

Govt lists cash flush PSUs for share buyback

Aimed at achieving ambitious target

NEW DELHI: The Disinvestment Department has prepared a list of cash-rich PSUs which can buy back government equity and help it meet the ambitious Rs 40,000 crore disinvestment target during the current fiscal.

The government has been thinking of raising funds through the buyback route as it has not been able to raise money through sale of equity in public sector units on account of uncertainty in the stock markets.

"The government is open to raise funds through the buyback route as part of the disinvestment exercise. We are thinking of innovative ways to meet the target," a disinvestment ministry official told Press Trust of India.

Call on auction route

Under the buyback mode, the government can raise money by selling its equity in the company to the concerned public sector units itself. According to the about two dozen public sector units having large surplus cash balance Steel Authority of India (SAIL), National Mineral Development Corporation, Oil & Natural Gas Corporation, National Thermal Power Corporation, Coal India, Oil India and Mines & Mineral Trading Corporation.

Such companies may be asked to buy back about 5 per

cent equity from the shareholders. Under the current regulations, market regulator Securities & Exchange Board of India allows companies to buy back their own equity from shareholders.

The official said the government is yet to decide on whether to adopt the auction route for stake sale in public sector units.

With only Rs 1,145 crore in its kitty so far from disinvestment, there are apprehensions whether the mammoth target of Rs 40,000 crore for this fiscal would be met.

Volatile markets

Volatile stock market conditions has forced government to delay stake sale in public sector units. Global equity markets have been on a downside on fears of a slow recovery in the Eurozone economies as well as the debt crisis in US.

In view of uncertain market conditions, companies like SAIL and Hindustan Copper (HCL) have deferred fresh equity issue, though the government may still go ahead with its proposal to offload stake.

Last fiscal, the government raised Rs 22,763 crore through sale of equity in public sector enterprises.

Disinvestment plan of the government has been hit due to uncertainty in the stock market fuelled by global economic slowdown.

Press Trust of India

**NALCO engages Lahmeyer international for
conducting water study in Sundargarh**

National Aluminium Co. Ltd. (NALCO) has engaged Lahmeyer International for conducting water availability study for its proposed greenfield smelter in Sundargarh district.

According to B.L. Bagra, CMD, NALCO, the company expects to get state govt.'s nod to set up the plant in Sundargarh district, if the study establishes availability of adequate water.

BELLARY MINING

STUDY CALLS FOR SWEEPING CHANGES

MAHESH KULKARNI
Bangalore, 7 November

The Indian Council of Forestry Research and Education (ICFRE), appointed by the Supreme Court to conduct a macro-level environment impact assessment study report of Bellary district in Karnataka in view of widespread illegal iron ore mining, has recommended measures with far-reaching implications.

The study has found large-scale damage to the environment, flora and fauna and socio-economic levels of the population in and around mining areas. It has favoured the continuation of mining only by large leaseholders, meaning companies with at least 50 hectares of leased area.

It says small leaseholders

(with individual leases below 25 ha) should form consortia for contiguous mines "to practise scientific mining, if such mines are to be continued for various socio-economic and administrative reasons".

**THE ICFRE REPORT
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D V Pichamuthu, director-south, Federation of Indian Mineral Industries (Fimi) said the consortium concept was good, but not many small leaseholders may come forward. "ICFRE has come out with a very good report in such a short duration of three months. We (at Fimi)

had always advocated large holdings for lease. But, the state government wants to satisfy more numbers of applicants by giving small leases," he said.

A common dumping ground, safety zones and conveyor belts must be provided for stacking ore, says the report. These mines should be run as a single unit on a cost and profit sharing basis.

One major recommendation is to restrict extraction of ore to just 25 million tonnes in Bellary district and five mt in Chitradurga and Tumkur districts in a year.

The study says mine owners must show proof of having modern technology and trained manpower and have sufficient space to manage ore and overburden in a scientific manner, along with a plan for rehabilitation and reclamation of the mined-out area.

Auditors cast shadow on Resurgere Mines

Churiwala & Co raises questions on company's accounts, quits; AGM today

MEHUL SHAH
Mumbai, 7 November

THE auditors of Resurgere Mines & Minerals, which had raised ₹120 crore from its Initial Public Offer (IPO) in August 2008, have resigned after raising several questions over the company's accounts.

