Strategic shift

When stakes are high with the templates of geopolitics shifting in West Asia, India has commenced a rethink by touching base with Tehran.

By M K Bhadrakumar

There is surely more than one way to describe the West Asia turmoil. Some call it ‘revolt’, others ‘revolution’ and still others it’s but another ‘uprising’—and we are delightfully free to choose depending on our point of view. But what is absolutely certain is that the turmoil indeed prompted a thorough rethink within our establishment on Indian regional policies and options in the phenomenally changed scenario. All indications are that the highest level of leadership is conscious of the imperative need of rethink.

No surprises here, actually. India’s stakes are high when the templates of geopolitics shift in West Asia. What pleases the eye most, though, is that the Indian establishment is commencing this rethink by first touching base with Tehran.

When prime minister Manmohan Singh deputed the most consummate diplomat in India’s armoury today to wing his way to Tehran and deliver a personal letter from him to Iranian president Mahmoud Ahmadinejad, it did signify a major initiative in diplomacy. Although national security advisor Shiv Shankar Menon is a self-effacing diplomat by temperament who prefers to accomplish his work quietly without the entanglements of media publicity, much can be gleaned about the range and purpose of his political consultations with the Iranian leadership in Tehran on Monday and Tuesday.

First and foremost, Delhi factors in that the time is overdue to correct the aberrations that somehow crept into the bilateral ties with Iran. Ironically, it needed a robust bout of US pressure on India seeking to curb the latter’s ties with Iran to prompt Delhi to introspect and draw some conclusions about the facts of life.

Towards October-November last year, in the run-up to president Barack Obama’s visit, Washington sought out that India fell in line with the sanctions regime against Iran unilaterally imposed by the US and its European allies—over and above the regime imposed by the United Nations Security Council (which Delhi scrupulously complies with).

The bone of contention was the payment mechanism within the Asian Clearing Union (ACU) that India and Iran traditionally used to clear their bilateral trade transactions. Uncle Sam said, “ACU payments allow Iran to divert Indian money for unlawful purposes and India would attract American and European reprisal”. Delhi seemingly buckled under pressure although it was patently obvious that the US was crudely attempting to throttle India-Iran trade and economic relationship as a whole. But in life, shock sometimes prompts awakening.

Without ACU mechanism, India’s $12 billion oil trade with Iran (our second biggest supplier) is not sustainable. And India can’t do without Iran’s ‘sweet crude’, either, especially when oil price is galloping, long-term oil agreements are not easily replaceable and spot market is infested by sharks.

Energy security

A recent Chatham House report titled ‘More for Asia: Rebalancing world oil and gas’ underlined that “The oil and gas industry is set to undergo a decisive transition over the next 10 years as global balances of demand and investment shift towards Asia...and such a transition will have major geopolitical implications... Chinese, Indian and Asian demand must be met from global supplies in order to balance the region’s net deficits.” Common sense suggests that in energy security, Indian and western interests are virtually competing.

India’s energy ties with Iran, unsurprisingly, assume an altogether new meaning. Thanks to the US pressure tactic on ACU, Delhi, overcoming its bureaucratic lethargy towards innovative ideas, was compelled to negotiate a new energy relationship with Tehran. But Iran is one of those strange countries with which business can be developed only within the matrix of an overall political relationship.

Put simply, it’s an ancient habit of the ‘bazaar’. Menon knows it. What probably encouraged him is that despite the breakdown of the ACU mechanism, Iran continued to sell oil to India on deferred-payment basis. Now, somewhere hidden in it was a profound Persian message, which Menon understood.

A curious thing about diplomacy is that it is a seamless process. What began as an urgent search for an alternative to ACU crept towards a survey of the panorama of India-Iran energy relationship and may now be poised to tip-toe towards a long-term partnership in natural gas.

Another curious thing about diplomacy is, as the British heavy metal band Black Sabbath would say, ‘Never Say Die!’ If ever India feels a strong urge to revert to bilateralism in the normalisation of relations with Pakistan—and Raymond Davis’ solitary confinement in Lahore’s notorious Kot Lakhpat prison is a timely reminder—and if ever we realise that the brittleness of our ties with Pakistan is largely due to our failure to make our western neighbour a stakeholder in friendship, then, we don’t have to go far beyond dusting up the Iran pipeline project.

However, the backdrop against which Menon undertook the strategic mission to Tehran had other brushstrokes, too. Question marks loom large about what lies in the womb of time in Persian Gulf, but Iran’s rise as a regional power has become unstoppable.

Menon told Ahmadinejad: “New Delhi seeks the establishment of a comprehensive relationship with Iran... Many of the predictions you (Ahmedinejad) had about the political and economic developments in the world have come to reality today and the world order is passing through fundamental changes, which necessitates ever-increasing relations between Iran and India.” Nothing further needed to be said.

(The writer is a former diplomat)
APPOINTMENT (SECL)

CMD

Ashok Kumar Singh has taken over as the CMD of South Eastern Coalfields Limited, in addition to serving in his current capacity as the CMD of Central Mine Planning & Design Institute Ltd., (CMPDIL).
Hindustan Zinc

CURRENT PRICE: ₹134, TARGET PRICE: ₹154

The brokerage has raised the Hindustan Zinc's (HZL) 2010-11E-12E earnings estimates by 4-10 per cent. Its 2011-12F-13F earnings is 6 per cent more than the street's, which it believes have further upside in the form of zinc, lead and silver volumes. Also, the brokerage's recent site visit reaffirmed faith in HZL. Rampura Agucha, HZL's premier mine, is not showing any signs of operational cost escalation. The speedy execution reflects Vedanta Aluminium's (VAL) zeal — mine and smelter capacity is ramping up ahead of schedule. The brokerage has revised the target price to Re 154 (due to the rollover targeted EV/E of 5.5 times to 2012-13 from 2011-12). Maintain buy. —ICICI Securities
Mixed response to Ramesh’s ‘go no-go’

Plan panel wants coal industry to do better on compensatory afforestation

Chetan Chauhan
@chetan@hindustantimes.com

NEW DELHI: The Planning Commission has delivered a mixed bag for environment minister Jairam Ramesh on his proactive policy to protect environment and forests from ill-effects of coal mining.

However, it served a stinker to the coal ministry on its afforestation record once the mines are closed.

The plan panel in its draft cabinet note, which will be considered by a Group of Ministers (GoM) on environmental issues later this month, says the shortfall in coal production because of environment ministry’s ‘go no-go’ policy can be met by private developers, if the environment clearance is fast tracked.

The environment ministry has categorised 35% of forestland based on density of trees as no go for coal mining, which would have resulted in shortfall of about 40 million tonnes per year by the end of 11th plan in 2011-12.

“The areas, which have dense forests, should normally be excluded from mining and fully protected. If they fall within a coal block, these should be separately identified, so marked and protected. The mining should be continued only in rest of the area of the block,” the panel said in the note.

The panel, however, advocated underground mining in dense forest areas, to which Ramesh has agreed.

In areas with poor quality of forests, the panel said, mining should be allowed without any delay and environment ministry’s compensatory afforestation policy should apply.

