for the first half rose 34% to $25.21 billion from $18.85 billion a year earlier.

The rise in profit looked even more dramatic, thanks to an accounting change which caused the $2.45 billion net profit recorded in its 2009 first half results to be restated down to $1.62 billion.

Record operating cash flows of $9.9 billion in the first half of the year helped Rio reduce its net debt to $12 billion from $39 billion a year earlier, freeing up capital for expansion projects.

Rio on Tuesday announced $790 million of spending on upgrading its iron ore mining operations in Western Australia’s Pilbara region, bringing total spending proposed this year to nearly $1 billion.

The company wants to expand the operation to produce 330 million tons of ore per year, around 50% above its current level and worth around $43 billion at current spot market prices.

Rio also last week signed an agreement with China’s listed and state-controlled miner Aluminum Corp. of China Ltd., or Chalco, over development over Guinea’s Simandou iron ore province, and announced a further $170 million of investment in the project.

Mr. Albanese said the spending would focus on the southern blocks of the project.

Rio’s rights to the two northern blocks of the project are the subject of a dispute with the Guinean government, which stripped the rights off the Anglo-Australian miner in 2008 under the regime of late dictator Lansana Conte.

The company is also investing in the development of Mongolia’s Oyu Tolgoi mine, the world’s biggest undeveloped copper-gold deposit, via its relationship with the project’s 70% owner Ivanhoe Mines Ltd.

Mr. Elliott said that investors had underestimated the company’s growth ambitions.

“There are some quite unique opportunities in the mining sector now, and given our long-term view on commodities prices we should be putting our capital into these projects,” he said.

Mr. Albanese said that a “large portion” of the $9 billion spending slated for next year would be in Rio’s iron ore business, including the Pilbara and Simandou.

But money would also be spent on Canada’s Kitimat aluminum smelter, Michigan state’s Kennecott Eagle nickel mine, and copper and coal projects, he said.

A further $3 billion of other capital spending will be carried out over the next six months, the company said.

One of the company’s largest deals, its planned joint venture with BHP Billiton Ltd. in the Pilbara, remains tied up in regulatory approvals.

Mr. Albanese offered no timetable for resolution of that situation. “This was set up in a way that could be taken through the various regulatory processes,” he said.

“Getting (regulatory approvals) completed is the key right now and we will respect that process.”

Some analysts have argued that Rio would benefit most if the joint venture failed to win approval, arguing that the agreed price to equalize their stakes is more in BHP’s favor than Rio’s.

Commodity price improvements raised Rio’s underlying net profit by $3.77 billion during the first half of the year, accounting for the vast majority of the overall $4.22 billion increase, the company said.

It saw copper and molybdenum prices rise 78%, aluminum by 50%, and gold by 26%.

Prices for thermal coal for use in power stations were up 38% with contracts settled in the high US$90 per tonne, Rio said, while coking coal settled in the $187-$225/ton range.

Spot iron ore prices, which have ticked up in recent weeks to around $130/ton, were indicated a return of steel demand in China, the company’s biggest market, Albanese said.

“We saw incredible strength (in iron ore demand) up to April and it’s certainly softened up in the last few months,” he said.

The improving spot price may be reflecting consolidation of China’s steelmaking sector, he said.

As expected, the interim dividend was reinstated at 45 U.S. cents per share.

The company skipped its half-year payout last year in the wake of the global financial crisis, although the company declared a final dividend of 45 cents per share in its 2009 full-year results.

—wsj@livemint.com
प्रणब मुखर्जी देंगे इंडिया प्राइड अवॉर्ड

13 सितम्बर को होगा समारोह

भारत में देश के बैंक के निर्माण में अद्वितीय योगदान के लिए दिन के समय में इंडिया प्राइड अवॉर्ड 2010 के दिन का समारोह होगा। इस अवॉर्ड के लिए, भारत के बैंक के निर्माण में अद्वितीय योगदान का सम्मान मिलेगा।

इस अवॉर्ड का लक्ष्य भारत के बैंक के निर्माण में अद्वितीय योगदान का सम्मान मिलेगा।

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State submits ATR to HC on illegal mining

BANGALORE: Promising that it will assist the CBI to probe illegal mining of Obulapuram Mining Company (OMC) along Karnataka-Andhra Pradesh (AP) border, the State Government on Tuesday submitted the 16-page action taken report (ATR) to the High Court regarding illegal mining.