Churiwala & Company, the Mumbai-based company's auditors, has not signed the accounts for the year ended March 31 and has also made several qualifications. Following this, Resurgere Mines had to reschedule its annual general meeting (AGM) to this Tuesday from September 30, to seek

shareholder approval for adoption of accounts as of March 31 and to appoint new auditors.

In the notice of the adjourned meeting, Churiwala & Company in its qualifications to the accounts said Resurgere Mines did not give supporting documents for ₹160.57 crore shown as capital work in progress, ₹11.14 crore provided towards road development expenses and ₹35.25 crore given as deposit for raising of iron ore. The auditors said the company did not provide supporting documents for the physical verification of the assets by the management and its internal control system was not consummate with the size of

the company. Resurgere Mines did not supply an internal audit report for the quarter ended March 31, the auditors said.

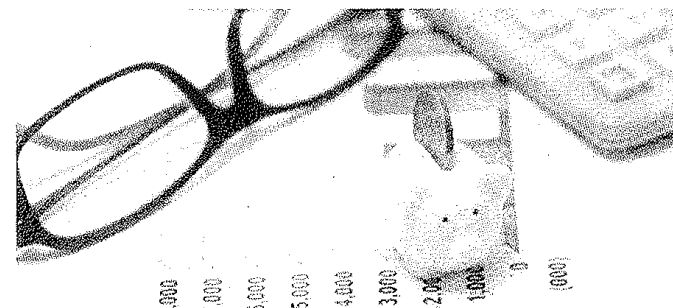
Resurgere's management has denied all these charges made by the auditors.

The shares of Resurgere, whose which last closed at 31 paise on the Bombay Stock Exchange have slumped by 96 per cent from their issue price of ₹9, adjusted for bonus and split. The damage to investors' wealth can be gauged from the fact that the market capitalisation has fallen from ₹1,500 crore after the IPO to just ₹61 crore now.

Despite the poor performance, chairman and managing

director Subhash Sharma has had annual remuneration of ₹1.04 crore since April 2007.

"The case of Resurgere Mines shows how companies have utter disregard for investors after raising funds. Even the basics of corporate governance haven't been adhered to," said Shriram Subramanian, founder and managing director at InGovern Research Service, a Bangalore-based proxy advisory and corporate governance research firm. "The company has been listed for hardly three years and regulators and other agencies should have better monitored the company," he added.



TRUST DEFICIT?

- Churiwala & Co resign as auditors of Resurgere Mines
- Auditors did not sign accounts for year ended March 31
- Auditors raise several questions about company's accounts
- Company forced to reschedule AGM from September 30 to Tuesday

■ Market cap slumps from
₹ 1,500 crore to ₹ 61 crore in 3 years

GOAN MINERS FEAR A KARNATAKA-LIKE CRISIS

Even as the government may not be in favour of a blanket ban

SUDHEER PAL SINGH
Panaji, 7 November

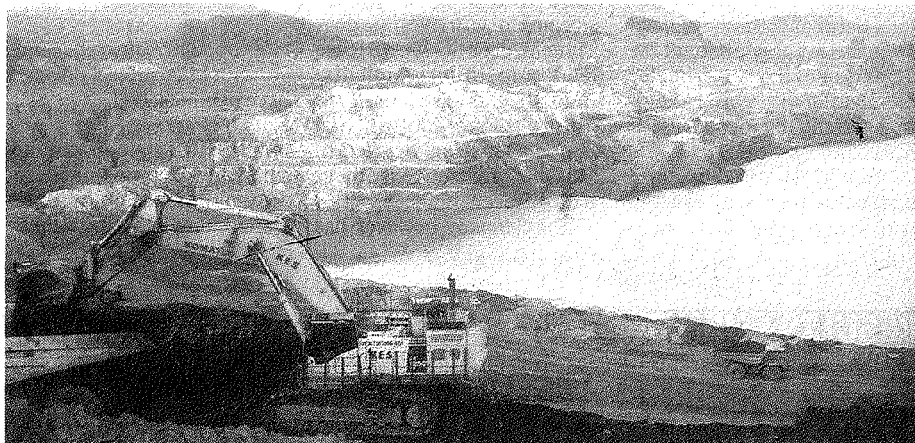
The mining crisis in Goa, the country's largest exporter and second-largest producer of iron ore, is set to worsen. With the probe of the Centre-appointed Shah commission into alleged irregularities entering its last lap, Goan miners have started bracing themselves for a possible Karnataka-like blanket ban on mining and exports.

