Copper slips on worries over China's growth

Reuters
London, July 9

Copper was flat on Monday as hopes for more monetary easing moves by top metals consumer China balanced concerns that a euro group meeting may not yield concrete results for the region's economy.

Three-month copper on the London Metal Exchange changed hands at $7,525 a tonne in official trading, down $5 from a last bid of $7,530 a tonne on Friday.

Copper earlier in the day sank to its lowest since late June at $7,486 a tonne and is not far from six-month lows of $7,219.50 in late June. Copper prices have erased gains of more than 12 per cent to trade in negative territory for the year.

Aluminium rose to $1,903 a tonne in official trading from a last bid of $1,896 a tonne on Friday.

In other metals, tin did not trade in official rings and was bid at at $18,600, up from $18,500 on Friday, while zinc, used in galvanizing, was bid at $1,842.50, down from $1,844 a tonne on Friday's close.

Battery material lead was bid at $1,854, down from $1,860, while nickel rose 0.8 per cent in official trading to $16,280 from $16,150.
भाजपा ने दी कांग्रेस की शाह आयोग की रिपोर्ट प्रकाशित करने की चुनौती

梵天, ब्रह्मा: भाजपा की गोंब इकाई ने सीमांकन को कांग्रेस से बता कि वह प्रेसिडेंस में है और उन्नन पर शाह आयोग की रिपोर्ट प्रकाशित करेगा। प्रेसिडेंस भाजपा जिम्मेदार।

सीमांकन पारसेबरने कांग्रेस नेतृत्व की रिपोर्ट बनाने का आदेश दिया। इसी बात को स्थापित करने के लिए जिम्मेदार रहेगा।
शाह आयोग की रिपोर्ट

सार्दर ने कहा कि शाह आयोग की रिपोर्ट लेखिकाओं के लिए महत्वपूर्ण है। रिपोर्ट में विभिन्न मामलों की जांच की गई है जिनमें आयोग के चलते नीति और रीति के बदलाव आए हैं।
Centre to provide security for SAIL mining project, rail link

NEW DELHI: The Centre has decided to deploy 3,000 central police personnel to guard the new mining project that will supply iron ore to the Bhilai Steel Plant and the 235-km long proposed rail link between the plant and Rourkela mines. The Steel Authority of India (SAIL) will pay for the security personnel in the naval hotbed of Chhattisgarh where the mines are located.

At present, the plant sources its requirements from the fast-depleting Dalli-Rajhara mines.
MAYABHUSHAN in PANAJI

The Shah Commission, tasked with probing illegal mining in the State, has reportedly named senior State Congressmen in its report which is yet to be made public, State Bharatiya Janata Party (BJP) president Laxmikant Parsekar said on Monday.

Responding to charges made by AJCC secretary Sudhakar Reddy, who had said that the BJP Government, despite its claims, was actually controlled by and in favour of the mining lobby.

“Everyone in Goa knows which Government was being supported by the mining lobby. The Shah Commission report will expose names of several Congressmen in the report and all their account of illegal mining in Goa,” Parsekar said.

He further prodded Reddy to go ahead and urge his Government at the Centre to expedite the release of the report.

“We request Reddyji to implore with the Congress Government at the Centre to release the report. They have kept it hidden. Let everyone come to know what is there in it,” Parsekar who is also the minister for health said.

When in Opposition, especially in the days in the run up to the elections, the BJP had accused the Congress-led coalition Government of hushing up a mining scam to the tune of Rs 25,000 crore. They even directly blamed the Chief Minister and several other Ministers for it.

However, now on the other side of the fence, the party has gone silent so far with no action being taken against the Congressmen for involvement in illegal mining.

Everyone in Goa knows which Government was being supported by the mining lobby. The Shah Commission report will expose names of several Congressmen.