During the hearing of a petition filed by freedom fighter H S Doreswamy, the State informed the Division Bench headed by Justice N K Pathi that it had taken all possible steps to curb illegal mining in the State.

A Channe Gowda, under secretary to Mines and Geology Department filed an affidavit stating that the AP government has already ordered a CBI probe into the forest land encroachment by OMC, and Karnataka has extended full co-operation to the survey team constituted by AP.

The report said out of the 99 encroachment cases, the Forest Department had initiated action against 56 mining lease holders, of which 27 mining lease holders challenged the action before the court. The High Court had allowed the 23 mining lease holders to carry mining operation in undisputed areas. The State has now adopted satellite digital imagery and it has recommended cancellation of mining lease in 65 cases for encroaching forest lands.

DH News Service
Reddy says BJP will not trouble Congress rally

A DAY AFTER getting a rap from RSS leaders who asked ministers and mining magnets Reddy brothers to mend their ways, Karnataka tourism minister G Janardhana Reddy on Thursday said he would make arrangements to ensure that Congress rally against illegal mining here on August 9 does not face any trouble. "I have directed officials to ensure that the rally encounters no trouble," he told reporters in the wake of apprehensions expressed by Congress leaders that Reddy brothers were expected to create problems during the rally. He said about 4,000 police personnel would be deployed at various places to maintain law and order during the rally, which the Congress was holding as culmination of its ongoing 320-km padayatra launched against illegal mining, apparently targeting Reddy brothers.
Illegal mining worth over ₹2,000 crore in Odisha

Aditya Birla unit robbing State of valuable minerals, reveals RTI reply
Moushumi Basu ■ New Delhi

If the news of alleged illegal mining in Karnataka by the Reddy brothers has generated much controversy, not far behind is the mineral-rich State of Odisha. RTI applications made to the Odisha Pollution Control Board and State Forest Department have disclosed that illegal mining worth above ₹2,000 crore is being carried out by Essel Mining & Industries Ltd of the Aditya Birla Group.

Replies to RTI applications filed by Biswajit Mohanty, noted environmental activist and a member of Transparency International, India, have also raised serious questions on the functioning of the State Pollution Control Board (SPCB) which was in-charge of issuing environmental clearance and enforcing of norms. It also casts doubts on the functioning of the State Vigilance department, which closed down 151 small mines last year, but allowed big players to loot mineral resources of the State.

A copy of the replies accessed by The Pioneer has brought out shocking details on the illegal mining operations in Jilinglota Iron Ore and Manganese Mines and the Kasia Iron Ore and Dolomite Mines in Keonjhar, in successive fiscal years from 2001 to 2006.

Similarly, field inspection reports of the SPCB have revealed that Essel’s Jilinglota mines has violated the terms of consent of operation issued by the board by extracting minerals much in excess to the permitted quantity.

Though the mines had the consent to operate up to a production of 2,76,000 MT, the replies by the board admit “net illegal production for the six year period is 138,01,391 MT valued at ₹1,178.63 crore, (based on the benchmark price of ore sold by State-owned Odisha Mining Corporation). This was revealed in an inspection on July 26, 2006 by the Pollution Control Board.

It further states that the mining lease area covered an area of 456 ha consisting of forestland of 127.50 ha, non-forest area of 86.508 ha besides district-level committee identified forestland of 242.069 ha. The Kasia mines on the other hand had consent to operate quantity 3,10,64 MT of ore per annum. The net excess illegal production for the period of three years alone from 2005-06 has been found to be 68,58,460 MT which has been valued at ₹790.22 crore for the said period. The lease area for the mines was 194.196 ha consisting of 173.038 ha of forestland and 21.157 ha of non-forest land.

Continued on Page 4
Illegal mining worth... 

From Page 1

The total excess production done by Essel Mining and Industries has thus been estimated to be Rs1,968.85 cores for both the mines.

The RTI applications noted that mines increased their production without seeking fresh consent from the SPCB which had given its consent for much lower levels of production of minerals.

The experts noted that when environmental clearance is granted to any mine, the maximum amount of mineral which can be mined per year is specified.

The quantity of ore that is to be extracted every year is specified in the mining plan which is approved by the Indian Bureau of Mines (IBM). Accordingly when the Environment Impact Assessment (EIA) study is carried out the likely impacts on the local environment are assessed based on the quantity of ore to be extracted.