The ban in Karnataka had been imposed by the Supreme Court in July in response to a Central Empowered Committee (CEC) report that alleged large-scale illegal mining and violations of environmental norms. The Shah commission, appointed in November last year, will give its report to the Centre.

India mines around 220 million tonnes (mt) of iron ore annually. Karnataka, which accounts for a fifth of it, exported nearly half of its 42 mt production before the ban. Goa produces 35 mt, but exports nearly 55 mt — the rest 20 mt coming from low-grade dumps. The state government had recently banned the export of dumps over allegations of illegal mining.

Though a blanket ban on iron ore exports seems unlikely in Goa, with the mines ministry not likely to favour the move, miners fear the worst. Goa accounts for more than half of India's annual iron ore exports of 100 mt — worth ₹28,300 crore. Also, Goan miners cannot switch supplies to steel mills located within the country, as there are no takers for the naturally inferior-grade Goan ore.

"A ban on exports would act as a death knell for us. But we cannot do anything but wait for



An iron ore mine in North Goa, where heaps of dump consisting of lowest-grade ore are placed outside the lease area

THE FINE PRINT OF A TROUBLE BREWING

NUTS & BOLTS

- India produces 220 mt iron ore, worth ₹34,800 crore, annually. Of this, 100 mt is exported
- Goa, the country's largest exporter, alone accounts for over 55 mt of exports. The state's earnings from iron ore exports stand at ₹17,000 crore annually
- The Goa government earns ₹966 crore in royalty from iron ore miners annually. The state has 336 iron ore mining leases. Of these, 90 are functional
- A commission headed by retired Supreme Court judge M B Shah is inquiring into the allegation of illegal mining in Goa. The Opposition, BJP, has alleged a ₹25,000-crore illegal mining scam is running in the state

THE CONTROVERSY

- **Major grey areas/allegations:** Iron ore being exported illegally in the name of movement of dumps; production of more quantity of iron ore than allowed under environment clearance norms; lease area violations owing to placement of dumps outside lease areas; according to the mines ministry, close to half of the mines have violated environmental norms
- **Miners agree** that some 'irregularities' may have slipped into the system, with independent traders operating in the region
- **The state had banned** the movement of dumps last month. Over 700 mt dumps, worth thousands of crores, are piled up in and around Goa mines
- **The mines ministry**, however, indicates that a Karnataka-like blanket ban is unlikely in Goa

the final Shah commission report," P K Mukherjee, managing director of Sesa Goa, India's largest private sector iron ore producer, told *Business Standard*. Three-fourths of Sesa Goa's iron ore production capacity of 22 mt in India comes from Goa.

"We will shut operations in the event of a ban. In any case, there is no debt on our books," Ambar Timblo, managing director of Goa's second-largest producer, Fomento Resources,

said. "According to our analysis, our earnings this financial year will drop by at least 35 per cent from those last year," he added. Last financial year, the company exported 12 mt iron ore, worth around ₹2,400 crore. "Our business will become zero and the whole company will come to a standstill if a ban is imposed. It is a crisis for sure," said Shivanand Salgaonkar, managing director of V M Salgaonkar & Bro Pvt Ltd, Goa's third-largest and oldest miner.

The company produced and exported 5 mt iron ore last year.

The Shah commission had no deadline for giving its final report, a senior official from the mines ministry said. "The mines ministry does not favour a blanket ban on exports to curb illegal mining," he added, indicating the concern of Goan miners might be misplaced. Even in Karnataka, the CEC recently gave a breather to 24 mines by recommending their reopening.

Turn to Page 3

Goa miners fear a Karnataka-like crisis

Meanwhile, in Goa, a host of issues hinting at irregularities in mining operations are being pointed out by authorities.

DUMPS

Dumps are the low-grade by-product of the iron ore mining process. Goan ore has an average iron content of 55 per cent, compared to the national average of over 62 per cent. Dumps produced in the mines of the region have less than 45 per cent of iron content.

