Sterlite, Sesa Goa see mixed Q4 output performance

R. Yegya Narayanan
Coimbatore, April 10
Sterlite Industries Ltd (SIL) and Sesa Goa Ltd (SGL), the Vedanta group companies, recorded mixed production performance in the fourth quarter of the last fiscal. The merger of the two companies and the consolidation of the Vedanta group, announced earlier, were expected to be completed in the calendar year 2012, SIL said in a statement.

While Sterlite Industries registered record production of lead, silver and power, SGL’s performance was impacted by the continued ban on mining in Karnataka and transport/logistics bottlenecks in Goa, both companies informed separately the stock exchanges today.

SIL said the domestically mined zinc-lead metal production was 8.3 lakh tonnes, silver production registered a 74 per cent jump to 88 tonnes in the last quarter of last year because of ramping up of the SK mine, the new 100 kilo-tonne-a-year (ktpa) Dariba lead smelter and the new silver refinery. For the full year, silver production was up by 35 per cent at 242 tonnes.

POWER SALES
Copper cathode production at the Tuticorin smelter was 80,000 tonnes in the fourth quarter of last year and mined metal production in the Australian mines was 5,000 tonnes, both in line with the corresponding quarters earlier. In case of aluminium, production at Balco-II smelter was 62,000 tonnes, in line with the corresponding quarter earlier. The first metal tapping from the 325-ktpa Balco-III aluminium smelter is expected by the third quarter of the current fiscal and the first 300-MW unit of the 1,200-MW captive power plant at Balco will be synchronised in the current quarter.

On the power front, SIL said power sales during the fourth quarter of 2011-12 was 2,166 million units compared with 1,040 million units in the corresponding earlier quarter. For the full year the production was 7,579 million units (2,680 mu). Three new 600-MW units of the Jharsuguda 2,400-MW power plant became operational.

SIL said that work at the 1,980-MW power project at Talwandi Sabo was progressing well and the first 660-MW unit was on track for synchronisation in the fourth quarter this year. The 150-MW wind power expansion at HZL was completed during the fourth quarter, taking the total wind power generation capacity to around 274 MW.

Sesa Goa recorded sale of iron ore of 5.2 million tonnes in the fourth quarter of last fiscal compared to 6.6 million tonnes in the corresponding quarter earlier due to the mining ban in Karnataka, and transport and logistics bottlenecks in Goa. The company was improving the roads to reduce the bottlenecks. For the full year, iron ore sales were 16 million tonnes compared with 18.1 million tonnes in the previous year.

Iron ore production in the fourth quarter fell by 11 per cent to 4.9 million tonnes and for the full year production was 13.8 million tonnes compared with 18.8 million tonnes in the previous fiscal. Volumes fell mainly because of the Karnataka mining ban and discontinuation of Orissa operations, SGL said.

Expansion of pig iron capacity to 625 ktpa and metallurgical coke to 560 ktpa were progressing well and will be commissioned in the current quarter, the company said.

Sesa Goa shares closed on the National Stock Exchange at Rs 104.25, down Rs 1.50.
Vedanta’s iron ore and copper output underperform

Vedanta group’s output data release for the March quarter coincided with the release of China’s trade statistics. The country’s imports during the quarter rose by only 6.9%, another proof that its economy is indeed slowing. That’s a worry for metal firms, as China’s waning appetite for metals can affect both output and prices globally.

Shares of Vedanta group’s metal firms were immediately reacting to the output numbers. Sesa Goa Ltd and Sterlite Industries (India) Ltd saw their shares decline by about 1.5%. Sesa Goa’s output performance was good, as output was up by 48.5% quarter-on-quarter (q-o-q), driven by its Goa mining operations. This compensated for zero output in Karnataka, where mining has been banned. But iron ore sales rose by just 4% q-o-q as it could not transport enough ore due to differences over freight rates with transporters.

Though the stocks can be sold in subsequent quarters, the onset of the monsoon rain in Goa in the current quarter will see both mining and shipping of iron ore coming to a halt. Hindustan Zinc Ltd saw its refined zinc output remain flat sequentially, while lead output rose by 27.6% and silver rose by 53.1%. The firm is lowering production at an older higher-cost smelter, which will be made up for by higher production at its new facilities in Rajasthan.