— Laxmikant Parsekar

Goa BJP chief
Roadblocks to bauxite mines opening hurt smelters

ANALYST'S VIEW
KUNAL BOSE

Ideally, the least of concerns for Indian smelters of alumina should be the sourcing of bauxite from which the intermediate chemical alumina is derived. The reason is the country’s bauxite reserves (proved, probable and possible) are well over three billion tonnes (bt) making it the world’s fifth largest owner of the mineral. Countries endowed with richer deposits are Guinea, Australia, Brazil and Jamaica. Whatever the riches of our deposits, the country has not seen the opening of a new bauxite mine close to the size of the one at Panchpatmali hills in Odisha opened by the National Aluminium Company Limited (Nalco) some 30 years ago. It has been seen time and again that from identification of bauxite deposit to leasehold over areas to be mined and getting a host of environmental and forest clearances, the process is so frustratingly time-consuming that groups planning to build alumina refineries on the basis of captive bauxite mines run the risk of being worn out of patience. No group has found itself in as difficult a bind as Vedanta Aluminium, which, in the belief that overcoming all the odds it would be able to feed its alumina refinery at Lanjigarh in Odisha where capacity could be expanded to six million tonnes (mt) from one mt by opening mines at Niyamgiri hills. This, however, proved to be a non-starter thanks to some spirited campaigns by NGOs and a goalpost shifting by government agencies. Vedanta is, therefore, compelled to source bauxite from more than one source to feed its refinery. In the process, its cost of production of alumina and aluminium is significantly more than would have been the case had three mt of bauxite come annually from Niyamgiri.

The desperate search for alternative deposits brought to the fore the one of about 90 mt at Niyamgiri hills has led Vedanta to acquire Dubai Aluminium’s (Dubal) ownership of Raykal, a special purpose vehicle (SPV) created by Larsen & Toubro and Dubal with ownership ratio of 76 per cent and 24 per cent, respectively. Vedanta’s interest in Raykal in which it retains the right to become the single owner over a period of time provided it achieves “certain milestones,” is not because of the SPV’s planned 1 million tonne per annum (mtpa) refinery in which the builder has a share. The basic reason is that the upper catchment in Odisha for which the project was founded has better endowments in terms of bauxite reserves. DSME/VDL are planning to open a mtpa smelter whereas the Raykal project may be expanded to a 2 mtpa smelter. The key is the Raykal project was upwind of Odisha mining activity. Alumina has ownership of 198 mt of bauxite deposit in Raphiali hills. The commissioning of mines there will be an event of its kind in Odisha in nearly three decades. Hopefully, another wholly owned enterprise of Hindalco building an alumina refinery-cum-smelter in Odisha will have already begun opening mines at Odisha’s Lakhisarai having bauxite deposit of 45 mt and Kodingamali where the resource is bigger at 85 mt. A government minister is supposed to be a facilitator of new industries coming up, while at the same time keep an eye that displaced families are properly settled with sustainable sources of income and the environment is not damaged. But when a central minister recently sent off a letter to the Andhra Pradesh governor that there should be a blanket ban on bauxite mining in Visilagaram and Visakhapatnam for that could destroy forests and pollute rivers, he acted without considering that such eventualities could be prevented by taking preventive steps. For the minister, the compulsion to improve his profile among the tribals was more important than the environment, and the Dehradun Mining Development Corporation to supply bauxite from the two districts to refineries planned by JSW and Amara, part of Ras Al Khaimah of UAE. If anything, such attitudes are helping the extremist to rally tribals against the opening of any new mines. Hasn’t Nalco virtually put on hold its bauxite mines project in AP and a refinery in downstream because of unchecked disturbances by Maoists? Nalco Chairman B L Baga will, however, euphemistically describe extremist threats as “unfavourable ground conditions”. The country has got large aluminium capacity in the pipeline and also on the drawing board calling for opening of many new bauxite mines. The challenge is to remove all roadblocks, including extremist threats to new mining openings.
Business Standard, Delhi
Tuesday, 10th July 2012, Page: 16

With aluminium volumes set to remain flat & stock price reflecting expected profitability gains, FPO will have to be priced attractively

JITENDRA KUMAR GUPTA

Like many of its public sector peers, Nalco is a debt-free company with a dominant position and strong cost advantage in the domestic industry and has drawn up big, long-term growth plans. However, Nalco’s planned follow-on public offering (FPO) has not made much of an impact on its share price (unless the pricing is attractive) given the muted volume growth and metal pricing outlook (for aluminium). Among the few positives is that alumina volumes are estimated to increase while lower costs should help improve margins, both of which are factored in the current share price.

The government’s holding in Nalco currently stands at 87.15 per cent, and a 90 per cent dilution (to 77.15 per cent) at current market price of Rs 62 could fetch about Rs 9,600 crore.

Analysts also believe that valuations are slightly higher at over 15 times EPS (8.7) given that the company has a strong balance sheet and strong cash flow. However, the flip side is that lots of cash also suppresses return ratios, which the Street is usually wary about. In fact, return ratios for Nalco have been uncharacteristically strong, which has a large part of its profits coming from the Nalco profit in recent times, and has pared overall returns.

