Mining-legislation affected to get minimum MNREGA entitlement

That’s about ₹27 per day per member of affected family

Neeraj Thakur

Compensation to local people affected by new mining legislation will be at least equivalent to the entitlement under the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MNREGA), according to the latest draft of the proposed Mines and Minerals Development and Regulation Act 2010 (MMDR).

That roughly translates into a little over ₹27 per day per member of the affected family.

Currently, the government pays a minimum of ₹100 for 100 days every year to every person covered under the MNREGA scheme.

A Group of Ministers, headed by finance minister Pranab Mukherjee, on September 17 had approved sharing of 26% profits or the previous year’s royalty paid, whichever is higher, by the mining companies.

“The holder of the annual lease shall pay to the District Mineral Foundation an amount equal to 12% of the profit after deduction of tax paid of the previous year; or a sum equivalent to the royalty paid, whichever is more,” the draft states.

The draft of the mining bill, which has been reviewed by DNA, also says “Where the holder of the lease is a mining company, it shall also allot at least one share at par for consideration other than cash to each person of the family affected by mining.”

It says the amount payable shall be in addition to any other amount or compensation payable to the person or family holding occupation or traditional rights of the surface of the land under any law for the time being in force.

Explaining profit sharing, the draft mentions that the intention of the clause is to generate profits from mining related operations of the lease holder which should benefit the affected families by mining.

The draft also says that in case the licensee fails to make payment for compensation to the entitled people, the state government may forfeit the security deposit and make payment from there. The government can also cancel the license of the company in such a case.

The industry lobby including Federation of Indian Chambers of Commerce and Industry (Ficci) has strongly opposed the equity sharing model proposed in the last meeting on July 30. Federation of Indian Minerals Industries has opposed the idea of 26% profit sharing.
Gold, silver recover on fresh buying

press trust of india

MUMBAI, 9 OCT: Gold and silver recovered sharply at the bullion market here today, a day after their prices witnessed a massive drop.

Gold bounced back on emergence of fresh buying at lower levels by stockists and jewellers in tandem with surging overseas trend.

Silver also rebounded sharply to regain the Rs 35,000 a kg milestone on the back of frantic buying from speculators and day traders, who offloaded the industrial metal to make quick gains.

In international market too, silver ended at a new 30-year high on falling dollar value.

Silver ready (999 fineness) shot up by a hefty Rs 1,060 per kg to close at Rs 35,740 from Friday's closing level of Rs 34,680.

Standard gold (99.5 purity) hardened by Rs 190 per 10 gm to conclude at Rs 19,450 from yesterday's closing level of Rs 19,260.
Alcoa supports aluminum-backed ETF

Alcoa Inc, the largest US aluminum producer, would be supportive of an aluminum-backed exchange traded fund, or ETF, whether or not it provided metal to back up the security, Chairman and chief executive officer Klaus Kleinfeld, speaking on a conference call after reporting third quarter earnings late Thursday, said in answer to an analyst’s question, “We are totally supportive. I have said that many, many times, totally supportive.”

REUTERS
Strong resistance for gold above $1,350

GOLD OUTLOOK

B G SHIRSAT

The gold for December delivery set an all-time intraday high of $1,366 on Thursday, but closed considerably lower at $1,345.30 a troy ounce just a day later on the Comex division of the New York Mercantile Exchange. We had indicated in this column last Sunday that a market picture chart with time-price opportunity (TPO) and volume data points at a level of $1,343.50 for the week.

Now, the weekly market picture chart sourced from Bloomberg hints at a price level of $1,383.50 for the coming weeks. The market picture for the gold December futures suggests a narrow-band movement with TPO support at $1,317.70. Volume-based resistance is expected to come around $1,358.50.

The trading pattern in call options for December series hints at sell trades in the $1,350-strike calls at a premium of $21. Traders bought the $1,350-strike call options and sold $1,330-strike calls of November delivery at a premium of $21 a contract on expectation of resistance above $1,350.

