

Non-availability of mines to hit RINL expansion plans

Parul Chhaparia

New Delhi, Nov 6: Non-availability of captive mines of coal and iron ore may affect the expansion plans of Rashtriya Ispat Nigam (RINL).

The government-owned steel manufacturer is planning to raise its capacity to 6.3 million tonne (mt) from 3 mt at present. It also plans to add another 1 mt through modernisation of its existing facilities and another 4 mt in the second phase of its expansion that begins next financial year.

"With such expansion plans, it is important to have our own mines for both coal and iron ore. We are at a disadvantage of ₹5,000-₹10,000 per tonne compared to steel manufacturers which have captive

mines," AP Choudhary, chairman and managing director, RINL, told *FE*.

RINL has applied for 27 blocks of iron ore mines in six states including Andhra Pradesh, Orissa, Jharkhand, Rajasthan, Chhattisgarh and Uttar Pradesh, for iron ore. The steel ministry has written a letter to the Rajasthan government for allocating an iron ore block to RINL.

"The steel ministry has been proactive in helping us with that. We have had talks with the Rajasthan government and are hopeful that we will get mines soon," said Choudhary. He also met coal minister Sriprakash Jaiswal for allocation of a coal block in Jharkhand. Choudhary said RINL was surviving due to its techno economic parameters.

Sterlite awards copper supply contract

Sterlite Industries (India), a Vedanta Group company, has awarded a 24,000-tonne copper concentrate supply contract to Arshiya Rail Infrastructure, a subsidiary of Arshiya International Ltd. Under the agreement, Arshiya will transport concentrate from Khetri (Rajasthan) to the smelter unit of Sterlite Industries in Tuticorin (Tamil Nadu) over of six months. **BS REPORTER**

**Hindustan Zinc Ltd pays
₹187.19 cr dividend**

Hindustan Zinc Limited (HZL) has paid the final dividend of ₹187.19 crore to the government for 2011-12. The cheque was handed over to Dinsha J Patel, union minister of mines. This is the highest-ever dividend declared by the company.

ILLEGAL MINING

Cut production in Bellary by 40%: environment panel report

Study commissioned by Supreme Court calls for output cut after finding extensive damage to biodiversity, air quality

BY SHAMSHEER YOUSAF
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BANGALORE

A Supreme Court commissioned study on iron ore mining in Karnataka's Bellary district has suggested production of the steel-making raw material should be cut by as much as 40% to prevent environmental degradation.

The environment impact assessment (EIA) report, prepared by the Indian Council of Forestry Research and Education (ICFRE), has recommended that the district should reduce production of iron ore to 25 million tonnes per annum (mtpa) from its peak of 41.5 mt.

The EIA report, a copy of which has been reviewed by *Mint*, was ordered by the Supreme Court to look beyond the issue of illegal mining and assess the level at which mining can be sustained with minimal damage to the environment. The report argues that this quantity, along with augmented supplies from other districts, would be sufficient to meet the needs of Karnataka, which is pegged by officials at 30 mt.

However, questions are already being raised on how this figure has been arrived at. Vishnu Kamath, one of the petitioners in the illegal mining case in the Supreme Court, says: "I feel 25 mt is too high a figure after the environmental degradation seen in the district. We need to understand how this figure has been ar-



ANIRUDDHA CHOWDHURY/MINT

Ecological threat: A deserted iron ore mine in Sandur, Bellary. A majority of the mines in the district are situated in forest areas.

rived at."

An earlier EIA in 2004 by the National Environment Engineering Research Institute (NEERI) had estimated that iron ore mining would peak at 34 mt in 2030; but that level was breached in 2006-07 because of the explosive growth in iron ore exports to China. Ore production had quadrupled from nearly 10 mt in 2000-01 to its peak of 41.78 mt in 2007-08. Subsequently, production has dropped in 2010-11 to around 30 mt.

Two representatives of the Bellary mining industry declined to comment as they were awaiting the recommendations of the central empowered committee of the Supreme Court on the EIA report.

Production was expected to drop as a joint survey team—also appointed by the apex court—had only cleared 24 out of the 99 active mines in the district for continuing mining

operations. But the EIA report could pave the way for a permanent cap on the production of ore in the district.

ICFRE has recommended the drop in production after its studies in Bellary found extensive damage to the ecology, floral and faunal biodiversity, agriculture, and ambient air.

