

NMDC ore sales up 47%

NMDC Ltd sold 7.58 million tonne iron ore in July-September, up 47% from a year ago due to increase in demand, a source in the know said. In the same period last year, the state-owned miner had sold 5.14 mt iron ore. "Chhattisgarh weather condition was favourable (for mining) during the quarter and demand (was) also significant (higher) for iron ore," the source said. In July-September, NMDC produced 7.10 mt iron ore at its three facilities in Chhattisgarh and Karnataka.

Dark horse

A PSU with strong fundamentals and the largest copper producer with captive mines in the country is Hindustan Copper Ltd (HCL). The government of India holds 99.59 per cent of its equity and the floating stock is limited. The company has come out with mind blowing results for the first quarter ended June 2011 posting a net profit of ₹60.41 crore against ₹26.20 crore in the same period last year. For FY11, the company had posted a net profit of ₹224.10 crore. Few months ago, the company had announced to sell scrap of ₹6,000 crore. Before going for divestment, marketmen feel that there could be a huge dividend, bonus or stock split. Right now its stock is trading at just ₹233. ♦

PROFIT-SHARING BY CAPTIVE MINERS

COAL MIN SUGGESTS PER TONNE LEVY

JYOTI MUKUL
& SUDHEER PAL SINGH
New Delhi, 11 October

The coal ministry has proposed that the Centre notify an amount to be charged from captive coal miners for compensating local people for the damage arising from mining projects. The amount could be levied on every tonne of coal produced by these miners.

The amount would be based on the rupees per tonne basis, on an average of 26 per cent profit notified by Coal India Ltd and Singareni Collieries Company Ltd (SCCL) every year.

The formula has been proposed even as the Cabinet has approved a draft of the new mining legislation which will introduce a benefit-sharing regime for the mining industry. At the current level of profits, the levy works out to about ₹65 on every tonne of coal mined.

The ministry of coal has suggested that the 26 per cent profit-sharing by coal miners should be applied to Coal India and SCCL. Since captive coal miners do not engage in selling coal, the ministry has recommended that the government notify an amount against per tonne production for compensating the local people.

Under the Mines and Minerals (Development and Regulation) Bill, coal companies



At the current level of profits, the levy works out to ₹65 on every tonne of coal mined

have to share 26 per cent of their profit for the benefit of local people.

The Bill does not make a distinction between captive and non-captive coal miners, but the coal ministry says captive miners being integrated set-ups with end-use plants would not be able to show separate coal mining profits, as the coal produced from allotted blocks would be consumed in their own end-use plants.

A senior executive in a power company has criticised the proposal, and argued if there is no profit being made on coal production there is no question of sharing.

"The entire production is being used for captive purpose

and not for profiteering. It will hit us badly."

In similar letters written to mines minister Dinsha Patel and finance minister Pranab Mukherjee, who headed a group of ministers on mining, coal minister Sriprakash Jaiswal said the section 43 in the Bill that prescribes profit-sharing would only impact CIL, SCCL and mining companies run by state governments.

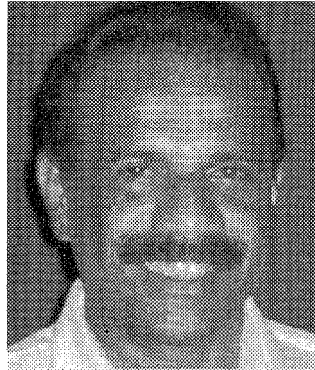
"Other coal block allottees would escape any sharing of profits from the coal mining operations with the people affected by such coal mining," Jaiswal said in the letters.

The current legal regime under the Coal Mines (Nationalisation) Act allows captive

mining for specified use like power, iron and steel and cement production.

Another provision of the Bill, approved by the Cabinet on September 30, that the coal ministry wants to be changed is the one on the National Mining Regulatory Authority (NMRA). Section 43(2)(b) lays down that the Centre can revise the profit-sharing rate or specify some other method based on the NMRA recommendations.