In a yet another disclosure, it was learnt that the Jilingtoda unit was issued closure notice on January 24, 2006. On the face of it, the notice was issued for violating the consent conditions besides for running two screening of capacity of 500 tonnes per hour (TPH) each as well as one 200 TPH crusher plant, all without environmental clearance. But the RTI applications have revealed that in the inspection carried out on July 25, 2009, they were not actually closed it down.

Experts further noted that when mining of any ore is done, a huge quantity of overburden has to be dug to reach the ore. The overburden varies from three times to five times of the actual ore deposit, which is accordingly calculated and assessed in the mining plan. All these aspects are considered by the pollution control board while examining a proposal for mining and accordingly grants consent for mining operations. In the clearance condition, the user agency is warned that violation of any condition can lead to cancellation of the environmental clearance. The mine in its requirement to dump the overburden has damaged the adjoining forest areas thereby violating the terms of clearance. Essel's brazen flouting of environmental protection Act has put a question mark on the motives and intentions of the SPCB besides the Vigilance, that let go of the big player with an "eye-wash" raid, pointed out the RTI applicant Biswajit Mohanty. The environment has been severely affected. But it remains to be seen whether the concerned officers would be identified and punished for having an alleged nexus with the company.
Hindalco net up

NEW DELHI, Aug 3:
The Aditya Birla Group's flagship firm Hindalco today posted an 11.20 per cent rise in its profit to Rs 534.10 crore for the quarter to June mainly on account of higher metal prices. — PTI
Mine owners warn govt on ban

'The move reflects lack of political will and governance in State'

BANGALORE: The Federation of Indian Mineral Industries (FIMI) on Tuesday termed the State Government’s recent orders closing the state ports for iron ore export and stopping issuing fresh permits to transport ore for export purpose, as “illegal” and threatened to approach court if the Government refuses to withdraw them.

Addressing reporters on Tuesday, FIMI Vice Chairman Basant Poddar said the Federation will first try to convince the Government to withdraw its orders. “If (Government) refuses to budge, then we will have no option but to seek the legal remedy,” he stated.

The Government banned iron ore export from 10 minor ports of the State on July 26, in the wake of allegations of large-scale illegal mining and export of iron ore in the State. Two days later, it stopped issuing fresh permits to transport iron ore for exports.

FIMI Director David Pichamuthu said exports were in the domain of the Union Government. The State Government had no powers to ban or export from the State. By imposing the ban, the State Government is curbing the rights of mine owners to export ore.

The Government has of late stopped issuing permits to supply ore to domestic consumers too. Pichamuthu alleged, “Because of its inability to curb illegal mining, the Government is penalising all those doing legal mining. The knee-jerk action displays lack of political will and lack of governance in the State. It also proves the helplessness and the inability on part of the Government to stop illegal mining,” he stated.

He further said the Government’s move would in no way stop illegal mining as those involved in unlawful business are transporting ore either without permits or by using fake permits.

“As a result, only those who are doing legal mining are badly affected. Export agreements with foreign companies cannot be honoured. It may jeopardise our future orders also,” he added.

According to FIMI Chairman Gureddi, nearly 70 per cent of 30 million tonnes of iron ore exported annually from the State, is of low quality (also called fines). There is no demand for fines except from China, which makes use of it by blending it with good quality ore. Foreign companies may even drag them to court and seek compensation for defaulting the export contract. Moreover, piling up of iron ore would cause environmental damage to the surrounding areas.

The ban is also causing huge revenue loss to both the Centre and State Governments. The Centre earns about Rs 13,000 crore foreign exchange through ore export annually. Besides, there will be loss in excise duty, railway freight charges, port charges (all Centre taxes), royalty and forest development fee (to the State Government), he argued.

Serious Talk: Federation of Indian Mineral Industries (FIMI), Southern Region Director D V Pichamuthu (right) addressing the press in Bangalore on Tuesday. FIMI Vice-Chairman Basant Poddar and Chairman Shantesh Gureddi are seen. DH Photo

Fallout of ban

- Nearly 30,000 trucks transporting ore not plying
- Around 50,000 people directly working in mines rendered jobless
- Around 2.5 lakh people indirectly dependent on mining industry affected
- Equipment worth crores of rupees used for mining are rendered idle
- Mining companies will become defaulters of export mining contracts

What mine owners want...