Expressing unhappiness on compensatory afforestation in mining areas, the panel has recommended to the GoM that the environment and coal ministries should set up a joint mechanism for review of its progress.

The panel has, however, supported the commerce ministry’s opposition to Ramesh’s Comprehensive Environment Pollution Index (CEPI), which had resulted in moratorium on allowing new industries in 43 industrial clusters saying the policy will have detrimental effect on overall energy needs.
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Conversion rates:  
1) 1 ounce = 31.1032316 gm  
2) 1 US dollar = 64.75  

* As on March 10, 1800 hrs IST  

**Note:**  
1) International metal are LME spot prices and domestic metal are Mumbai local spot prices except for steel.  
2) International crude oil is Brent crude and domestic crude oil is Indian basket.  
3) International natural gas is NYMEX near month future & domestic natural gas is MCX near month future.  
4) International wheat, white sugar & coffee robusta are UIFE future prices of near month contract.  
5) International maize is MATIF near month future, rubber is Tokyo-Tocom near month future & palm oil is Malaysia POB spot price.  
6) Domestic wheat & maize are NCDEX future prices of near month contract, palm oil & rubber are NCDEX spot prices.  
7) Domestic coffee is Karnataka robusta and sugar is M30 Mumbai local spot price.  
8) International cotton is cotton No 2-NYBOT near month future & domestic cotton is NCDEX spot prices.  
9) International metals, Indian basket crude, Malaysia palm oil, Wheat UIFE and coffee Karnataka robusta pertains to the previous day's price.  

Source: Bloomberg  
Compiled by BS Research Bureau
BACK IN BUSINESS

BS1000 GIANTS’ PROFITS UP 39 PER CENT AS MARGINS IMPROVE

DEEPAK KORGAONKAR

AFTER reporting for 2008-09 the lowest-ever net profit growth in 15 years, BS1000 giants bounced back smartly by posting robust net profit growth for 2009-10 on the back of stimulus-insulated recovery. Ninety companies that entered the BS1000 list this year — 36 for getting listed and 54 due to rise in their net sales — reported an average 123 per cent growth in net profit. The new entrants are from infrastructure, construction, capital goods, mining and power sectors. The five state-owned companies — Coal India, Oil India, NHPC, SJVN and MOIL — were featured in the top 250 after they got listed during the year. The aggregate net profit of the BS1000 companies rose 39 per cent, against 15 per cent decline in 2008-09. Their operating profit margins increased by 312 basis points to 17.57 per cent in 2009-10 from 14.45 per cent. Net profit margins rose 8.11 per cent from 6.12 per cent. Lower raw material costs and softer interest burden helped the companies report robust net profit growth. In sales, the situation was not so alarming. Net sales rose by five per cent, lowest in the last eight years, as compared to 19.5 per cent the previous year. Net profit growth came from refineries, information technology, mining, automobiles, pharmaceutical, auto-ancillaries, textile and non-ferrous metal sectors, which reported over 50 per cent growth.

Steel, telecommunication, realty, consumer durables, shipping, sugar, aviation and the hotel industry posted negative growth, while oil & gas, fertilisers, capital goods and fast moving consumer goods sectors reported less than 15 per cent growth in net profit.

Overall, 48 per cent or 478 companies of the 1000 giants outperformed and posted net profit growth at more than the average rate of 39 per cent. Out of them, 377 posted over 40 per cent growth in net profit and 100 firms reported turnaround in 2009-10. The number of companies with Rs 1,000 crore revenues went up to 47 in 2009-10 from 43 in 2008-09. Hindalco, Tata Motors, JSW Steel, Bajaj Auto and Jaipralalsh Associates are some of them in the list that have reported three-fold jump in revenues.

The private sector has outshone the public sector in net profit growth, posting an average 45 per cent growth compared to 29 per cent each reported by public sector undertakings (PSU) and multinational companies (MNC).

The big change in BS1000 in 2010 was that 56 per cent of the companies went up their rankings. Coal India made an entry at No. 10 and was ranked above MMTC (No. 11) and Larsen & Toubro (No. 12) in revenues. Bajaj Auto, the largest gainer among the top 50 companies, moved up 12 positions to 45 from 57 on the back of strong sales growth of 36 per cent, and propped by increase in volume and jump in average realisation. Rajesh Exports and Petronet LNG moved up 10 places. Maruti Suzuki, Idea Cellular and HCL Technologies climbed over five points each. The biggest losers were wind power major Suzlon Energy, posting 21 per cent drop in sales and going down to No. 29 from 21; Refinery firm Chennai Petroleum Corporation (down to 24 from 17); Jet Airways (down to 44 from 36); and SAIL (down to 14 from 9) after reporting 6 per cent fall in sales. Most of the metal companies, mainly from the steel sector, lost their rankings after reporting weak performance because of higher raw material costs.

Refineries, which account for 15 per cent of total net profit of giant companies, reported more than double net profit growth on account of inventory and foreign exchange gains. Automobiles reported their best-ever yearly performance after strong revival in demand on the back of resurgence in economy, rise in employment levels, and easing of interest rate scenario. Thirteen companies posted more than six-fold jump in net profit to Rs 11,928 crore against Rs 1,936 crore in the previous year.
NALCO: WARRANT AGAINST ONE MORE

A Delhi court has issued non-bailable warrants against chairman-cum-managing director of Bhatia International Ltd G S Bhatia, in an alleged graft case involving former National Aluminium Company Ltd chief Abhay Kumar Srivastava. The court also issued arrest warrant against Jaswinder Singh, a director in the firm.
दीबी पावर प्रोजेक्ट पर संकट के बादल

लोगों के विरोध के बाद अभी परियोजना को केंद्र की मंजूरी मिलना मुश्किल होगा। जयसूरा बोले, अभी मामले की जनसुनवाई चल रही है।

प्रियोजन निगम के सचिव, राजीव कुमार सिंह ने बताया कि नहीं है।

10
500

धर्मजयगढ़ की चिंतामानी

पूरे देश में 693 हेक्टेयर क्षेत्र के अंदर 40 प्रांतों में 100 लोगों की सहायता के लिए प्रयास की गई है।

यह प्रज्ञान बांद की जाती है।

हिंदू प्रमुख

निर्माण के लिए परियोजना को केंद्र की मंजूरी मिलना मुश्किल होगा। जयसूरा बोले, अभी मामले की जनसुनवाई चल रही है।

प्रियोजन निगम के सचिव, राजीव कुमार सिंह ने बताया कि नहीं है।
ACQUIRING ASSETS

Essar Africa to revive Zimbabwe steel firm

BY SNEHA SHAH
sneha.s@liveemint.com

The Zimbabwe government and Essar Africa Holdings Ltd, a privately held company of the Essar Group, reached an agreement for the revival of the assets of Zimbabwe Iron and Steel Co (Zisco), a firm that has not been operating for years due to lack of funds and irregular supply of power.

Essar Africa will invest around $400 million (₹1,800 crore) to revive the plant, $340 million to settle the foreign guaranteed liabilities and outstanding dues of Zisco, which is expected to start production in next 12-15 months, Firdouse Coovadia, resident director of Essar for its Middle East and African market, said in a telephone interview.

