India asks PSUs to explore minerals in Afghanistan

Government wants state-owned firms to take a lead role

NEW DELHI: The Centre is pushing Indian companies, including the PSUs, to explore the mineral wealth in Afghanistan where it is hoping to consolidate its presence in the mining sector.

Mining ministry sources told Deccan Herald that the government wants state-owned firms like NMDC, National Aluminium Co Ltd and GSI to take a lead role in exploring Afghan mineral wealth, which is estimated at $1 trillion.

"The Ministry has started discussing with representatives of PSUs to bid mines in Afghanistan either independently or through consortium" sources said, adding that the talks also focused on bringing the ore excavated in Afghanistan to India or supply it in the international market.

Taking a potential risk to compete with China in global mineral market, India has been aggressively pushing its companies to explore mineral wealth in Afghanistan particularly iron ore.

Mining rights
Last November, a consortium of companies led by Steel Authority of India Ltd (SAIL), comprising NMDC, Rashtriya Ispat Nigam Ltd, Jindal Steel and Power Ltd, JSW Steel Ltd, JSW Ispat Steel Ltd and Monnet Ispat and Energy Ltd won mining rights to a 1.7 billion tonnes deposit of iron ore in Hajigak in Afghanistan.

State-run SAIL also plans to build a 6.12 million tonnes per annum steel plant in Afghanistan at the same location.

Another SAIL-led consortium comprising National Aluminium Co Ltd, Hindustan Copper Ltd and Mineral Exploration Corp Ltd is planning to bid for rights to mine for gold and copper in Badakhshan, Zarkashan, Balkhab and Shaida. The consortium, which had sent its team to study the ground situation, is likely to conduct due diligence report soon.

While Afghanistan hopes that the companies investing in its mines will also develop infrastructure like roads, railway lines, power lines and hospitals, India wants companies in that country to take up building infrastructure for better mobilisation of funds.

Investments
China, which is ahead in terms of mining investments in Afghanistan, had won a $3 billion concession four years ago to develop the Mes Aynak copper mine southeast of Kabul.
PRICE CARD

As on June 13

<table>
<thead>
<tr>
<th>METALS (₹/tonne)</th>
<th>International Price</th>
<th>%Chg*</th>
<th>Domestic Price</th>
<th>%Chg*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminium</td>
<td>1925.0</td>
<td>-12.0</td>
<td>2541.1</td>
<td>-7.0</td>
</tr>
<tr>
<td>Copper</td>
<td>7389.0</td>
<td>-13.4</td>
<td>9122.6</td>
<td>-9.8</td>
</tr>
<tr>
<td>Nickel</td>
<td>17085.0</td>
<td>-11.3</td>
<td>19663.8</td>
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</tr>
<tr>
<td>Lead</td>
<td>1893.5</td>
<td>-10.8</td>
<td>2190.9</td>
<td>-7.3</td>
</tr>
<tr>
<td>Tin</td>
<td>19050.0</td>
<td>-16.2</td>
<td>24063.4</td>
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<tr>
<td>Zinc</td>
<td>1878.0</td>
<td>-9.7</td>
<td>2388.4</td>
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<tr>
<td>Steel-MRC</td>
<td>630.0</td>
<td>-4.0</td>
<td>794.7</td>
<td>-13.9</td>
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<tr>
<td>Gold (₹/ounce)</td>
<td>16188.8*</td>
<td>-3.3</td>
<td>1667.8</td>
<td>-3.4</td>
</tr>
<tr>
<td>Silver (₹/ounce)</td>
<td>29.0*</td>
<td>-13.2</td>
<td>30.9</td>
<td>-14.1</td>
</tr>
</tbody>
</table>

ENERGY

Crude Oil (₹/bbl)          | 96.2*          | -23.9 | 95.8           | -23.7 |
Natural Gas (₹/MMBtu)      | 2.2*           | -4.9  | 2.2            | -3.6  |

AGRI COMMODITIES (₹/tonne)

| Wheat            | 270.4          | 3.4   | 207.2          | -14.9 |
| Maize            | 263.8*         | -5.1  | 196.3          | -13.6 |
| Sugar            | 573.0*         | -10.7 | 534.2          | -8.2  |
| Palm oil         | 965.0          | -14.8 | 1098.3         | -12.8 |
| Rubber           | 3105.3*        | -18.2 | 3333.0         | -12.8 |
| Coffee Robusta   | 2075.0*        | 5.6   | 2505.1         | 10.2  |
| Cotton           | 1672.4         | -13.8 | 1666.9         | -14.7 |