As dumps had no commercial value, Goan miners traditionally allowed these stocks to pile up beside lease areas. Accumulated over many decades, these have now swelled to a massive 700 mt — its value running into thousands of crores of rupees. In response to a huge spurt in global iron ore prices in the past 3-4 years, primarily driven by China's exponentially increasing demand for low-grade ore, the Indian government, in late 2009, brought down the threshold of Fe (iron) content for "commercially sellable" iron ore from 55 Fe to 42 Fe. The move made Goan dumps, which had so far been waste, commercially valuable. This kicked off a race for their exports.

The current crisis in the state stems largely from the allegation that Goan miners are illegally exporting iron ore in the name of moving dumps. What stokes this suspicion is the mismatch, although small, between the quantity of ore for which royalty is paid to the state government and the quantity exported every year.

Also, dumps have traditionally been placed outside lease areas of almost all mines in Goa. While the Shah Commission is said to have objected to the practice, calling it violation of lease area, miners argue that the practice is in line with their mining plans, approved by the Indian Bureau of Mines.

DEEMED EXTENSION

The government had, in 1988, converted all the erstwhile mining concessions in Goa into mining leases, valid for 20 years, in the interest of mineral conservation. As a result, all the 336 leases in the state together came up for renewal in 2008. As grant of renewal by the state government was delayed in most of the cases, the lease periods of all mines were deemed to be extended, in line with the Mineral Conservation and Development Rules, subject to environment clearances (ECs).

The Shah Commission has allegedly brought all such mines under the irregularity net, as ECs for most of these mines have not been obtained. A major reason for the delay is the extremely under-staffed state mining department. "The situation has become complex. With strength of a mere 50, we are expected to handle all the cases for renewals. Delays are bound to take place," said a senior state mining department official, who did not wish to be quoted.

Besides hurting miners' revenue and India's mineral export earnings, an export ban, if imposed, would also leave thousands of mine workers and truck and barge operators jobless. The reduced cost of transporting ore from mines to jetties for exports through barges, compared to transport through road, has kept iron ore exports in the region remunerative for several years.

Panel suggests PPP model for buying fertilizer assets abroad

NEW DELHI: A government panel has called for a public-private partnership for acquiring fertilizer mineral assets abroad during the XII Plan period (2012-17).

A 42-member panel, headed by the Secretary of the Mines Ministry, has also emphasised on the creation of a sovereign wealth fund of Rs.1,000 crore for acquisition of overseas mineral assets, including fertilizer components.

"The country is deficient in all fertilizer minerals. Hence, concentrated efforts should be made by making consortium of public private companies to acquire assets abroad," says a report of the Working Group on Mineral exploration and development (other than coal and lignite) for XII Plan'.

India, which is dependent on imports for key fertilizer raw materials, should specifically focus on acquiring assets in countries like Uzbekistan and Jordan, it said.

The working group has also stressed on strengthening relationship with mineral-rich countries and provinces with specific agreements, the panel said.

The government should also play a facilitating role by providing diplomatic support to private players in acquiring mineral assets abroad, it added.

"As the major developed and developing countries are trying to acquire overseas mines by way of purchasing assets abroad or diplomatic support, the Indian government needs to play a facilitative role to help by involving diplomatic support," the panel advised.

It also said the concerned ministries — Mines, Fertilizers, Atomic Energy, Commerce and External Affairs — should focus on this issue on an urgent basis.

India has been planning to set up its own fund in order to acquire strategic overseas assets in mining and energy segments to meet its future needs.

Recently, the Planning Commission also suggested setting up of a sovereign wealth fund with an initial corpus of \$10 billion, mainly to invest in energy and mining assets abroad. — PTI

BEML sees opportunity as China's mining companies hit a rock

Launches a number of high capacity machines

Ananth Krishnan

TIANJIN: As China's mines grow deeper and leaner because of the urbanisation-fuelled rapid exploitation of resources, the country's mining industry is facing an increasingly difficult technological challenge to reach mineral reserves at greater depths, analysts say.