Damage to forest cover has been substantial with nearly 8.9 sq.km of forest area lost between 2000 and 2011.

A majority of the mines in Bellary are in forest areas, and many of them have been found by survey teams to have encroached adjacent forests. The study has also found that illegal mining in the form of encroachments for mining or dumping was to the tune of 43 sq.km.

Air quality has also deteriorated with the concentration of particulate matter found to have exceeded the national ambient air quality standards.

Agriculture also took a substantial hit, with the quantum of uncultivated land seeing a significant increase from 2005-06 in the mining sub-districts of Sandur and Hospet. For instance, in Sandur, only three agricultural plots were left uncultivated in 2001-02; this number rose to 712 in 2005-06 and peaked at 911 in 2008-09 before falling to 641 in 2010-11.

The ICFRE report has also favoured larger mines over smaller ones on environmental grounds as larger mines are more conducive to scientific mining. "In Bellary district, severe and significant damage has been caused to the environment by small lease holders, and the damage has been compounded by blatant illegal/unscientific mining operations," the report said.

Smaller mines were also found to have extracted higher ore. Data from the mines and geology department show that mines of size less than 5 hectares (ha) were extracting three-and-a-half times more ore per 1 ha than those of size greater than 100 ha.

The ICFRE team has recommended that mine sizes should be at least 25 ha and preferably 50 ha, and has advised small mine owners with adjacent leases to bunch up together and conduct operations.

On whether Bellary constitutes a single environmental unit when considering mining, the report notes that the district can be divided into three units spread in three taluks: Bellary, Hospet and Sandur.

While the high environmental degradation in Bellary is primarily because of non-mining factors, that in Hospet and Sandur is because of large-scale mining operations done in an unscientific manner.

Coal India to use GPS to stop pilferage

By RUCHIRA SINGH &
UTPAL BHASKAR

NEW DELHI

Coal India Ltd (CIL), the world's largest miner of the fuel, will use satellite technology to prevent shipments from being hijacked amid a shortage that has hit supplies to thermal power projects across the country.

The move by the government to curb theft in transit comes as the United Progressive Alliance (UPA) administration fights charges of inefficiency and corruption.

The state-owned firm, which mines and sells around 80% of the commodity in India, will soon start using global positioning system (GPS) technology, coal minister Sriprakash Jaiswal said on Thursday.

"We've given directions to install GPS (units) and made it time-bound," Jaiswal said. This will be implemented for all consignments, so that "we get to know the status of rail loading and road loading", he said.

It is estimated that at least a quarter of CIL's 431 million tonne (mt) production is stolen in transit, says Arun Kejriwal, director of Mumbai-based equity research firm KRIS. This

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Coal ministry rings in GPS to stop pilferage

► FROM PAGE 3

means, in the black market, customers end up paying 25-35% more than spot market rates, he said.

The industry has had little success over the years in tackling organized crime in mining areas. Illegal activities include the theft of coal and explosives, besides illicit extraction of the fuel. Apart from mines being located in isolated and tribal areas, the lack of socioeconomic development, combined with exploitative labour practices has created a fertile ground for the Maoist insurgency to flourish, further disrupting supplies.

The latest steps are small ones considering that bigger reform is needed, such as establishing a coal regulator and holding auctions for coal blocks, but they'll still be good for CIL, Kejriwal said.

"Call it baby steps or face-saving measures, but this is something positive," he said. "This will help the image of the company as also its balance sheet."

India faces an acute shortage of coal—it has 256 billion tonnes of reserves, of which around 455 mt is mined in a year, and at least 100 mt more is needed from foreign markets.

Jaiswal said cooperation from the states would be critical in curbing theft. "No one can tell how much coal is diverted, but yes, corruption happens. In CIL, it happens at an individual level. It is not that the full company is corrupt," he said. "The biggest thing in fighting corruption is the cooperation from state governments. Until the state government and police cooperate, how can we fight corruption?"

The ministry is also planning

another key reform to boost service standards—customers will be supplied with crushed coal measured by the globally used "gross calorific value" rather than the archaic "useful heat value", currently used by CIL.

Crushed coal does away with the need to sift through useless rock and the changed measurement standard will help customers to pay more accurately for the grades of coal purchased.

This was decided at a meeting held by Jaiswal a month ago that was attended by CIL chairman N.C. Jha and the heads of the company's seven subsidiaries.