BALTIC EXCHANGE INDICES

| Baltic Dry       | 893.00         | 1.02  |                |      |
| Baltic Supramax | 1,007.00       | 0.70  |                |      |
| Baltic Panama    | 975.00         | 3.28  |                |      |
| Baltic Supramax | 1,512.00       | 0.74  |                |      |
| Baltic Handysize | 618.00         | 1.15  |                |      |
| Baltic Clean Tanker | 584.00 | -0.51 |              |      |
| Baltic Dirty Tanker | 689.00 | 0.58  |              |      |

ELECTRICITY TRADING AT IEX

Market price in ₹/MWh

Notes:
1. International metal are JEF spot prices and domestic metal are Mumbai local spot prices, except for silver.
2. International crude oil is Brent crude and domestic crude is a blend of Indian crude.
3. International natural gas is Henry Hub 1 day futures, domestic natural gas is India near-month futures.
4. International wheat, soybean oil & sugar are CBOT futures, coffee & rubber are LME futures, palm oil & crude palm oil are Bursa Futures.
5. Domestic wheat & crude oil are India near-month futures, palm oil & crude palm oil are Bursa Futures.
6. Domestic cotton is cotton no.2 - MIGEX near-month futures, domestic cotton is NEXUS spot price.
7. All international commodity prices are prior to any duties or taxes.
8. All international commodity prices are prior to any duties or taxes.
9. Domestic metal, crude oil & natural gas are India spot price, cotton is at the delivery.
HARYANA TO CRACK DOWN ON ILLEGAL SAND MINING

Prabhu Razdan

FARIDABAD: Rattled by the death of a policeman while trying to stop a dumper filled with illegally mined sand, the district administration and Special Task Force (STF) have launched a crackdown on illegal sand mining along the Yamuna in Faridabad.

Faridabad deputy commissioner Balraj Singh visited the Yamuna belt on Wednesday and called a meeting to chalk out a plan to take on the sand mafia. It was decided that the STF, constituted a few years ago to prevent illegal sand mining, would visit the area on Thursday to take stock of the issue and draw a road map. Among others those who will visit are DCP (Headquarters), sub-divisional magistrate, officers of the mining department and pollution control board.

The administration is also likely to initiate action against village heads for not informing authorities about illegal mining activity in their areas. "It is the duty of the sarpanchs to inform the administration about illegal sand mining," the deputy commissioner said, adding, "We can go to the extent of suspending the village heads if they are found guilty of being involved with the sand mafia."

On Wednesday, there was a huge deployment of police force along the Yamuna belt with police officers checking the movement of vehicles. They seized five tractors with sand.
लंडन • डॉलर के मुकाबले यूएच मजबूत होने की वजह से लंडन ने डॉलर एक्सचेंज में कॉर्प के दाम सुधार दिए। हालांकि पूरा जीन का कक्ष संकट बन गया था और फ्रैंक रूप अंग्रेजी में चुनाव होने से निवेशकों के खासी सत्ता रही। इसके कारण कॉर्प में तेजी सीमित हो रही। तीन मह हिलिनाइरी कॉर्प के दाम 0.7 फीलडी अबकर 7,443.75 डॉलर प्रति टन हो गया। मंगलवार को कॉर्प 7,395 डॉलर पर बंद हुआ था। अमेरिकी डॉलर सत्ता होने से निवेशकों के लिए खेलियद बनने लगा हो गया। इस बनावट ने शेयर गेटर में पूर्ण बनावट किया गया। समयांतर सत्ता के एनालिस्ट रिकन ने कहा कि चेन को कर्ज संकट से उबारने के लिए हुए प्रवास सत्ता न होने की वजह से सकारात्मक संकटमंडित का असर कम हो गया। प्रीस के चुनाव से अंतरेश्तता का माहौल बना हुआ है।
Coal production to be reviewed every month

BS REPORTER
New Delhi, 13 June

After Prime Minister Manmohan Singh last week directed heads of key infrastructure ministries to meet newly assigned higher performance targets for the current financial year, the coal ministry has announced it would review production by coal companies on a monthly basis. Production is currently monitored once in every two months. The PM’s infrastructure push is aimed at reviving investor sentiment in the Indian economy.

“Apart from reviewing the performance every month, we are also ensuring forest and environment clearances do not impact projects in the coal sector,” Coal Minister Sri Prakash Jaiswal said after a review meeting with Coal Secretary S K Srivastava, Coal India Ltd (CIL) Chairman S Narsing Rao and Singareni Collieries Chairman S Bhattacharya, among others.