Average zinc and lead prices on the London Metal Exchange (LME) during the quarter were up by about 6.4% and 5% sequentially. That should contribute to higher sales growth, but silver will provide a significant bump up to both sales and profit during the quarter.

Sterlite’s domestic and international custom smelting operations saw output decline by 4.8% and 12%, respectively, due to shortage of copper concentrate. Aluminium output was up by 4.1% q-o-q, which along with a 4% increase in average realizations during the quarter will offset, to some extent, the poor showing in its copper business. The group has projected a slightly higher lead and zinc mined metal output in 2012-13, thanks to the ramp-up in its mining operations. Production of silver is expected to be 41% higher, but is lower than its earlier estimates due to changes in the actual silver content.

A recovery in its iron ore mining business will depend on its ability to resolve the transportation dispute, or the resumption of mining in Karnataka. The first may happen too late as the monsoon may set in, while the other is uncertain. Power will continue to be a key element of its performance, particularly if coal supplies improve during the year.

Though output may increase, investors will be more concerned about metal prices, as they dictate profitability. If India’s economic growth remains low, and China’s settles into a slower growth trajectory, then metal prices are likely to turn weaker, which, in turn, will affect performance.

Ravi Ananthanarayanan
Indian consortium to ink final pact for Hajigak mines soon

PTI KABUL

India's SAIL-led consortium and Afghanistan Government may to ink a final pact in May to develop rich Hajigak iron ore mines and set up steel and power plants there, paving way for Indian companies to invest in the war-torn country.

"The negotiations on Hajigak’s contract details, which include building of rail road, steel industry, power plant and others, would be finalised at the end of May and the final contract may be signed in May this year," Afghanistan’s Mines Minister Wahidullah Shahrani said.

Afghanistan and India yesterday signed a Memorandum of Understanding (MoU) for mutual cooperation in the area of iron and steel, on which visiting Steel Minister Beni Prasad Verma has said, will also encourage Indian public and private sector to invest in iron and steel sectors there. Verma said the MoU shall pave the way for institution and capacity building in the Afghan iron and steel.

The consortium that includes state-owned NMDC and RINL besides SAIL, and private sector steel players -- JSW, JSW Ispat, JSPL, and Monnet Steel and Power has already won the mining rights for three blocks at Hajigak in November 2011, that are said to contain 1.28 billion tonnes of reserves.

The final agreement will entitle SAIL-led consortium Afisco (Afghan Iron and Steel Consortium) to explore, develop and exploit the Hajigak deposits.
NMDC scouts for power project partner

NMDC has appointed PFC Consulting to select a partner to develop a captive power project for its coming steel plant in Chhattisgarh. The modalities of the joint venture partnership, like equity participation by the partner, are yet to be worked out. NMDC has a mining capacity of around 30 million tonnes a year.
Sesa Goa production falls 27%

Vedanta group firm Sesa Goa’s iron ore production declined 27 per cent to 13.80 million tonnes in 2011-12 due to various reasons, including ban on mining in Karnataka. The company had reported 18.8 million tonnes of ore production in 2010-11.
SESA GOA PRODUCTION DOWN 27% IN FY12

New Delhi: Sesa Goa’s iron ore production declined 27 per cent to 13.80 million tonnes (MT) in 2011-12 due to host of reasons including ban on mining in Karnataka. The company, which is to become the holding company of Vedanta’s Indian operations post-merger with Sterlite with it, had reported 18.8 MT of ore production in FY11.
Guv to Use Powers to Cancel Mining Licences

Tribal displacement, without rehabilitation, has led to growth of Naxalism: Tribal ministry

NIDHI SHARMA
NEW DELHI

With spurt in Naxal attacks, the Centre has decided to ask governors to use special powers in tribal-dominated areas and consider cancelling mining leases given to state agencies and corporates. The first such recommendation is likely to be to Andhra Pradesh governor ESL Narasimhan in Vishakhapatnam district, bordering Odisha’s Naxal-infested Koraput district.