- Withdraw ban order and allow legal mining
- Catch black sheep in mining
- Tighten rules to issue permits
- Increase number of checkposts to stop illegal movement of ore

DH News Service
National mining regulator in the offing

Govt's move is a major step to curb illegal extraction

Vishwanath Kulkarni
New Delhi, Aug 5

The Government proposes to set up a national mining regulator for major minerals, such as iron ore and coal, which would help tackle the growing menace of illegal mining in the country.

To be modelled on the lines of TRAI and SEBI, the National Mineral Regulatory Authority will be an independent quasi-judicial body and would have powers to commission investigations and also prosecute, sources said.

The authority will deal with cases relating to exploration and mining without leases, storage and transportation without valid permits among other issues based on written complaints.

The structure of the proposed regulatory authority is likely to be finalised on Monday by the Group of Ministers (GoM) set up to look into the new mining legislation. Last week, the GoM in its second meeting had suggested strengthening of the regulatory mechanism by giving more power to deal with rising cases of illegal mining.

Mining is a State subject and State Governments have not been successful in containing the spread of illegal mining.

<table>
<thead>
<tr>
<th>Cases of illegal mining</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 (up to March)</th>
<th>Fine realised (in Rs Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>9,216</td>
<td>13,478</td>
<td>11,591</td>
<td>3,943</td>
<td>32.81</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>2,532</td>
<td>1,713</td>
<td>1,078</td>
<td>925</td>
<td>5.62</td>
</tr>
<tr>
<td>Gujarat</td>
<td>6,593</td>
<td>5,492</td>
<td>5,416</td>
<td>722</td>
<td>90</td>
</tr>
<tr>
<td>Karnataka</td>
<td>5,180</td>
<td>2,887</td>
<td>1,687</td>
<td>1,996</td>
<td>43.04</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>3,868</td>
<td>5,828</td>
<td>8,270</td>
<td>10,368</td>
<td>27.50</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>1,263</td>
<td>1,573</td>
<td>215</td>
<td>109</td>
<td>79.03</td>
</tr>
</tbody>
</table>

Source: Mines Ministry

Sources said the proposed regulatory authority could help curb illegal mining of major minerals, while the State Governments could be asked to set up similar regulators to check illegal mining of minor minerals.

In view of the growing instances of illegal mining, the Central Government had recently asked States to prepare action plans to monitor and curb illegal mining which includes the use of satellite imagery and other intelligence inputs.

So far about 10 States, including Andhra Pradesh, Gujarat, Jharkhand, Karnataka, Maharashtra, Orissa, Rajasthan and Tamil Nadu, have prepared action plans to curb illegal mining. Karnataka has even gone a step further and banned the export of iron ore through the 10 minor ports in the State, and stopped issuing transport permits to regulate the movement of the commodity.
Where should you get your gold?

Here are issues related to gold purchases addressed by Adhil Shetty, CEO, BankBazaar.com

Gold is a 'must have' in your investment portfolio. However, buying jewellery is not as good an investment as buying pure 24-karat gold. Hence, when we talk of gold as an investment, we mean gold coins, gold biscuits or gold bars — any piece of 24-karat gold. Apart from jewellers, banks and post offices also sell gold. So, from where should you get your gold? Here are your choices:

- **Jewellers**
  All jewellers sell gold coins, gold biscuits and 24-karat gold rings. You can visit your trusted jeweller to purchase gold. You can resell a piece of 24-karat gold without any loss in value. It is important that you check that the gold coin/bar/ring, etc. has a 24-carat seal on it.
  The cases of fraud amongst jewellers are common; hence it is best to buy gold only from jewellers that you trust. It is a good idea to verify the purity of gold from another jeweller. The advantage of buying gold from jewellers is that it is one of the cheapest sources plus it blends with consumer mindsets of buying gold from jewellery shops. Also, you can take it back to the same or any other jeweller and cash it at the current selling rate.

- **Banks**
  Banks too sell gold. State Bank of India, Axis Bank, Bank of India, ICICI Bank and HDFC Bank are amongst banking institutions selling gold coins. A bank is probably the most trusted source to buy gold. Banks give certificates of purity for the gold coins they sell.
  However, getting your gold from banks will be costlier as they charge a premium of 10% to 15% over the market rate. So, if your jeweller sells 1 gram of gold for Rs 1853/- (as of June 6, 2010), you can get the same from a bank for an additional amount of Rs 278/. So, for 10 grams of gold, you will pay Rs 2,780/ more at the current rates. Also note that banks are not permitted to buy back the gold they sell. So, you will have to find another buyer for it.