State-owned CIL, which has been criticised by consumers for failing to ramp up production and giving rise to the ongoing crisis in coal availability, clocked a huge 5.6 per cent growth in production at 69.3 million tonnes (mt) during April and May this year. The minister, therefore, said this year’s production target would be met.

Offtake of CIL’s coal by consumers during the two-month period also grew 6.3 per cent to 76.5 per cent from 72 mt during the corresponding period last year. Removal of overburden, another key performance indicator, also grew 10.3 per cent to 137.5 million cubic metre during April and May.

The coal sector’s performance assumes importance, as it is one of the eight core infrastructure sectors which have a combined weight of 37.9 per cent in the Index of Industrial Production (IIP). Growth in industrial output in India, as measured by IIP, slowed to 0.1 per cent in April 2012.
CIL allows power utilities to lift coal directly from mines

New Delhi, June 13: Coal India has introduced a one-time offer that allows power utilities to lift the fuel directly from mines.

The scheme is available for independent power producers drawing coal under fuel supply agreements (FSAs) as well. "A one-time offer is being made to all power utilities drawing coal under FSA during 2012-13 to lift the coal which is held in the stock on 'as is where is' basis with the stipulation that the power stations will make their own evacuation arrangements," CIL has said in a notice.

This is the first time the state-run Coal India (CIL) has initiated such a move.  

PTI
Aditya Birla Group to buy Colombian mine stake for $1 bn

Balju Kaleesh
Mumbai, June 13

The Aditya Birla Group is in talks with American thermal coal miner Drummond Company to purchase a significant stake in coal mines in Colombia owned by the privately held company. The Kumar Mangalam Birla-promoted group wants to strengthen its mining business and utilise the coal for its captive power plants to make aluminium in India, a person with direct knowledge of the development said.

“The group is looking to own rights of anywhere between 20% and 40% of the coal produced in these mines and this may need an investment of $1 billion,” the person said. “The ownership will also help the group hedge itself against price volatility in the global coal market.”

“We do not comment on market speculation,” Tuhin Mukherjee, managing director, Aditya Birla Natural Resources, said.

“Indian power producers need to purchase overseas coal mines as there is a shortage of coal,” said a former managing director of a power producing company. “Demand will grow faster as India plans to add 1 lakh MW according to the government’s five-year plan and Coal India will be unable to meet this demand.”

Continued on Page 2
Financial Express, Delhi
Thursday, 14th June 2012, Page: 1
Width: 4.28 cms Height: 6.60 cms, Ref: pmin.2012-06-14.28.8

Aditya...
The Aditya Birla Group's flagship company and aluminium maker Hindalco has been seeking environmental clearance to begin mining coal from the Mahan coal block in Madhya Pradesh to feed its 750-MW captive powerplant to make aluminium. The company is building a 359,000-tonne new aluminium smelter project at Mahan.

Hindalco was allotted the coal block in 2006, for which environmental clearance was given in December 2008. Devel-
opment work was halted after the area was declared a no-go zone in January 2010. The Forest Advisory Committee considered the proposal four times between July 2008 and December 2009, but it could not arrive at a final decision.

On May 30, 2012, a group of ministers gave conditional approval for Hindalco to start mining at the site. The company’s smelter project at Mahan was expected to start this fiscal.

Debu Bhattacharya, managing director, Hindalco, said the smelter would start operations with purchased coal if environmental clearance for the Mahan coal block was not received in time. It will still take the company at least 12 more months to begin coal production from the mine.

Ultra mega power producers, which have to sell power at fixed tariff under an agreement with the government, are finding it tough to stay profitable while using expensive imported coal. Higher coal prices, taxes and royalties by various countries have made it unviable to produce power with imported coal, although thermal efficiency is higher.

“It makes sense for the Aditya Birla Group to buy overseas coal mines to feed its captive power plants as that would cover the cost,” said an analyst from a domestic brokerage. “It can also gain from the rise in prices in the international coal market.”

The group, which trades in iron ore though its privately owned Essel Mining & Industries, is also scouting for iron ore mines in Africa as part of its trading business. Essel Mining’s net profit in fiscal 2011 rose by 26% to Rs 688.79 crore from Rs 545.72 crore in the previous fiscal, even as the company’s annual turnover fell by 9% to Rs 2,586.34 crore from Rs 2,887.86 crore.

“The company will continue to sustain its revenues and earning in the years to come. However, there may be fluctuations due to the problems in the eurozone, which may affect exports from India and moderate the flow of capital into the country,” Essel Mining said in its an-
nual report filed with the registrar of companies.

“Other factors like the pricing strategy of major global players, withdrawal of stimulus packages, tightening of monetary policy in various countries, high interest rates, rising petrol prices and inflation may constrain the demand globally.

