All that glitters...

With the dollar continuing to weaken, it's not surprising that investment demand for gold and silver is up (see charts for prices and demand). Interestingly, even when gold and silver prices have dipped, the demand for gold and silver exchange traded funds has not dipped. Which is why, across the globe, fund houses have begun coming up with gold and silver ETFs. In Q3 2010, investors bought 28.3 tonnes of gold in the ETFs monitored by the World Gold Council, bringing their total holdings to 2,070.1 tonnes or around $87 billion if you convert based on gold prices prevailing at the end of the quarter. Ishare Gold Trust (IAU), listed on Amex, experienced the largest net inflows in Q3 2010 of 13.9 tonnes, taking its total stock to 99.7 tonnes of gold by the end of Q3 2010. Inflows haven't been high only in Q3 2010; this has been the consistent pattern for the last few years.

In silver too, ETFs have played a big role in providing an alternative and easy investment option. Global Silver Institute data show that holdings in silver-backed ETFs were at record highs. Encouraged by the positive response, another new silver-backed ETF is expected to be listed soon. Fund houses are now launching ETFs backed by lesser-known metals like platinum and palladium.

Sanjeeb Mukherjee
BHP rebuff is latest in protectionist wave

Large tax increases on extracted metals, and renegotiated contracts in an effort to tighten their hold on everything from gold to oil on their territory. Resources and resource nationalism have become major items on the geopolitical agenda, said Rio Tinto’s chairman Ian Du Plessis, on an earnings conference call in August. Efforts to lock down national resources come at a time of broader concerns, amid global financial crisis, that some trade barriers may be reconstituted. Some countries see a protectionist trend in the ongoing global “currency wars” — alleging that China, or the US, want to keep national currencies weak to help make their own exporters more competitive. The currency issue will top the agenda of this week’s summit of the Group of Twenty leading nations, leading to new rules for working fast enough to bring in tax revenue from the sale of iron ore. Australia is a big supplier of foodstuffs as well, agriculture minister Gerry Ritz argued in parliament on Thursday. Ceding control to Australia would be especially painful, he said.

“China is a major market for a lot of the same foodstuffs that Canada has,” Ritz said. “For it to be able to go to the India and China of the future and say that it now controls their fertilizer, too, I think it would have had a very detrimental effect on Canada.”

The sale was complicated by the long-simmering feeling that Canada had lost too many of its star companies to foreign firms, and not protested when foreign-investment rules abroad prevented its own companies from acquiring others, said John Manley, a former industry minister who now heads the Canadian Council of Chief Executives.

“There’s a strong sentiment in the Canadian business community that we’ve been pas- ses,” he said. John Manley says he’s an advocate of an open investment process to make sure it’s not railroaded by politics. In the US, one of the most well-known cases of protectionism came in 2000, when Chinese oil company Cnooc Ltd made an ambitious $18.4 billion bid for Unocal Corp. The move of the Chinese government-backed company drew the attention of Congress and other prominent politicians.

The backlash caused Cnooc to drop its bid, and Chevron Corp., was able to make its own move for Unocal at a lower price. In Australia, eyes are on another Canadian-Australian agricultural deal: Agrifarm Inc’s $1.1 billion bid for AWB Ltd, which topped an agreement AWB already had with fellow Australian company GrainCorp Ltd. AWB is Australia’s largest wheat exporter.

The deal has already received approval from Austra- lia’s foreign investment review board and it would be unprecedented for the Australian govern- ment to step in to block a deal at this point. Such a move is not expected.

But Agrifarm and AWB are keeping an eye on Australian regulations and the government to ensure there is no backlash against the deal as a result of Canada’s rejection of BHP’s Potash bid, people familiar with the matter said.

John Lyons in Mexico City, James T. Ardedy in Shanghai and Gina Chon in New York contributed to this story.
SC urged to conserve forests

NEW DELHI, 7 NOV. Unholy nexus between encroacher-simber mafia and the forest officials has been blamed for destruction of forests across the country, according to a submission made in the Supreme Court. Amicus Curiae and senior counsel Mr Harish Salve has submitted before the bench comprising Chief Justice HS Radhakrishnan and Mr Justice Aftab Alam and KS Radhakrishnan that the issue of conservation of forests in the country should be left to the government.