- **Gold Exchange Traded Funds**
  If you are purchasing gold solely for investment purposes, you don’t really need to buy gold in its physical form. You can buy gold in demat form — gold exchange traded funds. A unit of an ETF fund approximates the value of 1 gram of gold. So, modest purchasers can also get into the gold market. ETFs can save you the cost of storage of gold coins and the time and effort to secure your purchase (such as bank locker charges). Further, you need not worry about the accuracy of weight or purity of the gold. Gold ETFs counter all the demerits involved in purchasing gold. However, there is one hitch. If you are buying gold coins for investment such that they can be converted into jewellery later, then this option does not work for you. The performance of Gold ETFs has been impressive.

- **Online over the Internet**
  Some jewellers also have started selling online. Security, accuracy of weight and purity of gold are major concerns here. So, you should buy from reliable sources only. Banks such as ICICI Bank also sell gold online. However, the same drawbacks related to buying from banks persist here.

- **Gold Retailers**
  Corporate giants also sell gold through their outlets spread across the nation. For example, TATA has a retail chain Tanishq. This is also a very reliable avenue and often used by companies to gift its employees.

- **Post offices**
  Indian Postal Offices are an extremely reliable source and offers reasonable prices. Post offices of only a few cities extend this facility. However, this avenue has the potential of reaching out to remote areas. This is because, every village, however small, it may be, has a post office. It can be a good alternative to local jewellers. Gold coins in lower denominations (0.5 grams, 1.0 grams, 5.0 grams and 8.0 grams) are also sold here so that most people can afford purchasing gold from post offices. At present post offices in the following cities sell gold coins: Delhi, Ahmedabad, Surat, Baroda, Pune, Nashik, Nagpur, Mumbai, Chennai, Trichy, Coimbatore, Salem and Madurai.
Hindalco, Sterlite Q1 profits, sales surge on increased volumes

Smita Joshi Saha

Mumbai, Aug 6: Driven by high benchmark prices, increased volumes and high by-product realisation, two major metal producers, Sterlite Industries and Hindalco Industries, have posted top line and bottom line growth during the first quarter ended June 30, 2010.

Experts believe that Aditya Birla group firm Hindalco will benefit from its aluminium expansion plans, where it will spend around Rs 23,000 crore over three years, low production cost at its new capacities and an expected turnaround at Novelis.

Sterlite is set to gain from Balco settlement and Hindustan Zinc call option. The grant from Niyamgiri mining clearance would further provide upside.

Hindalco's net revenue and profit during the first quarter increased by 33% and 11% year-on-year, respectively. However, Hindalco's Ebitda declined by 4.3% q-o-q due to 3% sequential fall in prices of aluminium and copper at LME. Ebitda margin stood at 15.8% in the quarter under review.

Morgan Stanley believes Hindalco's new projects can help it outperform its peers in volume growth. "In addition to project execution risk, we believe the company faces headwinds of higher leverage and tepid aluminium prices in short term," said Vibul Prasad, an analyst with Morgan Stanley in his report.

"Hindalco has about Rs 12,000-crore debt with more than $1 billion (around Rs 4,600 cr) cash in hand," S Talukdar, CFO of Hindalco had said.

Meanwhile, with the renewal of its long-term contracts, the risk in the Novelis's earnings has eased out as there is a condition of price revision in the new contracts. Further, Novelis is expanding its rolling capacity in Brazil at a capex of $300 million.

Vedanta group's Sterlite reported 50% growth in its net profit and 29% rise in sales during Q1. Sterlite's aluminium production during Q1 declined 12.5% y-o-y to 63,000 tonne due to a complete rampdown of the Balco's smelter.

Sterlite's earnings are likely to be driven by volume growth in the zinc and aluminium businesses. Zinc capacity expanded by 200ktpa to 990ktpa recently, which will drive the production of refined metal in FY2011 and FY2012. Another 100ktpa lead smelter is expected to be commissioned in FY2011, which will take total zinc and lead capacity to 1.06 mtpta.