“The overall economic growth is likely to remain robust. The company should be able to maintain its standing as a key player and one of India’s largest merchant iron ore mining company,” the report added.
Pranab Mukherjee to meet industry leaders on June 26

NEW DELHI: Amid slowdown and decelerating growth, Finance Minister Pranab Mukherjee will meet captains of industry on June 26 to firm up steps to rejuvenate the manufacturing sector and the economy.

“Top industry leaders who would be attending the meeting (on June 26) would include Mukesh Ambani, Anil Ambani, Ratan Tata, Sunil Bharti Mittal and Y. C. Deveshwar,” said a top official in the Finance Ministry.

“Finance Minister will hear their concerns and see how it can be addressed,” the official added.

The meeting, called by Mr. Mukherjee, he added, would be a follow-up of a conference held in August last year to give a boost to the manufacturing sector.

The industrial output growth rate remained flat in April recording a growth of just 0.1 per cent mainly due to poor performance of the manufacturing and mining sectors and lower output of capital goods.

Besides global factors, tight liquidity conditions at home have also led to decline in economic growth rate which fell to nine-year low of 6.5 per cent in 2011-12.

Battling perception of policy paralysis, Prime Minister Manmohan Singh had earlier this month met industry leaders and had set an investment target of at least Rs.2 lakhcrore for core sector projects in the current fiscal. — PTI
CIL lets power units to lift coal from mines

NEW DELHI: Coal India has introduced a one-time offer that allows power utilities to lift the fuel directly from mines.

The scheme is available for independent power producers drawing coal under fuel supply agreements (FSAs) as well. “A one-time offer is being made to all power utilities drawing coal under the FSA during 2012-13 to lift the coal, which is held in the stocks on ‘as is where is’ basis with the stipulation that the power stations will make their own evacuation arrangement,” CIL has said in a notice. This is the first time Coal India has initiated such a move.

Coal India said it had “substantial quantity of coal stocks at the various colliery pitheads of the different subsidiary coal companies.” It has eight subsidiaries, out of which seven are coal producing — Eastern Coalfields, Bharat Coking Coal, Central Coalfields, Northern Coalfields, Western Coalfields, South Eastern Coalfields and Mahanadi Coalfields.

The new scheme by CIL will not only make more coal to power utilities but will also liquidate stocks at mine heads. “This will serve the objective of honouring the FSA up to trigger point with normal dispatches and to even exceed it by allowing liquidation from the stocks wherever the power utilities come forward to lift by either road-cum-rail arrangements, now the railways have agreed to move such coal through good sheds,” the CIL notice dated June 12 said.

As per information, CIL has over 60 million tonnes of stocks piled up at pitheads due to problems like inadequate rakes for removing the same.

The government in April had issued a directive to Coal India to commit itself to a minimum of 80 per cent of fuel supply to power producers, failing which it would attract penalty.

The directive was issued following a meeting between the power sector honchos and the PMO.

The coal major accounts for 80 per cent of the total domestic output. It has set a target of 464 mt output for the current fiscal. — PTI
Copper recovers; EU worry caps gains

Reuters
London, June 13
Copper edged up on Wednesday as the euro steadied against the dollar, but concern about contagion from the Euro Zone debt crisis and upcoming elections in highly indebted Europe kept investors cautious and prevented further gains for metals.

Three month copper on the London Metal Exchange traded at $7,415.50 in official rings, up 0.3 per cent from Tuesday's close of $7,395 a tonne.

Base metals were supported by a slightly firmer euro against the dollar.

The metal used in power and construction is trading more than 11 per cent lower so far this quarter as worries about the Euro Zone debt crisis and uncertainty about demand from top consumer China weigh. It is down 1.8 per cent in the year to date.

In other metals, tin traded at $19,500 a tonne in official rings from Tuesday's close of $19,700 a tonne, and zinc traded at $1,884 from $1,880. Aluminium traded at $1,961 in rings from $1,968 and nickel was flat at $17,175.

China's nickel ore imports are expected to have hit a record high in May after a rush to purchase laterite ore ahead of a curb on shipments by top supplier Indonesia, although high inventories could put pressure on nickel prices.

Lead was untraded in official rings, but bid at $1,896 from Tuesday's close of $1,895.50.
Is Yellow Metal Worth Investing in at Its Current High Prices?

Gold aids portfolio diversification. Euro crisis & Chinese demand are likely to make it a good locus, says Nikhil Walavalkar

A

As investors getting nervous about the future prospects of gold? May be a little. Considering the price of the yellow metal is hovering around its all-time high, Mumbai standard gold prices have gone up by ₹2,395 for 10 gram to ₹36,600 in the last year, an appreciation of 32.08%. Investors were also betting on gold. According to AMFI data, value of gold holdings in gold exchange traded funds (ETFs) have gone up from ₹5,463 crore to ₹18,331 crore in the last one year.