The 21-day moving average (DMA) data indicates resistance for gold at $1,366 and strong support at $1,313.30. The 21-day relative strength index (RSI) has come down to 77.03 from 81.17 last week. Nevertheless, an overbought position in gold futures continues. On the Multi Commodity Exchange, gold futures for December delivery is expected to move up to around ₹19,965 per 10 grams with strong TPO-based support expected at ₹19,265.

Gold futures for December delivery closed at $1,345.30 an ounce on Friday on the Comex in New York, posting a weekly gain of $27.50, or 2.1 per cent, on a long build-up above $1,310. Trading data sourced from Bloomberg for the week ended October 1 shows strong selling pressure above $1,350 with 13 per cent volume above $1,350. Below $1,323, there was no selling pressure as only 16 per cent volume and seven per cent TPOs were seen.

The uptrend in gold continues because the dollar just continues to lose ground," said Matthew Zeman, a metal trader at LaSalle Futures Group in Chicago. "There's more downside in the dollar. The jobs number just reinforces the fact that we'll see more quantitative easing."

---

**GOLD FUTURES**

- **4500**
- **4400**
- **4300**
- **4200**

Oct 1  - 1315
Oct 7  - 1320

Dec '10 futures on COMEX

Source: Bloomberg
Chile rescue operation reaches trapped miners

Copiapo (Chile), Oct. 9: Chilean rescuers finished drilling an escape shaft on Saturday for 33 miners trapped deep underground after a cave-in over two months ago, triggering cheers and tears from relatives on the surface.

Rescue workers jumped for joy as the drill pushed through the last inches of a nearly 2,050 foot-long (625-metre) shaft they had drilled to free the men, live television footage showed.

Family members of the miners ran up the hill above the mine waving Chilean flags. Relatives and friends hugged and kissed as news spread the shaft was finished, and a bell rang and horns sounded in the tent settlement dubbed “Camp Hope” erected at the mine. Some waved balloons, others sobbed in elation. Champagne corks popped.

“I’m so happy. I’m going to have my son back!” cried Alicia Campos, whose son, Daniel Herrera, is among the trapped.

Trapped for 65 days so far, the men have set a world record for the length of time workers have survived underground after a mining accident.

They are in remarkably good health, although some have skin infections. It will still take days to hoist them to the surface one at a time in special capsules just wider than a man’s shoulders, in one of the most complex rescue attempts in mining history. —Reuters
Chile rescue workers reach trapped miners with drill

BLOOMBERG
Santiago, 9 October

Workers drilled to the chamber a half-mile underground where 33 Chilean miners have been trapped since August, Mining Minister Laurence Golborne said.

The drill broke through at 8:05 a.m., Golborne told reporters today at the mine site. Crowds chanted “Long live Chile” as sirens blared, alerting relatives of the success.

“We’ll have more information on the timeframe later in the day,” Golborne said. The minister said yesterday withdrawal of the miners may begin as soon as October 12.

Precaution is more vital than speed during the final stages of the rescue of the miners, the miners’ relatives said.

“We’ve waited for two months, we can wait another two days,” said Norma Laques, in an interview at the mine site. Her son, Jimmy Suárez, 19, is the youngest of those trapped.

As engineers drilled the rescue shaft, workers on the surface are rehearsing plans to extract the miners and transport them to a nearby hospital. Medical facilities will be ready by October 11.

The miners were trapped after an access tunnel caved in at Cia. Minera San Esteban Primera SA’s San Jose copper and gold mine in Chile’s northern Atacama region.

The miners have been split into three groups. The strongest will come out first in case they are needed to go back down to assist others with the rescue, officials said. The weakest will then come out, with the rest to follow.

Safety precautions
Officials are also debating whether the two-foot wide shaft the men will ascend to reach the surface needs to be lined with a steel casing to ensure the walls won’t collapse.

Workers would need two or three days to prepare cranes and other equipment for the extraction and as long as eight days if they opt for the casing, Golborne said.

Rescuers will most likely decide to install a partial casing before pulling out the men, said Enes Zepeda, a mining engineer and director of the supervisors’ union at state-owned copper producer Codelco. The state company, BHP Billiton and other mining companies assisted in what has become the world’s longest-ever mine rescue.