After all regulatory approvals are in place, Essar Africa will settle liabilities such as unpaid wages and salaries and money due to various local creditors of Zisco.

"Essar Africa and government of Zimbabwe will set up two joint venture companies that shall acquire all the steel and mining related assets and liabilities of Zisco and its subsidiaries," the company said in the release.

Essar will hold 60% stake in the steel joint venture and 80% in the mineral joint venture.

"Zisco will help us to be globally competitive in terms of pricing with low-cost access to reserves," Coovadia said.

According to him, Zisco offers an integrated opportunity to the company to expand its global footprint.

Being unlisted firms, Zisco and Essar Africa are not tracked by analysts.

"We believe that the new ventures will be well-positioned to be a low-cost steel producer that can meet the growing demands of the regional steel market and capitalize on the projected growth in sub-Saharan Africa, an Essar release said.

Zisco has a capacity of one million tonnes for manufacturing long products. It also owns iron ore and limestone mining rights."
STEVE MALLYON/RIVERSDALE

Whatever the outcome of Rio bid, relationship with Tatas will continue

BY ASHU DUTT
BLOOMBERG-UTY

Rio Tinto Ltd has increased its bid price for Riversdale by 3% to A$16.50 (INR 760.65) per share. Riversdale Mining Pty Ltd's managing director, Steve Mallyon, said in an interview that in the absence of a better offer, and none from India's International Coal Ventures Pvt. Ltd's (ICVL), it will recommend this deal to shareholders. Excerpts:

Is Tata Steel ready to accept the offer or are they going to make a counter offer?

Position of Tatas is unknown to me. For any steel maker, particularly Tata, the key thing is coking coal. Rio Tinto is the largest pure mining company and will develop these projects in a way that best suits Tata. Benga and Zambwe projects require large amounts of money, which will be raised through new shareholders and from debt capital markets. Rio can speed things up.

What would be the Tata strategy? Do they like Rio around? Will they exit?

We have an excellent relation with the board member N.K. Misra. Unfortunately, that relationship has been predated with 30 years of relationship with Rio. (We have) no idea which way Tata will go. Whatever be the outcome, relationship with Tatas will continue.

Is there a possibility of offering Tata some mining rights, other than Benga and Zambwe, if they accept Rio's offer?

It's not a possibility under the Australian law. Tatas are always welcome in other projects, but in terms of takeover, we cannot offer any collateral benefits.

Are the other shareholders supporting the offer?

Rio has secured the support of some of the investors like Passport (Capital Ltd). So it's fair to say that key investors largely support the deal. I don't know about the position of CSN. They are only shareholders and not project partners like Tata.

Do you expect a counter-offer from the consortium of Indian steel makers ICVL?

I don't expect ICVL to make a counter bid. Only few companies in the world, outside Riversdale, can successfully assess the projects. It looks attractive for ICVL, but they don't have the expertise to deal with complex projects.

Haven't they contacted you yet?
No. They haven't.
रिवर्सडेल को लेकर शह और मात का खेल जारी

विज्ञापन भाषक/एजेंसिया • नई दिल्ली

आस्ट्रेलिया स्थित खनन कंपनी रिवर्सडेल को लेकर ग्लोबल बिजनेस रियो टिनो ब्राजील द्वारा टाटा स्टेटल के बीच शह और मात का खेल जारी है। टाटा स्टेटल एवं रिवर्सडेल में अपनी हिस्सेदारी बढाने के 10 विडो के भीतर ही रियो टिनो ने रिवर्सडेल के शेयरों के लिए अपना ऑफर प्रस्ताव दिया है। हालांकि, अभी तक भी विडो स्टेटल, जो रिवर्सडेल को सबसे बड़ी विनिर्माण निर्माता है, ने रियो टिनो के विकास पूर्वक बोलो नहीं लगाई है।

रियो टिनो ने रिवर्सडेल के शेयरों के लिए अपना ऑफर प्रस्ताव प्राप्त आस्ट्रेलिया द्वारा संबंधित 16.5 आस्ट्रेलियाई रुपये में बढ़कर 16.5 आस्ट्रेलियाई रुपये करने की योजना की है। हालांकि, कंपनी ने यह भी साफ़ कर दिया है कि वह बढ़ने हेतु मुख्य का पूर्वरूप सूचना नहीं देंगे, जबकि उसे रिवर्सडेल के 50 फीसदी से ज्यादा शेयरों की हो जाएँ। साथ ही, रियो टिनो ने यह भी कहा है कि अगर कोई प्रतियोगी बोलो समय नहीं आती है तो वह अपने ऑफर प्रस्ताव में और बढ़ाने से रोक देगा।

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इससे तात्कालिक टाटा स्टेटल के लिए उपभोक्ता की रुपरेट और उनकी नयी संस्थान की स्थिति आम तौर पर नहीं है।
Rio Tinto raises Riversdale bid price

Global mining giant Rio Tinto on Thursday said it had improved its bid price to Australian $16.50 a share for acquiring Australian firm Riversdale following the lukewarm response from shareholders of the targeted firm. It also extended its offer period for the third time to April 1.
बिद्रेष में सोना के दाम मिरे

लंदन + डॉलर मद्युद करे के छलके चैलिन्क कामार में सोने में गिरावट दर्ज की गई। सोने में आई इस गिरावट का कारण निर्यातों से आय निकलने को लेकर आया है। हालाँकि इसी समय लंदन संस्करण के छलाते सोने के दाम 1,444.95 डॉलर प्रति औसत के रिकॉर्ड तर में पहुँच गए। लंदन में गुवाहाटी के सोने के दाम 6.99 डॉलर प्रति 1,419.91 डॉलर प्रति औसत के स्तर पर रह गए। उधर न्युयॉर्क के खाताओं में भी सोने में गिरावट दर्ज की गई। न्युयॉर्क सिटी कमेक्स में सोना अप्रैल दिल्ली के 0.4 फीसदी गिरावट 1,424.40 डॉलर प्रति औसत पर रह गया।
RIo Tinto seen inching closer to Riversdale buy after hiking offer

The firm, however, makes no change to key condition in its $3.9 billion bid for the Africa-focused miner

BY MANISH BASHU & REUTERS

KOLKATA / MELBOURNE / MUMBAI

Rio Tinto Plc isn’t giving up hopes of taking over Australia’s Riversdale Mining Ltd, though key shareholders—India’s Tata Steel Ltd and Brazilian steel maker Companhia Siderurgica Nacional (CSN)—have raised their stakes, potentially frustrating the UK miner’s bid to secure majority control in the Sydney-based firm.

Rio Tinto on Thursday announced it was raising its offer for Africa-focused coal miner Riversdale’s shares by 50 cents to Australian $16.50 a piece.

It however, didn’t make change to the key condition in its $3.9 billion ($17.589 crore) bid that it wouldn’t buy any share at all unless it manages to secure at least 50% stake under the open offer.

Rio Tinto’s revised offer price represents a 5.4% premium over Riversdale’s closing price on the Australian Securities Exchange (ASX) on Thursday.