Lately, however, the situation seems to have changed a little. Gold ETFs have seen net outflow of ₹41 crore in May, says AMFI. That raises a question: should one buy gold at these current high prices? "Investors must look at gold from the portfolio diversification point of view. Gold prices should remain firm, considering the high deficits of governments across the world and the sovereign debt crisis," says Chirag Mehta, fund manager — commodities, Quantum AMC.

THE INDIAN SCENARIO

Another factor that is working in favour of the precious metal is the persistent weakens in the Indian currency, Rupee, which was quoted at ₹63.51 per dollar on August 1, 2011, was quoted at ₹60.37 per dollar on August 6, 2012, a gain of 4.5%. This gain is explained by the 13.8% fall in the rupee against the dollar in the same period. The rupee fell from 64.57 per USD to 65.06 per USD.

The surge in gold prices in rupee term is an outcome of the rupee's depreciation than any increase in demand for the yellow metal. "If gold prices remain firm, demand for gold from India should go down. At the same time, strong gold prices should increase the supply of scrap gold, thereby influencing gold prices downwards," points out Devendra Negi, founder & partner, Delta Global Partners.

In FY2011-12, India imported gold worth ₹64 billion. Since India's current account deficit for the year was estimated at ₹74 billion, the government may introduce tax for gold imports to contain the deficit. While this should drive prices up in the short term, in the medium term, the demand for gold would come down.

Quantitative easing by developed nations typically increases risk appetite of global investors. Carry trade — where investors borrow at a low interest rate in one country and invest at a higher rate of return in another — picks up. Given the same scenario, monetary policies, the Indian markets may see inflow of funds. This will increase the demand for the rupee against the US dollar. A strong rupee may curb the rupee prices when compared with the dollar prices. Quantitative easing, thus, will have a balancing effect on gold prices — while on the one hand it may push up the dollar prices of the precious metal, on the other, it may reduce the rupee prices as rupee strengthens.

THE GLOBAL SCENARIO

International macroeconomic events are the chief drivers of gold prices in dollar terms. Gold prices are expected to go up in dollar terms due to the sovereign debt crisis in Europe and a possible quantitative easing by central banks.

Weakness of Rupee against the Dollar:

The rupee has depreciated by 10% in the last one year. The value of gold in dollar terms dipped 1% in the same period. During the same period, the rupee jumped by 22%.

Curbs on Imports:

To contain the burgeoning current deficit, the government may cut duties on gold imports by introducing taxes. This would drive prices up in short term.

What will Drive Gold Prices Up?

Domestic factors

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Global factors

International Macroeconomic Events:

The sovereign debt crisis in Europe and a possible quantitative easing by central banks are likely to drive gold prices.

Chinese Demand:

The consumption demand from Greater China has seen a jump of 35% from 284.4 tonnes in 2010 to 385.7 tonnes in 2012. As Chinese macroskepticism is expected to grow at a healthy rate, gold prices would continue to climb in dollar terms.

OUTLOOK

Experts reckon the importance of gold as an insurance for a portfolio and making it a mandatory component of your portfolio irrespective of the price levels. But there are many who want to take a tactical bet on gold. For them, the price matters. Though most experts feel gold should go up from here given the poor macroeconomic outlook, many are seen putting a premium on based on fundamentals.

If gold prices are resilient enough to sustain and not breach ₹1,500, we may witness a sharp rally which can extend up to ₹1,710 or even up to ₹1,750 in the near term. Otherwise, a slip towards ₹1,510 will be seen," says Basant Vaid, senior research analyst, Bonanza Portfolio.

In the Indian market, gold, at ₹29,300, is a strong support. "If the support cracks, gold prices can tumble towards ₹27,900 odd levels or else it rally towards a new life-time high can be seen,"

nikhil.walavalkar@timesgroup.com
Company in talks with American thermal coal miner Drummond Co

Aditya Birla Group may acquire Colombian mine stake for $1 bn

BAIJU KALESH
MUMBAI, JUNE 13

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Kumar Mangalam Birla, Chairman, Aditya Birla Group

DIVERSIFICATION

- Group looks to own 20-40% of coal output
- Coal from the mines to be used as feed for captive power plant and also for trading
- Coal mine ownership to help as a hedge against price volatility in global coal market
- Company also scouting for iron ore mines in Africa
- Mining projects in India stuck for want of green clearance

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