India spends billions to counter China’s Afghanistan drive

Kabul/New Delhi, Apr 6

A

N INDIAN security guard, cradling a Kalashnikov assault rifle, shadowed two Indian engineers as they inspected the concrete shell of the parliament building they are constructing—in Kabul.

Erecting the new seat of government is part of a push to seek both profit and a greater strategic role in the nearby country, where Taliban guerrillas battle the government with support from within Pakistan, India’s arch-rival.

India, having spent $1.5 billion over a decade on Afghan roads, schools and the parliament, now is proposing what may become India’s biggest foreign investment: $1 billion to build an iron mine, steel mill and railroad.

“India is showing its commitment to an unprecedented ambition and role in Afghanistan,” said a senior fellow at the independent Centre for Policy Research in New Delhi. “Stabilising the northwest of the subcontinent, Afghanistan and Pakistan, is absolutely India’s top foreign policy priority; because most of our threats come from there.”

India’s planned Afghan iron mine would help companies such as and by giving them shares in an estimated 1.8 billion tonnes of ore, for which global prices have more than doubled in the past three years. Afghanistan may see its geographic and economic isolation reduced as India follows in promising money to build the country’s first major railroads.

As Afghan anger over the shooting of civilians by an American soldier last month increases calls for an accelerated US exit, India is seeking to position itself as a rival to China in investment in Afghanistan and as an anti-Taliban force to help the Afghan government.

“Instability and radicalism in Afghanistan pose a threat to our common security,” Indian foreign minister SM Krishna said in a December speech at a conference in Bonn on Afghanistan’s future.

India’s expanded role in Afghanistan is anchored in its plan to mine from mountain ridges at Huljak, 100 km northwest of Kabul. India’s government backed a group of seven Indian state-owned and private companies that won three of four blocks.

The Indian group, the Afghan Iron & Steel Consortium, or AFISCO, has offered to build a steel plant and railroad, and in December asked for $7.8 billion in government loans and guarantees, two people with direct knowledge said then.

“They have sought certain assurances regarding the financing,” foreign secretary Ranjan Mathai said at a March 21 press conference in New Delhi. “When they made their bid they were confident that they would have the ability to do it,” he said. “This matter is under discussion.”

AFISCO’s biggest owner, SAIL, hasn’t said when iron production might begin, although the New Delhi-based company says full development of the mine and railroad may take eight to 12 years. Huljak would be SAIL’s first expansion beyond India.

The Afghan deposit would offer needed future ore supplies for other AFISCO partners. India’s minerals ministry has assembled a second group of state companies to bid on licenses to mine copper or gold offered by the Afghan government, according to mines secretary Vishwapati Trivedi.

That bid may be combined with a separate offer being assembled by private Indian firms, he said in a March 21 interview in New Delhi. Taliban or allied Islamic militant fighters killed at least 50 Indians and Afghans in two suicide bombings of India’s embassy in Kabul in 2008 and 2009. India accused Pakistan’s spy agency, the ISI, of assisting the first attack, which Pakistan denied.

Other Taliban attacks have killed Indian doctors and aid workers in Kabul and construction workers in southwestern Afghanistan.

India also is considering constructing a railroad from Afghanistan to the Chabahar port, which would give a transport route that Pakistan can’t control. Bloomberg
Tata's South African mining bid rejected

Johannesburg: Exploration company Firestone Energy has rejected a bid by Tata Power for a 30% stake in a coal project in South Africa, citing a huge undervaluation of the project, a report has said.

Tata had offered 480 million rand ($60 million) for the stake in the Limpopo venture, which is a partnership between Firestone Energy and South Africa-based Sekoko Resources, the report by South African daily 'Business Day' said. Tata had based its bid on a valuation of 1 billion rand, while the true value of the asset was 1.6 billion rand, Sekoko chairman Tim Tebellatold the daily: "I was expecting (Tata Power) to come up with a good value, but it's not a major setback because we have a good asset," Tebella said. PTI
India makes stake sales a tough ride

The government’s stake sale in ONGC ended up mostly in the hands of LIC.

India is not making life easy for itself as it looks to sell stakes in state companies to help plug a yawning budget gap with New Delhi’s own policies battering sentiment towards government enterprises even as it readies more for market.

This week, the government ordered state-run Coal India to sign guaranteed supply pacts with power producers at below-market prices raising the hackles of British activist investor The Children’s Investment Fund Management (TCI).

TCI, which owns one percent of Coal India, world’s largest coal miner, plans legal action against for not protecting minority shareholder interests.

The coal order follows a proposal in the Budget to lift tax on oil production that will knock $978 million from Oil and Natural Gas Corporation’s (ONGC) pre-tax profit. That came weeks after a messy government sell down of a $2.5 billion stake in ONGC that ended up mostly in the hands of Life Insurance Corporation of India.