Riversdale chief executive Steve Mallyon said the higher bid was helping to win over institutional shareholders, but he did not know how Riversdale’s two biggest shareholders, Tata Steel and CSN, would respond.

Without Tata Steel and CSN, Rio needs nearly full support from the rest of Riversdale’s shareholders for the bid to succeed, but up to now institutions have been reluctant to commit without knowing the two steel makers’ intentions.

“I can say that from the institutional calls that I’ve made in the last few hours there’s some growing support for Rio Tinto,” Mallyon told Reuters in an interview.

“I think there’s momentum building with the institutions, which is important in terms of convincing groups such as Tata that Rio’s going to be successful,” he said.

Riversdale was one of the top gainers on Thursday—its shares jumped 3% to Australian $15.61 each, while the benchmark ASX200 index fell 68 points, or 1.4%, to 4,699.7 points. Its shares seaseased in a wide range after Rio raised its offer.

“The market’s clearly a bit sceptical that it will get across the line,” said Peter Chilton, analyst at Constellation Capital Management, which owns shares in Rio Tinto.

In its statement raising the offer price, the UK miner said it would not increase its offer to Riversdale’s shareholders beyond this level unless a competing bid was made. Alongside, Rio Tinto extended its offer by two weeks till 1 April.

On 2 March, Tata Steel’s subsidiary Tata Steel Global Minerals Holdings Pte. Ltd said in a regulatory filing that it had raised its holding in Riversdale by 2.9 percentage points to 24.21%.

A month ago, CSN had said in a similar filing that it had raised its stake in Riversdale from 17.58% to 19.9%. Both had ramped up their stakes through on-market purchases.

Between them, they now own 47%, which makes it difficult for Rio Tinto to secure majority control in Riversdale unless at least one of the two steel makers decides to sell.

The UK miner has managed to secure only 17.86% of Riversdale’s shares, according to a statement issued by it to ASX on 3 March.

The two steel makers raised their stakes even after all directors of Riversdale, including the Tata Steel nominee, recommended to shareholders that they should cash out.

Tata Steel, which continues to be the largest shareholder in Riversdale owns 35% stake in its Benga mine in Mozambique, where production is expected to begin in September.

A key Tata Steel official said his company wasn’t “losing sleep over Rio Tinto’s bid”, “We have more than 50% effective control in Benga—Riversdale’s key asset,” he said, speaking on condition that he would not be named. “So, Rio Tinto’s bid doesn’t really affect us in any manner.”

Tata is a long time shareholder in Riversdale and has a director on the board who has backed Rio Tinto’s offer, so Tata Steel is clearly not hostile to Rio Tinto. Tata Steel managing director Hemant Nerukar has said the company is mainly interested in securing coal supplies from Riversdale.

Riversdale reiterated it was not aware of anyone lining up a competing offer.

“I don’t think there’s anyone else out there despite all of the rumours. It’s been well tested since the bid was announced in mid-December,” Mallyon said.

manish.b@livemint.com
A.K. Singh takes over charge as the CMD of SECL

ASHOK Kumar Singh took over charge as the chairman-cum-managing director of South Eastern Coalfields Ltd from March 1, 2011 in addition to his current position as the CMD of Central Mine Planning & Design Institute Ltd, one of the subsidiaries of Coal India Ltd. Singh has a B.Tech in mining engineering from Indian School of Mines (ISM), Dhanbad, with a gold medal and has been awarded with Pickering Medal of Mining, Geological and Metallurgical Institute of India (MGMI), in the year 1973-74. He has hands-on experience of over three decades in coal mining sector wherein he has served in various capacities in planning, production and management.
Rio Tinto hikes Riversdale bid price

GLOBAL mining giant Rio Tinto today said it has improved its bid price to AUD 16.50 per share for acquiring Australian firm Riversdale following the lukewarm response from shareholders of the targeted firm.

The mining giant, however, said that the new offer would be conditional on acquiring stake of over 50 per cent in the company and it will not increase its price, if no competing bid is made.

"The increase in the offer price from AUD 16 to AUD 16.50 gives Riversdale shareholders a highly attractive premium and now is the time for them to accept our recommended bid," Rio Tinto Energy chief executive Doug Ritchie said. It also extended its offer period for the third time to April 01. The new offer of Rio Tinto would value Riversdale at AUD 4.03 billion.

Rio's move has come within 10 days of Tata Steel, the largest shareholder in the Australian firm, increasing its stake by 2.93 per cent to 27.14 per cent. Tata Steel along with Brazilian steelmaker Companhia Siderurgica Nacional (CSN), which had recently increased its stake in Riversdale to 19.9 per cent, together hold over 47 per cent stake in the Australian firm, making the job difficult for Rio Tinto to take over Riversdale.
Copper falls as Chinese imports tumble 10%

Bloomberg
March 10

Copper fell to the lowest price since December in London as imports of the metal into China, the world’s biggest consumer, slid to a two-year low.

Copper for three-month delivery dropped $90, or 1 per cent, to $9,185 a tonne at 11:45 a.m. on the London Metal Exchange. Copper for May delivery decreased 1 per cent to $4,170.5 a pound on the COMEX in New York.

Copper inventories in LME warehouses fell for a third day, slipping 250 tonnes to 425,475 tonnes. Lead for three-month delivery on the LME fell to $2,411 a tonne and zinc declined 0.4 per cent to $2,265 a tonne. Aluminium decreased 0.2 per cent to $2,574 a tonne, nickel dropped to $25,973 a tonne and tin rose 0.6 per cent to $29,700 a tonne.
SC dismisses Hindalco's plea on wheeling charges

Indu Bhan  
New Delhi, Mar 10

The Supreme Court has dismissed Hindalco Industries' plea challenging the West Bengal Electricity Regulatory Commission's (WBERC) decision asking the company to pay higher wheeling charges at the rate of ₹63.54 against the fixed charges of ₹59.57 per KWH.

A Bench headed by Chief Justice SH Kapadia rejected the company's plea that "...WBERC doesn't maintain and operate the entire distribution network and the company ought not to be saddled with the distribution costs that it will not utilise at all for wheeling its electricity."

Hindalco, which has a captive power plant at Hirakund, Orissa, wanted to wheel its surplus power of approximately 9 MW to its Belur plant in West Bengal.

It filed application seeking permission for open access to wheel the surplus power before WBERC, which fixed the wheeling charges at ₹63.54 per KWH for the entire distribution network.

The distance between the captive power plant and the Belur plant is about 556 kms, out of which only 5 kms fell in the state's jurisdiction and the rest fell within Orissa Power Transmission Company and Power grid Corporation of India's jurisdiction, Hindalco stated, adding that it had put up its dedicated transmission line in 2 kms out these 5 kms.

Challenging the Appellate Tribunal for Electricity's (Aptel) judgment, the aluminium major argued that it should have been asked to pay as per the applicable distribution network actually utilised by it.

Besides, Aptel erred in rejecting Hindalco's stand that it should be given any benefit for the dedicated transmission line of 2 kms out up at its own cost, counsel Subramanium Prasad said.