The union is recommending that rescuers do the additional work to ensure the miners’ safety, even though the volcanic-rock walls of the shaft appear to be stable, Zepeda said October 7 at a press conference in Santiago. It will take about 90 minutes to rescue each man, he said.
the way the world
works and into why some investments
soar while others slump. 
A golden era may be upon us as
care mounts over the monumental
debt being racked up by the US
government, foresees the author, in a
chapter titled ‘Going for gold.’ With the
banking system in distress, inflation
running amok, and the US dollar in
decline, gold is the go-to investment, he
avers.
“When times are tough, people
gravitate towards something tangible,
something they can hold in their hands,
like gold coins or bars. And lately, the
demand for gold bullion has been
high...”
It may be of interest to know from
the book that nearly 90 per cent of the
known gold in the world, with a rough
value of $4.5 trillion, has already been
mined; to put things in perspective,
however, US dollars in circulation add
up to ‘more than $8 trillion,’ and the
world stock market capitalisation is
estimated at ‘roughly $40 trillion.’
“And stack gold up against the
outstanding notional value of the
world’s derivatives market – a
whopping $800 trillion – and the value
of physical gold looks puny. In fact, the
ratio of gold to paper currencies is
currently at an all-time low, which
suggests that the stage is being set for a
powerful rally.”

METAL LESSONS
Once global industrial production (IP)
begins to accelerate, commodity prices
for hot rolled steel, copper, aluminium,
and zinc are the first to move, informs
Stephenson, citing research. Given that
the average mine takes a rock-bottom
minimum of five years to bring into
production, supply will indisputably lag
demand as the global economy begins
to expand, and this will mean sharply
higher metals prices for a long, long
time to come, he predicts.
The most actively traded metal
contracts on the fast and furious LME
(London Metals Exchange) are those of
aluminium, copper, zinc, and nickel,
one learns from the chapter titled
‘Digging it.’
The author explains that unlike other
futures markets where one-month
contracts are the norm, the actively
traded metals futures on the LME are
rolling three-month contracts – a
reflection of the average time that a
metal spends in process inventory; that
is, the time it takes to move from mine
mouth to smelter, including the time it
spends at sea.”

>>More on the Web:
www.businessline.in/webextras

BookPeak.blogspot.com
The Golden Mean

Gold prices are heading for the tenth straight year of gains, the longest bull market for the yellow metal since 1920.

Jignesh Shah
Head of Investment Strategy,
RBS Private Banking (India)

Pure gold does not fear furnace—Chinese Proverb.

Today, this proverb rings truer than it has in decades with the price of gold having traversed a vast distance virtually uninterrupted amidst global economic uncertainties. The price of gold is now at a record high ($1,380/oz), and in dollar terms it is up by 22.9% so far this year. If it ends the year on a positive note, it will be the tenth straight year of gains and the longest bull market for gold since 1920. This would also translate into a CAGR of 17.84%, since the beginning of this decade.

This upward move, however, has prompted a lot of talk about taking profits with the expectation of a significant decline in the near future. While we have been positive on gold for some time now, those claiming that the bull market in the commodity is ready to top out have some justifiable arguments.

To start with, gold is a traditional hedge against inflation, and given the consequences of the recent global economic turmoil, the threat of inflation has receded significantly for the developed economies.

Further, unlike oil or corn, gold is a commodity that does not get consumed, and every ounce of gold mined in history is still in existence—it is either in the hands of central banks, investors, jewellers-makers or in the form of jewellery held by households. Yet, more gold is coming out of the ground every day! So why should it become more valuable and why should there be a scarcity premium?

This sounds reasonable, but it is still a case of demand versus supply and in recent times, the forces of demand have been far stronger, driven by uncertain economic conditions where gold is seen as a safe haven against economic risks.

Further, the perceived nature of this risk can change over time. So, during the financial crisis, we saw gold rise as equities fell, but when equities rallied after government bailouts, gold continued to rise as investors’ concerns shifted to doubts/uncertainties about the solvency of governments and fears about depreciation of currencies.