Similarly, NMRA can also suggest changes in royalty rates. Stating that a separate regulatory regime for coal sector is in the works, the coal ministry wants coal and lignite should be excluded from the purview of this section.



K'TAKA MAY APPEAL FOR MINING BAN LIFT

Bengaluru: The Karnataka government is likely to file an affidavit before the Supreme Court shortly seeking a partial lifting of the ban on iron ore mining and the revival of legal mining. "The apex court ban on mining in Bellary, Tumkur and Chitradurga, has caused a loss of ₹4,000 crores to the state exchequer, and deprived nearly 1.4 lakh people of their livelihood. However, we will move cautiously as the CBI has stepped in to probe the case," said chief minister D.V. Sadananda Gowda, while addressing the national executive committee meeting of the FICCI in the city.

at a glance



CENTRE EXTENDS TENURE OF NALCO CHIEF

AGE CORRESPONDENT
BHUBANESWAR, OCT. 11

The tenure of National Aluminium Company Limited (Nalco), Mr B.L. Bagra as the chairman-cum-managing director of the central Navratna public sector unit has been extended up to December 2011.

Mr Bagra, who joined as Nalco director (finance) in 2007, was given this additional charge in February this year. He has been instrumental in creating Vision 2020 for the Company and a long-term corporate plan. Besides, he has successfully initiated various growth oriented greenfield projects and brownfield projects, a Nalco spokesperson said here on Tuesday.

A chartered accountant, Mr Bagra has 34 years of rich experience in transport, mining, power and seeds sectors.

PRICE CARD

As on Oct 11	International	Domestic
METALS (\$/tonne)		
Aluminium	2,186.00	2,594.77
Copper	7,314.00	9,203.32
Nickel	18,835.00	22,501.52
Lead	1,976.00	2,331.24
Tin	23,000.00	26,555.85
Zinc	1,903.50	2,432.60
Steel-HRC	707.00	892.00
Gold (\$/ounce)	1,658.40*	1,679.69
Silver (\$/ounce)	31.55*	33.76
ENERGY		
Crude Oil (\$/bbl)	107.58*	104.47
Natural Gas (\$/mmBtu)	3.58*	3.49
AGRI COMMODITIES (\$/tonne)		
Wheat	228.87	223.92
Maize	251.26*	197.95
Sugar	668.20*	595.68
Palm oil	950.00	1,069.53
Rubber	3,992.17*	4,343.76
Coffee Robusta	1,933.00*	2,108.36
Cotton	2,278.25	2,251.64

Conversion rates: 1) 1 ounce = 31.1032316 gm
2) 1 US dollar = ₹49.33 *As on Oct 11, 1800 hrs IST

Notes: 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 LIFFE future prices of near-month contract.
5) International maize is MATIF near month future, rubber is Tokyo-TOCOM near-month future and palm oil is Malaysia FoB 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 LIFFE and coffee Karnataka robusta pertains to previous days price.

Source: Bloomberg Compiled by BS Research Bureau

HINDALCO: CONCERNS PRICED IN

While worries on weak metal prices and demand remain, volume growth, efficiency gains and a low cost base could limit the downside

UJJVAL JAUHARI

Growth worries in the developed markets and falling metal prices led to a 38 per cent decline in Hindalco's stock price this financial year. Although aluminium and copper prices remained volatile and concerns over a slowdown at Hindalco's international subsidiary, Novelis, are not over, analysts feel that most of it these are already factored in. While global uncertainties could take a toll on the stock, downside remains limited. On the positive side, benefits on volume growth are likely in FY13 with the commissioning of the Mahan project as well as expansions and efficiency gains at its Renukoot plant. Given the gains, most analysts have a buy rating on the stock with a 12-month consensus target price of ₹185.