He also submitted before the apex court that inaction on the part of the state government to check encroachments and illegal mining was responsible for the various orders passed by the apex court from time to time to save the fast depleting forest cover in the country.

Mr Salve also told the court that the government must protect the forests and national parks and sanctuaries under the provisions of Forest Act and the Wildlife Act and if the government does not act according to law then the aggrieved party can always approach the court.

The Supreme Court has been monitoring the forest affairs for the last 14 years since 1996 and has banned all constructions in the reserved forest area without its prior permission. The central government has also taken the same stand before the Supreme Court and has told the apex court to keep its hands off from the forest matter leaving it to the executive.

The submission was made during the hearing of French company Lafarge which had challenged the decision of Guwahati High Court banning mining in Meghalaya.
अगस्त में खानिज उत्पादन
7.05 फीसद बढ़ा

नई दिल्ली, 7 नवंबर (भाषा)। खानिज की मूल्य उपभोक्ता बढ़ने से अगस्त में खानिज की जमा से इसके उत्पादन में 7.05 फीसद की वृद्धि दर्ज की गई। खानिज उत्पादन ने प्रभाव करता है कि अगस्त में खानिज के उत्पादन में फिर साल की इसी आयतन के पुनरुत्थान 7.05 फीसद की बढ़ोतरी दर्ज की गई। विभाग में उत्पादन संबंधी तूलनात्मक पाठकें नहीं दिखाए गए हैं। अगस्त के दौरान 13450 करोड़ रुपए के खानिज (परमाणु और लसू खानिजों की छोटी) का उत्पादन हुआ। इस दौरान संबंधी 5337 करोड़ रुपए का कच्चा पेट्रोलियम का उत्पादन हुआ। इसके साथ ही 3481 करोड़ रुपए मूल्य का कोपरा और 2187 करोड़ रुपए के लोहे का उत्पादन हुआ।

इस दौरान उपयुक्त प्राकृतिक गैस, हिजमाहट और जुने का उत्पादन बर्म से 1326 करोड़, 303 करोड़ और 235 करोड़ रुपए हो। बायो में कहा गया है कि इन्हें छह खानिजों का हिस्सा कूल खानिज उत्पादन में 98 फीसद हैं। मात्र के हिसाब से अगस्त के दौरान 384 लाख टन कोपरा का उत्पादन किया गया जबकि हिजमाहट (26 लाख टन), प्राकृतिक बायो (425 करोड़ रुपए), कच्चा पेट्रोलियम (32 लाख टन) और ऑर्थियोट (8.60 लाख टन) का उत्पादन किया गया।
PSUs' procurement in Orissa

Four major PSUs operating in the state – National Aluminium Company Ltd, Neelachal Ispat Nigam Ltd, Hindustan Aeronautics Ltd and Rourkela Steel Plant, a unit of Steel Authority of India Ltd – have stepped up procurement of various items of necessity from the local ancillary units. Topping the list of these PSUs is RSP which procured ₹81.7-crore equipment from the ancillary units in 2009-10. 

BS REPORTER
Orissa may appeal on Vedanta

Nov. 7: The Orissa government is contemplating to challenge in the Supreme Court the denial of permission to the Vedanta Aluminum Limited (VAL) by the Union ministry of environment and forests (MoEF) for bauxite mining at Niyamgiri hill in Kalahandi district.

According to sources — the Orissa government, instead of going to the SC as a direct applicant — would challenge the decision through the state-owned Orissa Mining Corporation (OMC).

The state government has already obtained the state advocate general’s legal advice in this regard, the sources informed.