Speaking to ET, tribal affairs minister V Kishore Chandra Deo said, “I have taken up this matter with the prime minister and my party. My ministry has prepared a note and we will write to governors where such violations are taking place.” He said a beginning will be made in Andhra Pradesh’s Vishakhapatnam district. “We know the exact violations taking place in the district which is near Odisha’s Koraput district, where Naxal activity is at its peak. It is not one violation but violations of the Forest Rights Act and Panchayat Extension to Scheduled Areas (PESA) Act,” he said.

According to the tribal affairs ministry, mining activity has caused large-scale displacement of tribals without adequate rehabilitation steps. As per the specific case of Andhra Pradesh, the state government has given land to Andhra Pradesh Mineral Development Corporation for mining. APMDC has signed memoranda of understanding with companies from west Asia. Under PESA Act, approval of gram sabhas is required to divert any land for non-forest purposes. This diversion can take place only for minor minerals. Deo said, “these mining leases are not for minor minerals from any point of view. The Forest Rights Act says that the forest dwellers have a hereditary right on this land. The government cannot lease it out.”

The Centre, desperate to address the tribal-Naxalism overlap in the red corridor, has decided to ask governors to play a more active role in governance of these areas. Under the Fifth Schedule of the Constitution, Governors are given special powers in Scheduled Areas. Governors can direct that any particular law passed by legislature or Parliament may not apply to a Scheduled Area for “good governance and peace” in these areas.
Mali Coup Dashes Indian Bizman’s Mining Hopes

Sandeep Garg’s integrated steel plant was inaugurated by recently deposed prez

MEERA MOHANTY
MUMBAI

A coup in distant Mali has Sandeep Garg, 44, a Gurgaon resident, fretting. As the mine owner of 1 BT-plus of iron ore in that country, he has a lot at stake. An investment of crores of money in rights over some of the richest iron ore deposits in West Africa, and agreements with steel companies hungry for ore.

“We have rights to more than a billion tonnes of premium iron ore, which if developed to their potential will rank them amongst the biggest iron ore projects in Africa,” said Garg in an interview to ET. He headed back to Senegal on Sunday, hoping to use the period of calm and the reopening of the borders after the resignation of the Mali President Amadou Toumani Toure to get back into the country. On March 22, Garg got the shock of his life, when a sudden coup threatened to disrupt his carefully laid plans of building a thriving West African mining business.

Garg committed to the authorities in Mali his desire to put up the largest integrated steel mill in the region. His firm Sahara Mining has committed to spend $300 million and has begun talks to partner with some of India’s leading metals companies for supplying iron ore.

The project, a fully steel integrated 0.3 million tonne per annum facility with a 70 MW power plant, was inaugurated by the recently deposed President Amadou Toumani Toure only last December. Latest reports from the region indicate that Toure is no longer the President and Dioncounda Traore, the country’s parliament speaker, will be the interim president till elections are held.

For those with an appetite for risks, Mali and West Africa is the new frontier. Rio Tinto hung on to the large Simandou tenement in Conakry, Guinea by agreeing to concede to the local government a stake up to 30%. In the project, Tata Steel has interest in Ivory Coast that it acquired five years ago, Ar-colorMittal in Liberia. Sesa Goa followed, acquiring 51% stake in a west Liberian deposit estimated to hold 1.05 billion tonnes of iron ore, for $300 million. But as recent events in Mali, whose stable democracy was considered somewhat of an aberration in the region, the lure of West Africa’s abundant riches come with huge risks.

“West Africa has been a major challenge for sourcing with high local risks and infrastructure challenges,” says Kameswara Rao, executive director, energy, utilities and mining, PwC, a leading audit and consulting firm.

Garg, a first generation entrepreneur, represents a breed who have quietly worked their charms to win iron ore, manganese, and even uranium licenses in Africa and South America. With Indian metal players desperate to secure increasingly scarce mineral resources now, the years of doing business in risky Africa, and often with dictatorships, could pay off. Or may not be.

“A number of independent entrepreneurs operate out of Africa and while they make an early entry they do little to lower the risk profile of such investments. So the net gain for a secondary acquirer is not that large,” says PwC’s Rao.
Copper at month’s low on demand worries

Reuters

London, April 10
Copper fell to its lowest in a month on Tuesday after disappointing US employment data on Friday raised concerns about slowing growth, while a slight fall in China’s copper imports did little to shore up sentiment.