CHALLENGING ENVIRONMENT

For Hindalco, the current environment continues to be challenging. Average aluminium prices at the London Metal Exchange (LME), which were at \$2,603 a tonne (up 24 per cent y-o-y) had boosted its performance, despite lower aluminium volumes in the June 2011 quarter. Average prices during the September '11 quarter have, however, declined to \$ 2,444 a tonne. Given

that current prices are hovering at around \$2,186 per tonne, realisations in the December quarter too could be under pressure.

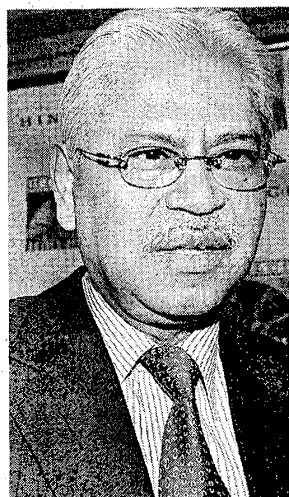
Average copper prices have declined one per cent to \$9,106 a tonne. However revenues from the copper segment depend on the treatment and refining charges, and hence decline in LME prices has a marginal impact on revenues.

Hindalco's international subsidiary Novelis may not see much impact as a significant part of the demand comes from the food and beverage space. However, risks to the near-term demand for its electronics and automotive segment could impact revenues.

A DIFFICULT SEPTEMBER QUARTER

During the second quarter, a seven per cent decline in average Aluminium LME prices may be partially offset by the estimated five per cent increase in aluminium volumes to 138 kilo tonnes, believe Motilal Oswal analysts. Benefits could accrue to Hindalco as alumina producers globally have started moving customers away from LME-linked pricing, citing independent dynamics of the sector. This should help them realise better prices, given the demand and a low cost base.

Hindalco further benefits from



Debu Bhattacharya, MD, Hindalco

having excess alumina capacities and the September quarter is likely to see Alumina volumes at 351 kilo tonnes, up five per cent. Copper volumes for Hindalco are also likely to increase eight per cent sequentially to 79 kilo tonnes during the September 2011 quarter, as its smelter was under maintenance shutdown during the June quarter.

While all the positives may help revenue growth, margins may come under pressure due to rising coal and bauxite costs. Analysts at research firm Unicon think the company's competitive edge of low-cost manufacturing has been offset due to increased cost and policy impasse on coal and bauxite supply.

NOVELIS GAINS

Analysts remained positive on the

MARGINS INCHING UP

In ₹ crore	FY2011	FY2012E	FY2013E
Net sales	71,801	78,833	82,863
% change	18.6	9.79	5.11
Ebitda	8,002	9,071	10,074
Ebitda (%)	11.14	11.5	12.16
Net profit	2,456	3,391	3,643
% change	-37.4	38.03	7.45
PE (x)	10.14	7.39	6.89

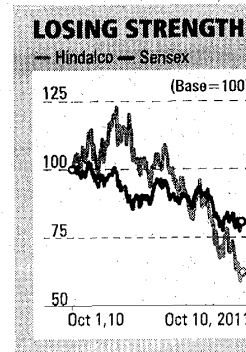
Source: Capitalline, Bloomberg, Analyst Reports

E: Estimates

Novelis performance during the September quarter. Tanuj Rastogi, analyst at the MSFL group feels the Ebitda per tonne should increase during the September quarter. Regarding concerns on Novelis, he argues that the situation is not as bad as it was in 2008. Although there are growth issues and there could be a slowdown, there may not be a fall. Debt concerns, too, are not the same as they were in 2008, post its debt restructuring exercise. Unicon analysts also believe that Novelis is likely to perform well in the second quarter on the back of an improved product mix, cost reduction initiatives and increased conversion margins.

