Bill on coal block auction moved in RS

New Delhi: A Bill providing for the allocation of coal blocks to private companies through an auction, replacing allocation by a government screening panel, was moved in the Rajya Sabha (RS) on Friday.

Moving the Mines and Minerals (Development and Regulation) Amendment Bill, 2008, mines minister B.K. Handique said the present system of allocating coal blocks for captive use through a screening committee "is vulnerable to criticism on the ground of lack of transparency and objectivity".

Currently, an inter-ministerial screening committee allocates coal blocks to private firms engaged in generation of power, production of iron and steel and some coal washeries. PTI
Bill on auction of coal blocks

The government on Friday moved a Bill in the Rajya Sabha for amendment to the Mining Act to pave way for auction of coal blocks for captive use by industries like power, steel and cement. PTI
Vedanta mulls majority stake in Cairn India

PBD BUREAU/PTI
NEW DELHI, AUG 13

LONDON-listed Vedanta Resources Plc is in talks to acquire a majority 51 per cent stake in Cairn India for about $8.8 billion (nearly Rs 40,000 crore) and the deal may be announced on Sunday evening or Monday.

Scottish explorer Cairn Energy Plc, which holds 62.57 per cent interest in the India-listed Cairn India, is seeking up to 20 per cent premium for passing on controlling stake, two persons in know of the development said.

Billionaire Anil Agarwal, who heads Vedanta, “is meeting Cairn Energy Plc chief executive Bill Cammell in London today and the deal is likely to be announced as early as Sunday evening or on Monday,” one of them said.

The deal will be contingent on government approval as Cairn’s three producing oil and gas assets including the giant Rajasthan fields and seven exploration blocks either have explicit provision for seeking prior approval before transfer of interest or gives pre-emption or right of first refusal to partners like ONGC.

The sources said Cairn Energy has been in talks with Vedanta for three weeks now and talks centre around selling majority stake.

“If Cairn Energy was to sell a minority 10-12 per cent stake, they would have done that on the stock exchange. Moreover, it does not make sense for an investor like Vedanta to make portfolio investment,” a source said.

Spokespersons of Cairn Energy and Vedanta declined comments.

Upon acquisition of majority stake, Vedanta Resources will have to make an open offer for additional 20 per cent stake and may even choose to delist. However, India’s market regulator Sebi has now proposed for revising open offer size to up to 100 per cent, in which case the buyer would have to offer to acquire the entire company.

Cairn Energy Plc, which has kept the management of its subsidiary out of the talks, today deputed Cairn India CEO Rahul Dhir to brief the government whose approval is crucial for the deal to go through.

After meeting Dhir, Oil Secretary Sundareshan said the deal will need the government’s approval.

All production sharing contracts (PSCs) signed by companies for exploring for oil and gas have provisions for government approval if some stake in the field or the company were sold, he said.

Dhir said he was not part of the discussions that were being conducted by Cairn India’s parent company.

“To me it looks like they (Cairn Energy Plc) are not exiting completely… I am not aware of (the details). The discussions are taking place between majority shareholder and Vedanta. I am not part of those discussions,” he said. If it is successful, Vedanta -- which has iron ore, zinc and copper mines -- will be the second largest miner in the world after BHP Billiton to have an interest in oil.

“What was presented is that they are selling a stake, but I do know they remain supporters of our business,” Dhir said.

“If a new strategic shareholder is coming, it is only underscoring the belief and the faith they have in the business.”
VEDANTA IN TALKS FOR MAJORITY STAKE IN CAIRN INDIA

Deal may cost the metal player $8 billion

BS REPORTER
New Delhi, 13 August

In a move which could see the country’s biggest metal player’s entry into the crude oil business, Vedanta Resources Plc is looking for a “majority stake” in Cairn India. The London Stock Exchange-listed Vedanta Resources is negotiating with Cairn Energy Plc, the British company owning 62.4 per cent in Cairn India, for a controlling stake.

An executive close to the development told Business Standard Vedanta wanted to get a “minimum 50 per cent” stake but the British parent did not want to give up “substantial” equity in Cairn India, that contributes nearly 95 per cent to its total oil and gas production. At current valuations, a 51 per cent stake in Cairn India could see the deal being struck at $8-8.5 billion.

Though there were reports stating that Vedanta Chairman Anil Agarwal met Cairn Energy Chief Executive Bill Gammell and a deal was expected to be sealed on Monday, a Vedanta Resources spokesperson did not confirm this. Cairn Energy’s spokesperson was unavailable for comment.

Analysts said funding for the deal was likely to be a major issue, especially if Vedanta went for a complete buyout of Cairn Energy’s interest in the Indian company. Not only would it be Vedanta’s first buyout in oil and gas but also the country’s first such deal where a private parent company exits in favour of another from three producing assets. The last such deal was in 2002, when BG had acquired a 30 per cent stake in the Panna-Mukta-Tapti (PMT) fields, following its acquisition of Enron Oil and Gas India.

The PMT fields, however, were discovered and then privatised by the government, unlike Barmer, where Cairn discovered and is producing the crude oil. The Barmer oil production in Rajasthan, in which government-owned Oil and Natural Gas Corporation has 30 per cent stake, helped Cairn Energy emerge from a small exploration company to a major oil producer.

Page 2
Deal gives ONGC the jitters

BREAKING NEWS

EXPLORATORY TALKS
Vedanta in...

CAIRN HAD bought stake in the block from Shell for $5 million in 1995. With crude oil discovery in 2004, ONGC stepped in as the go
government nominee, with 30 per cent stake in the onshore block. The group spun off its Indian operations in January 2007, when Cairn In
dia was listed on the Bombay Stock Exchange.

Cairn Energy, perceived to be an explorer that preferred to exit a block once a discovery was made, graduated to a major oil producer last year. The Barmer field con
tributes about 18 per cent to India’s production of 674,000 barrels a day. Malaysia’s Petronas, a strategic partner with Cairn Energy in three of its assets — in Bangladesh, India and Greenland — had last year bought an additional 2.3 per cent stake in Cairn India from the British parent for around $1,100 crore, raising its total holding in the com
pany to 14.94 per cent. Though a person close to the development de
ned the mining major was in talks with Petronas, Vedanta’s acquisi
tion of a majority stake would re
quire that Cairn Energy consider
its Malaysian partner’s stand, too. Besides, Vedanta’s acquisition of more than 10 per cent stake in Cairn India would mandatorily trigger an open offer.

When asked to comment, Rahul Dhir, chief executive of Cairn India, told reporters today, “I don’t think they are exiting the business. They are just selling stake.” He was com
ing out of a meeting with Petroleu
um Secretary S Sundareswaran.

Sundareswaran said a com
pany that had signed a pro
duction sharing contract (PSC) with the Indian gov
ernment for an oil exploration block would need the latter’s approval if some stake in the field or the company were to be sold. “All PSCs have pro
visions for appropriate gov
ernment approvals before such changes in the owner
ship are made,” he said. “What I do know is that they (Cairn Energy) remain a very strong supporter of our busi
ness.”

“If a new strategic share
holder is coming, it only under
scores the belief that they have in our business,” Dhir added.

Though Cairn Energy re
quires massive investment in its business elsewhere in the world, including Greenland, the importance of Cairn In
da to Cairn Energy’s port
folio can be gauged from the fact that of its global invest
ment plan of $1.52 billion, as much as 70 per cent is focused on its Indian assets.

Besides, Cairn Energy in a recent presentation said, “the Rajasthan asset provides platform for future growth” and “reinvestment opportu
nities remain focused on the Rajasthan development and drilling in Greenland”. In an interview to BBC last year, Gammell had said the chal
lenge before the company was the cost of drilling. “As op
posed to drilling a well in Ra
jasthan, where it might cost us $1 million, in Greenland it might cost us $100 million.”
NMDC schools PSUs on arming Naxal-hit Bastar

Durbar Ganguly ■ New Delhi

In the Maoist-dominated Bastar, where ushering in development has remained a major challenge for the Government, a public sector undertaking is setting a perfect example of corporate social responsibility.

The country’s largest iron ore producer, NMDC, has planned a three-million-tonne greengfield steel plant at Jagdalpur; is making major investment in meeting the educational needs of the locals to prepare them for taking up important positions in the upcoming plant.

An ITI as well as a residential school for the local students, both funded by NMDC, will be inaugurated by Union Steel Minister Virbhadra Singh in the presence of Chhattisgarh Chief Minister Raman Singh on August 17.

NMDC is already providing scholarships to tribal boys and girls in the region. It has constructed 40 new schools and renovated 21 others while building nine hostels. It has been running an ITI at Bhanssi, where 108 students are trained every year.

Besides, NMDC is setting up two polytechnics at Dantewada and Nagarnar to teach courses relevant for the plant. “We do not want the locals to assume jobs of labourers or low-skilled support staff once the steel plant comes up; hence the effort to educate and train them,” said Rana Som, CMD of NMDC.

In the residential school, free education will be imparted and NMDC will also bear expenses on clothes, books, recreation apart from boarding and lodging. The school will be managed by DAV Public School.

The school has already admitted 200 students selected from families who sold their land for the project and tribals in the region. Out of them, 80 students have been handpicked by an NDMA team who travelled to remote villages, even on foot, and picked up boys from BPL tribal families. Remaining 120 students will come from neighbouring areas.

“Our target is to empower natives of the land so that when the steel plant comes up they can assume managerial positions in the plant and other facilities coming up in the region,” said the CMD.