Added to this, while many central banks had reduced their holdings of gold until a few years ago, others have recently increased their exposure quite significantly. Examples include India and China, whose demand is probably driven by a perception of its value as a tangible commodity.

This point is further accentuated by the behaviour of some governments. After taking bad assets onto their balance sheets, they would like assets prices to stay high. The easy solution is to print more money and buy more assets. But this is counterproductive in the long run. A high gold price is a clear warning that paper currencies, which are ultimately just government-backed promises, are losing their value. Simply put, the only way to bring the gold bull market to an end is by behaving honestly and raising interest rates above the rates of inflation.

We should now assess the appropriateness of the price rise by attempting to identify a fair relative value for gold. This task is difficult since most valuation methods rely on future cash flows, and gold produces none. In fact, there are negative cash flows in terms of storage costs for physical gold and administrative costs associated with dematerialised gold or gold ETFs (Exchange Traded Funds). Therefore, we could turn to some relative price indicators.

For this purpose, we take the ratios of gold price to inflation, oil and equities and observe the behaviour of these starting from 1973, when the US dollar finally abandoned the gold standard. We look for deviations from the averages that go beyond the standard deviations of the ratios over this period, which would depict over-bought or over-sold positions. In inflation adjusted terms, while the current price of gold exceeds the long-term real average by more than the standard deviation, it is still well short of its peak level. In comparison, the ‘oil-adjusted’ gold price is only slightly above the long-term average. When compared to equity prices, the ratio is just above the long-term average and well short of the peak levels. In summary, when looking at gold in real terms, it is short of its previous peak levels and its ratio against other real assets is still close to the long-term averages.

In conclusion, while the concerns of the sceptics should not be ignored, we may remain in an environment of economic uncertainty implying continued quantitative easing with its consequent weakening impact on reserve currencies, as also the demand created by investors’ risk perception. Solong as this environment remains, there will be a strong case for gold prices to remain firm.
Mining project payouts to go to women

A new mining legislation will make the woman of the house the chief beneficiary of the compensation for land acquired for mining project, as the government seeks to ensure the large amounts provided go into ensuring livelihood and are not depleted quickly. This is in sync with the government’s attempt to empower women by giving them a bigger role in financial decision-making.

“Women are known to manage the household finances better than their male counterparts,” said an official in the mines ministry involved in the redrafting of the Mines and Minerals (Development and Regulation) Bill, 2010. The petroleum ministry had recently made 50% female ownership mandatory for any cooking gas dealership in rural India under the ‘Rajiv Gandhi Gramin LPG (liquefied petroleum gas) Vikas Yojana’. The legislation is being finalised after getting inputs from the Group of Ministers headed by finance minister Pranab Mukherjee.
Some gold bulls brace for correction

Frank Tang

The gold market’s fierce rally this week could be due for a correction if the telephone on hedge fund manager Dennis Gartman’s desk remains true to form as a leading indicator. Gartman, who also publishes a newsletter on commodities and currencies, said his phone has been ringing off the hook this week with a record number of media questions about the gold rally. His last flood of similar media calls in December preceded a gold price correction of nearly $100 per ounce.

“All they want to know is ‘How much higher can gold go? Wow, isn’t it amazing?’” Gartman said. He said a market is usually overbought by the time so many reporters ask him to shed light on a rally.

In 10 weeks, gold has gained about $200 an ounce in a rally to Wednesday’s all-time high at $1,349.80 an ounce. Bullion has soared more than fivefold from $250 an ounce back in 2001. Most market watchers say gold’s rally can keep firing on all cylinders due to economic uncertainty, expectations of further US monetary easing and inflation fears.

Gartman said the gold market is “frothy and due for a material correction,” and prices could tumble to $1,200 within two months. Still, he believes the metal’s long-term bull trend remained intact. But some see signs of a gold peak. They point to the proliferation of gold retail networks, a public buying frenzy and ominous technical flags as signals gold has become overextended, even though many remain bullish in the long run.

In two previous rallies — March and December of 2009 — gold prices corrected sharply after a sudden surge. Technical charts show the gold market as extremely overbought. The relative strength index has surged to above 90 in the last month, the highest level since November of 2009, analysts said.