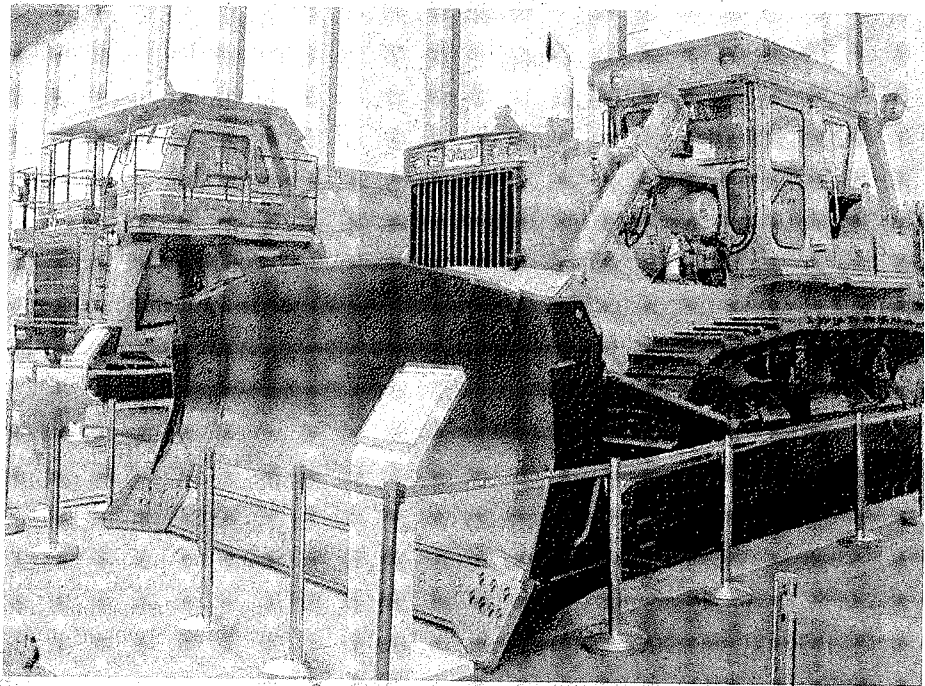
Indian heavy equipment manufacturer BEML said this week it hoped to help China's mining industry fill that gap, launching for the first time a number of high capacity machines, including dozers and dumpers, tailored to the domestic market.

The company unveiled its products in China for the first time on Sunday, during the country's national mining congress which opened in this port city. "With the increase in mining activity in China, there is a need to deploy higher capacity machines," said C. N. Durgesh, BEML's Director (Mining and Construction) and board member. "In China, there is an increased demand for minerals. BEML offers a cost-effective solution to China's needs."

S. Vijay Kumar, Secretary, Ministry of Mines, said BEML's launch in China was "a great opportunity" and part of "a larger framework of closer cooperation in mining and mining-technology related subjects with China." "Both India and China are growing economies with increasing use of raw materials," he said.

"This requires both countries to do more and more surveys, more and more exploration, more and more mining."

China's Vice Minister of Land and Resources Wang Min visited BEML's display at the mining congress, and told Mr. Vijay Kumar in talks that



SETTING FOOT: BEML machines on display at the 13th China Mining Congress & Expo in Tianjin, China. - PHOTO: PTI

• **Scope for collaboration in survey and mapping**

• **Chinese investments in mining equipment technologies welcomed**

he had personally supported the company's entry into the China market, including helping with the often elaborate registration and clearance processes for heavy equipment.

Mr. Vijay Kumar said they had both agreed that there was scope for collaborating on survey and mapping, and he had suggested pelletisation as an area where Chinese technological knowhow could help India.

Mineral exploitation

"But we also said we welcome Chinese investments in India, particularly in mining equipment technologies," he

said. "We do realise it is a two-way process."

At the mining congress, a number of Chinese analysts expressed concern that the rapid exploitation of mineral resources had enabled recent fast growth of the country's mining industry, but had left long-term challenges. In the first three quarters of this year alone, China has invested 2.6 trillion yuan (\$410 billion) in the mining industry, a 28 per cent year-on-year increase. You Hua Jian of the China Land Resources Economic Institute said inadequate investment in research and development was a major barrier to exploiting the

country's huge idle reserves.

Despite the demand for high capacity equipment, BEML is likely to face challenges in the competitive China market, both from newly-emerging domestic players and long-established foreign companies in the sector like Caterpillar and Japan's Komatsu. But Indian officials said its entry, to begin with, was a point of some satisfaction, particularly against the backdrop of a rising trade deficit with China — on track to exceed last year's record \$20 billion figure — and a persisting failure to diversify exports beyond raw materials such as iron ore.

"One of our challenges is to bring into China value-added products to raise the level of our exports," Indian Ambassador to China S. Jaishankar said. "And this is not always easy."

In distant South Africa, hint of Singur for CESC

Group of ryots raises decibels over mining in Boikarabelo seam

Sumit Moitra KOLKATA

Will Boikarabelo be CESC's Singur?