NMDC has completed land acquisition for its steel plant with farmers providing 788 acres out of a total of 1,500 acres and rest the Government. The construction of the plant will start in October this year and the project is expected to be completed in three years.

Thus, Bastar’s iron ore, which used to enrich factories in far-flung areas of the country or abroad, could now be processed locally. This would play a key role in all-round development of the region.

Apart from providing hostel facility for the 80 students picked up from 21 villages in the remote regions, buses will be provided for students coming from within a radius of 10 km of the school.

Recounting the experience of NMDC team which visited remote villages in Bastar, Dantewada, Bijapur, Kanker and Narayanpur districts, Som said that many even broke down inconsolably while narrating the way tribals in remote villages welcomed them.

“Place our experiences against the civil society debate on how to use force to bring the misguided local population of the Naxal-region back to mainstream and draw your conclusion”, was what one member of the team felt.

Continued on Page 4
NMDC schools PSUs...

From Page 1

Clearly personal warmth can win the hearts of simple tribals more successfully than the fear of guns.

NMDC is on a mission to transform the Bastar region from a backward inaccessible underdeveloped region to a vibrant steel manufacturing hub. The hassle-free and smooth land acquisition process illustrates that the local people too have faith on the effort. It is for the private corporations to follow the example and come forward to set up an ancillary industry and turn the nascent dream into a reality.
GOLD UP ON GLOBAL CUES

Standard gold surged 0.88 per cent, or ₹125, on Friday to close at ₹18,530 per 10 grams in the Mumbai bullion market on firm global cues. In Europe, gold climbed to a one-month high as were investors spooked by a raft of disappointing US economic data, which turned the yellow metal into a safe haven of value. Spot gold hit a high of $1,217.35 an ounce early Friday, but slipped on profit-booking to trade at $1,214.50 an ounce late afternoon. **BS REPORTER**
Vedanta gets banks’ nod to fund Cairn deal

Contours likely to be finalised by Monday; markets concerned at debt load

VISHAL CHHABRIA
& ARJUN BARMAN
Mumbai, 13 August

As talks between Cairn Energy and Anil Agarwal’s Vedanta Resources reach an advanced stage, investment banking sources told Business Standard the latter had already tied up close to $4 billion ($19,000 crore) of funding from three leading banks.

Goldman Sachs, Barclays and JPMorgan have agreed to finance the deal via a combination of dollar and pound debt, said people close to the ongoing negotiations. The final deal size is not yet known, but Vedanta already has a commitment from these banks. Others may join, depending on the final deal value.

Over the weekend, the contours of the deal are expected to be put in place by Vedanta’s core team of Agarwal himself, Sterlite finance director Tarun Jain and Vedanta CEO M S Mehta, along with Cairn Pic’s CEO, Bill Gammell, and his senior management team.

“There is no concrete offer on the table yet, but it’s work in progress and something can happen overnight. It’s very clear Vedanta will take a strategic stake. So, it can be anything between 25-51 per cent,” said a person privy to the ongoing talks.

Vedanta officials, however, insist they would like majority control or at least a controlling stake. Cairn, too, wants to focus on exploration rather than operating a producing field. The money is expected to be reinvested in Cairn’s E&P assets in the Arctic region.

It is expected that even if Vedanta takes a 51 per cent stake, the deal will be structured so that the final stake will be inclusive of the open offer. At the current market value of Cairn, Rs 67,443 crore, acquisition of a majority stake is expected to cost Vedanta Rs 34,400 crore. Experts say it will have to give a premium over the current price for gaining control – the market is abuzz with speculation that the deal will happen at around Rs 400 per share.

Sources say work is also on to explore how the exemptions under the Takeover Code can be exercised, so that the open offer trigger doesn’t get exercised even if the stake actually crosses the 15 per cent threshold.

Financing

While the deal modalities are yet to be announced officially, the Vedanta group had net cash and cash equivalents of $7.2 billion (Rs 33,120 crore) as of this March, of which $3.13 billion ($14,380 crore) was in the books of Sterlite Industries and $1.08 billion in Sesa Goa (another India-listed subsidiary). In case of Sterlite, the company had cash and investments worth Rs 23,642 crore and debt of Rs 9,260 crore as of March.

Put together, Vedanta generates robust cash from its metals and minerals business. For 2009-10, its earnings before interest, depreciation, tax and amortisation was $2,296 million (Rs 10,560 crore). This was $794 million (Rs 3,650 crore) for the quarter ended this June. Vedanta also owns a power generation company, Sterlite Energy, planning to tap the market in the current year. This company has operating assets worth 600 Mw, with commissioning slated for September; in addition, work to increase the capacity to 4,380 Mw by September 2013 is already under way. This would further boost the group’s cash flows.

With such strong cash flows, and last year’s failed attempt to acquire US-based copper mining company Asarco, the recent move to acquire Cairn India does not look surprising, though it entry into a new segment, viz. oil and gas, did surprise. Additionally, Cairn India’s cash flows could also be partly used to repay the acquisition-related debt Vedanta will take for buying it. Cairn India is estimated to report a net profit of Rs 4,814 crore in the current financial year and over Rs 12,800 crore in 2011-12, according to a July 28 report by Goldman Sachs.

Among Anil Agarwal’s key moves in the last decade was an attempt to take full control of Sterlite Industries around mid-2002, acquisition of 26 per cent in Hindustan Zinc in April 2002 and a majority stake in Sesa Goa in April 2007. The first two moves came just a few months before the commodities bull run started (metal prices were then around their lowest in the decade). Even in the case of Sesa Goa, the run-up in iron ore prices was in the early stages of the bull run.

As there is no clarity over how the deal will finally get structured, the news led to initial panic among investors. There was a sharp decline in the share price of Sterlite Industries, Vedanta’s India-listed subsidiary which produces metals like aluminium and copper. On a day when the Sensex was up 0.5 per cent, Sterlite fell 4.26 per cent to 160.70, on fears that this mammoth deal will be routed through this company.
Vedanta secures $4-bn pledge from banks

As talks between Cairn Energy and Anil Agarwal’s Vedanta Resources reach an advanced stage, investment banking sources told Business Standard that the latter had already tied up close to $4 billion (₹19,000 crore) of funding from three leading banks, Goldman Sachs, Barclays and JPMorgan have agreed to finance the deal via a combination of dollar and pound debt, said people close to the ongoing negotiations. The final deal size is not yet known, but Vedanta already has a commitment from these banks. Others may join, depending on the final deal value.
Vedanta may acquire at least 51% in Cairn India...deal likely to be sealed by Monday

DEAL DEMOGRAPHICS....

- Deal will entail a buyout of $8.5 billion.
- Vedanta Resources will have to make an open offer for additional 20% stake and may even choose to delist.
- Cairn Energy Plc deputed Cairn India CEO Rahul Dhir to brief the Government whose approval is crucial for the deal to go through.

To tie it looks like they (Cairn Energy Plc) are not exiting completely...I am not aware of (the details). The discussions are taking place between majority shareholder and Vedanta. I am not part of those discussions.

— Rahul Dhir
CEO, Cairn India

The Pioneer, Delhi
Saturday, 14th August 2010, Page: 10

The London-listed Vedanta Resources Plc is in talks to acquire a majority 51 per cent stake in Cairn India for about $8.5 billion (nearly Rs 40,000 crore) and the deal may be announced on Sunday evening or Monday.

Scottish explorer Cairn Energy Plc, which holds 82.37 per cent interest in the India-listed Cairn India, is seeking up to 20 per cent premium for passing on controlling stake, two persons in know of the development said.

Billionaire Anil Agarwal, who heads Vedanta, “is meeting Cairn Energy Plc Chief Executive Bill Gammell in London on Friday and the deal is likely to be announced as early as Sunday evening or on Monday,” one of them said.

The deal will be contingent on Government approval as Cairn’s three producing oil and gas assets including the giant Rajasthan fields and seven exploration blocks either have explicit provisions for seeking prior approval before transfer of interest or gives pre-emption or right of first refusal to partners like ONGC.

The sources said Cairn Energy has been in talks with Vedanta for three weeks now and talks centre around selling majority stake.

“If Cairn Energy was to sell a minority 10-12 per cent stake, they would have done that on the stock exchange. Moreover, it does not make sense for an investor like Vedanta to make portfolio investment,” a source said.

Spokespersons of Cairn Energy and Vedanta declined comments.

Upon acquisition of majority stake, Vedanta Resources will have to make an open offer for additional 20 per cent stake and may even choose to delist. However, India’s market regulator Sebi has now proposed for revising open offer size to up to 100 per cent, in which case the buyer would have to offer to acquire the entire company.

Cairn Energy Plc, which has kept the management of its subsidiary out of the talks, on Friday deputed Cairn India CEO Rahul Dhir to brief the Government whose approval is crucial for the deal to go through. After meeting Dhir, Oil Secretary S Sundaresan said the deal will need the Government’s approval.

All production sharing contracts (PSCs) signed by companies for exploring for oil and gas have provisions for Government approval if some stake in the field or the company were sold, he said.

Dhir said he was not part of the discussions that were being conducted by Cairn India’s parent company.

“To me it looks like they (Cairn Energy Plc) are not exiting completely...I am not aware of (the details). The discussions are taking place between majority shareholder and Vedanta. I am not part of those discussions,” he said.

If it is successful, Vedanta— which has iron ore, zinc and copper mines — will be the second largest miner in the world after BHP Billiton to have an interest in oil.