“It will be difficult for the government to find buyers of shares in the public sector firms after the recent decisions,” said Juergen Maier, a Vienna-based fund manager with Raiffeisen Euroasien Aktien, which owns Indian shares worth $300 million, including a stake in ONGC.

“The interference by majority shareholders is not new, but how can the government set a very high divestment target and take decisions that will definitely hit companies’ profit,” said Maier.

The Budget made headlines with provisions that may retroactively tax long-completed mergers potentially putting Vodafone Plc back on the hook for more than $2 billion in tax despite a win in the Supreme Court in January.

Reuters
Indian firms to buy coal, iron assets: E&Y report

PTI - New Delhi
Indian companies are likely to focus on acquiring coal and iron ore assets in the mining space this year, especially in Indonesia, Australia and Africa, global consultancy Ernst & Young (E&Y) said in a recent report. "We expect that coal and iron ore are likely to remain the focus of mining M&A during 2012, although other commodities including copper and zinc will also be targeted. Indian companies are likely to continue looking to Indonesia, Australia and Africa for growth, increasingly opting to acquire outright rather than simply through off-take agreements," the report said.
Notices to 40 mining firms in Goa

The Goa State Pollution Control Board (GSPCB) has issued show-cause notices to 40 mining firms for allegedly extracting ore much beyond permissible limits. The firms have been asked why appropriate action under relevant laws should not be initiated against them. They had been given three dates, April 11, 13 and 16, to appear before the board with relevant documents and submit their replies, a GSPCB official said on Friday.
The total value of mineral production (excluding atomic minerals) during 2010-11 has been estimated at Rs 2,00,609.38 crore, which shows an increase of about 11.83 per cent over that of the previous year. However, the number of mines which reported mineral production (excluding minor minerals, crude, gas and atomic minerals) has gone down by 371 in 2010-11 as compared with 2009-10.

### MINERAL PRODUCTION IN 2010-11

<table>
<thead>
<tr>
<th>Mineral Type</th>
<th>Estimated Value</th>
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<tbody>
<tr>
<td>Fuel Minerals</td>
<td>Rs 1,35,243.81 cr</td>
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<tr>
<td>Metallic Minerals</td>
<td>Rs 41,828.44 cr</td>
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<tr>
<td>Non-Metals Minerals</td>
<td>Rs 23,537.13 cr</td>
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</table>

2,628 mines reported mineral production in FY11 as against 2,999 in 2009-2010.

### NUMBER OF REPORTING MINES

<table>
<thead>
<tr>
<th>Sector</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
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<tbody>
<tr>
<td>All Minerals*</td>
<td>3,150</td>
<td>2,999</td>
<td>2,628</td>
</tr>
<tr>
<td>Coal (including Lignite)</td>
<td>574</td>
<td>574</td>
<td>574</td>
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<tr>
<td>Metallic Minerals</td>
<td>719</td>
<td>700</td>
<td>608</td>
</tr>
<tr>
<td>Non-Metallic Minerals</td>
<td>1,857</td>
<td>1,725</td>
<td>1,446</td>
</tr>
</tbody>
</table>

*Excluding atomic minerals, petroleum (crude), natural gas (utilised) and minor minerals.

### OUT OF THE TOTAL REPORTING MINES

377 were located in Gujarat followed by Andhra Pradesh (372), Jharkhand (288), Madhya Pradesh (251), Rajasthan (215), Karnataka (211), Orissa (159), Tamil Nadu (156), Maharashtra (142), Chhattisgarh (135) and West Bengal (111). These 11 states accounted for 91.97% of total number of mines in the country in 2010-11.
Nickel, zinc gain on demand

Mumbai, April 6

Nickel and zinc prices gained on the non-ferrous metal market on Friday on increased stockist buying amid demand from alloy industries. Copper and select brass eased on offtake from industrial users. Nickel prices rose by Rs 5 a kg to Rs 1,095 and zinc inched up by Re 1 a kg to Rs 131. Copper cable scrap, copper wire bar and copper sheet cutting all declined by Rs 3 a kg to Rs 483, Rs 511 and Rs 460. Copper scrap heavy and copper utensils scrap both edged down by Rs 2 a kg each to Rs 475 and Rs 443. Copper armature and brass utensils scrap also softened by Re 1 a kg to Rs 466 and Rs 320. —PTI
INdIAN FIRMS IN ORE, COAL RACE

Press Trust of India

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Metals market meet to discuss price trends

Our bureau
Mumbai, April 6

A national seminar on “Metals Outlook and Market Trends 2012” will be held in Mumbai on April 7. The event will bring together a large number of physical market and derivatives market participants in the metals space covering base metals, precious metals and industrial metals.

A panel of experts will discuss the market fundamentals of demand and supply, global and national.

A price outlook session will seek to crystal gaze price direction for major metals, in addition to technical analysis of gold and currency markets.

Large corporate houses in metals, commodity exchanges, brokerage houses and research analysts will make presentations, according to MMR events, the organisers.