According to experts, base metal prices have declined 10-15% from their recent peak (of end FY10) on growing concerns of slowdown in China and continued headwinds from growth concerns in EU. Production rate of base metals has increased substantially in recent months across the world. "The current fall in LME prices have surpassed marginal cost of production of most global base metal producers. This, along with stronger growth in world economy in 2HFY11 will support the prices," said a Motilal Oswal report.
Rio Tinto H1 profit triples on demand

Mining giant Rio Tinto said its first-half profit more than tripled amid strong iron ore demand from China and higher commodity prices. Net profit for the six months through June was $5.85 billion, up from $1.62 billion in the same period a year earlier, the company said on Thursday. Underlying earnings—which exclude one-time gains and losses from events such as asset sales—were $5.77 billion, up 125%.
Hindustan Tin net edges up

NEW DELHI: Hindustan Tin Works has surpassed the Rs. 100 crore mark in respect of turnover in the first quarter ended June 30, 2010 to reach Rs. 100.41 crore against Rs. 93.98 crore in the year-ago period. The net profit has risen to Rs. 4.33 crore from Rs. 3.99 crore. Exports were sharply higher at Rs. 18.51 crore against Rs. 4.86 crore.
Gold holds near $1,200/oz

Reuters
London, Aug 5
Gold edged higher in Europe on Thursday, heading for its seventh successive daily gain, as fund buying and consumer demand in Asia helped offset the impact of a recovery in the dollar and a decline in ETF holdings.
Spot gold was last bid at $1,198.00 an ounce at 09:55 GMT in London, compared with $1,194.60 late in New York on Wednesday. December COMEX futures were last at $1,198 an ounce, showing a $2.80 gain on the day.
Silver was up about 0.4 percent on the day, holding at $18.33, compared with $18.25 in New York on Wednesday.
Platinum was last at $1,571.35 an ounce, versus $1,577.00, while palladium was at $493.00, versus $494.

Bullion rate
Mumbai: Silver spot (.999 fineness): Rs 29,510; standard gold (99.5 purity): Rs 18,030; pure gold (99.9 purity): Rs 18,120.
Chennai: Bar silver (a kg): Rs 29,720; retail silver (a gm): Rs 31.80; standard gold: Rs 18,110; retail ornament gold (22 carat): Rs 1,684.
CAG'S REPORT TO PARLIAMENT

Equity capital of one in four PSUs wiped out

G. Srinivasan
New Delhi, Aug. 5

The Comptroller and Auditor General of India (CAG) has brought to light the absolute erosion of equity investment in 68 out of 300 government companies and corporations due to their accumulated losses and failure to stay afloat in a competitive milieu.

In a report dealing with central public sector undertakings, tabled in Parliament on Thursday, the CAG estimated the aggregate net worth of the 68 companies at a negative Rs 70,595 crore as on March 31, 2009. It said because of the negative net worth, recovery of loans given by the Government to these companies was "doubtful". The accumulated losses in these 68 companies decreased by Rs 12,893 crore to Rs 85,192 crore in 2008-09 from Rs 98,086 crore in 2007-08, it said.

Of the 300 government companies whose data were analysed by the CAG,

The aggregate net worth of 68 of 300 Central PSUs analysed by CAG was a negative Rs 70,595 crore as on March 31, 2009.

183 earned profits and 92 suffered losses. Three outfits, the Food Corporation of India, the Inland Waterways Authority of India and the National Highways Authority of India, prepare accounts on no-profit/no-loss basis. The remaining 22 companies are not in operation.

Of the 68 companies whose equity capital had eroded, 31 were referred to the Board for Industrial and Financial Reconstruction (BIFR). While revival packages were approved for nine companies, 11 were recommended for closure/winding up and the remaining were under various stages of processing, it noted.

183 COMPANIES PROFITABLE

Of the 183 government companies and corporations that had earned profits, 119 declared dividend amounting to Rs 27,105 crore for 2008-09. Of this, Rs 19,477 crore was paid/is payable to the Government.

The dividend signifies a 12.03 per cent return on the Government's total investment (Rs 161,712 crore) in all government companies and corporations. The 12.03 per cent falls short of the Government remit that such firms should declare 20 per cent dividend to the Centre.

While the total profit earned by 183 companies and corporations was Rs 1,01,560 crore, a lion's share of 76.06 per cent stemmed from companies and corporations under six sectors, viz., petroleum, power, fertilisers, coal and lignite, steel and minerals and metals.

ggeyes@thehindu.co.in