“What was presented is that they are selling a stake, but I do know they remain supporters of our business,” Dhir said. “If a new strategic shareholder is coming, it is only underscoring the belief and the faith they have in the business.”

The two companies had yesterday confirmed in separate but identical statements that they were in discussions about the possible sale of Cairn Energy’s stake in its Indian unit to Vedanta.

Dhir said Vedanta was the only company Cairn Energy was presently talking to.

Cairn India owns 70 per cent stake in the Mangala oil field in the prolific Rajasthan block where the rest is held by state-owned ONGC.

Mangala field has touched the approved plateau of 125,000 barrels per day and Cairn India estimates it is likely to go up to 150,000 bpd, Dhir said.

The entire Rajasthan block has an approved plateau production of 175,000 bpd but the company estimates it has a potential to go up to 240,000 bpd, he said adding the additional production was subject to approval of the Government, the regulator DGH and the partner ONGC.

Cairn India is valued at over $14 billion at Thursday’s closing price of Rs 540.

Meanwhile at BSE, the share of Vedanta Resources plunged 5.59 per cent.
Vedanta may take 51% in Cairn India

NEW DELHI: Vedanta Resources may acquire 51 per cent stake in Cairn India for about $4.4 billion (Rs 40,000 crore) and the deal may be announced by Monday. Cairn Energy is seeking up to 20 per cent premium for passing on controlling stake, sources said. Anil Agarwal, who heads Vedanta “is meeting Cairn Energy Chief Bill Gammell in London.”

PTI
Vedanta may acquire 51% in Cairn

NEW DELHI, 13 AUG: London-listed Vedanta Resources Plc is in talks to acquire a majority 51 per cent stake in Cairn India for about $8.85 billion and the deal may be announced on Sunday evening or Monday.

Scottish explorer Cairn Energy Plc, which holds 62.37 per cent interest in the India-listed Cairn India, is seeking up to 20 per cent premium for passing on controlling stake, two persons in know of the development said.

Billionaire Mr Anil Agarwal, who heads Vedanta, “is meeting Cairn Energy Plc chief executive, Mr Bill Gammell in London today and the deal is likely to be announced as early as Sunday evening or on Monday,” one of them said.

The deal will be contingent on government approval as Cairn’s three oil and gas producing assets including the giant Rajasthan fields and seven exploration blocks either have explicit provision for seeking prior approval before transfer of interest or gives pre-emption or right of first refusal to partners such as ONGC.

The sources said Cairn Energy has been in talks with Vedanta for three weeks now and talks centre around selling majority stake.

“If Cairn Energy was to sell a majority 10-12 per cent stake, they would have done that on the stock exchange. Moreover, it does not make sense for an investor like Vedanta to make portfolio investment,” a source said.

Spokespersons of Cairn Energy and Vedanta declined comments.

Upon acquisition of majority stake, Vedanta Resources will have to make an open offer for an additional 20 per cent stake and may even choose to delist. However, India’s market regulator Sebi has now proposed for revising open offer size to up to 100 per cent, in which case the buyer would have to offer to acquire the entire company. pti
Coal Bill

NEW DELHI, 13 AUG: The government today moved a Bill in the Rajya Sabha for amendment of the Mining Act to pave the way for auction of coal blocks for captive use by industries like power, steel and cement. pti
Earnings

Adani net up over twofold at ₹407 cr

New Delhi: Adani Enterprises Ltd on Friday reported a more than twofold rise in consolidated net profit to ₹407 crore for the quarter ended 30 June, on the back of its entry into new businesses.

"Earlier, we were predominantly into trading. Now, we are also involved in high contribution businesses like power, which helped in improving our margins," a spokesperson of the firm said.

However, turnover declined by 14.4% to ₹5,536 crore in the reporting period, from the year-ago figure of ₹6,377 crore. The decline was mainly on account of lower revenue from its core trading business. PTI
वेदांता लेगी केर्न इंडिया में 51 प्रतिशत हिस्सेदारी

नई दिल्ली (एप्सी)। प्रेस इनफोर्मेशन बुरूजा की स्थायी अधिकारी बिनाई बी ने बताया कि केर्न इंडिया में अपनी 51 प्रतिशत हिस्सेदारी वेदांता सिस्टेम्स को 800 से 850 करोड़ डॉलर में बेच सकती है। इसलिए, यह दिन के बांधकाम का एक महत्वपूर्ण घटना है। इसके लिए वेदांता ने अपनी भारतीय कंपनी की मंजूरी लेनी पड़ी।

वेदांता के आदेश अनुसार वो अपने केर्न एक्सपोज़ नामक कंपनी द्वारा आयोजित एक सम्मेलन में आयोजित करना चाहता है। इसकी भाषा वेदांता ने उल्लेख किया जब तक कि कंपनी इसे इससे दूर रखा सके। विषय में विभिन्न कंपनियों के बीच हस्ताक्षर द्वारा समझौता होना है।

प्रदेश सरकार ने इस घटना के लिए वेदांता को क्रेडिट देना दिया है। सरकार ने इसके लिए वेदांता को सहयोग दिया है। वेदांता के आदेश अनुसार वो अपने केर्न इंडिया की मंजूरी लेना पड़ा।
सीआईएल होगी सबसे बड़ी सूचीबद्ध नियोक्ता

यह हिलली है। पूरीतिस्वरूप को सबसे बड़ी कंपनी उपहारकता कंपनी कोलेज इंडिया के बावजूद से, आईईआर और पूरीतिस्वरूप से सह्य साझे कार्य में सबसे बड़ी कंपनीयों में सबसे बड़ी नियोक्ता कंपनी होगी। सरकारी कंपनी ने एक सरल फाइल आपने आईईआर के लिए मलिक दस्तावेज प्रद कर दिया था। कंपनी द्वारा देश में अब तक के सबसे विशाल प्राप्तिक्षक शेयर निर्माण से सरकार को 15,000 करोड़ रुपये जुर्माने की उम्मीद है।

शेयर नियमात्मक सेवों के पास जानकारी दिए गए मसीहा जान में कंपनी ने 10 रुपये अंतिम मुद्दे जिन 631,636,440 इक्किन्द्री शेयर जारी करने की सन्मानित मांग है।
It may spend $8-8.5 bn & shift focus from metals

Vedanta set to buy 51% in Cairn India

By Mail Today Bureaux
In New Delhi/Mumbai

BILLIONAIRE metal king Anil Agarwal-run Vedanta Resources is in talks to acquire a 51% stake in upstream oil and gas company Cairn India in a $8-8.5 billion (about ₹37,264-39,593 crore) deal, which may be announced on Sunday evening or Monday.

Cairn Energy Plc of the UK, which holds 62.37% per cent stake interest in the Cairn India, is eyeing a 20% premium for transferring management control of the firm to Agarwal.

Cairn India chief executive officer (CEO) Rahul Dhir met petroleum secretary S. Sundaresan to apprise him about the ongoing negotiations as the deal will need the approval of the Indian government.

Cairn India's shares hit a record high on Friday.

“All production-sharing contracts signed by companies for oil and gas exploration have provisions for government approval if some stake in the field or the company were sold,” Sundaresan said.

Dhir said he was not a part of the discussions that were being carried out Cairn’s UK management. “To me it looks like they (Cairn Energy Plc) are not exiting completely. I am not aware of the details. I am not part of those discussions,” he said.

Agarwal will be meeting Cairn Energy Plc chief executive Bill Gammell in London for the final round of talks.

According to sources, Cairn Energy has been talking to Vedanta for the last three weeks and Agarwal is looking for a majority stake.

If Cairn Energy was to sell a minority of 10 to 20 per cent stake, they would have done that on the stock exchange. Moreover, it does not make sense for an investor like Vedanta to make portfolio investment, a source said.

Spokespersons of Cairn Energy and Vedanta declined to comment.

The two companies had on Thursday confirmed in separate but identical statements that they were in discussions about the possible sale of Cairn Energy's stake in its Indian unit to Vedanta. Dhir said Vedanta was the only company Cairn Energy was presently talking to.

Cairn has three producing oil and gas assets, including the Rajasthan oil fields and seven exploration blocks in India. ONGC has the first right of refusal in the producing assets.

However, in a similar deal, the government had earlier approved the transfer of Enron stake to British Gas in the western offshore Panna-Mukta oil and gas fields.

Cairn India owns 70 per cent stake in the Mangala oil field in the Rajasthan block, where the rest is held by public sector Oil and Natural Gas Corporation (ONGC) Ltd.

From the current market price of Cairn India, analysts are feeling that the offer price of Vedanta is on the higher side, though they see some long term benefits from the deal for Vedanta.

“The deal values the stock at 19.16 per cent upside, taking Cairn India’s value to $15.7 billion from the current market cap of $14.4 billion. The lower-end valuation would imply per share valuation of ₹190, an upside of 10 per cent from current levels,” said Alok Deshpande, oil and gas analyst at Elara Securities (India).

On Friday the Cairn India stock closed at ₹355.45 on the Bombay Stock Exchange (BSE). The higher-end of deal would imply a valuation of ₹413 per share — an upside of 16 per cent from current levels.

Prayesh Jain, oil and gas analyst of IIFL, said, “We believe the deal would be on expensive side for Vedanta considering our current target price of ₹338 per share, based on the sum of the parts (SOTP) valuation.”

However, considering the deal price, Jain believes there could be short-term up trend in Cairn India’s stock price, which can be used as a trading opportunity by investors.