VOLUME GAINS

Hindalco is setting up a 359 kilo ton per annum smelter and 900 MW captive power plant at Mahan



in Madhya Pradesh. While the company has plans to commission the plant by December, analysts believe that there could be some delays. A delay of couple of quarters could push the gains from the project to FY13. Coal sourcing however remains a challenge till

Mahan coal block is cleared by the government and supplies of alumina from its Utkal Alumina plant start from the September 2012 quarter. Despite these issues, Satish Kumar and Saurabh Prasad of Standard Chartered feel that the Mahan cost of production at ₹86,308 a ton is comparable to ₹85,723 a ton at its existing Renukoot plant. Further, Renukoot plant may add 10 kiloton every year through efficiency improvement from here on.

Raise supply to firms, CIL told

The government has asked coal firms, including Coal India, to step up supply to power stations facing shortage of the dry fuel to ensure that the power generation remains uninterrupted.

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खान निदेशालय की ओर से गठित तीन सदस्यीय कमेटी ने पिण्डवाड़ा तहसील में मैसनरी स्टोन की खान लीज पर आवंटित करने का रास्ता प्रशस्त कर दिया है। कमेटी ने लो-ग्रेड लाइमस्टोन व नॉन लाइमस्टोन एरिया में खान लीज पर आवंटित करने की अनुशंसा की है। यह अनुशंसा कमेटी ने सर्वे कर खान निदेशालय को भेजी रिपोर्ट में की गई है।

रिपोर्ट में बताया है कि लाइमस्टोन जोन पिण्डवाड़ा तहसील में मैसनरी स्टोन के लिए खान लीज पर आवंटित की जा सकती है। रिपोर्ट

आबू-पिण्डवाड़ा में है रोक

सिरोही जिले के पिण्डवाड़ा व आबूरोड तहसील में मैसनरी स्टोन के लिए लीज आवंटन पर रोक लगी हुई है। पिण्डवाड़ा में लाइमस्टोन

एरिया होने तथा आबूरोड में वन क्षेत्र के कारण रोक लगी हुई है। पिण्डवाड़ा में रोक हटवाने के असे से प्रयास चल रहे हैं।

के आधार पर खान विभाग लो-ग्रेड व नॉन लाइमस्टोन एरिया को मैसनरी स्टोन एरिया बना सकता है। उल्लेखनीय है कि कुछ सालों से पिण्डवाड़ा तहसील में मैसनरी स्टोन के लिए लीज आवंटन पर रोक लगी हुई है। इस सिलसिले में सर्वे के लिए निदेशालय ने उदयपुर के अधीक्षण भू-वैज्ञानिक, सिरोही के सीनियर भू-

वैज्ञानिक व खनिज अभियंता की कमेटी गठित की थी।

पूरी तहसील लाइमस्टोन एरिया

पिण्डवाड़ा क्षेत्र को लाइमस्टोन एरिया मानते हुए लीज आवंटन पर रोक लगा देने से पत्थर नहीं मिल रहा था। इससे

इन्होंने बताया

रोक के सिलसिले में टीम ने सर्वे किया है। इसकी रिपोर्ट निदेशालय को भेज दी है। इसमें बताया गया है कि लो-ग्रेड व नॉन लाइमस्टोन एरिया को मैसनरी स्टोन एरिया बनाया जा सकता है।

दीवानसिंह देवड़ा
खनिज अभियंता, सिरोही

सरकारी व गैरसरकारी समेत सारे निर्माण कार्य अटक गए थे। दूर से मैसनरी स्टोन परिवहन कर लाना लोगों को बेहद महंगा पड़ रहा है। लीज आवंटन के लिए लोग असे से प्रयासरत हैं।

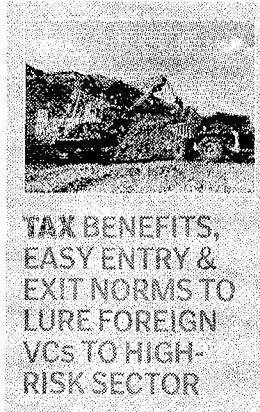
Sops for foreign VCs in mining on cards

Parul Chhaparia
New Delhi, Oct 11

IN a bid to attract investments in mining-related R&D and exploration, the government proposes to relax entry and exit norms for foreign venture capital funds in this high-risk sector and offer them tax incentives akin to those available for pharmaceutical firms.