In this backdrop and given that the near-term business outlook is not exciting, gains for the investors (and hence their response) will largely depend on the FPO pricing.

Sound business model
On the business front though, there is no doubt about Nalco’s relatively strong position. It is a leading integrated player in the domestic aluminium industry having cost advantage even compared to many of its global peers, thanks to its captive mines.

Take the recent case of global aluminium prices, which have corrected from about Rs 17,000 per tonne in April 2011 to currently around Rs 18,000 per tonne. This has led global companies to cut production as some of them are incurring losses at the current prices. So far, though, Nalco has been operating profitably (albeit at lower margins) given that its cost of production works out to around Rs 10,500-12,500 per tonne. However, if prices fall further, the pressure on margins will also increase, chances of which are slim as analysts say that over half of the world aluminium capacity is already operating at a loss.

Mutated volumes
Aluminium prices nonetheless are critical for Nalco because there is not much scope for volume growth in the medium term. Though the company has huge expansion plans involving an investment outlay of about Rs 10,000 crore, progress on the same has been a cause of worry, say analysts. "Most of these expansions have not made any meaningful progress and are still in the conceptualisation stage," says some project is likely to get commissioned over the next four to five years. Hence, we expect volume growth to be muted beyond recently expanded capacities," says Chintan Shah, Barclays in a recent report on the company. Analysts largely expect Nalco’s aluminium volumes to remain at current levels of 46,000-44,000 tonnes per year.

However, there could be some gain from the recently increased alumina capacity, which is up 0.5 million tonnes to two million tonnes per annum. The company has said that most of these additional capacities will be targeted towards the international markets where realisations are better. This will help its sales to grow by about 20 per cent over the next two financial years. However, if aluminium prices improve from the current levels, the growth in revenues will be higher.

Operational gains likely
Contrary to sales growth, profit growth is expected to be better at over 20 per cent led by operational gains. Last fiscal, the drop in margins was among key concerns and impacted the stock, which is down almost 50 per cent since March 2011.

Due to rising energy costs, the company’s margins fell sharply to 8.5% in 2011-12 from 25 per cent in 2010-11. Power and fuel costs have been a bane for Nalco having more than doubled since 2006-07 from Rs 40,400 crore to Rs 1,30,326 crore in 2010-11 even as its revenues remained virtually flat at around Rs 1,60,400 crore levels during this period. In 2011-12, too, these costs jumped 24 per cent to Rs 3,21,907 crore as compared to an 11.6 per cent increase in topline to Rs 1,54,314 crore.

Going ahead, the cost of energy is expected to come down as analysts are expecting coal supply from Coal India to improve, in addition to the ongoing correction in international coal prices. On the back of this, it is expected that Nalco’s operating profit margins (excluding other income) could restore to around 22-24 per cent, leading to better earnings, going ahead, though surprisingly lower than 2010-11 levels. Nevertheless, these gains are largely factored in the current stock valuations.
Displaced persons must get shares in mining cos, says mines ministry

PRIYADARSHI SIDDHANTA
NEW DELHI, JULY 9

STEAMROLLING the concerns raised by mining firms, the mines ministry has told a Parliamentary committee that people displaced from their homes in mining zones have to be allotted shares of the mineral exploration companies.

The ministry’s main argument is that the move would promote inclusive growth and make the locals genuine stakeholders in companies operating in their land. The proposal, if it passes muster, could enable displaced persons to have a representation in the boardrooms of mining company as equity shareholders.

Miners have consistently argued against sharing a part of their profits with the Project Affected Persons (PAP) in their respective areas, as mandated in the Mines & Minerals (Development & Regulation) Bill 2011, saying it will discourage investment and drive down efficiency. But the mines ministry has informed the Parliamentary committee on coal and steel, in a meeting on June 30, that the compensation and profit-sharing mechanism will ensure “inclusiveness and prevent alienation of the host population in the mining zones”.

Countering the industry’s contention that the proposal to allot shares to PAP will change the holding pattern of the firm with time and, thereby, is not a workable idea, the ministry has argued, “The concept of allotting the share to the PAP is to inculcate a feeling of belongingness among them with that mining company as they will be a part of the process by attending the general body meetings of that company.”

The MMDR Bill 2011 laid in the Lok Sabha is currently being debated by the Standing Committee. Planning Commission Deputy Chairman Montek Singh Ahluwalia too had raised a red flag on the 26 per cent profit-sharing mechanism.

Ahluwalia said he feared if the proposal was implemented then “there would be no Plan discipline on the use of these resources and the funds would be invested without reference to any development plan for the region.”