The purchase would mark a shift in Vedanta’s strategy of only focusing on core metals, mining and power generation.
Vedanta may acquire 51% in Cairn India

NEW DELHI, AUGUST 13
London-listed Vedanta Resources Plc is in talks to acquire a majority 51 per cent stake in Cairn India for about $8-8.5 billion (nearly Rs 40,000 crore) and the deal may be announced on Sunday evening or Monday.

Scottish explorer Cairn Energy Plc, which holds 62.37 per cent interest in the India-listed Cairn India, is seeking up to 20 per cent premium for passing on controlling stake, two persons in know of the development said.

Billionaire Anil Agarwal, who heads Vedanta, "is meeting Cairn Energy Plc chief executive Bill Gammell in London today and the deal is likely to be announced as early as Sunday evening or on Monday," one of them said.

The deal will be contingent on government approval as Cairn's three producing oil and gas assets including the giant Rajasthan fields and seven exploration blocks either have explicit provision for seeking prior approval before transfer of interest or gives pre-emption or right of first refusal to partners like ONGC.

The sources said Cairn Energy has been in talks with Vedanta for three weeks now and talks centre around selling majority stake.

"If Cairn Energy was to sell a minority 10-12 per cent stake, they would have done that on the stock exchange. Moreover, it does not make sense for an investor like Vedanta to make portfolio investment," a source said.

Spokespersons of Cairn Energy and Vedanta declined comments.

After buying 51%, Vedanta will have to make open offer for addl 20% stake.

If the deal goes through, Vedanta will be 2nd largest miner in world.

After meeting Dhir, Oil Secretary S Sundareshan said the deal will need the government's approval.

All production sharing contracts (PSCs) signed by companies for exploring for oil and gas have provisions for government approval if some stake in the field or the company were sold, he said.

Dhir said he was not part of the discussions that were being conducted by Cairn India's parent company.

"To me it looks like they (Cairn Energy Plc) are not exiting completely... I am not aware of (the details). The discussions are taking place between majority shareholder and Vedanta. I am not part of those discussions," he said.

If it is successful, Vedanta - which has iron ore, zinc and copper mines - will be the second largest miner in the world after BHP Billiton to have an interest in oil. — PTI
कोल ब्लॉक का आवंटन नीलामी से प्रेट नहीं दिलती

केंद्र सरकार ने राज्य सरकार में एक विशेषक रूप से की गई है। विशेषक श्री राजेन्द्र ने निर्देशित कि निजी कंपनियों की कोल ब्लॉकों का आवंटन नीलामी के माध्यम से किया जाएगा। पहले कोल ब्लॉकों का आवंटन सरकार की स्वीकृति कमेटी करती थी। धर्मनाथ बीके हार्दिक ने महासागर एंड प्राकृतिक गैस (इंडियाल्ट एंड रूज्लेशन) अंडेड्वेट किल, 2008 पेश करते हुए कहा कि मैं इस समय में कोल ब्लॉकों का आवंटन स्वीकृति कमेटी के द्वारा किया जा रहा है। सर्वदल में निर्देशित के अनुसार के आदेश पर इसकी आवेदन की जा रही है।

हालांकि केंद्रीय भुगतान से कोल ब्लॉक का आवंटन राज्य या केंद्र सरकार के खामिल वकील कंपनियों को निर्देश दिया गया है।

जब से निर्णय हुआ तो इंडियाल्ट गैस लीडर आर्या डिस्ट्री कि जब तक कि निजी कंपनियों के यह पहले से ही 138 कोल ब्लॉक है और इन कंपनियों ने किसी भी ब्लॉक में काम का हुआ नहीं किया है।
खनन सेक्टर को रफ्तार देने के अभ्यास

कमी को दूर रखने के लिए खनन सेक्टर में नयी उद्योगों का उत्साह बनाए रखना आवश्यक है। लेकिन अभ्यास के बाद कोई दूसरी तरफ से, खनन क्षेत्र में नयी उद्योगों का उत्साह बढ़ाने के लिए भी आवश्यक है। इसका कारण उत्पादक घातकता स्तर तथा उत्पादकता का बढ़ता हुआ स्तर है।

लेखक ने यह उत्पादक घातकता के बारे में विभिन्न उदाहरणों के ज़रिए कहा है। यह उत्पादक घातकता के स्तर बढ़ने के कारण, उत्पादकता की कमी होती है, जिसका परिणाम उद्योग की व्यवसायिक स्थिति के बढ़ते नुकसान होते हैं। इसलिए, यहाँ का सामना उत्पन्नयोगी उपकरणों के उपयोग के ज़रिए नियंत्रित करना चाहिए।

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वेदांता का होगा केंयर्न इंडिया पर नियंत्रण

नियंत्रण योग्य हिस्सेदारी के लिए 20 फीसदी का प्रीमियम चाहती है कंपनी

विज्ञान भाषक • नहीं दिल्ली

मेटल व उत्पादन क्षेत्र की विशेषज्ञ कंपनी वेदांता रिसर्स कॉर्पोरेट की कंपनी केंयर्न एनजी की भारतीय स्थायी हिस्सेदारी केंयर्न इंडिया में निवेशण योग्य हिस्सेदारी हासिल करने के लिए अंतिम दौर की आवश्यकता कर रही है। उम्मीद का जा रहा है कि केंयर्न इंडिया में 51 फीसदी हिस्सेदारी हासिल करने के लिए रखी लीज़वार या सम्पर्क की घोषणा हो जाएगी।

इस हिस्सेदारी के लिए वेदांता रिसर्स केंयर्न एनजी के लिए 40,000 करोड़ रूपये का निवेश करेगी। केंयर्न एनजी के भारतीय शेयर

शास्त्री ने बताया कि वेदांता के सचिवालय अभियान आर्थिक शुद्धी को केंयर्न एनजी के लिए मुख्य कार्यकारी बिल ग्रेटर वे सुनिश्चित करने वाले हैं। उन्होंने बताया कि इस सीढ़ी की घोषणा वेदांता एनजी के बीच सीढ़ी की घोषणा का लाभ करने वाली है। हालांकि, इस कार्य के लिए वेदांता एनजी के भारत सरकार की रजस्तान में हासिल करने होगी।

मौजूदा समय में वेदांता टीन शाखाओं पर सेवा व तेल का उत्पादन कर रहे हैं। इसमें रजस्तान का ऑयल फॉल्ड भी शामिल है।

इसके अलावा कंपनी के पास सात अन्य उद्योग व्यक्ति भी हैं। इन सभी में हिस्सेदारी बेचने से पहले कंपनी को या तो सरकार की फीस मंजूरी की जरूरत होगी। या कि ओएनजी जैसे स्थायी व्यक्ति से अनुमोदित होनी होगी। ओएनजी को यहां अस्थायी बनाने का पहला अधिकार प्राप्त है।
Mines bill moved in House

AGE CORRESPONDENT

NEW DELHI

Aug. 13: The government on Friday moved the Mines and Minerals (Development and Regulation) Amendment Bill, 2008, which provides for allocation of coal blocks through auction to private companies, replacing allocation by a government screening panel.

Moving the bill in Rajya Sabha, mines minister B.K. Handique said the present system of allocating coal blocks for captive use through a screening committee “is vulnerable to criticism on the ground of lack of transparency and objectivity”.

At present, an inter-ministerial screening committee, which includes representatives from concerned state governments, allocates coal blocks to private firms engaged in generation of power, production of iron and steel and some coal washeries. However, competitive bidding route will not be applicable to the blocks given to the state or central government-owned companies.

CPI member R.C. Singh said private sector companies are already sitting on 138 blocks of coal without starting any operation.

He said several companies, which have no links with power or steel sector, have also been given the blocks.
Coal blocks to private companies via auction

New Delhi: Government on Friday moved a bill in Rajya Sabha for amendment of the Mining Act to pave the way for auction of coal blocks for captive use by industries like power, steel and cement.

Moving the Mines and Minerals (Development and Regulation) Amendment Bill, 2010, mines minister B K Handique said the present system of allocating coal blocks for captive use through a screening committee "is vulnerable to criticism on the ground of lack of transparency and objectivity." The government said state-run companies will be exempted from the ministerial screening committee, which includes representatives from the concerned state governments, allocates coal blocks for captive use to private firms engaged in generation of power and production of iron and steel, among others. State-owned companies are allocated such coal blocks under the government dispensation scheme.

The Bill has been hanging fire for over two years now since being introduced in Parliament in 2008. It was later referred to the Standing Committee on Coal for fine-tuning. The Cabinet had in February approved the revised Bill to amend some of the clauses of the Mines and Minerals Development and Regulation Act, 1957, to pave the way for competitive bidding for coal blocks. Trade union leader R C Singh (CPI) said private sector companies are sitting on 138 blocks without starting any operations. P Th
Vedanta may buy 51% in Cairn

Deal Valued Around ₹40,000 Crore, Likely To Be Announced In 2-3 Days

New Delhi: London-listed Vedanta Resources is in talks to acquire a majority 51% stake in Cairn India for about $8-8.5 billion (nearly Rs 40,000 crore) and the deal may be announced on Sunday evening or Monday. Scottish explorer Cairn Energy, which holds 62.37% interest in the India-listed Cairn India, is seeking up to 20% premium for passing on controlling stake, two persons in know of the development said.

Billionaire Anil Agarwal, who heads Vedanta, “is meeting Cairn Energy chief executive Bill Gammell in London on Friday and the deal is likely to be announced as early as Sunday evening or on Monday,” one of them said. The deal will be contingent on government approval as Cairn’s three producing oil and gas assets including the giant Rajasthan fields and seven exploration blocks either have explicit provision for seeking prior approval before transfer of interest or gives pre-emption or right of first refusal to partners like ONGC.