This isn't the first time CIL is seeking to track shipments to rein in theft. It had previously planned a so-called operator-independent truck despatch system "to enhance the operational efficiency of large open-cast mines" for movement of coal by road. This was never implemented.

The decision on curbing pilferage came after the cabinet secretariat wrote to all ministries asking them to take steps that will "boost" their "image...and have a direct impact on corruption".

To bridge a perceived trust deficit, the UPA constituted a group of ministers headed by finance minister Pranab Mukherjee to consider measures that could be implemented to tackle corruption.

"Once the GPS (units) are installed, any diversion from a route can be tracked. GPS will also be installed at rail sidings. Pilferage of coal happens mostly when transportation routes are changed to offload coal," a ministry official said on condition of anonymity.

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POLICY WATCH

Disinvestment via cross-holding a bad concept

Tapping cash-rich PSUs to meet fiscal targets would take away all advantages of selloff

Sunny Verma

CASH-RICH public sector undertakings (PSUs) could help the government push through its current fiscal's disinvestment plan, which has been disrupted by weak market conditions amidst worries of another recession in Europe and slowdown in the US.

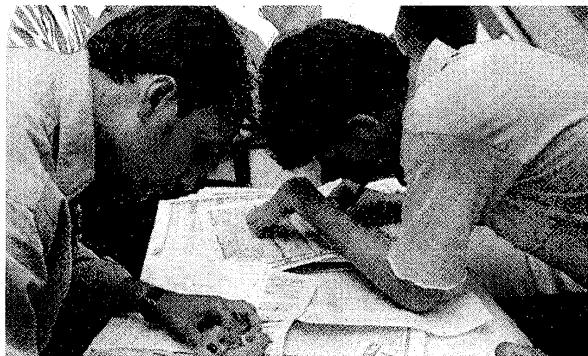
The finance ministry has asked several PSUs with details such as their cash levels and capital expenditure plans to ascertain whether disinvestment could be done through cross-holdings by these cash-rich PSUs. State-owned companies like Coal India, NTPC and NHPC, have significant cash on their balance sheets (see chart).

The Centre could raise only ₹1,145 crore

petition & managerial efficiency and development of the capital markets. Besides, retail investors are given the chance to own a part of the state-owned companies' stakes.

Raising money through disinvestment is crucial for keeping the fiscal deficit target below 4.6% by March-end 2012. Slackening economic growth, low expansion in tax collections and higher subsidy to oil companies have already hit the government's fiscal deficit calculations.

The ministry has already announced plans to borrow ₹53,000 crore more from the market to finance the deficit. This has pushed the yields up on 10-year government bonds to as high as 8.9%, resulting in steep losses for the banks and other buyers



PSU SHARE SALES AND GOVT GAINS

Company	IPO month and year	Post-IPO Govt holdings %	Value of Govt holdings on issue date	Value of Govt holdings as on 07.11.11	% Gain / loss	PSU's cash & bank balance as at June end, 2011
NTPC	Oct-2004	89.5	45754	131357	187	17859.83
PGCIL	Sep-2007	86.36	18901	37803	100	4805.87
REC	Feb-2008	81.82	7377	13629	84	
NHPC	Aug-2009	86.36	38244	26558	-30	4265.31
OIL	Sep-2009	78.43	19803	24442	23	11771.4
CIL	Oct-2010	89.99	139276	185322	33	45862.28

Source: Bsepsu.com, FE research

Value in Rs crore

so far this fiscal through disinvestment in Power Finance Corporation, far below its target of ₹40,000 crore. It has already deferred the proposed ₹12,000-crore follow-on public offer of Oil and Natural Gas Corporation.

Besides ONGC, the government has planned share-sale in Steel Authority of India (SAIL), Hindustan Copper, Bharat Heavy Electricals and National Buildings Construction Corporation (NBCC).

The government is keen to utilise the cash available with PSUs to aid its disinvestment target through cross-ownership. But the plan may not find favour with the PSUs. Also, this would require the government to seek a fresh Cabinet approval.

The cross-holding proposal has also been criticised on the grounds that it would not lead to the many benefits disinvestment or a stock listing is expected to yield. These include improvement in the corporate governance standards and public disclosures at PSUs, promotion of com-

of government papers.

