BJP shouldn’t succumb to mining lobby:
RSS leader

PRESS TRUST OF INDIA

BANGALORE, AUGUST 15

IN a stern warning to the BJP, RSS leader Madan Das Devi on Sunday said the Karnataka government should not “suc-
cumb to the mining lobby and not allow it to call the shots”.

“No extra Constitutional body should control an elec-
ted government. No one can be powerful always”, he said
without naming the Reddy brothers — the state
ministers who are in the eye of a storm in the illegal
mining issue.

His warning assumes significance as the BJP has been in a
don spot over the illegal mining is-

sue and the Congress going all out to ‘expose’ the involve-
ment of the Reddy brothers from Bellary in it.

To another question on the
issue, Devi, speaking during
the 1-Day function at the RSS
HQ said “BJP government
should not compromise on
basic (RSS) principles”.

On BJP seeking the help of
RSS during crisis, he shot
back, saying, “Actually we
don’t want them to come to
us. They should learn gover-
nance in such a way that they
do not need our advice.”

Speaking at the same event
after unfurling the tricolour,
the Sangh chief Mohan Bhag-
wat said the nation had failed
to realise the exact cause for
the problems in Jammu and
Kashmir even after so many
years of Independence and
warned that the unity and in-
tegrity of the country was in
danger due to infiltration
from across the border.
Bhubaneswar, Aug. 14: Public sector aluminium behemoth NALCO has posted a 125 per cent rise in net profit at Rs 284 crore in the first quarter of this fiscal against Rs 127 crore in the corresponding period last year. Sales turnover increased 43 per cent to Rs 1,389 crore during the quarter from Rs 970 crore. Rise in sales and profit are attributed to enhanced production volume and sales, improved consumption norms of input materials and better sales realisation by Nalco. Bauxite production increased to 1,067,429 tonnes from 840,328 tonnes in the corresponding quarter.
The Asian Age, Delhi  
Monday, 16th August 2010, Page: 16

Tata trounces RIL in mcap

New Delhi, Aug. 15: Coinciding with the beginning of a search for chairman, Mr Ratan Tata’s successor, the Tata Group has become the country’s wealthiest, with a market value of about Rs 3,71,000 crore — higher than that of the business houses led by the two Ambani siblings.

The Tata Group is followed by Mr Mukesh Ambani-run Reliance Industries group as the second-most valued firm (Rs 3,21,750 crore), Mr Anil Agarwal-promoted Sterlite group at third (Rs 1,35,300 crore), Mr Anil Ambani group at fourth (Rs 1,25,000 crore) and Mr Sunil Mittal-led Bharti group at fifth (Rs 1,20,500 crore), in terms of cumulative market capitalisation.

However, the Tatas would be relegated to second position if the market values are combined of the two Reliance groups — one led by Mukesh Ambani and another by younger sibling Anil — in the backdrop of their now harmonious relationship after years of acrimony till a few months ago.

The combined market capitalisation of the two Ambani groups currently stand at nearly Rs 4,47,000 crore — higher than the Tatas by nearly Rs 77,000 crore.

On a standalone basis, the Tatas have replaced Mukesh-led Reliance group as the country’s biggest in terms of market value at a time when the issue of finding a successor to iconic industrialist, Mr Ratan Tata, as the next chairman of the group is hogging the limelight.

Earlier this month, the Tata Group announced that it has set up a search panel for identifying a successor to Ratan Tata, who assumed charge of the group in 1991 and is scheduled to retire in December 2012.

The cumulative market capitalisation of about 30 listed Tata Group companies currently stands at nearly Rs 3,71,000 crore — a surge of nearly Rs 35,000 crore in the current quarter beginning July.

At the end of the previous quarter (April-June 2010), the Tata group had a total market cap of Rs 3,26,000 crore — making it the second-most valued firm after the Mukesh Ambani group.