The sources said Cairn Energy has been in talks with Vedanta for three weeks now and talks centre around selling majority stake. "If Cairn Energy was to sell a minority 10-12% stake, they would have done that on the stock exchange. Moreover, it does not make sense for an investor like Vedanta to make portfolio investment," a source said. Spokespersons of Cairn Energy and Vedanta declined comments. Upon acquisition of majority stake, Vedanta Resources will have to make an open offer for additional 20% stake and may even choose to delist. However, Sebi has now proposed for revising open offer size to up to 100%, in which case the buyer would have to offer to acquire the entire company.

Cairn Energy Plc, which has kept the management of its subsidiary out of the talks, on Friday deputed Cairn India CEO Rahul Dhir to brief the government whose approval is crucial for the deal to go through.
Coal India to step up output from underground mines

Scouts for partners to restart 18 abandoned mines

Vishwanath Kulkarni
New Delhi, Aug 13

Coal India Ltd (CIL) plans to boost output from its underground (UG) mines and is in the process of selecting global mining firms as technology partners to restart some 18 abandoned mines as joint venture initiatives. The underground mines accounted for a tenth of CIL’s total raw coal output of 431 million tonnes in fiscal 2010.

“We intend to focus on increased production from our underground mines, including large reserves below 300 meters depth, by deploying advanced production equipment and technologies,” Coal India said in its draft red herring prospectus filed with the Securities and Exchange Board of India for its forthcoming initial public offer (IPO). The Government is divesting 10 per cent stake in Coal India consisting of 631 million shares through the IPO.

Of the 471 mines that CIL operated as of March 31 across eight States, 273 were underground mines and 161 were opencast mines, while the remaining were a combination of both underground and opencast.

In the current fiscal, CIL has earmarked a capital expenditure of Rs 659.6 crore towards the acquisition of equipment for underground mines. Further, CIL has entered into a joint venture with Damodar Valley Corporation (DVC) and BEML for the acquisition of the assets of Mining and Allied Machineries Corporation (MAMC) at Durgapur for manufacturing a range of mining equipment specifically for underground mines. CIL and DVC hold 26 per cent equity interest in MAMC, while BEML owns 48 per cent stake.

Coal India has also identified and proposes to re-work mining operations at 18 underground mines that were abandoned in the past primarily because of safety issues and lack of adequate technology. It is in the process of scouting for joint venture technology partner to restart these mines.

DEDICATED BERTHS

Further, it is also evaluating proposals for the development of dedicated berths for coal unloading facilities at the Visakhapatnam port.
Bill moved in Rajya Sabha to amend Mining Act

The government on Friday moved a Bill in the Rajya Sabha for amendment of the Mining Act to pave the way for auction of coal blocks for captive use by industries like power, steel and cement. "The present system of allocating coal blocks for captive use through a screening committee is vulnerable to criticism on the ground of lack of transparency and objectivity," said mines minister B.K. Handique while moving the Mines and Minerals (Development and Regulation) Amendment Bill, 2008. The government said state-run companies will be exempted from the competitive bidding mechanism for getting access to coal blocks for captive use under the proposed auction system.
It's business as usual, says Cairn chief

Our Bureau
New Delhi, Aug. 13
Cairn India Chief Executive Officer, Mr. Rahul Dhir, spent his day brainstorming the Cairn Energy Plc-Vedanta Resources stake sale. His day started with briefing the Petroleum Secretary, Mr. S. Sundareshan, on Cairn Energy’s proposal to offload a certain portion of its equity in Cairn India in favour of Vedanta. The company would need Government approval for the stake sale irrespective of the quantum, according to the production sharing contract (PSC) requirements.

Mr. Dhir told Business Line, “I am not in the picture, a shareholder is selling stake. For us it is business as usual. We are focussed on our production targets. Currently, we are producing 125,000 barrels a day.” Asked what Vedanta would bring on board for Cairn, he said, “I would not like to comment at this juncture.”
Vedanta set for ‘smart entry’ into petroleum sector

Richa Mishra
Vishwanath Kulkarni
New Delhi, Aug. 13

Going by its track record of acquisitions in India, Vedanta Resources Plc could possibly acquire majority stake in Cairn India. If Vedanta does go for a majority acquisition, analysts feel it may trigger an open offer.

Terming the latest move as a ‘smart entry’ into oil and gas sector, Mr Gokul Chaudhri of BMR & Associates said Vedanta has built its business through brownfield acquisitions. Besides, the metal and mining giant understands the commodities market well.

This acquisition would mark Vedanta’s global entry into the oil and gas upstream business. Vedanta, which already has an exposure to commodities such as iron ore, aluminium, zinc, lead and copper, will now add two major commodities — crude oil and gas — to its portfolio. The company has a cash balance of about $7.5 billion, according to Vedanta spokesperson.

“Vedanta is known for its fund raising capabilities and managing mineral resources,” Mr Chaudhri said.

Vedanta has a history of acquiring controlling stakes in all its acquisitions till date. In 2007, it had acquired a 51 per cent stake in iron ore company Sesu Goa Ltd from Mitsui & Co for $981 million. Earlier in 2002, Vedanta had bought a 64 per cent stake in Hindustan Zinc and in 2001, it had acquired 51 per cent stake in Balco.
Can Vedanta be the next BHP Billiton?

Vidya Ram
London, Aug. 13

Can Vedanta Resources pull off a BHP Billiton? This was the question being asked on Friday amid rumours that Mr Anil Agarwal’s London-listed mining titan was considering a bid for a majority stake in Cairn India.

Edinburgh-based Cairn Energy, which holds a 62 per cent stake in Cairn India and its Mangala project in Rajasthan, and Vedanta confirmed they were in talks about the Indian assets, though have not given details of the deal.

If the deal happens, it would mark a significant transformation for Vedanta, which produces aluminium, copper, zinc, lead, and iron ore, and would make it only the second diversified miner, after BHP Billiton, to have oil and gas assets.

“One reason why it doesn’t happen is that they are completely different operationally. You can’t just translate a mining skill-set, and acquiring oil companies comes at a hefty price,” said Mr Richard Knights, mining and energy analyst at Liberum Capital in London. That concern is one reason why the market reaction has been so negative; Vedanta shares were down nearly 5 per cent on Friday afternoon, a day after shares fell nearly 3 per cent when talk of the deal first began to circulate.

That’s not to say the energy-mining model doesn’t work. BHP has a hugely successful energy portfolio, which is not only its highest margin divisions (the EBIT margin for petroleum assets is 56 per cent compared to 49 per cent for the base metals and 12 per cent for aluminium), but also produces 30 per cent of its profits, according to the latest figures.

However, there are substantial differences between what BHP achieved and what Mr Agarwal’s group is hoping to. BHP made its first foray into energy back in 1960, when the company hired an American geologist to identify potential oil fields in Australia, which ultimately led them to a joint venture with Exxon in the Bass Strait in 1965. BHP has gradually built up its energy assets, through organic growth and also has assets in the North West Shelf and the Gulf of Mexico.

By contrast, the Vedanta move would put it in charge of one of India’s most significant oil fields, with an estimated capacity, when fully up and running, of up to 240,000 barrels a day. Analysts are also in little doubt that it’s a deal that could only take place at a hefty premium. Vedanta is expected to announce a purchase price of $8.5 billion on Monday, reported the Reuters news agency on Friday, citing an unnamed source close to the deal. That would put the price tag at around a 15 per cent premium to Cairn India’s current share price. Depending on one’s view of where oil prices are heading and the risks involved in the Mangala project (which are not insubstantial, especially given that it is a highly water-intensive project) that could either be seen as a bargain or a highly risky gamble.

“There is no doubt it could be the right move, though it would require a significant amount of debt financing on Vedanta’s part,” says Mr Knights. “They have also got a very aggressive organic growth plan so their capital expenditure bill for the next few years is fairly sizable.”
Vedanta Resources in talks to buy Cairn India stake

NEW DELHI

BILLIONAIRE Anil Agarwal-owned mining firm Vedanta Resources on Thursday said it is in talks to buy a stake in Cairn India, the company that owns the nation’s largest onland oilfield.

The London-listed firm said “discussions are taking place with Cairn Energy Plc regarding an acquisition of an interest in Cairn India Ltd, a company listed in India.” Cairn Energy which holds a 62.37 percent stake in Cairn India, also confirmed the discussions in an almost identical separate statement. This is not the first time that talks of Cairn Energy selling a stake have emerged. Over the past 23 years, the Edinburgh-based firm has been rumoured to have been in discussions with steel tycoon L N Mittal and Italy’s Eni S.p.A., among others, for an outright sale of its interest in Cairn India, or at least the sale of an asset.

The stake sale talks have resurfaced just when the Mangala oilfield in Rajasthan, Cairn’s most prolific asset, is nearing peak output of 125,000 barrels per day. If it is successful, Vedanta – which has iron ore, zinc and copper mines – will be the second large miner in the world after BHP Billiton to have an interest in oil.

“Cairn emphasises that there can be no certainty the contemplated disposal will occur or as to the terms of any such disposal,” Cairn Energy said.

“A further announcement will be made when appropriate.” Cairn India shares closed with a 2.41 per cent gain at Rs 340.60 on the Bombay Stock Exchange today. Cairn India was valued at $14 billion at the close of trade, making Cairn Energy’s stake worth over $9.5 billion. Sir Bill Gammell-run Cairn Energy can retain a controlling interest in Cairn India even if it sells up to a 12 per cent participating interest for Rs 7,741 crore at today’s closing price.