Last month, in its macroeconomic and monetary developments, second quarter review 2011-12, the Reserve Bank of India said the government may miss its disinvestment target, which would make it difficult to achieve the fiscal deficit target.

According to a research report by Citigroup Global Markets Inc, "There could be fiscal slippage due to both lower revenues and higher expenditures. Depending on the timing of the pay-out to oil companies, the fiscal deficit number for 2011-12 could come in the 5.1% to 5.8% range, as compared to the budget estimates of 4.6% of GDP."

The government has so far raised a cumulative ₹97,218 crore through disinvestment in state-owned companies over the years. As on October 31, 2011, PSUs accounted for 27% of the total market capitalisation of the Bombay Stock Exchange.

'Restrict Mining in K'taka to 30MT/Yr'

MEERA MOHANTY
NEW DELHI

A government body has recommended that production of iron ore in three districts of Karnataka be restricted to 30 million tonnes per year, casting doubts over steelmakers', such as Arcelor Mittal and Posco, plans to set up steel plants in the southern state.

A report submitted by the Indian Council of Forestry Research and Education (ICFRE) has concluded that Bellary district could sustain 25 MT of iron ore mining, and an additional 5 MT could be mined in Chitradurga and Tumkur districts. The ICFRE was asked by the Supreme Court to carry out an environmental impact assessment or EIA.

The contents of the report were revealed to ET by some people privy to the report.

The court had issued rulings in July and August this year banning mining in the three districts after the central empowered committee (CEC), a panel that reports to it, had unearthed widespread environmental damage caused by mining.

The figure of 30 MT is sufficient to meet the current requirement of steel and sponge iron makers based in the state, according to estimates compiled by the manufacturers. But new steel projects of Arcelor Mittal and Posco, land for which is already being acquired by the state's industrial development board, came to Karnataka largely on the hope of being allotted captive mines. Officials of both companies have said that their proposed steel plants will be solely dependent on allocation of captive raw material.

Besides Posco and Arcelor Mittal, many domestic steelmakers have evinced interest in Karnataka, lured by the state's iron-ore deposits. These include including central government owned NMDC, Bhushan, Tata Metals, Adhunik and Kirlskar Ferrous, all of whom entered into MoUs with the state in 2010 for metal projects. According to sources, the state was close to accommodating a part of Arcelor Mittal and Posco's raw material requirements from iron ore mines located in these districts, as well as that of JSW and KIOCL.

But the crack-down on illegal mining in the state, by the Lokayukta, a state-level anti-corruption body and the Supreme Court, has put that on hold.

ICFRE says Bellary could sustain 25 MT of iron ore mining, and an additional 5 MT could be mined in Chitradurga and Tumkur

Making rare earths more common

Chinese control of rare earth mining has driven out all competition. It's important to revive India's mines, and here's how

PRANAB DHAL SAMANTA



INDIA is a rank outsider when it comes to owning and producing strategic mineral and metal resources. In fact, it has not even made an honest start. Lack of access to best-technology practices due to restrictive regimes, coupled with the larger problem of a protectionist environment that did not incentivise innovation, meant that critical strategic industries — nuclear, space, defence and communications — depended on high-technology imports which got progressively more difficult for largely non-economic reasons. Meanwhile, over the years, diverse applications of these minerals, metals and compounds have turned them into imperatives for cutting-edge industry innovation, besides their indispensable utility to strategic sectors.

This explains China's relentless quest to dominate the world of mining, and its insatiable hunger to secure more reserves by owning mines well beyond its borders. And, specifically, the unsettling fact for other powers is the almost complete control Beijing has achieved over the supply of strategic minerals, metals and rare earth compounds. For instance, it caters to 60 per cent of world's demand for rare earths and controls 90 per cent of the supply. It's

among the top three producers of 10 out of the 12 strategic minerals and metals Indian planners have put in this category. And over the past few years, it has outpriced well-established players from the business — Molycorp in the US stopped mining rare earths for this reason, and is now being revived with US government support.

It is in this context and backdrop that India is making its first foray. Bunching strategic minerals, metals and rare earths into a single basket, the mining working group for the Twelfth Plan (2012-17) has for the first time suggested setting up a national body in two years' time with a corpus of Rs 500 crore to source strategic minerals, metals and rare earths, possibly on the lines of the Japan Oil, Gas and Metals National Corporation. It also calls for an inter-ministerial group along with industry stakeholders to identify countries with which bilateral agreements can be signed urgently to "for securing the supply of strategic minerals."