The government has opted to follow the indirect route to move the Supreme Court apparently to ward off the criticism by the opposition Congress and BJP that allege that the Naveen Patnaik government was desperate for some obvious reasons to facilitate the mining of bauxite by VAL at the Niyamgiri hills in Kalahandi district.
T HE winter session of Parliament begins on Tuesday, 2 days after US President Barack Obama addresses MPs. Several important bills could be taken up for discussion. The government’s lack of majority in Rajya Sabha implies that we could see a greater degree of debate and compromise before some bills are passed.

The Seeds Bill makes a good case study of how Parliament should work. It was introduced in 2005, and the Standing Committee on Agriculture heard many stakeholders. Its report recommended several changes, following which the ministry circulated an amendment list. There were further negotiations with MPs across political parties.

The cabinet has approved some more amendments, and the bill may come up for consideration this session.

The HRD ministry had introduced four bills to change the regulatory structure for higher education. One of these, the Educational Tribunals Bill, was passed by Lok Sabha and deferred by Rajya Sabha after discussion, with the decision to vote on it in the winter session. This legislation establishes tribunals at state and Central levels to settle disputes regarding admissions of students, service matters of staff and faculty, and affiliation of colleges to universities. Three other bills—to prevent unfair practices including capitation fees, to set up accreditation agencies that will give quality ratings to colleges and universities, and to regulate foreign universities—are being examined by the standing committee. The National Commission for Higher Education and Research Bill, which replaces the UGC and AICTE with a new regulator, is listed for introduction this session.

The standing committee has submitted its report on the Companies Bill. This bill makes significant changes in the way companies are regulated. On a number of issues, it transfers oversight from the government to shareholders, defines new types of companies, prescribes norms for independent directors and auditors, and increases the powers of creditors in case of debt restructuring. The bill is listed for consideration and passage this session.

The Enemy Property Bill was introduced last session to replace an ordinance. However, it was not passed as the government’s proposed amendments were opposed by the BJP. The cabinet has approved a fresh bill, which incorporates the contentious amendments; it will be interesting to see whether the BJP supports this version.

The Women’s Reservation Bill was passed in Rajya Sabha in April but it has not been taken up by Lok Sabha yet. Given that the BJP and the Left parties support it, garnering a two-third majority will not be a difficult task; however, many MPs reportedly oppose the bill, and it is to be seen whether the government brings forth this bill for consideration.

Some contentious bills are listed for introduction almost every session, and have been included again: the Land Acquisition (Amendment) Bill, the Rehabilitation and Resettlement Bill, and the Forward Contracts Bill.

The government’s lack of majority in Rajya Sabha implies that we could see a greater degree of debate and compromise before some bills are passed.

Vishakha judgment. The Biotech Regulatory Authority Bill, which would regulate genetically modified organisms, may also be introduced.

This session could see a historic event: the impeachment motion against Justice Sen of the Calcutta high court. The first few steps of the process have been completed: a motion moved by 50 Rajya Sabha MPs, constitution of an inquiry committee by the chairman of that House, and the recommendation by the committee that the removal motion be taken up. For removal, each House of Parliament has to vote with a two-thirds majority, within the same session, followed by the assent of the president. Currently, another inquiry committee is looking into the charges made against Justice Dinakaran. Coincidentally, a bill that regulates the conduct of judges—the Judicial Standards and Accountability Bill—has been listed for introduction and passing during the session.

The last session of Parliament saw some interesting developments. On several instances, Parliament insisted that bills be examined by committees, and not be passed in a hurry. We hope that this trend, of Parliament taking an informed view on legislative proposals, continues this session.

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पूरे देश में माइनिंग के नाम पर लूट चल रही है

माइनिंग बिल -2010 से अवैध खनन और आदिवासियों के शोषण जैसी किसी भी बड़ी समस्या का समाधान नहीं होता
Gold to test support levels, rise

Comex gold futures ended sharply higher on Friday on expectations that the Federal Reserve’s stimulus plan to bolster the U.S. economy will erode the value of the dollar, boosting demand for precious metals as alternative assets.

As mentioned earlier, either ways, gold will benefit from a rising or a falling dollar. Despite Euro's sharp fall from its highs, gold retained its strength.