The talks are in advanced stages and Vedanta may be discussing a range of options, including an equity stake, asset purchase or a complete takeover of Cairn India. Cairn India currently produces about 110,000 bpd from the Mangala oilfield in Rajasthan and is expected to reach peak output of 125,000 bpd this month.

In addition, the Bhagyam field in the same block has the potential to produce 40,000 bpd and Ashwariya, another 10,000 bpd. The company owns 70 percent stake in the fields, while the rest is held by state-owned Oil and Natural Gas Corp (ONGC). It also owns interest in Ravva oil and gas field off the East Coast and Block CB/OS-2 in the Cambay Offshore Basin. PTI
Vedanta in talks for Cairn India stake

OUR SPECIAL CORRESPONDENT

Mumbai, Aug. 12: Metals and mining magnate Anil Agarwal is looking to snap up a stake in Cairn India — the oil and gas entity credited with India’s biggest onshore discovery in the past 30 years.

Agarwal-owned Vedanta Resources, the holding company of India’s largest diversified mining group, confirmed today that it had started talks with Edinburgh-based Cairn Energy Plc to buy a stake in its Indian subsidiary.

Cairn Energy has a 63.26 per cent stake in Cairn India.

“The board of Cairn Energy confirms that discussions are taking place with Vedanta Resources Plc in respect of the disposal of an interest in Cairn India Ltd. Cairn emphasises that there can be no certainty the contemplated disposal will occur or as to the terms of any such disposal,” the company said in a statement today.

If the deal goes through, it will be the second big acquisition by the 57-year-old Agarwal in the last couple of years. In 2007, Vedanta bought a 71 per cent stake in Sesa Goa, the country’s largest iron ore exporter, for $1.37 billion.

Cairn India has a working interest in 10 blocks in India and one block in Sri Lanka. The company is present in Rajasthan where it operates an onshore block. The main development area, which includes Mangala, Aishwariya, Raageshwari and Saraswati fields, is shared between Cairn India and ONGC.

Cairn India began production from the Mangala oilfield last August. It is expected that production from the Mangala, Bhagyam and Aishwariya fields will gradually ramp up to a plateau of at least 175,000 barrels of oil per day (bopd).

The key question is whether Agarwal will buy out Cairn Energy’s entire stake in Cairn India or not. Analysts are divided on this aspect. One group feels Agarwal will look to acquire a substantial stake from Cairn and later make an open offer. However, there are others who reckon that Vedanta may settle for a small stake — since it has ambitious plans in other areas.

At current market prices, Vedanta will have to shell out nearly Rs 6,000 crore to acquire a 14 per cent stake in Cairn India.

The Cairn India stock leapt 2.41 per cent to close at Rs 340.60 on the Bombay Stock Exchange today.

On the London Stock Exchange, the Cairn Energy stock jumped 1.73 per cent to 452.50 pence in afternoon trade. Earlier in the day, it had touched a high of 462.80 pence.

Vedanta Resources, however, fell 4.79 per cent, or 113 pence, to 2,244 pence on the London bourse.

Kuala Lumpur-based Petronas International Corporation Ltd holds just under 15 per cent in Cairn India. It remains to be seen whether it will also look to raise its stake in the entity.
Vedanta may buy Cairn stake

New Delhi, Aug. 12: Billionaire Mr Anil Agarwal-owned mining firm Vedanta Resources on Thursday said it is in talks to buy a stake in Cairn India, the company that owns the nation’s largest onland oilfield.

The London-listed firm said “discussions are taking place with Cairn Energy Plc regarding an acquisition of an interest in Cairn India Ltd, a company listed in India.” Cairn Energy, which holds a 62.37 per cent stake in Cairn India, also confirmed the discussions in an almost identical separate statement.

This is not the first time that talks of Cairn Energy selling a stake have emerged. Over the past 2-3 years, the Edinburgh-based firm has been rumoured to have been in discussions with steel tycoon Mr L N Mittal and Italy’s Eni SpA among others, for an outright sale of its interest in Cairn India, or at least the sale of an asset.

The stake sale talks have resurfaced just when the Mangala oilfield in Rajasthan, Cairn’s most prolific asset, is nearing peak output of 125,000 barrels per day.

If it is successful, Vedanta — which has iron ore, zinc and copper mines — will be the second largest miner in the world after BHP Billiton to have an interest in oil.

The talks are in advanced stages and Vedanta may be discussing options such as including an equity stake, asset purchase or a complete takeover. — PTI
Vedanta’s Cairn acquisition likely at $8-8.5 billion

fe Bureau

Mumbai, Aug 13; Anil Agarwal may have lost out on copper miner Asarco but his ambition to buy into oil fields in India and diversify his portfolio, via a stake in Cairn India, may soon be fulfilled. In what could be a mammoth $8-8.5 billion and somewhat expensive deal, Vedanta Resources, the London-listed holding company for Agarwal’s empire, is expected to pick up a controlling interest of 51% in the Rs 1,615-crore Cairn India.

Agarwal was expected to meet Bill Gammell, chairman Cairn Plc, on Friday and a deal likely to be hammered out by Monday. On Thursday, both Cairn Plc, which owns 64.4% in Cairn India and Vedanta had confirmed they were in talks. The deal would require a go-ahead from the Indian government. Agarwal’s last acquisition in India was iron ore firm Sesa Goa, which he bought for $961 million in April 2007.

The possibility that the stake in Cairn India may be housed in Sterlite sent the stock tumbling on Thursday and it closed 4.3% lower at Rs 160.70 on the BSE. The Vedanta stock had lost nearly 7% early on the LSE. In contrast, shares of Cairn India gained nearly 4.5% to close at Rs 355.45 on BSE, valuing the company at close to Rs 67,445 crore or roughly $14 billion and Cairn Plc’s stake at close to $8 billion.

Continued on Page 2
Vedanta’s Cairn acquisition likely at $8-8.5 billion

Moreover, whichever company acquires the stake — Vedanta or Sterlite — it would need to make an open offer to minority shareholders for an additional 20% of Cairn India’s equity, according to Sebi guidelines. The acceptance ratio would be lower, if Petronas, which holds nearly 15% of Cairn India’s equity, tenders its share in the open offer.

Production at Cairn’s Mangala block has been ramped up to more than 100 kbps with sales commencing to Reliance Industries, Essar and Indian Oil Corporation.

According to Citigroup, while the management has maintained that it will reach 125 kbps by the second half of 2010, the faster-than-expected ramp-up and excellent reservoir quality confirmed by the wells indicate that Cairn will exit 2010 at a higher rate. Goldman Sachs estimates that Cairn can generate cash annual flows of $2.5-3 billion from 2011-12 onwards. Cairn India, which operates the biggest oilfield in Rajasthan’s Barmer district, recently revised upwards the potential of the field to 6.5 billion barrels of oil equivalent from the earlier estimate of 4 billion barrels. To realise this higher potential, the company needs to spend $2 billion more than the $4 billion already spent, after securing government’s approval for increased spending.

Cairn Energy may sell a stake in Cairn India, but will not exit the business, observed Rahul Dhir, chief executive of Cairn India. “I don’t think they are exiting the business. They are just selling stake,” he said. “What I do know is that they (Cairn Energy) remain a very strong supporter of our business. If a new strategic shareholder is coming, it only underscores the belief that they have in our business,” Dhir said.
LME copper rises

Reuters

London, Aug. 13
Copper rose on Friday, lifted by rising equity markets and a weaker dollar.

Copper for three months delivery on the London Metal Exchange rose to $7,289 a tonne by 09:02 GMT on Friday, versus $7,260 a tonne at the close on Thursday.

Aluminium traded at $2,157 a tonne versus $2,163.5 a tonne. Zinc was at $2,069 a tonne from $2,056 while lead rose to $2,136.50 a tonne from $2,100. Nickel was at $21,725 a tonne from $21,500.
Gold hits month’s high

Reuters
London, Aug. 13
Gold climbed to a one-month high in Europe on Friday, extending the previous session’s rise, as investors spooked by a raft of disappointing US economic data turned to the metal as a safe store of value.

Spot gold hit a high of $1,217.85 and was bid at $1,214.50 an ounce at 12:21 GMT, against $1,211.20 late in New York on Thursday. US gold futures for December delivery was flat at $1,216.70.

Investment demand for physically backed gold exchange-traded funds picked up, with holdings of the world’s largest, the SPDR Gold Trust, rising by just over 3 tonnes on Thursday, its biggest 1-day inflow since June 29.

Silver was at $18.06 an ounce versus $18.02. Platinum was at $1,526 an ounce versus $1,525.50 and palladium at $469 against $467.

Bullion rate

Mumbai: Silver spot (.999 fineness): Rs 29,538; standard gold (99.5 purity): Rs 18,530; pure gold (99.9 purity): Rs 18,620.

Chennai: Bar silver (a kg): Rs 29,725; retail silver (a gm): Rs 31.80; standard gold: Rs 18,575; retail ornament gold (22 carat): Rs 1,727.

Kolkata: Silver ready: Rs 29,130; Gold ready: Rs 18,815.
Deal almost done: Vedanta may pay Cairn $8 bn for 51% 

ENS & AGENCIES
MUMBAI/LONDON, AUGUST 13

A NIL AGARWAL'S Vedanta Resources Plc is close to buying a ma-

jority stake worth around $7-8 billion (around Rs 35,000 crore) in UK-based Cairn

Energy’s Indian unit. Vedanta is seeking 51 per cent of Cairn India

Ltd, which would retain its management in the event of a deal — one of

the largest stake sales by an Indian company so far.