The market wealth of the top groups has been shaken in the past few days, especially due to a sharp rally in some Tata group stocks such as Tata Motors and Tata Steel, as well as erosion in the value of the Mukesh Ambani group’s flagship firm RIL, and ADAG firm RCom. — PTI

Market cap: Key Tata firms and RIL

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap (in cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCS</td>
<td>167,733</td>
</tr>
<tr>
<td>Tata Steel</td>
<td>46,760</td>
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<tr>
<td>Tata Motors</td>
<td>51,497</td>
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<td>Tata Comm</td>
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<td>Tata Chemicals</td>
<td>8,803</td>
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<tr>
<td>Tata Global</td>
<td>7,062</td>
</tr>
<tr>
<td>RIL</td>
<td>320,202</td>
</tr>
</tbody>
</table>

Figures in rupee crores
India set to face shortage of coal

AGE CORRESPONDENT  MUMBAI

Aug. 15: India may soon face a shortage of coal as more power plants are built and domestic production lags. Coal imports could go up sharply over the next few years in spite of large domestic reserves.

Companies building power projects are also acquiring coal mines around the world. In its DRHP filed with Sebi last week, Coal India says that there will be a shortfall of coal if all the ongoing projects where it has signed letters of agreement are completed.

The company sees the shortfall at 101 million tonnes in FY11 going up to 235 million tonnes by FY12. One impact of the coal shortage would be a lower plant load factor for new power plants, says brokerage house JP Morgan. Newer projects may also find it more difficult to secure fuel linkages, the broker says.

While the worst predictions are unlikely to come true as many projects get delayed, many of the power companies are looking at alternative sources.

Earlier this month, Adani Enterprises paid $455 mn upfront in a deal to acquire a coal mine with 7.8 billion tonnes of reserves. Essar Group, which has a presence in steel, oil and power also spent $600 mn recently to acquire a coal mine in the US.

Other large groups including Tatas, JSW, GMR and Reliance Power have also acquired coal assets overseas — mostly in the past 2-3 years. Even public sector firms such as NTPC, NMDC and SAIL are looking at acquiring coal mines to secure fuel supplies.

The favourite spots for Indian firms are Australia, South Africa and Indonesia — all of them are large coal exporters and in close shipping distance to India.
Vedanta buyout of Cairn India likely today

IN the biggest-ever domestic takeover in the oil and gas industry, Vedanta Resources Plc is likely to announce the buyout of a controlling stake in oil explorer Cairn India through its Edinburgh-based owner, Cairn Energy Plc, on Monday.

At current valuations, the deal is estimated to be worth $8 billion. Cairn Energy owns 62.4 per cent in Cairn India, with Malaysia’s Petronas holding another 14.94 per cent in the Bombay Stock Exchange-listed company.

After Mukesh Ambani’s Reliance Industries, Cairn India is the country’s second-biggest private sector producer. Its Mangala field in Rajasthan, which went on stream last August, is producing 125,000 barrels a day, with potential to go up to 240,000 barrels a day.

The deal would see the London Stock Exchange-listed metal player enter the crude oil business. Upon acquisition of majority stake, Vedanta Resources will have to make an open offer for an additional 20 per cent.

Post the deal, Vedanta will be the second-largest mining firm in the world, after BHP Billiton, to also have an interest in oil. “Cairn India’s performance in Rajasthan has always made it a promising takeover target. The deal will work well for the company,” said a Mumbai-based analyst, on condition of anonymity.

Vedanta Resources, on its part, has sought approval from Goldman Sachs, Barclays and JP-Morgan to finance the deal via a combination of dollar and pound debt, said people close to the ongoing negotiations.

It is expected that Vedanta will take at least 50 per cent stake and then go in for an open offer, making it a majority equity holder. The Vedanta group had net cash and cash equivalents of $7.2 billion ($33,120 crore) as on this March, of which $3.13 billion ($14,380 crore) was in the books of Sterlite Industries and $1.09 billion in Sesa Goa (another India-listed subsidiary). In case of Sterlite, the company had cash and investments worth $23,642 crore and debt of $9,269 crore as on March 31.

The deal may require a go-ahead from the Indian government, since production sharing contracts with it require a company to take permission for any change of hand. The issue whether Oil and Natural Gas Corporation (ONGC), the government nominee, would also have a first right to refusal for operatorship of the fields where it is a partner with Cairn India remains a grey area. Cairn India operates two producing blocks (Ruvva and CB/OS-2), where ONGC has majority participating interests.