According to the petitioner, it has an existing power purchase agreement with the commission with a contract demand of 8.5 MW, and the standby power as and when required after the commencement of wheeling would be covered under the contract demand, thereby obviating the need for any separate agreement.

Burdening the company with costs of the lower voltage distribution networks is not only unfair but would also result in cross-subsidisation of lower voltage consumers, it further added.
The great mine race

ASK most steel or aluminium producers in India about whether mines should be auctioned, and chances are they'll tell you they shouldn't; that since the older players got their mines free, so should they; that auctioning will drive up prices—the argument the government is making in the case of telecom!

Apart from the fact that auctions don’t drive up prices (when’s the last time telecom prices rose?), it’s interesting to note that Indian firms spent over $4.6 billion last year to buy mining assets abroad; the amount spent was a tad higher than that spent by Chinese firms. If Indian firms can spend that kind of money buying mines abroad, what’s stopping them from shelling out similar sums to buy mines within the country. And if 26% of this, in keeping with the government’s desire to reserve 26% of the equity in mining for locals, is to be distributed to the local populace, it seems like a win-win deal for all concerned. So let’s get on with the auctioning of minerals.

Saikat Neogi
Quarrying continues in Aravalis despite SC ban

Faridabad: No amount of court orders, it seems, can save the Aravali from marauding miners. A visit to the Dhaulj crusher zone — which was in the eye of the illegal mining controversy — showed all the tell-tale signs: tractorloads of stones, fresh mining waste in and out of the area, a 30-odd feet crater from which sand-like material has been scooped out and piles of boulders, both inside the official closed mines and around the villages, indicate illegal mining continues in areas surrounding Khori Jamalpur and Sirohi in NCR’s Faridabad district.

The pace might not be as furious as it was before the Supreme Court ban on mining, pending a comprehensive environment management plan. But it is going on, gnawing into the Aravalis that protect Delhi and NCR from desertification.

Trucks loaded with stones openly ply at Sirohi

After the ban, trenches had been dug up at the entrances of the Khori Jamalpur and Sirohi mines. But on Wednesday, there was no sign of the trenches and tractors carrying blue boulders typical of the area openly plied through them. Locals say the Dhaulj crusher zone — which officially receives stones only from Rajasthan — is the primary reason why clandestine mining continues.
The Times of India, Delhi
Friday, 11th March 2011, Page: 5
Width: 16.59 cms Height: 17.82 cms, Ref: pmin.2011-03-11.33.19

Miners use mobile machines
Mafia Doesn’t Blast Mining Sites Anymore, Say Villagers

Abantika Ghosh

Faridabad: Several court orders including a Supreme Court ban on mining, seem to have failed to save the Aravalis from miners. Stones from Rajasthan come in trucks, local stones in both trucks and tractors. Tractor tracks lead right up to the remnants of the Aravalis—a place where a tractor can do nothing except transport stones. Villagers say there is no blasting any more, but mobile equipment is used to chip away at the hills which are Delhi’s last defence against desertification.

Haryana’s environment secretary Y S Malik is not willing to lend credence to the sand mining part. “There is no sand there,” he insists. On the steady steam of tractors full of stones he says: “I will ask my officers to re-dig the trenches. This is not in our knowledge. In any case, three days back the high court allowed mining in areas other than Faridabad, Gurgaon and Mewat districts after which stone prices came down drastically. I can assure you there is no regular mining happening. But I will ask my officers to look into the incidents of illegal mining. Thank you for telling me.”

Dhauj is a breathing nightmare. From a distance white clouds of dust make the area stand out. Respiratory tract diseases are something villagers here have been living with for years. But the first signs that there is more than just crushing of boulders into stone chips happening here is a tractor-load of bajri — local term for quarrying waste that leaves the area.

It doesn’t take long to discover the freshly dug up pits from which the bajri could have come. The grooves of earth movers are clearly visible and some boulders that may not have fitted in the last consignment are still lying. For the rocky area, its very geophysical nature has made it vulnerable to mindless exploitation.

Says a NGO worker who has been working in the area for some time: “Loose rocks lie everywhere and it is so common for people to pick them up for their personal use that a logical extrapolation is the tractor loads that make their way to the crushers.” A Sirohi resident says: “Mining and crushing has wrecked havoc on our lives. The groundwater table has dipped and respiratory diseases have taken over.”

He points at a depression near Dhauj. “This used to be filled with water earlier, animals would drink from here,” he says. Soon afterwards, a half-eaten cow carcass in one of the hilly bylanes of Dhauj bears testimony to the fact that life in these blue and red hills, comes cheap.
The war to acquire a controlling stake in Australia's Riversdale just got hotter with mining giant Rio Tinto increasing its offer on Thursday from Rs 16 a share to Rs 16.50 a share, valuing Riversdale at about $3.9 billion, if more than 50% of shareholders accept the bid by March 23, Riversdale informed the Australian Stock Exchange. The move came on the heels of Tata Steel earlier this month raising its stake in Riversdale by 2.9% to 27.1% and Brazil's Companhia Siderurgica Nacional (CSN) raising its stake in February to 19.9%. Both the companies now hold 47% of Riversdale between them, giving them a greater say in how the bid progresses.

Rio Tinto said there had been no sign of a competing bid since it first offered $3.5 billion at the beginning of December and the improved bid offers "a highly attractive premium." Making its point strongly, Rio Tinto Energy chief executive Doug Ritchie in a statement said, "The choice for Riversdale shareholders is clear—accept the offer or risk seeing their share price return to pre-bid levels. There is no reason to delay acceptance." Apart from increasing its offer for Riversdale, Rio Tinto has also stripped all the conditions in the offer other than the 50.1% minimum acceptance condition and declared the offer final in the absence of a competing offer.

Tata Steel is the largest shareholder in Riversdale and there had been speculation that Tata Steel and perhaps CSN, might make a counter offer, which is not done so far. Both steelmakers appear to be more interested in protecting their access to future production from Riversdale's big Zambesi project in Mozambique than in making a profit by selling into the bid. Experts believe Tatas are serious about their interest in Riversdale and are positioning themselves to ensure they maximise access to coking coal for Tata Steel's European Unit Corus, which needs about 10 million tonnes of coal annually. When contacted, a Tata Steel spokesperson said it had no comment to offer on the development. Tata Steel's shares on Thursday slipped 2.59% to close at Rs 96.80 on the BSE.

Meanwhile, Riversdale, in its letter to the shareholders, have encouraged them to accept Rio's offer as soon as possible and in any event prior to 23 March, 2011. "The Riversdale board confirms its recommendation that shareholders should accept the Rio Tinto offer, in absence of any superior proposal," Riversdale statement said. According to reports, Rio Tinto has twice extended the deadline for its offer for Riversdale, pushing it out to March 18 and now to March 23 after Tata Steel and CSN both recently raised their respective holdings in Riversdale. Although Rio Tinto may get a majority stake, the mining giant will not get full control over Riversdale until one of Riversdale's two major shareholders agrees to tender their stake to its offer.
As Australia eyes investment from India, mining companies shine

Kingshuk Nag

Sydney: Kolkata’s Arun Jagatramka is a popular figure in government circles here. Officials of the New South Wales don’t tire of quoting him as an example of what foreign investors can do in this resource-rich country. Jagatramka owns 70 km away from here, what is arguably coal mines with the best view - mines overlooking the blue sea.