Cairn India, 62 per cent held by

Edinburgh-based Cairn Energy and

listed on the BSE and the NSE, has a market capitalisation of Rs 67,443

crore ($14.12 billion). If Vedanta ac-

quires over 15 per cent in Cairn In-

dia, it will have to make an open of-

fer for another 20 per cent stake as

per Sebi guidelines.

The potential acquisition has sur-

prised analysts and investors, mark-

ing a strategic shift by mining com-

pany Vedanta into oil and gas and

sending the stock down 12 per cent

the past two days. Vedanta shares

plunged by 5.52 per cent to 2,065

pence on the London Stock Ex-

change on Friday. Vedanta group

firm Sterlite Industries fell by 4.26

per cent to Rs 160.70 on the BSE on

Friday. However, Cairn India

closed with a gain of 4.36 per cent at

Rs 355.45 on the BSE.

While London-based Agarwal,

57, has previously announced plans

to boost power-generation opera-

tions in India, debt-laden Vedanta

hasn’t made purchases in other en-

ergy industries. Vedanta is likely to

announce a deal with Cairn within

days — before Monday. A spokes-

man for Cairn Energy in London
decided to comment and a Vedanta

spokesman also declined to comment.

Cairn Energy would likely keep a

stake of 10 per cent to 20 per cent.

Cairn India Chief Executive Officer

Rahul Dhir confirmed the talks with

Vedanta earlier this month and said it

won’t exit operations in India. “I

don’t think they are exiting the business.

They are just selling stake,”

Dhir told reporters on Friday, after

meeting Petroleum Secretary S.

Sundareshan.

Sundareshan said that a company

that has signed a production shar-

ing contract (PSC) with the govern-

ment of India for an oil exploration

block would need the government’s

approval if some stake in the block or

the company were sold. “All PSCs

have provisions for appropriate gov-

ernment approvals before such

changes in the ownership are made,”
said Sundareshan, the top official in the oil ministry. Dhir did

not provide further details.

“What I do know is that they

(Cairn Energy) remain a very strong

supporter of our business. If a new

strategic shareholder is coming, it

only underscores the belief that they

have in our business,” Dhir said.

A huge oil find in Rajasthan

helped propel Cairn Energy from

a small company to a major oil produ-

cer and led it to spin off the In-

dian operations in January 2007.

Cairn India has interests in 10

blocks in India and one in Sri Lanka.

It has three in production, including

the Mangala field in Rajasthan.

Petronaas Nasional Bhd, also

known as Petronas, holds a 14.9

per cent stake in Cairn India.

“A valuation of $15.7 billion for

Cairn India would mean that apart

from the valuation of the core pro-

ducing MBA Rajasthan fields, the

company is also getting much

higher valuations for its other re-

serves in the Rajasthan block.

Apart from the MBA reserves,

Cairn has in-place reserves of 1.9

bn boe, from which as of now the

management has guided towards a

9 per cent recovery. However, the
deal valuation would imply a recov-

ery rate of nearly 40,” said an ana-

lyst with Elara Capital.

“If the deal happens, it is obvious

that Vedanta is planning to be a long

term investor. In that case, we feel

the deal valuation is fair, consid-

ering our expectations of a reserve up-

dsie from other Rajasthan fields in

some time in the future. As this re-

serve accretion will be a process

spread across the next 3-5 years, we

are still a bit apprehensive in assign-

ing 40 per cent recovery rates and

thus a very high valuation to these

reserves from a 12-month invest-

tment time horizon,” Elara said.

In May, Vedanta agreed to pay

Anglo American Plc $1.34 billion

for zinc mines in Africa and Ireland.

It also bought a 51 per cent stake in

Sesa Goa Ltd, India’s biggest iron-

ore exporter, from Mitsui & Co. in

2007 for $981 million.
The crisis Down Under

The proposal by former Australian prime minister Kevin Rudd to tax away the windfall profits of its mining industry was absolutely sound in both ethics and economics, says Joseph E Stiglitz

THE Great Recession of 2008 reached the furthest corners of the earth. Here in Australia, they refer to it as the GFC; the global financial crisis. Kevin Rudd, who was prime minister when the crisis struck, put in place one of the best-designed Keynesian stimulus packages of any country in the world. He realized that it was important to act early, with money that would be spent quickly, but that there was a risk that the crisis would not be over soon. So, the first part of the stimulus was cash grants, followed by investments, which would take longer to put in place.

Rudd’s stimulus worked. Australia had the shortest and shallowest of recessions of the advanced industrial countries. But, ironically, attention has focused on the fact that some of the investment money was not spent as well as it might have been, and on the fiscal deficit that is the downturn and the government’s response created.

Of course, we should strive to ensure that money is spent as productively as possible, but human, and human institutions, are fallible, and there are costs to ensuring that money is well spent. To put it in economics jargon, efficiency requires accounting for the marginal cost associated with allocation — both in acquiring information about the relative benefits of different projects and in monitoring investments — with the marginal benefit. The focus for the moment is on public-sector waste, that waste piles in comparison to the waste of resources resulting from a malfunctioning private financial sector, which is in the US already amounts to trillions of dollars. Likewise, the waste from not fully utilizing society’s resources — the inevitable consequence of not having had such a quick and strong stimulus — exceeds that of the public sector by an order of magnitude.

For an American, there is a certain amusement in Australian worries about the deficit and debt: their deficit as a percentage of GDP is less than half that of the US; their gross national debt is less than a third. Debt fetishism never makes sense — the national debt is only one side of a country’s balance-sheet. Cutting back on high-return investments — such as education, infrastructure and technology — just to reduce the deficit is truly foolish, but especially so in the case of a country like Australia, whose debt is so low. Indeed, if one is concerned with a country’s long-run debt, as one should be, such deficit fetishism is particularly silly, since the higher growth resulting from those public investments will generate more tax revenues.

There is another irony; some of the same Australians who have criticized the deficits have also criticised proposals to increase taxes on minerals. Australia is lucky to have a rich endowment of natural resources, including iron ore. These resources are part of the country’s patrimony. They belong to all the people. Yet, in all countries, mining companies try to get their resources for free — or for as little as possible.

Of course, mining companies need to get a fair return on their investments. But the iron-ore companies have gotten a windfall gain as iron-ore prices have soared — nearly doubling since 2007. The increased profits are not a result of their mining prowess, but of China’s huge demand for steel.

There is no reason that mining companies should reap this reward for themselves. They should share the bonanza of higher prices with Australia’s citizens, and an appropriately-designed mining tax is one way of ensuring that outcome. This money should be set aside in a special fund, to be used for investments. The country will inevitably become poorer as it depletes its natural resources, unless the value of its human and physical capital increases.

Another issue playing out Down Under is global warming. If not a climate-change denier, the previous Australian government led by John Howard joined US President George W Bush in being a climate-change free rider; others would have to take responsibility for ensuring the planet’s survival.

This was especially strange, given that Australia has been one of the big beneficiaries of the Montreal convention, which banned ozone-depleting gases. Holes in the ozone layer exposed Australians to cancer-causing radiation. The international community banded together, banned the substances, and the holes are now closing. Nevertheless, the Howard government, like the Bush administration, was willing to expose the entire planet to the risks of global warming, which threaten the very existence of many island states.

Rudd campaigned on a promise to reverse that stance, but the failure of the climate-change talks in Copenhagen last December, when US President Barack Obama refused to make the kind of commitment on behalf of the US that was required, left Rudd’s government in an awkward position. The failure of US leadership has global consequences.

Citizens should consider the legacy they leave to their children, part of which is the financial debt they will pass down. But another part of our legacy is environmental. It is two-faced to claim to care about the future and then fail to ensure that the country is adequately compensated for the depletion of its resources, or ignore the degradation of the environment. It is even worse to leave our children without adequate infrastructure and the other public investments needed to be competitive in the 21st century.

Every country faces these issues. Sometimes, one can see them with greater clarity by observing how others confront them. How Australians vote in the coming election may be a harbinger of things to come. Let’s hope — for their and the world’s sake — that they see through the rhetorical flourish and personal follies to the larger issues at stake.

The author is University Professor at Columbia University and a Nobel Laureate in Economics.

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Bill to amend Mining Act in RS

NEW DELHI: The government on Friday moved a bill in the Rajya Sabha to amend the Mining Act to facilitate auctions of coal blocks for captive use by industries such as power, steel and cement. As of now an inter-ministerial screening committee, which includes representatives from the concerned state governments, allocates coal blocks for captive use to private firms. “The present system of allocating coal blocks for captive use through a screening committee is vulnerable to criticism on the ground of lack of transparency and objectivity,” said mines minister SK Handique. — Our Bureau
Cairn India must seek govt nod for strategic sale to Vedanta

Rajeev Jayaswal
NEW DELHI

THE government will not approve Vedanta Resources' plans of picking up "strategic" stake in Cairn India without proper scrutiny as this would mean indirect sale of oil fields in Rajasthan, which account for over 90% of Cairn India's assets, a government official said.

"Domestic oil and gas blocks are national assets. Energy firms are merely contractors. A third party can't be allowed to manage national assets without the government's permission," he said.

Petroleum secretary S Sundareshnan said country's oil and gas assets auctioned for exploration and production are managed through a production sharing contract between the government and energy firms.