The tribal affairs development ministry under its former minister Kantilal Bhuria had demanded 30 per cent sharing of profits by miners. State-run ones too have expressed reservations on this.
Iron Ore an Outlier in Base Metals on China Demand

Despite slower growth, Asian nation plans to import big volumes of raw material this year

China a Magnet for Ore Biz

- China won’t continue to post two-digit growth in iron ore imports and steel production indefinitely
- Iron ore imports are up 8.9% in the first five months of 2012 over the same period last year
- If the pace of imports continues, China will bring in 740 million tonne of iron ore in 2012

But even small increases in percentage terms result in large changes in actual volumes

Global Guru

CLYDE RUSSEL
REUTERS

It’s not hard to find bearish views on the steel industry, given renewed recession in Europe and slower growth in China, but these seem in contrast to the resilience in the iron ore market.

China’s steel production and consumption is maturing and unlikely to witness rapid growth in the future, while Europe’s steel industry is in terminal decline and three-quarters of its capacity may be shut in the next two decades, Wolfgang Eder, the head of European steel body Eurofer said recently.

Views such as Eder’s are becoming more widespread and there is much more talk of “peak steel”, when demand reaches a plateau, most likely leading to excess capacity and declining prices for both steel and its main raw material, iron ore. Peak steel is premised on a limit to demand growth as opposed to the largely discredited peak oil theory, which postulated that supply would be unable to keep up with demand. But, as with the peak oil theory, peak steel has its weaknesses, assuming no technological progress and no ability of suppliers to respond to slower demand growth.

It is logical to assume that China won’t continue to post double-digit growth in both iron ore imports and steel production indefinitely, but given the high rates of the past decade, even small increases in percentage terms result in large changes in actual volumes. It is probably this dynamic that has underpinned the iron ore market so far this year.

Spot iron ore in Asia is down only 2.5% in year-to-date terms at $135.10 a tonne, compared with a drop of 8.5% for Brent oil and 6% for the Thomson Reuters-Jeffries CRB Index. On the face of it, it doesn’t appear to make much sense that iron ore is outperforming crude at a time of slowing world growth, led by concerns over the state of China, while at the same time oil demand remains in positive territory and there are significant geopolitical risks over Iranian supplies. However, China’s economic slowing has yet to translate to steel output, which is still hovering around 2 million tonne a day, a level that has been fairly constant since April and is well above the levels just under 1.7 million tonne a day that prevailed for the first two months of the 2012. Iron ore imports are up 8.9% in the first five months of 2012 over the same period last year, on track to comfortably beat the estimate of 6% full-year growth made by analysts in a Reuters survey in December.

If the pace of imports continues, China will bring in 740 million tonne of iron ore in 2012. Even if imports slacken back to 8% growth by the end of the year, China will still buy 728 million tonne of the raw material.

The lower import figure still results in average monthly imports of 69.9 million tonne for the June-to-December period, not far below the 61.7 million tonne achieved in the first five months. It would take steel output in China to weaken substantially before any significant slackening of demand would emerge for iron ore, and while there may be a few lean months coming, stronger infrastructure spending by the fourth quarter should boost demand by the end of the year.

With iron ore demand likely to be flat in the rest of the world, growth in demand is the domain of China. Based on the first five months of the year, which were strong, and factoring in a slightly weaker second half, it’s likely that China will import at least 726 million tonne of iron ore, and possibly as much as 740 million tonne.

While iron ore production globally is expected to surge in the next few years, the additional output isn’t quite yet on stream.

Brazil’s Vale, the world’s biggest iron ore exporter, is expecting to ship 310 million tonne in 2012, slightly less than the 311.8 million tonne it shipped in 2011. Australia’s government forecasters said iron ore exports would rise to 510 million tonne in the fiscal year that started July 1 from 483 million tonne in 2011-12. That implies an extra 42.5 million tonne a month on average out of Australia, just enough to meet the lower end of China’s likely increase in demand.

Clyde Russell is a Reuters market analyst. Views are his own
कोल आवंटन घोटाले की सीबीआई जांच शुरू

सीबीआई ने झारखंड में कोल आवंटन घोटाले की जांच स्थीतिक रूप से सुरु कर दी है। सीबीआई के आकार में जांच लगाई गई उनके वर्गीकरण के अन्तर्गत 2003 से 2009 के दौरान 13 कंपनियों के बीच एमएचआप के आकार में कोल घोटाले के चलते आकारों के अधिकारी राज्यों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच वालों के बीच