“These are a century-old mines that were being shut but I took the risk and bought them at throwaway prices. Now we find they have reserves of 550 million tonnes of premium hard coal that could last 50-60 years,” Jagatramka told TOL. He adds: “Jobs have been created and incomes generated, making the local community happy.”

In neighbouring Queensland which has the largest coal reserves in the world, Gujarat’s Gautam Adani is fast rising to prominence. Adani has bought the rights of mining in the Galilee Basin and aims to set up a 60 million-tonne per annum facility. A 150-km rail line to the port will also benefit other coal miners in the region and is part of the Adani charter. Adani’s mines will yield coal for over 100 years.

“We welcome Indian investments. Australia is built on the back of foreign investments and there is no way that we can do this on our own,” says Australia’s federal minister for resources, energy and tourism, Martin Ferguson. So keen is he for Indian investments that recently he started lobbying for Australian ban on uranium exports to India to be lifted.

Director of Access Economics Ian Harper explains the Australian need for Indian investments: “Australia is huge country, rich in minerals iron, bauxite, uranium and coal. But with a population of merely 22 million there is none to mine the stuff. Two decades ago we welcomed China and they set up huge mining facilities. They carried the iron ore back home and we got the moolah. But there a growing concern about our overdependence on the Chinese. This where India comes in “it can be a countervailing force to China.”

This concern is a subject of great debate in Australian newspapers even though everyone realises that the huge Chinese demand for Australian resources all through the global financial crisis saw the country boom. It led to the Australian dollar touching the US dollar in value and prosperity Down Under: “Clearly the Aussies are now concerned about the geopolitical implications of this relationship,” says CEO of SBI’s Sydney operations S Salee. Government officials are more circumspect. “Let’s put it like this, China has supported us through the financial crisis. Now we are looking towards India,” says Eric Rozenaal, treasurer and NSW’s minister for state and regional development.

Rozenaal says that Indians are welcome not only to prospect for minerals but also to buy up land for farming. “Indian corporates have been wanting to go into farming for long. They can exploit the opportunity here,” says SBI’s Salee. The Chinese already have huge land holdings Down Under although no firm estimates could be obtained.

Analysts say that Australia may present a great opportunity but Indian businessmen should gear up to strong corporate governance and environmental norms. They cite the case of Pankaj Oswal who had set up a $700 million fertiliser plant in Western Australia some years ago and became well known for his $700 million mansion and his lavish parties. Now he has run away leaving behind a debt-ridden company. “The India investment story is unlikely to be halted by the Oswal episode,” says Hamish McDonald, the chronicler of the Ambani story and Asia Pacific Editor of Sydney Morning Herald. But as they say, in Rome do as Romans do.

*(The writer was in Australia on the invitation of the Australian government)*
Copper drops to lowest on dip in Chinese import

Mar 10: Copper fell to the lowest price since December in London as imports of the metal into China, the world’s biggest consumer, slid to a two-year low.

Inbound shipments of copper and products tumbled 33% from the prior month to 235,469 tonne in February as ample supplies weighed down local prices, according to the General Administration of Customs website. Prices also declined as the MSCI World Index of shares retreated for a second day.

“There is a lot of suggestion that demand is a bit soft at the moment, from both China and other countries,” said Dan Smith, an analyst at Standard Chartered Plc in London. “Simmering tensions in the West Asia” and weaker equity markets were also “weighing on risk appetite at this point,” he said.

Copper for three-month delivery dropped $102, or 1.1%, to $8,173 a tonne at 9:35 am on the London Metal Exchange. Prices reached $9,135, the lowest level since December 20.

Copper for May delivery decreased 1.2% to $4.1635 a pound on the Comex in New York. All of the six main metals traded on the LME declined except tin. The MSCI index slid as much as 0.8%, and futures indicated that US equity benchmarks will drop when trading begins in New York.

Copper demand in China will exceed supply by 2.44 million tonne this year, more than in 2010, the Ministry of Commerce said. Imports of refined metal probably will remain at a “relatively high level” in 2011, the ministry’s Foreign Trade Department said in a report dated March 7.

Copper inventories in LME warehouses fell for a third day, slipping 250 tonne to 425,475 tonne. Orders to draw metal from stockpiles, or canceled warrants, dropped 625 tonne to 14,850 tonne, according to daily exchange data. Aluminum stocks declined by 5,375 tonne to about 4.60 million tonne.

_Bloomberg_
Sesa Goa Edges Out JSW Steel to Win Bellary Steel & Alloys

M V RAMSURYA
MUMBAI

Sesa Goa has emerged on top in a battle for ownership of the assets of Bellary Steel & Alloys—a little-known company that owns 700 acres in a part of Karnataka known for its mineral riches—edging out JSW Steel in a court-directed auction process that took place earlier this week.

The Goa-based owned mining company owned by billionaire Anil Agarwal, emerged triumphant after it challenged a decision by IFCI, a financial institution, declaring JSW the winner. In an auction carried out in December last year under the supervision of the Delhi High Court, JSW had seemingly emerged the winner, outbidding Sesa Goa by offering to pay ₹210 crore compared to ₹225 crore.

But Sesa Goa contested the decision on the ground that the winning offer was delayed. The High Court agreed, allowing Sesa Goa to rebid in a so-called inter se bidding process. Sesa Goa bid ₹220 crore in an auction on Wednesday, March 9, resulting in the Anil Agarwal-owned mining firm becoming the new owner of the land, plant, and machinery of Bellary Steel, said two people with direct knowledge of the development. JSW did not submit a new bid.

An inter se bidding process typically involves asking already shortlisted companies to come up with fresh quotes. In this case, since Sesa Goa and JSW Steel were the only companies in the fray, the lead lender IFCI asked the two firms for new bids, after Sesa Goa challenged the earlier decision to award the assets to JSW Steel.

Both companies did not respond to queries from ET on the issue. IFCI also didn’t comment. The outcome of the auction is yet to be made public.

The assets of the ailing Bellary Steel, which includes modern machinery and over 700 acres of land, were put on the block by IFCI, for recovery of dues under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. Under this Act, lenders can recover unpaid dues through sale of assets.

"It is not the sale of Bellary Steel, the company" said one of the two persons cited earlier. "The transaction was for the assets of the company and Sesa Goa’s bid of ₹220 crore emerged the highest," he added. The shift of ownership of the assets of Bellary Steel to Sesa Goa could impact Sajjan Jindal’s plan to build an integrated steel complex chain in Karnataka, as Bellary Steel’s 700-acre land is in a prime mining area and close to JSW Steel’s existing plant. Ownership of the assets of Bellary Steel would have been a second feather in the cap for Sajjan Jindal, after his high profile acquisition of Ispat Industries in December last year, that catapulted the JSW group the largest steelmaker in India by capacity.

Bellary is home to large deposits of iron ore, which is key to steelmaking. Despite having close to 14 million tonnes of steel capacity, the Jindals are not fully integrated with iron ore and coal. The group would need about 50 million tonnes of ore to meet increased capacity.