On Friday, Cairn India’s scrip closed at a new high of $35.45, up 4.4 per cent on talk of a possible buyout.
वेदांत-कैर्यन सौदे को जल्द अन्तर्भूत किया गया है

आयरन वोल्फ (एमजीएस) के वेदांत के लिए भारतीय विदेशी खरीदने के लिए विदेशी खरीदने के प्रतिवेदन पर सरकार ने तय किया है कि वेदांत-कैर्यन की योजना (राजस्थान) परिवहन में भारतीय सरकार की योजना और इंटरनेशनल की हो तो यह नहीं होगा क्योंकि इस समय के वेदांत की योजना 62.37% प्रतिशत की भागीदारी है और अपनी व्यवस्था हिस्सेदारी में अन्तिम अंतर्भूतित के नेतृत्व द्वारा खिंचन रहनी दृष्टि के समय वेदांत के सरकारी संस्थानों को भाग रहे हैं। लेकिन यह सौदा सरकार की मंजुरी पर निर्भर करेगा। कैर्यन इंडिया को चीन (राजस्थान) परिवहन में अंतर्भूत की योजना की भागीदारी है। एक अधिक स्वतंत्रता अभियान के बाहर, उसने प्राकृतिक गैस निर्माण (ओएलनी) ने राजस्थान परिवहन में 1.3 अलग शाखा का आनलंग खंडित किया गया है। इस्तीफे के बाहर यह पता चला कि कैर्यन के यहाँ की इंटरनेशनल संस्थानों के बीच सहयोग बना रहा है।
GoM may mandate miners to develop project areas

PRIVADARSHI SIDDHANTA
NEW DELHI, AUGUST 15

WITH the mineral-rich states asking the Centre to allow them to apportion mining profits for local development to address Left Wing Extremism (LWE) issues, the Group of Ministers (GoM) constituted on the Mines and Minerals (Development & Regulation) Bill 2010 is all set to intensely debate stringent provisions mandating the miners to help promote development in their project-areas, quite a few of which are in the LWE zones.

Responding to the demand of Chhattisgarh chief minister Raman Singh that “his government be allowed to apportion mining profits for carrying out local development to address LWE issues,” the mines ministry has sought the nod of the GoM, headed by Finance Minister Pranab Mukherjee, to include stricter provisions in the MMDR Bill. If the ministry has its way then even in case of non-commencement or discontinuance of mining operations, agreed monetary benefits specified in the Mining Lease must be paid by the miners to their beneficiaries.

Through this new provision, the ministry has sought to bind the miners by mandating to pay the envisaged 26 per cent of their profits to the persons impacted by their mining operations. The provision leaves little room for them to shirk off from paying the money to the stakeholders on the alibi of “non-commencement or discontinuance of operations.” What more, the ministry has told the GoM that the miners be compelled to share compensation benefits even during the exploratory phase.

These provisions are in addition to the existing ones proposed like sharing 26 per cent of profits or an amount equivalent to royalty with the projected-affected persons.

The Bill stipulates that “stakeholder rights in the form of allocation of at least one share at par in the mining company.” In another interesting development, the mines ministry at the behest of Orissa chief minister Naveen Patnaik has recommend to the group that “on small (mineral) deposits, the mineral-rich states may give preference to tribal cooperatives in grant of concessions.” Patnaik had written to the Centre arguing that his government sought steady stream of income to the tribals impacted by mining activities. This is in addition to the ministry’s proposal that cess on major minerals should accrue to the state exchequers.

However, the ministry has turned down the pleas of these states seeking discretionary powers to override the first-in-time principle in non-notified areas saying the principle was important to create investor confidence.
Vedanta Resources Plc’s proposal to buy a stake in Cairn India Ltd has caught investors unawares. Vedanta and Sterlite Industries Ltd’s share prices fell while Cairn’s gained.

The key concerns appear to be on the logic for diversifying from mining and metals into oil and gas, and funding for the proposed transaction. Cairn India’s market capitalization is around ₹67,000 crore, and a 26-51% stake (51% is what news reports are mentioning) will cost it around ₹17,000-34,000 crore.