"I am reasonably sure there is a provision in every one of these production sharing contracts for getting government approval prior to such changes in ownership," he said implying that the government may look at the deal closely.

UK-based Cairn Energy will also require consent of state-owned energy firm ONGC, a 30% partner of Cairn India in the Rajasthan oil fields, said a government official. The company will hold a board meeting to discuss the strategic sale in Cairn India by its parent Cairn Energy. ONGC chairman & managing director RS Sharma told ET: "I can't offer any comment on this issue before the board meeting," he said.

Officials in various economic ministries say that in the case of a minority stake sale it is easier to approve the proposal, but a "strategic" sale would require thorough scrutiny as it involves a change in the management of the oilfield.

Cairn India CEO and MD Rahul Dhir, while talking to reporters, said Vedanta Resources could be a "new strategic shareholder" but he did not elaborate. Sources said Vedanta may take management control of Cairn India by acquiring a majority stake in the company.

ET's email and verbal queries related to the stake sale did not elicit any response from Cairn India. In an SMS reply to ET's queries, Cairn India director corporate affairs & communication Manu Kapoor said: "We offer no comments at this stage."

Drawing parallel with ONGC's move to acquire BP's interest in some gas assets in Vietnam, an oil ministry official said: "Petroleum minister Murli Deora himself visited Hanoi to seek the Vietnamese government's consent before initiating a deal with BP as it involved national assets."
Vedanta eyes controlling stake in Cairn's India biz

POWERING THE FUTURE

VEDANTA Resources aims to buy a controlling stake in oil explorer Cairn India in the biggest domestic takeover this year, positioning itself as an Indian equivalent of the world's biggest resources firm, BHP Billiton, but raising doubts about the financial wisdom of such a deal. Vedanta shares sank 6% in London and Cairn India rose 4%.

The London-listed Vedanta Resources will buy 51% stake from Cairn UK in the operator of India's largest onshore oil field in Rajasthan, and offer to buy at least 20% of minority holders to meet regulatory requirements, a person familiar with the negotiations said.

The holding company of Anil Agarwal may have to sell shares and raise at least $8 billion in debt, which may be tough given its current liabilities, say investors. It may seek help from its cash-rich subsidiaries such as Sterlite Industries and Sesa Goa to part-fund the deal.

After the deal, the UK would own 13% of the Indian unit, and Malaysia's state-owned Petronas may retain its 15%. The deal may be announced as early as Sunday, said the same person.

A Vedanta group spokesman declined comment. Half of the company would cost $3.3 billion at current prices, and a further offer may raise it to $10 billion.

After agreeing with Cairn, Vedanta, which has a running dispute with the government on control over Bharat Alumini- um Co, needs state clearances for the transaction and will have to settle issues relating to potential tax claims as well.

"Investors would like to see a cleaner corporate structure, delivery of growth and a clear strategic plan," said a report from Credit Suisse that rates Vedanta an outperform. "The potential deal is arguably heading in the wrong direction."

Billionaire Agarwal, who started as a scrap trader about four decades ago, built his metals business through acquisitions, including government-run Bharat Aluminium, iron ore miner Sesa Goa from Japan's Mitsui, and more recently the zinc business of Anglo-American Plc. He generates power through Sterlite Energy, but has been struggling to raise funds for his flagship alumina refineries.

Although Vedanta's net debt is at $9.47 billion after adjusting for group debt of $8.2 billion against cash and investments of $7.2 billion, most of the cash is in listed units such as Sterlite and Sesa Goa off the two Indian listed entities, Vedanta has $7.6 billion in net debt, making borrowing tough.

"The Vedanta group has cash reserves of $7.5 billion, a part of which may be used for the transaction," said Deven Choksey, managing director of KR Choksey Securities. "The financial impact of the transaction on Vedanta depends on the structure of the deal."

Cairn India is the second-biggest private sector explorer behind Reliance Industries with its Mangala field in Rajasthan producing 1.25 lakh barrels a day and with a potential to go up to 2.4 lakh barrels a day.

Vedanta may use the assets of Cairn itself to borrow funds, or monetise its oil for the acquisition, a way known as leveraged buyout in the West.

In oil monetisation, which is similar to loan securitisation by banks, money from oil recovery flows into an escrow account and subsequently to creditors. "This would depend on Cairn's proven reserves and to what extent the company is currently leveraged," said a banker not involved in the deal. "It is also possible for Vedanta to look at equity raising at a subsequent stage to pay off any bridge loan."

If the deal happens, it would probably be the second company in the world that would have interests from mining to metals to exploration like BHP Billiton. While most investors, it may not look synergistic for Vedanta, it could help smoothen the earnings fluctuations.

BHP, which has in the last five years had the best returns among resources peers, may get about 28% of its pre-tax profit this year from oil, forecasts Credit Suisse.
Gold retailers see surge in consumers opting for monthly saving schemes

Swetha Kamran

Bangalore, Aug. 13

With the gold price rally showing no signs of abating, jewellery retailers are seeing a spurt in consumer response to monthly savings schemes that seek to spread the strain of gold buying for use or as an investment option.

Most savings plans require members to deposit a set amount (from Rs 500 to several thousands) every month with the retailer. The schemes usually run for a specific period ranging from 12 to 36 months, at the end of which the consumer can redeem the money plus a bonus or some interest for jewellery.

With gold prices ruling high, such systematic savings schemes help consumers put away small sums regularly, rather than having to make large one-time spends.

"The number of applicants for saving schemes has increased significantly of late, triggered by rising prices and growing price uncertainty," says Mr K. Shivram, Vice-President, World Gold Council.

RISE IN ENROLMENT

Says Mr Vinod Hayagriv, Managing Director, C. Krishniah Chetty & Sons, which has stores in Bangalore and Hyderabad, "Our 'Gold Stand 1869' savings scheme, which has launched 10 years ago, has seen a big increase in enrolment lately. The last couple of years have seen enrolment of 14,000 members every year — earlier it used to be around 2,000 a year."

Gold is increasingly being seen as a secure investment option with the metal setting new price benchmarks. And retailers are going the extra mile with special bonuses and incentives to market gold as an investment haven.

In Tanishq's 'Gold Harvest Scheme', the retailer puts in the deposit for the consumer's last instalment, while Chennai-based Prince Jewellery offers members interest of 8 per cent on deposits. Under Prince Jewellery's scheme, consumers have to purchase some amount of gold every month (at the prevailing rate) and at the end of the term the grammage can be converted into jewellery.

"This way, consumers are insulated from the vagaries of price fluctuation. Our scheme is seeing a steady increase in patronage each month as consumers are realising prices are only going to go up," says Mr Princeson Jose, Managing Director, Prince Jewellery.

C. Krishniah Chetty's scheme too tries to protect consumers from inflationary pressures. While in most schemes consumers can buy jewellery at the prevailing rate at the end of the term, the retailer's 'Gold Standard 1869' plan calculates the average gold rate across the term for redemption.
केन्यन इंडिया में नियंत्रण हिस्सेदारी खरीदने की वेदांता कर रही तैयारी
McNally eyeing acquisitions in Europe

Plans subsidiaries in Brazil, Australia, Russia and South Africa

Special Correspondent

KOLKATA: McNally Bharat Engineering Company (MBE), a civil engineering and turnkey project execution company in the B. M. Khaitan fold, is scouting for acquisitions in Europe, hoping to gain technology edge in the areas of oil and gas, cement and water, Chairman Dipak Khaitan said.

Addressing a press meet here on Friday he said that the size of the company might be around $50 million and in West Europe. The German manufacturing business acquired by McNally Bharat in May 2009, has also been asked to look for acquisition targets. The buy also brought with it the company’s cement, minerals technology and business in India and three overseas countries.

He said that MBE which is targeting a Rs. 5,000-crore turnover by 2015 (from Rs. 1,484 crore in 2009-10), was placing an increased thrust on business from overseas companies and expected the share of overseas orders to increase to 30 per cent now. It is planning to expand activities in South Africa, South America and China through its German outfit even as it readies itself to tap the opportunities in Africa. Mr. Khaitan said that in May this year, the company won its first overseas order in Zambia valued at Rs. 114 crore. This will be executed through a newly formed subsidiary.

Meanwhile, steps are also being taken to change the name of its wholly-owned subsidiary from MBE Holdings Pte Ltd to MBE Mineral Technologies Pte Ltd, which will act as a holding company and the owner of the various technologies that MBE now possesses either on its own or through its acquisitions. Mr. Khaitan said that once this company was registered under the Ministry the Science and Technology of Singapore, it would enjoy a favoured status. MBE also plans to set up four new subsidiaries in Brazil, Australia, Russia and South Africa. To strengthen its business growth plan by 2015, McNally Bharat had appointed KPMG, PwC and E&Y to prepare and monitor a growth strategy, an organisational restructuring and an operational control strategy, Mr. Khaitan said.

Order-booking stood at Rs. 1,700 crore in the first quarter of 2010-11.
GoM may clear mining relief plan

A GROUP of Ministers is expected to soon clear the proposal that companies share 26 per cent of profits from their mining projects with the displaced. The GoM is likely to meet this week to discuss the compensation scheme as laid out in the Mining bill and is expected to clear the proposal, the official said. "We are working on it. Let's see how we can make it forward. We want to get the new Mining Bill placed in the current session of Parliament," said the official, who did not want to be identified. Meanwhile, Mines Minister Mr B.K. Handique said, "The government is proposing to give 26 per cent share in profit and one per cent symbolic share to those who lose their land."