Losses were limited, however, by the view that China’s economic slowdown was not drastic, with off-take for copper seen kicking in towards the end of this quarter or the beginning of the next. Three-month copper on the London Metal Exchange fell 1.4 per cent to $8,227 a tonne in official rings, after finishing last week flat ahead of Easter holiday closures.

Aluminium traded down 0.8 per cent at $2,090 a tonne in official rings, while tin was down 1 per cent at $22,880. Zinc and nickel were not traded but were bid at $7,004 and $18,085 respectively, while lead changed hands at $2,038 a tonne.

Refined tin shipments from Indonesia, the world’s top exporter, fell 4.9 per cent in March to 8,607.71 tonnes from 9,051.46 tonnes a year earlier, a trade ministry official said on Tuesday.
Mining ban hit iron ore output, says Vedanta

London, Apr 10: Vedanta posted a drop in full-year iron ore output on Tuesday, hit by a ban on mining in Karnataka and logistical bottlenecks in Goa that dented one of its key profit contributors.

Iron ore, a steelmaking ingredient, is typically one of Vedanta’s most profitable products along with zinc, accounting for almost a third of profits, but output has been constrained in recent quarters by curbs to combat illegal mining.

Iron ore shipments across the sector in India have been sliding for the last two years, with hikes in export taxes, as the government tries to keep supplies for domestic use, also hurting overseas sales.

London-listed Vedanta said its iron ore production over the full year to the end of March fell to 13.8 million tonne compared with 18.8 million a year ago, after a fourth quarter broadly in line with market forecasts. Sales fell less steeply, totalling 16.0 million tonne, from 18.1 million.

The Karnataka ban is being examined by the Supreme Court.

Vedanta said its refined zinc production from its core Indian operations rose 6% to 759,000 tonne for the year, despite a dip in the fourth quarter.

Zinc contributed roughly half the group’s core profit at the half year.

In copper, the miner’s Indian production was just short of some analysts’ expectations with the Tuticorin smelter producing 326,000 tonne of copper cathode over the year, while Zambian copper cathode production was hit by the lower availability of concentrate.

Reuters
Indian consortium to develop Afghan iron ore mines soon

Press Trust of India
Kabul, April 10

SAIL-led consortium and Afghan Government are likely to ink a final pact in May to develop rich Hajigak iron ore mines and set up steel and power plants there, paving way for Indian companies to invest in the war-torn country.

"The negotiations on Hajigak's contract details, which include building of rail road, steel industry, power plant and others, would be finalised at the end of May and the final contract may be signed in May this year," Afghanistan’s Mines Minister, Mr. Wahidullah Shahrinji, has said.

Afghanistan and India yesterday signed a Memorandum of Understanding (MoU) for mutual cooperation in the area of iron and steel, on which visiting Steel Minister, Mr Beni Prasad Verma, has said, will also encourage Indian public and private sector to invest in iron and steel sectors there.

Mr Verma said the MoU shall pave the way for institution and capacity building in the Afghan iron and steel.

The consortium that includes State-owned NMDC and RINL besides SAIL, and private sector steel players - JSW, JSW Ispat, JSPL, and Monnet Steel and Power has already won the mining rights for three blocks at Hajigak in November 2011, that are said to contain 1.28 billion tonnes of rich reserves.

The final agreement will entitle the consortium Afsco (Afghan Iron and Steel Consortium) to explore, develop and exploit the deposits.

After winning the bid in last November, SAIL Chairman, Mr. C.S. Verma, had said the consortium plans to set up a 6.12 million tonnes per annum steel plant, subject to Afghan government making available linkages for coking coal and limestone, an 800 MW power plant and build necessary infrastructure for $10.8 billion.

SAIL has the maximum 20 per cent stake in Afsco, while NMDC and RINL each hold 18 per cent. JSW Steel and JSPL hold 16 per cent each, while JSW Ispat and Monnet Ispat & Energy hold 8 per cent and 4 per cent, respectively.