For what is clearly the first Indian attempt at spelling out a strategy for this sector, several measures have been suggested:

- To build a national stockpile for "strategically critical input metals" — tin, cobalt, lithium, germanium, gallium, indium, niobium, beryllium, tantalum, tungsten, bismuth, selenium and rare earth metals — at an estimated cost of Rs 1,000 crore. The Non-Ferrous Materials Technology Development Centre, Hyderabad, has been identified as the nodal coordinating agency for this.

- Focus and invest on research and development by adopting a "technology



CR SASIKUMAR

mission approach specific to strategic minerals." For this purpose, the document calls for reorienting the focus of mineral research and development centres besides coordinating "pre-competitive research" on energy critical and rare earth metals with CSIR, DRDO and institutions under the mines ministry.

- Encourage domestic producers by

incentivising by-product recovery. This is important because most of these metals are by-products of base metal mining. Cobalt, for instance, is a by-product of copper and nickel mining used in the defence industry. Gallium is a by-product of the alumina making process while germanium, which is used for making solar cells and is major input metal to the defence industry, is a

by-product of the sphalerite, zinc and copper smelting process.

- Establishment of an Indian competence network for strategic minerals and metals with all stakeholders, after a proper study in the first two years of India's market potential, exploration levels and other factors.

- The department of atomic energy is to take "substantive steps" to refashion its exploration strategy, using the latest technology, to maximise the potential of beach sand mineral reserves. This is important because monazite, a beach sand mineral resource, is an abundantly available source for rare earths, but is under DAE control for its thorium content.

- Simplify land acquisition and grant concessions to exploit beach-sand minerals. State governments need to prioritise mining of these minerals in their land-use policy so that these metals are not lost to another activity.

- The Geological Survey of India should carry out a detailed study of all available data from the national geochemical mapping exercise for the specific purpose of locating possible sources for rare earth minerals and metals.

This is clearly not an ambitious plan, but surely the first definitive steps towards a foundation.

There are several challenges that will continue to inhibit progress on this front despite concrete measures. Take for instance the case of extracting rare earths from monazite. It proves to be far more expensive than what China brings to the market, with heavy rare earths there being extracted from ion exchange clay, and light rare earths

from bastnaesite. China has ample reserves of both these sources. So much so that Indian Rare Earths Ltd was forced to suspend operations in 2004 at its monazite processing plant due to cheap Chinese imports.

But there is a need to re-energise efforts here, because global demand is only on the rise and there is a desperate search for alternate suppliers. While the global demand for rare earths fell marginally to about 96,500 tonnes in 2009 due to the economic crisis, the increased emphasis on clean technology across all industries, driven by the climate change debate, has shot up demand estimates to 1,97,000 tonnes in 2015, which could outstrip supply levels.

Now, India holds 16 per cent of the world's beach-sand mineral reserves but its production is only 6-7 per cent of the global production. For this reason, the working group has suggested setting up joint ventures with state governments of Orissa, Andhra Pradesh, Tamil Nadu and Kerala as a first step to improve exploitation of resources like monazite.

On a broader plane, it's important to realise that India is starting out rather late — but on the plus side, the international political environment is conducive to supporting India with technological assistance and even market access. To jumpstart various levels, the government will have to frame a comprehensive policy as a matter of national strategic priority. This is vital because in many ways, this will revive the core of an almost non-existent security-industry complex.

BEML seeks entry into China market

India's heavy equipment manufacturer displays machines at expo

BEIJING, NOVEMBER 6

Making its maiden bid to enter the Chinese market, India's heavy equipment manufacturer BEML today displayed some of its huge machines at a Chinese expo here, attracting considerable attention among foreign buyers and dealers.

The 13th China Mining Congress & Expo, a two-day event, has attracted about 4,800 participants from over 50 countries and regions.

The exposition of the Bharat Earth Movers Limited (BEML) was also visited by Chinese Vice Minister of Land and Resources, Wang Min, who evinced interest, saying the equipment stood good chance in Chinese market.