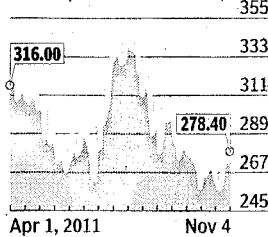
A clutch of farmers are protesting against the mining of Boikarabelo, the South African mine, with a humongous 6.4 billion tonnes of reserves - 745 million tonnes of which lay within 20 metres.

Resource Generation Ltd, an Australian company, which is developing the Boikarabelo mine has disclosed that local farmers have appealed to the South African government against granting of mining rights.

CESC's mining subsidiary

► CESC

Share price on BSE in ₹



Integrated Coal Mining Ltd in June signed a new deal with Resource Generation to lift 139 million tonnes of coal from Boikarabelo over a period of 38 years.

That's up from 37 million tonnes commitment that would have been supplied over a period of 20 years according to an earlier contract signed in September 2010.

"The company has been made aware that an appeal

has been lodged with the South African Department of Mineral Resources regarding the granting of the Boikarabelo Mining Right to Ledjadja Coal (Pty) Ltd (company's subsidiary).

"The appeal has been lodged by three individuals whose farms are located in the area of the proposed mine.

"The objections raised are of a general nature and are substantially the same as those lodged by the same parties during the public consultation phase of the mining right application process, which were considered in the granting of the mining right," Resource Generation said recently.

That's not good news for the Sanjiv Goenka-controlled CESC, which is Boikarabelo mine's biggest contracted customer for coal.

Turn to Page 14

DNA, Mumbai

Monday, 7th November 2011, Page: 11

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Hint of Singur for CESC

CESC's initial offtake of 73 million tonnes will begin when the Boikarabelo mine commences production, which is currently scheduled for late 2013. The higher commitment is, however, conditional upon the feasibility of a 1,320 mw power plant to be set up by CESC. But the farmer's efforts could throw a spanner in the works.

Apart from CESC, Resource Generation has also tied up supply contracts with another domestic company, Bhushan Steel, which is supposed to get 0.5 million tonnes for 20 years. The pact with Bhushan allows the parties to raise the tenure of the contract and the contracted amount.

Resource Generation however is hopeful of settlement of the issue in its favour. "The company is confident that the mining right will be confirmed and is continuing its normal activities to develop the mine," Resource Generation said in that statement.

All eyes are now on how the South African authorities deal with the developments.

खनन पर रोक हटाने के लिए कोर्ट में हलफनामा

बेंगलूरु

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राज्य के बेल्लारी जिले सहित आसपास के इलाकों में लौह अयस्क के खनन पर लगी रोक की वजह से राजकोष को हो रहे घाटे के मद्देनजर राज्य सरकार ने रोक को हटाने के लिए सुप्रीम कोर्ट में गुहार का निर्णय किया है। इस संबंध में राज्य सरकार जल्द

ही सुप्रीम कोर्ट में हलफनामा दायर कर सकती है। मुख्यमंत्री डीजी सदानंदगौड़ा ने रविवार को यहां संवाददाताओं से बातचीत में कहा कि राज्य में लौह अयस्क के खनन पर रोक लगा देने की वजह से राजकोष को सालाना 4 हजार करोड़ रुपये की रायल्टी का घाटा हो रहा है। इसी वजह से राज्य सरकार खनन पर लगी रोक

हटाने के लिए सुप्रीम कोर्ट में हलफनामा दायर करेगी।

उन्होंने कहा कि राज्य में लौह अयस्क के खनन पर रोक लगाने की वजह से करीब 1.50 लाख श्रमिकों के सामने रोजी-रोटी की संकट उत्पन्न हो गया है। इन तमाम बातों को ध्यान में रखकर सुप्रीम कोर्ट में हलफनामा दायर करके खनन पर लगी रोक पर पुनर्विचार

करने का आग्रह किया जाएगा। इसी दौरान राज्य सरकार राज्य में अवैध खनन पर रोक लगाने के लिए उठाए गए कदमों व राज्य सरकार की नीति के बारे में भी शीर्ष न्यायालय को जानकारी दी जाएगी। खनन पर रोक लगने के कारण राज्य के इस्पात कारखानों पर अत्यंत प्रतिकूल असर पड़ा है।