Bellary Steel is a 0.5 million tonne steel plant that is not yet fully built. It ran into problems due to mounting debts and IFCI was forced to seize assets from the promoters, local businesspersons S Madhav and S Parvathi.
Rio Tinto Hikes Riversdale Bid Price to A$ 16.50/Share

The mining giant, however, said that the new offer would be conditional on acquiring stake of over 50 per cent in the company and it will not increase its price, if no competing bid is made.

"The increase in the offer price from A$16 to A$16.50 gives Riversdale shareholders a highly attractive premium and now is the time for them to accept our recommended bid," Rio Tinto Energy Chief Executive Doug Ritchie said in a statement to the Australian Stock Exchange.

It also extended its offer period for the third time to April 01. The new offer of RioTinto would value Riversdale at A$4.03 billion. Ritchie added that "there has been no sign of a competing proposal in the 11 weeks since the bid was announced. The choice for Riversdale is clear — accept the A$16 or A$16.50 on offer or risk seeing their share price return to pre-bid levels." At the earlier price of A$16 per share, Riversdale was valued at A$3.9 billion. However, Rio has managed to acquire only about 17.52 per cent stake so far in the company since it launched the bid in early-December, despite the target company's board recommending minigiant's offer to the shareholders.

Tata Steel along with Brazilian steelmaker Companhia Siderurgica Nacional (CSN), which had recently increased its stake in Riversdale to 19.9 per cent, together hold over 47 per cent stake in the Australian firm, making the job difficult for Rio Tinto to take over Riversdale. Both the companies have maintained that they are more interested in getting coal rather than making a quick gain and would stay invested in Riversdale, which has about 13 billion tonnes of rich coking and thermal coal reserves in Mozambique.

"We are the sustainable sharehol- der there, so we would like to remain there (in Riversdale). We are interested in coal, not in all these current things that are happening," Tata Steel's Managing Director H M Nerurkar had said last month. "The cash increase is unlikely to tempt the Tata to sell their stake. They need coal for Corus (now Tata Steel Europe) and would not like to lose the secure supply from Mozambique," said Consor- tium Securities AVP Vishwesh Choudhary, who keeps a track of Indian steel sector companies.
Rio Tinto raises
Riversdale bid
to $3.9 billion

Reuters

Melbourne, March 10
Rio Tinto raised its offer for coal miner Riversdale Mining with a final bid of $3.9 billion on Thursday, a move the target company said was helping to win over institutional shareholders.

Mr Steve Mallyon, Chief Executive of Riversdale, said momentum in support of the offer among institutions was building but he didn’t know how the two biggest shareholders, Tata Steel and Brazil’s CSN, would respond.

Without their support, Rio needs nearly full buy-in from the rest of the Africa-focused miner’s shareholders for the bid to succeed, but till now institutions have been reluctant to commit without knowing the two steelmakers’ intentions.

(Details on Page 3)
Essar arm to take 60% stake in Zimbabwe steel firm

Will invest Rs 3,375 cr in Zisco revamp; float venture for mines

Our Bureau
Mumbai, March 10

Essar Africa Holding (EAHL), a privately held company of the Essar Group, will form two joint venture companies with the Zimbabwe Government — one for reviving Zimbabwe Iron and Steel Company (Zisco) and the other for developing mines. EAHL will invest about Rs 3,375 crore ($750 million) to revive the ailing State-owned Zisco.

Essar will own 60 per cent stake in the steel venture and 80 per cent in the mineral venture. The Zimbabwe Government will hold the remaining stake in both the ventures. Essar will also release the Zimbabwe Government from its guaranteed obligations under the Zisco debt.

The transaction will close upon facilitation of various approvals, including those from the enabling ministries and an acceptable settlement of the Government guaranteed debt obligations of Zisco, EAHL said in a press release on Thursday. Upon closing, EAHL and the Government will also finalise and settle liabilities such as unpaid wages and amounts due to various local creditors, it added.

Zisco was an integrated steel company with a rated capacity of one million tonnes for the manufacture of long products. It was non-operational for the last few years due to shortage of funds for working capital and maintenance of plant and equipment, irregular supply of power and other critical raw materials and infrastructure.

The company also owns iron ore and limestone mining rights and other claims, which require significant investment in exploration and development, said the release.

Prof Welshman Ncube, Minister of Industry and Commerce, Zimbabwe Government, said the signing of this agreement will serve as catalyst for significant future foreign direct investment into Zimbabwe.

“We were impressed by the quality and scale of the steel operations of the Essar Group and their capabilities in other sectors such as power generation, mining, shipping and logistics. With the entry of EAHL as a partner, various stakeholders of ZISCO, especially the employees, will benefit significantly,” said Mr Nyasha Makuvuse, Chairman of ZISCO.

Mr Firdouse Coovadia, Resident Director, Essar (Middle East and Africa) and Director, EAHL, said the new venture will be well positioned to be a low-cost steel producer that can meet the growing demands of the regional steel market and capitalise on the forecasted growth in sub-Saharan Africa.

“The revival of Zisco will require the cooperation of various parties and entail significant capital expenditure. The Essar Group will bring in investments and expertise in steelmaking, beneficiation, project management, construction, power generation and logistics,” he added.

Essar Group’s current operations in Africa include oil and gas assets in Nigeria, Kenya and Madagascar, telecom assets in East Africa, BPO operations in South Africa and coal concessions in Mozambique.
Rio Tinto raises Riversdale bid to $3.9 b

Offer final if no competing bids; Riversdale sees institutional support growing

Reuters

Melbourne, March 10
Rio Tinto raised its offer for coal miner Riversdale Mining with a final bid of $3.9 billion on Thursday, a move the target company said was helping to win over institutional shareholders.

Mr Steve Mallyon, Chief Executive of Riversdale, said momentum in support of the offer among institutions was building but he didn't know how the two biggest shareholders, India's Tata Steel and Brazil's CSN, would respond.

Without their support, Rio needs nearly full buy-in from the rest of the Africa-focused miner's shareholders for the bid to succeed, but up to now institutions have been reluctant to commit without knowing the two steelmakers' intentions.

"I can say that from the institutional calls that I've made in the last few hours that there's some growing support for Rio Tinto," Mr Mallyon told Reuters.

"I think there's momentum building with the institutions, which is important for convincing groups like Tata that Rio's going to be successful," he said.

Rio Tinto raised its bid 3 per cent to A$16.50 a share and extended the offer period for a third time, to April 1, but said the new offer was final if no rival bids emerged.

Riversdale's shares sawed in a wide range after Rio raised its offer, closing up 3.2 per cent at A$15.61. But that was still below the offer price, suggesting some doubts that Rio Tinto would be able to meet its condition of 50.1 per cent in acceptances.

As of March 4, Rio Tinto only had acceptances on 17.9 per cent of Riversdale's shares.

"The market's clearly a bit sceptical that it will get across the line," said Mr Peter Chilton, analyst at Constellation Capital Management, which owns shares in Rio Tinto.

Riversdale reiterated it was not aware of anyone lining up a competing offer.