The R&D investment by drug companies is eligible for a 200% weighted deduction while calculating their taxable income. The government plans similar sops for mining R&D and a set of tax rebates for exploration of minerals buried deep.

According to sources, the ministry of mines has urged the finance ministry to provide fiscal incentives for mining R&D and exploration. A separate proposal for relaxing entry and exit norms for VC funds is under



consideration by both Sebi and the finance ministry, the sources added. The proposals have been discussed at recent high-level meetings among officials from the finance and mines ministries, investment bankers and other funding agencies.

According to Sebi guidelines, a foreign VC cannot invest more than 25% of the funds committed for India

investments in a single venture. The mines ministry wants the lock-in period for the VCs to be relaxed too.

These sops, if cleared by the finance ministry, will be over and above the liberal regime for investors proposed in the new mining Bill — MMDR Bill — cleared by the Cabinet recently. Once it becomes law, mining-related awards, concessions and leases could be transferred by the investors. Besides, there will be certainty on the tenure of these awards.

Mines secretary Vijay Kumar said: "It is too early to discuss what could be the specific incentives for VCs as we still have a couple of more meetings to go. We have taken up the matter with various officials including those from the finance ministry and we are definitely looking at VCs' role in R&D and exploration."

■ Continued on Page 2

Tax sops for foreign VCs in mining R&D

The government allows 100% foreign direct investment (FDI) for exploration and mining of diamonds and precious stones through automatic route. As per the department of industrial policy and promotion, the mining sector received FDI

worth \$106.15 million till June 2011-12, \$6.78 million more than in January 2011.

However, there is little venture capital investment in any mining activity. According to some of the private equity firms, the primary reason is the

high risk and uncertainty in the sector. "It would be very difficult to attract venture capitalists in the mining sector as such investors come only for the sunrise sectors like pharma. To attract VCs into mining will be difficult as the risk is so high,"

said Sanjay Sethi, senior executive director and head (infrastructure group) of Kotak Investment Banking.

The ministry last week held a meeting with various officials of finance ministry and Sebi to discuss the same.

**India, Czech Republic
discuss coal sector co-operation**

New Delhi, Oct. 11

The Coal Minister, Mr Sriprakash Jaiswal, met visiting the Minister of Industry and Trade of the Czech Republic, Mr Martin Kocourek, here on Tuesday. The issues discussed include the scope for technical cooperation in the development of coal mining in India, particularly underground coal mines, Government officials said. The delegation from the Czech Republic was informed about the possibilities to establish manufacturing facilities in India for underground mining machinery. The other areas of interests for technical cooperation are deep coal mining, lignite mining, clean coal technologies including coal mine methane extraction, and underground coal gasification. — **Our Bureau**

Jindal Aluminium to invest Rs 450 cr in new foil plant

Our Bureau

New Delhi, Oct. 11

Jindal Aluminium Ltd is setting up a new plant in Bangalore to manufacture aluminium sheets and foils as part of its diversification strategy.

Jindal proposes to invest about Rs 450 crore in the new foil plant which will create about 500 new jobs, said the company's Vice-President, Mr Rajesh Bansal.

The company plans to fund it through internal reserves and has already placed orders for the equipment. The plant, with a capacity of 30,000



tonnes a year, is expected to commence operations next year, Mr Bansal said.

CAPACITY EXPANSION

The S.R. Jindal promoted company claims to be the largest manufacturer of aluminium extrusions in India and accounts for about 37 per

cent of the domestic demand. It has recently expanded the installed capacity of its aluminium extrusion plant from 75,000 tonnes a year to 81,000 tonnes. The company is targeting a 10 per cent growth in sales for the current fiscal. For 2010-11, Jindal Aluminium had reported a sales turnover of Rs 800 crore.