Why oil and gas? Vedanta’s appetite for acquisitions is no secret. Its strategy, as mentioned in a recent offer document, is to create a world-class metals and mining company, using four approaches: asset optimization and cost reduction, capacity expansion, consolidating its holdings and seeking acquisitions. It will seek opportunities where it can leverage its “transactional, project execution and operational skills and experience”. It will seek complementary businesses too, such as coal mining and oil and gas, which though not really complementary, appear to fit in here.

Vedanta is not breaking new ground. Mining major BHP Billiton Ltd’s petroleum exploration business contributed 17% of its half-year ended December 2009 revenue and 27% of its segment profit. Brazil’s Vale SA is seeking to diversify its energy supplies by acquiring stakes in oil and gas exploration assets. It owns stakes in around 20 exploration blocks. Rio Tinto Group, however, does not have petroleum or gas exploration projects in its exploration schedule.

Utilizing captive energy resources can give a cost advantage. Even if operational or regulatory obstacles prevent captive usage, it could act as a hedge. When the mining division’s profits decline due to higher energy prices, the exploration division’s profits will go up. In a recession, however, the hedge will turn into a drag.

Why Cairn? Cairn is a good target, with a successful exploration business that is being scaled up, very little net debt and positive cash flows.

Vedanta may be able to use its stated strength of asset optimization and cost reduction to perhaps extract more profits. Its unstated, but equally important strength is the ability to operate in sectors where politics and policy impact business, especially so in its home country. In recent years, the Indian government’s role in the oil and gas sector has been a worry for exploration companies.

But funding is the main concern. Vedanta has spent nearly half its $17 billion (around ₹79,200 crore) capital investment plan, as of fiscal 2010. It plans to spend nearly $14 billion by fiscal 2013, including the pending capital expenditure, minority buyouts and debt repayment. Cash on hand is $7.2 billion, fresh debt will provide $4.9 billion and the rest will come from ongoing cash flows. This capex will expand its capacity in its existing businesses. So Vedanta is indeed cash-rich, but it has little to spare.

It could have well waited to finish its ongoing projects. Either the price should be very attractive or it anticipates having spare cash, perhaps due to a deferral. Till the air clears over these issues, shareholder anxiety over the proposed transaction will prevail.

FUNDING CONCERNS

Vedanta Resources has a sizeable investment plan, and buying Cairn India will stretch its balance sheet.

<table>
<thead>
<tr>
<th>Capital requirements of Vedanta till fiscal 2013 (in Rs bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt repayment</td>
</tr>
<tr>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: Company

Graphics by Ahmed Raza Khan/Mint
भाजपा खनन लाइब के दबाव में नहीं आए : मदनदास देवी

बेंगलुरू, (पार्षद): भाजपा को दी गयी सख्ती चेतावनी के तहत आयोगी नेता मदनदास देवी ने कहा कि कानून सरकार को ‘खनन लाइब’ के दबाव में नहीं आना चाहिए और उसे हारी नहीं होने देना चाहिए। देवी ने रेडी हंगूं नियुक्ति के नाम हिज लिए बोला, “किसी संसदीय निर्देशन को निर्धारित संसद को निवारित नहीं करना चाहिए। कोई भी हमेशा शर्करारी नहीं हो सकता।” रेडी हंगूं नियुक्ति खनन के पूर्व, पर नियुक्ति के पूर्व में है।

यह चेतावनी हजारों महावर संगठन है क्योंकि भाजपा अवधित खनन पूर्व 95 घंटे खिलाड़ी के में है और कोई नेता के देशी हंगूं नियुक्ति की अवधित खनन नागरिकों में बैठकिता की ‘उजागर’ करने में कोई कर्म नहीं छोड़ रहे हैं। यहां आयोगी सचिव प्रमुख पर खनन संबंधी विवाद समाप्त की जाने की आशा है।
Gold may trade between $1,180 and $1,230

Dubai: Gold may trade between $1,180 and $1,230 this week, although prices will likely trend toward the upper end of this range. Investors have been rebuilding long positions liquidated in July, a trend which could continue this week. Prices have moved higher overall since late July and could be vulnerable to profit-taking. It should not be surprising if gold fell toward $1,200 or lower, given reduced fabrication and investor activity in August. Any such sell-off may draw increased buying interest, however, so any sharp price decline may be quickly followed by a price rally. Reduced investor optimism over economic prospects and rising concerns over financial market conditions should continue to stimulate demand for gold.
Investors may bet on silver over its safe-haven appeal