Investment demand remains positive amidst low interest rates, fears about inflation or deflation and continued uncertainty surrounding the economic recovery.

We expect exchange rate and interest rate trends will continue to work in favour of even higher gold prices. Comex gold futures are moving in line with our expectations.

As mentioned in the previous update, once above $1,367 there would not be much difficulty for the price to rise towards $1,380 or 1,395.

There is a chance for the price to fall to $1,375/1,350 during the week. This is because the bullish indications show some hesitation in the big picture.

Structure is bullish and favours a rise towards $1,415 initially or even higher to $1,475 being a long-term trend line resistance point.

Only a fall below $1,345 could bring the $1,300 or even lower $1,267 into focus.

Our wave counts have changed after an unexpected rise above $1,255.

We will now view the present impulse as a fifth wave impulse only and not an irregular wave “B” We favour a possibility of a fifth wave impulse continuing above $1,415 or maximum $1,475.

Only a daily close below $1,300, will now confirm the beginning of a possible A-B-C, and a corrective move has begun.

RSI is still in the overbought zone now indicating that a downward correction looks likely.

The averages in MACD are above the zero line of the indicator signalling bullishness to be intact.

Therefore, look for gold futures to test the support levels and then rise higher subsequently.

Supports are at $1,387, $1,367 and $1,345.

Resistances are at $1,415, $1,435 and $1,475.

Gnanasekar T.

(The author is the Director of Commtrrendz Research and also in the advisory panel of Multi Commodity Exchange of India Ltd (MCX). The views expressed in this column are his own and not that of MCX. This analysis is based on the historical price movements and there is risk of loss in trading. He can be reached at gnanasekar.thiagarajan@yahoo.com.)
NALCO’s Q2FY11 profit after tax went up 41% YoY to Rs 2.2 bn. Production of calcined alumina remained flat YoY at 379,500 tonnes and that of aluminium increased 7% YoY to 110,333 tonnes. Production of hydrated alumina suffered due to a shutdown for four days to hook up a new stream of expansion.

Sales of aluminium increased 3% YoY to 106,515 tonnes. Though only 170,000 tonnes were available for sale, alumina sales increased 38% YoY to 226,692 tonnes augmented by de-stocking.

EBITDA (earnings before interest, taxes, depreciation and amortisation) grew 24% YoY to Rs 3.5 bn, below our estimate of Rs 4.9 bn, as the cost of production of aluminium smelting rose due to the higher cost of coal for captive power generation. The cost of coal increased, because Nalco had to buy more imported coal with linkage coal supply from Coal India was reduced during the quarter.

According to our calculations, the cost of production of alumina was $1,846/tonne (including depreciation), an increase of $188/tonne QoQ. Nalco will be receiving 0.5 mt of coal from linkages as against requirement of 0.62 mt post-expansion. Thus the company will remain in deficit of coal till production from Utkal E block starts, which is expected in 2013.

Alumina refinery expansion to 2.1 mtpa from existing 1.6 mtpa is expected to be completed by end of FY11. Though Nalco is trying aggressively on a number of expansion projects, actual work on ground is still many years away. At the end of Q2FY11, cash and equivalents were Rs 36.6 bn or an increase of Rs 5 bn in the past six months. We have cut FY11 EPS (earnings per share) by 6% to Rs 18.1 to factor in below expected results. Also, we have changed LME (London Metal Exchange) assumption from $2,000/tonne to $2,100/tonne and Rs/tonne from 48 to 50.

Key investment arguments:
The company has increased its production capacity at an appropriate time: aluminium smelter from 345 ktpa (thousand tonnes per annum) to 460 ktpa, alumina refinery from 1.6 mtpa to 2.1 mtpa and captive power from 960 MW to 1,200 MW. The company has been allotted a coal block, Utkal E, which will insulate Nalco from input price risk.

Key investment risks: An unexpected fall in aluminium prices may impact profitability.

Valuation and views: The stock is trading at rich valuations 17.9x FY12e P/E (price to earning) and 9.8x EV (enterprise value)/EBITDA. Maintain Sell.

— Motilal Oswal