Billionaire financier George Soros last month called gold the “ultimate bubble” that was not safe and would not last forever.

GOLD BUYBACK ADS DISAPPEARED

In another sign that gold may be due for a correction, commercials from retailers seeking to buy back gold from individuals have been scarce lately. When gold prices began to take off back in 2008, television, radio and newspapers were filled with ads offering to buy and sell gold. “But now, you only have ads enticing people to buy gold products. That almost always marks an interim top,” Gartman said.

Prior to the corrections to the early 1980s rallies, people were “lining up on the streets selling silver and gold products,” which showed public’s desire to get out of the metals, said George Gero; precious metals strategist at RBC Capital Markets. Gero, a veteran trader with 40 years of experience in the metals business, said tremendous interest in bullion coins now could be a warning signal.

On Monday, the US Mint said it will resume offering the popular one-ounce American Eagle silver coins. The “Silver Eagles” were not available last year due to “unprecedented high” investor demand, the Mint said.

Another innovation to boost retail gold sales is the gold vending machines by Gold to Go, a German compa-
Notice to J’khand co for delay in coal block development

New Delhi, Oct 9: The government has issued a notice to Jharkhand State Mineral Development Corporation (JSMDCL) and sought explanation for the delay in development of the coal block allotted to it, as part of its initiative to weed out non-serious players sitting idle on reserves.

It is the third such notice issued to the state mining PSU in a fortnight, for inordinate delay in developing Latehar coal block in Jharkhand allocated to it in 2006. The government has warned that if the company failed to respond then de-allocation process would be initiated for "violation of the terms and conditions."

"The company has repeatedly failed to keep it promises made on earlier occasions to this Ministry and thus appears to be non-serious about timely development of the block," the coal ministry said.

The latest notice issued on October 8 followed similar correspondence to the company on the development of Sugia closed mine block, Rauta close mine and Burakhapsmallpatch—all in Jharkhand.

Including Jharkhand State Mineral Development Corporation, so far the government has issued notice to 29 companies, seeking explanation from them in 30 days from the date of issue of such notices, for not developing coal blocks allocated to them.

Last month, the government had said it was in the process of issuing cause notices to as many as 81 firms for violation of terms and conditions of the coal block developments.

In July, the ministry had convened a review meeting with the concerned companies, which have been allocated a total of 207 coal blocks for captive use under power, cement and steel projects. **PTI**
‘दो वर्ष में दिखेगा कौला क्षेत्र में सुधार का असर’

प्रश्न: कौला क्षेत्र में सुधार के लिए क्या कदम उठाए जा रहे हैं?
उत्तर: देशभर स्वच्छ-दो सरकार का एक बड़ा पूर्वानुसार कार्यक्रम क्षेत्र में सुधार करना है। 
हम सरकार के गठन के बाद से ही हम ने जमीन की कमी को पहचाना। हम अपने नेताओं के जरिए जमीन की कमी को नीलामी की है। हम ने इस तरह की कार्यक्रमों को समय में सुनहरे किया। इसी तरह के कार्यक्रमों के कारण हमें हुया समय में सुधार हुआ है।

उत्तर: है, हमें पूर्वानुसार व वे संबंधित कार्यक्रम के लिए बनाए जा रहे दो सरकारी के कार्यक्रम के लिए प्रति कितना हुआ समय में सुधार हुआ है।

उत्तर: है, हमें पूर्वानुसार व वे संबंधित कार्यक्रम के लिए बनाए जा रहे दो सरकारी के कार्यक्रम के लिए प्रति कितना हुआ समय में सुधार हुआ है।

उत्तर: है, हमें पूर्वानुसार व वे संबंधित कार्यक्रम के लिए बनाए जा रहे दो सरकारी के कार्यक्रम के लिए प्रति कितना हुआ समय में सुधार हुआ है।

उत्तर: है, हमें पूर्वानुसार व वे संबंधित कार्यक्रम के लिए बनाए जा रहे दो सरकारी के कार्यक्रम के लिए प्रति कितना हुआ समय में सुधार हुआ है।