DUBAI: Silver is expected to trade between $17.50 and $19 this week, with additional support at $17.00. Investor concerns over the global economic recovery, weighed on silver prices in the beginning of last week. This coupled with profit-taking pushed silver down 3.3% from August 6 to settle at $17.89 on August 11. Silver recovered in the second half of last week to settle at $18.09 by August 13. Resurfacing sovereign debt problems in Europe coupled with weakening investor sentiment toward economic conditions should support silver prices to an extent. Silver's function as a safe haven asset next to gold, could increase investor interest in the metal this week.
Tata becomes India’s most valued group

New Delhi: Coinciding with the beginning of a search for chairman Ratan Tata’s successor, the Tata Group has become the country’s wealthiest, with a market value of about Rs 3,71,000 crore — higher than that of the business houses led by the two Ambani siblings.

The Tata Group is followed by Mukesh Ambani-run Reliance Industries (RIL) group as the second most valued firm (Rs 3,21,750 crore), Anil Agarwal-promoted Sterlite group at third (Rs 1,35,300 crore), Anil Ambani group (ADAG) at fourth (Rs 1,25,000 crore) and Sunil Mittal-led Bharti group at fifth (Rs 1,20,500 crore), in terms of cumulative market capitalisation.

However, the Tatas would be relegated to second position if the market values are combined of the two Reliance groups — one led by Mukesh and another by younger sibling Anil — in the backdrop of their now harmonious relationship after years of acrimony till a few months ago.

The combined market capitalisation of the two Ambani groups currently stand at nearly Rs 4,47,000 crore — higher than the Tatas by nearly Rs 77,000 crore. At the end of the previous quarter (April-June 2010), the Tata group had a total market cap of Rs 3,36,000 crore — making it the second most valued firm after the Mukesh Ambani group. With just two listed companies — RIL and Reliance Industrial Infrastructure Ltd (RIIL) — the Mukesh Ambani group had a market cap of nearly Rs 3,65,000 crore at the end of the previous quarter. It has declined by nearly Rs 37,000 crore so far in the current quarter.

ADAG’s m-cap, with seven listed companies, was around Rs 1,42,000 crore at the end of the June quarter. The group was the country’s third most valued after the Mukesh Ambani and Tata Group at the end of the previous quarter.
Mines Tribunal stays State’s ban on export by NMDC

BANGALORE, DHNS: The Mines Tribunal, New Delhi on Friday ordered an interim stay against the Karnataka government’s condition to National Minerals Development Corporation that it should not export ore it extracts in the State.

Tribunal members comprising joint secretary of Mines department and joint secretary of the Law department ordered the stay when the matter came up for hearing.

Parag Tripathi, Additional Solicitor General, appeared for NMDC, which is a public sector unit of the Centre, according NMDC’s counsel K Raghavacharyulu.

In October 2008, NMDC had requested the State Government to renew its mining lease in Donimalai range of Sandur taluk, Bellary district. The lease was first granted for a period of 20 years in 1988. The lease is renewed once in 20 years.

In its letter dated October 23, 2008, the Commerce and Industries Department of the State had written to NMDC that its lease is renewed with effect from November 2008 with the condition that ore should be used for value addition or supply to units doing value addition only but not for export.

K Raghavacharyulu said the Corporation had challenged government’s direction before the Mines Tribunal. NMDC is into small scale mining of 2 to 3 million tons a year in Karnataka. It mainly exports ore to Japan, the counsel said.

In the last week of July this year, Karnataka government, on the directions by Chief Minister Yeddyurappa closed the state ports for export of iron ore and also banned transport of ore for export. The orders have been challenged by mining industrialists before the Karnataka High Court.

Industrialists arguing that the State has no jurisdiction over export related issues as legislations pertaining to minerals are drawn by Parliament.
Defending deficits

Almost 90% of total bilateral trade with Australia comprises India's imports, reflecting our energy and mineral dependence.

India's expanding trade deficit with China is viewed as a serious concern by many. Of late, the concern is not limited to China alone. India's trade deficit with Australia is also being cited as an example of similar concerns.