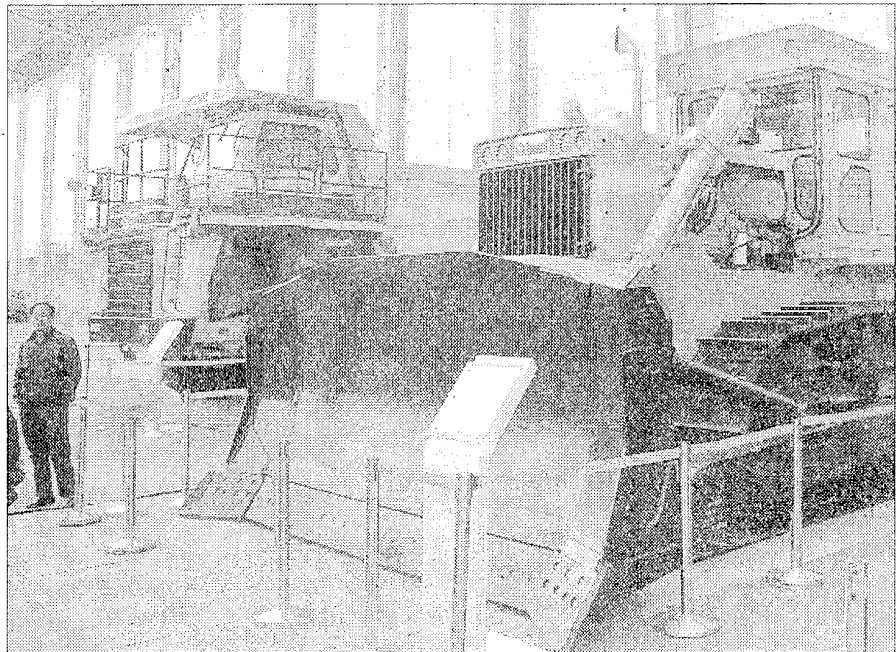
BEML's huge machines including dumpers, excavators and motor graders constituted a "dominant display" at the Indian Ambassador to China, S Jaishankar told PTI.

The capacity of the BEML's five machines displayed at the expo was not available in Chinese market, which presented good prospects for its entry in the market here, Jaishankar said.

Later Wang and S Vijay Kumar, Secretary of Mines, who is heading the Indian delegation at the Mining Congress discussed cooperation between the two countries for institutional interaction between India and China in mining technology and equipment production.

Later, the Indian delegation held talks with the top officials of the Tianjin unit of the ruling Communist Party of China (CPC).

BEML's huge equipment has drawn considerable attention among the Chinese and international dealers and buyers, Nag Naidu, Counsellor at



BEML machines on display at 13th China Mining Congress & Expo in Tianjin. — PTI

the trade wing of the Indian Embassy in Beijing, who took part in the meeting said.

He quoted Wang as saying, that he was amazed by India's participation. China is a major market in mining and the Chinese Congress provides a large platform, Naidu said.

The participation not only drew the attention of local dealers and buyers but also mine officials from over 50 countries who were taking part in the Congress, he said.

Addressing the event, Wang said in spite of the uncertainty of the world's economy recovery, the mining industry is now showing good development potential.

It is expected that in 2011 the global investment on mining exploration for the non-fuel solid minerals will reach \$13 to 14 billion which shows global mining is back

to its healthy ways, he said.

Global petroleum demand is now growing at a rate of one per cent per year, and some institutions predict that the demand in 2011 will exceed previous years, Wang said.

Developed countries are also looking for strategic layout on new resources, which extends the research on mineral raw material for the new technology, Xinhua quoted Wang as saying.

In the first half of 2011, 1,379 mergers and acquisitions took place in the global mining industry, with the trading volume at a record-high of \$71 billion, an 80-per cent increase compared with the figure in the same period in 2010, Wang said.

These mergers and acquisitions are still dominated by Canada, Australia and European countries and concentrated on coal, iron, copper,

gold and potassium.

In the first three quarters, China has seen the investment of the mining industry reach about \$410 billion, which is a 27.9-per cent increase year-on-year, said statistics released by the land and resources ministry.

China's mining industry has seen smooth progress on mineral exploration, steady growth on mine production and improvement on the mine environment, Wang said.

Moreover, the price on mineral products has been gradually stabilised with active imports and exports.

"China will deepen the pragmatic cooperation in global mining industry and oppose the trade protectionism. China will also facilitate to establish a fair and rational system for international mining products trade and investment," Wang said. — PTI