"I don't think there's anyone else out there despite all the rumours. It's been well-tested since the bid was announced in mid-December," Mr Mallyon said.

Tata Steel and top Brazilian steel producer CSN have increased their stakes in Riversdale since the bid. Combined, they hold 47 per cent.

TATAS NOT HOSTILE
Tatas, a long-time shareholder in Riversdale, has a director on the board who has backed Rio Tinto's offer. So Tata Steel is clearly not hostile to the bid.

Mr Hemant Nerkar, Managing Director of Tata Steel, has said the company is mainly interested in securing coal supplies from Riversdale.

"I don't think this cash increase would entice Tata Steel to sell their stake. It's not about value. They are more interested in not losing their coal supplies from Mozambique, because it's crucial for Corus," said Mr Ravindra Deshpande, metals analyst at Mumbai's Elara Capital.

The wild card is Brazil's CSN, which recently raised its stake to just below the 20 per cent threshold for making a full takeover offer, and has not publicly revealed its intention for the stake or possible talks with Rio Tinto.

It would make sense for the steelmakers to back Rio Tinto as it has deeper pockets and more technological skills than Riversdale to develop the Mozambique mines and infrastructure, the two miners and analysts have said.

If Rio's bid is not successful, Riversdale's shareholders are likely to face a big equity fund raiser by Riversdale to help finance the development of its coking coal projects.

Mr Mallyon said Riversdale would be disappointed if Rio Tinto walked away, because culturally the company is similar to Riversdale and has the skills Riversdale's projects need.

"I'd hate to see them go," he said.
**ESSAR TO ACQUIRE MAJORITY STAKE IN ZIMBABWE STEEL FIRM**

ESSAR group has reached a deal to acquire majority stake in Zimbabwe Iron and Steel Company (ZISCO) and would invest an estimated $750 million for revival of the African nation’s state-run steel maker.

The Ruia-led Indian conglomerate said that its privately-held company Essar Africa Holdings has reached an agreement with the Government of Zimbabwe for revival of ZISCO.

While Essar did not disclose the investment amount, sources said it would make an initial investment of $750 million to help restart operations at the Zimbabwe firm, which had ceased operations due to capital constraints. Last year, the Zimbabwe Government had agreed to sell its majority stake in Zisco and then launched a public tender for the same.

As per the deal, Essar Africa Holdings and Zimbabwe government would set up two joint venture companies that would acquire all the steel and mining-related assets and liabilities of ZISCO and its subsidiaries.

Essar and Zimbabwe Government would own 60 per cent and 40 per cent stake respectively in the steel JV. On the other hand, the minerals JV will be owned 80 per cent by Essar and 20 per cent by the Government of Zimbabwe.

The transaction will close in due course upon facilitation of various approvals, including approvals from the enabling ministries and a settlement for transfer of Zimbabwe Government’s guaranteed debt obligations of ZISCO to Essar.

ZISCO is an integrated steel company with capacity of 1 million tonnes for manufacturing of long products. It has been non-operational for the last few years due to shortage of funds and maintenance of plant and equipment, irregular supply of power and other critical raw materials and infrastructure.

ZISCO also owns iron ore and limestone mining rights and other claims, which require significant investment in exploration and development.

Commenting on the deal, Zimbabwe’s Industry and Commerce Minister Welshman Ncube said that Essar emerged as the preferred bidder for Zisco from among several international players.

Essar Africa Holdings Resident Director Firidhose Coovadia said the new ventures would be “well positioned to be a low-cost steel producer that can meet the growing demands of the regional steel market and capitalise on the forecast growth in sub-Saharan Africa.” The Essar Group has the track record of successfully commissioning and operating greenfield and brownfield steel plants in different parts of the world including India, Canada, UK and Indonesia,” he added.
SILVER SCALES NEW PEAK AT ₹64,800 PER KG, GOLD UP BY ₹60

Silver surpassed all its previous records on Thursday and surged ₹300 to touch a new high at ₹64,800 per kg on frantic buying, driven by firm global trends. Gold also rose by ₹60 to ₹21,320 per 10 grams on pick up in local demand for the ongoing marriage season. Silver coins also spurted by ₹800 to record high of ₹59,100 for buying and ₹59,600 for selling of 100 pieces.
ICVL bids for 12% stake in Grosvenor mine

By Utpal Bhaskar
utpal.b@livemint.com

NEW DELHI

State-run International Coal Ventures Pvt. Ltd (ICVL) has submitted a bid valued at about $200 million (₹900 crore) for a 12% holding in Anglo American Plc’s Grosvenor mine in Australia, putting it in competition with at least three other companies, including Chinese firms, for the stake.

Grosvenor is a greenfield mine with production expected to increase by 4.3 million tonnes per annum (mtpa) till it reaches full production in 2016.

ICVL’s bid values the mine owned by one of the world’s top 10 mining companies at around $1.6 billion.

“We had cleared the first round and in the second phase placed the price bids (for the coking coal mine),” said a top ICVL executive, who did not want to be identified.

Anglo American declined to comment on investor interest in the project or any bids it may have received for it.

“Our only asset actively on the market in Australia is our Callide thermal coal mine, though we do regularly hold discussions with steel customers to explore ways in which
ICVL bids for stake in Grosvenor mine

they might add value to projects," the firm’s spokesperson said in an email.

ICVL was set up by five state-owned firms—NTPC Ltd, Steel Authority of India Ltd, Coal India Ltd, Rashtriya Ispat Nigam Ltd and NMDC Ltd—to secure coal assets overseas and has been competing with leading Chinese coal miners such as China Shenhua Energy Co. Ltd and Yanzhou Coal Mining Co. Ltd, which are actively engaged in acquiring mining concessions overseas.

A second ICVL executive said the bid was placed 1 February.

India does not have substantial good quality metallurgical coal reserves. Demand for the fuel in 2009-10 was 40 million tonnes (mt), of which 23 mt was imported. Demand is expected to rise to nearly 90 mt by 2020.

Australia, emerging as a major source of India’s mineral imports, is the largest exporter of metallurgical coal and the second largest exporter of thermal coal in the world.

“The demand for metallurgical coal will continue to rise in light of growth expected in the steel sector, which will widen the gap from domestic supply and enhance import dependence,” said Dipesh Dippu, director (consulting, energy and resources, mining) at Deloitte Touche Tohmatsu India Pvt. Ltd.

“This, along with the stiffening of prices, and more so their volatility, have compelled steel companies to grab resources wherever they occur. Investments, even in minority stakes, may provide supply securities although price preferences may be elusive in such cases,” he added.

Bids by Indian miners tend to be relatively uncompetitive, analysts say. That's because most Indian companies seek the coal for their own end-use projects, while rival bidders may have higher-margin alternative plans.

“Strategy of backward integration may be justified as costs of raw materials now account for close to 65-70% of the total cost of production of crude steel,” Dippu said. “Therefore, competition to acquire metallurgical coal assets has been heating up.”

India has a known coal gross resource base of 264,000 mt, the fourth largest in the world, of which proven reserves are around 101,000 mt. Demand is around 600 mtpa and set to touch 2,340 mtpa by 2030.