From a bilateral trade perspective, India-Australia trade is much less discussed than the India-China trade. As two of the Asia-Pacific region's largest economies, India and Australia are expected to have robust exchanges. Statistics provided by the Directorate General of Commercial Intelligence and Statistics (DGCI&S) in India vindicate the expectation. The latest country-wise trade data giving information till the first three quarters of the financial year 2009-10 (i.e., April-December 2009-10) shows Australia as India's eighth-largest goods trade partner. With bilateral trade amounting to $9.7 billion for the period, Australia accounted for just about 3% of India's total goods trade. The volume and share are almost as much as India trades with Iran ($9.9 billion; 3.03%) and Switzerland ($9.8 billion; 3.02%), which are the world's sixth and seventh largest trade partners respectively, for the period. India's trade with Australia, however, is much less than its trade with its top three partners—China ($29.9 billion), UAE ($28.4 billion) and the US ($25.1 billion), respectively. During 2008-09, however, Australia did not figure among India's top ten goods trade partners. It was the eleventh largest partner, with bilateral trade amounting to $12.5 billion. Australia's share in India's total trade was 2.6% during the year.

The balance in bilateral goods trade is in Australia's favour. Almost 90% of total bilateral trade comprises India's imports from Australia. Switzerland is the only other country among India's top ten trade partners with which India's trade shows a greater proportion of imports (95.7%) than Australia's. In this respect, imports dominate India's trade with Australia and Switzerland much more than it does with China. Quantitative imbalances expressed as proportion of imports in total trade are relatively more with Australia and Switzerland since such proportion for China is around 75%.

The imbalance in India-Australia trade, however, is hardly surprising. It reflects India's dependence on Australia as a vital source of energy and mineral resources. Coal imports account for more than 65% of India's total imports from Australia. Semi-manufactured non-monetary gold is another vital import. Taken together, coal and gold comprise more than 86% of India's annual imports from Australia. From a narrower commodity perspective, 98% of India's imported bituminous coal is sourced from Australia. Indeed, coal marked the beginning of commercial exchanges between the two countries, with the first Australian ship carrying coal hitting Indian shores more than two centuries ago. Similarly, gold trading between Australia and India also has a long history.

India's trade deficits with China and Australia are unlikely to reduce in the foreseeable future. Imported components from China will continue to remain an efficient source of intermediates for Indian manufacturing. As Indian manufacturing picks up its growth momentum in the coming months, imports of machinery and equipment from China are expected to see a corresponding increase. Similarly, import of coal from Australia is going to increase as India's electricity plants begin charting a robust growth course. Increased industrial activity will increase demand for electricity. With most of India's electricity plants being coal-fired thermal units, coal will be in heavy demand. Initial estimates indicate that coal imports might increase to 50 million tonnes (mmt) in the financial year 2010-11 from 20 mmt in 2009-10.

It is important to understand that trade is a two-way traffic. In a globalised world, producers will resort to imports on price and quality grounds as long as such options are available. India's industrial producers are not an exception. Its trade imbalances with Australia and China are outcomes of such rational responses. Such imbalances will acceptably till India can offer its industrial producers home-grown alternatives of same quality at competitive prices.

The author is a visiting senior research fellow at the Institute of South Asian Studies (ISAS) in the National University of Singapore (NUS). Views are personal.
Facing heat from Congress over the illegal mining issue, Karnataka Chief Minister BS Yeddyurappa on Sunday asserted that no new mining licences had been granted by the BJP Government after coming to power.

"After coming to power, we neither gave new mining licences nor renewed them without value addition. Mining is going on with licences issued by previous governments. As per the new mining policy, there is provision only for value addition and no provision to export the ore," he said after unfurling the tricolour on the 64th Independence Day.

Orders prohibiting iron ore from 10 ports was a "voluntary" step taken by the Government to curb illegal mining and export of iron ore, he said.

BSY promises steps to stop illegal mining

Holding successive Governments after the 1970s responsible for the power crisis, Yeddyurappa said the State has targeted a minimum of 5000 MW generating capacity in the 11th five year plan.

"Accordingly, we have given approval for implementation of power projects of about 16,000 MW capacity," he said.

BSY said his Government had also empowered Lokayukta by vesting it with suo motu powers to investigate higher officials up to Chief Secretary rank and appointed an Upalokayukta.