Mr Bansal said demand for aluminium extrusions, which has been growing at about 10 per cent a year, mainly comes from sectors such as infrastructure, automobile, engineering products and solar installations.

Copper declines on fears of slipping China demand

Reuters

London, Oct. 11

Copper slipped on Tuesday on concerns about the debt crisis in the Euro zone ahead of the outcome of a vote by Slovakia to approve new powers for the Euro zone rescue fund.

Benchmark copper on the London Metal Exchange (LME) traded at \$7,255 in official rings, down from Monday's close of \$7,495 a tonne.

Aluminium traded at \$2,224 a tonne in official rings. It was untraded at the close on Monday, but was bid at \$2,258 a tonne.

Aluminium producer Alcoa kicks off the third-quarter US earnings season after markets close on Tuesday.

Worries about the euro

zone debt crisis, and concerns about demand from top consumer China have put pressure on the outlook for the company.

Its results are expected to reflect a weakened economy, with demand for aluminium strong in some sectors such as aerospace but weak in others like construction.

Lead was untraded in official rings, but bid at \$1,960 a tonne, from Monday's close of \$2,005 a tonne, while zinc traded at \$1,903 from \$1,950 a tonne on Monday.

Tin was at \$22,250 a tonne from a close of \$23,050 on Monday and nickel traded at \$18,945 a tonne from \$19,375 on Monday.

'Government should monitor ore cargo'

Special Correspondent

PANAJI: Stung by the continued 'finger-pointing' by the State government and media reports holding the port responsible for illegal exports of iron ore from Goa, the Mormugao Port Trust (MPT) on Monday put the onus on the State government.

A statement issued by the MPT, India's largest iron ore exporting port in Vasco, said the different departments of the State and Central governments should have put in place a foolproof system to curb illegal mining and exports.

The statement said the port did not have any authority to verify the legality of the iron ore exports, and it was the job of several departments of the State government and the Customs Department.

The statement said ports did not have any mandate to

examine the source of cargoes and to decide whether or not to allow exports. The port's core area of operation, it said, was service, and it was an industry under the service sector and not an "enforcement body" like government departments empowered to enforce laws.

The MPT also deplored attempts in certain quarters to tarnish its image by blaming it for failure to halt illegal iron ore exports.

Countering charges over illegal mining and exports at the recently concluded session of the Assembly, Chief Minister Digambar Kamat said it was the MPT's responsibility to ensure that all iron ore cargoes exported through it were legal. He faulted the MPT for dragging its feet over the implementation of the directives issued by the Department of Mines to insist on a No Objection Certificate (issued on clearance of

royalty) before allowing shipments.

The MPT has been dragged into the controversy, as around two million tonnes of iron ore forming part of last year's exports from the MPT were sent by traders who had failed to divulge the source of the ore.

The MPT explained how the mined ore moved from different State Departments and the Pollution Control Board and how at every stage any department could verify the legality of ore till it reached the port. It said business entities with export licences were allowed to export cargo from the MPT as in any major port of the country. "A port trust is an autonomous corporate body which cannot act as an enforcer or regulator on its own in respect of export or import without statutory sanctions or directives from the government to act as an agent to do so."

**भारत व चेक गणराज्य कोयला
खनन में सहयोग करेंगे**

नई दिल्ली: केन्द्रीय कोयला मंत्री श्रीप्रकाश जायसवाल ने आज चेक गणराज्य के उद्योग व व्यापार मंत्री मार्टिन कोकूरेक से यहाँ मुलाकात की। दोनों मंत्रियों के बीच भारत में कोयला खनन, विशेषकर भूमिगत खनन के क्षेत्र में तकनीकी सहयोग बढ़ाने के संबंध में बातचीत हुई।