PTI BANGALORE

Mittal and Posco coming forward to establishing industries in the State. Calling for steps to eradicate terrorism and Naxalism, he appealed to the people to stand united to face challenges posed to unity and sovereignty of the nation.

He said his Government had also empowered Lokayukta by vesting it with suo motu powers to investigate higher
Govt unlikely to clear Vedanta-Cairn deal in a hurry

The Pioneer, Delhi
Monday, 16th August 2010, Page: 10

The government is unlikely to clear London-based Vedanta Resources’ acquisition of majority stake in Cairn India in a hurry, as it sees an opportunity in the deal to settle State-owned ONGC’s negative returns from the latter’s Rajasthan oil fields.

Edinburgh-based Cairn Energy is selling the majority of its 62.37 per cent stake in subsidiary Cairn India to Vedanta. But the deal is contingent on government approval.

"Oil and Natural Gas Corp (ONGC) has invested $1.3 billion in Rajasthan fields (which are Cairn India’s biggest assets) and ideally, it is ONGC who should take over Cairn Energy’s interest," a senior government official said.

In fact, in 2005, Cairn Energy had offered its interest in the Rajasthan and other fields to ONGC for close to $1 billion, but when the PSU did not agree with the valuation, it floated a $1 billion IPO and listed the firm on the stock exchanges in 2006.

"It is a matter of concern that a non-energy firm is trying to take over operations of these complex fields. World-over, Governments insist on prior experience before companies are allowed even to explore. And here is a firm which has never even seen oilfield,“ the official said.

Vedanta’s deal will be contingent on government approval, as Cairn India 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 give pre-emption, or the right of first refusal (ROFR) to partners like ONGC.

"The official said the stake sale now offers the Government an opportunity to settle the issue of the $4 billion that ONGC will incur for the life of the Rajasthan oil fields, as it has to pay statutory levies like cess and royalty on behalf of Cairn India. ONGC has 30 per cent interest in the Rajasthan fields, but has to pay cess and royalty on the entire production, thereby giving negative returns on its investments.

"We are not in a hurry to do anything just yet. We need to make sure that our PSUs’ interest is protected," he said.

The Production Sharing Contract (PSC) for the Rajasthan field is silent on government approval for transfer of ownership, but the Joint Operating Agreement between Cairn India and ONGC gives the partners ROFR in case of stake sale.

The same is the case with gas discovery block CB-06-2 and the eastern offshore Ravva oil and gas fields. But its seven exploration blocks, including the KG-DWN-98/2 block with ONGC, have explicit provisions for government approval in case of a change in control.

"We will need to study PSC provisions carefully before we do anything," the official said. Cairn India and ONGC are expected to spend $2.67 billion in capital expenditure in the Rajasthan block and $1.52 billion in operating expenditure, besides $941 million going towards the cost of a pipeline to transport crude oil.

ONGC’s Net Present Value (the value today of anticipated future incomes and expenditures) works out to negative $1.455 billion and a negative $1.471 billion at a crude price of $60 and 70 per barrel, respectively, he said.

The negative NPV is a result of ONGC’s being made liable to pay 20 per cent royalty on the entire crude oil production, while Cairn is exempt from payment of any levy.

"Some say that ONGC signed the contract for the Rajasthan block fully knowing about the royalty liability. But the royalty at the time of signing the production sharing contract was Rs 59.20 per tonne, while it today comes to Rs 5.78 per tonne, considering a crude price of $60 per barrel," the official said.

Besides the change in royalty rates, the oil development cost has also been increased to Rs 2,500 per tonne from Rs 900 per tonne at the time of signing the PSC for the Rajasthan Block.

"Keeping in view ONGC’s liability of payment of royalty on 100 per cent production against its participating interest of 30 per cent in KG-ONL-98/2 block, ONGC’s liability towards royalty works out to Rs 86 per barrel at crude price of $60 per barrel," he said.

The cost for ONGC’s 30 per cent share works out to Rs 7.14 per barrel.

"Further, ONGC has to share profit petroleum which is broadly revenue minus operating and capital expenses and royalty is not deductible with the Government in a prescribed ratio. Assuming the current cost and production estimates and a crude oil price of $60 per barrel, ONGC would need to pay Rs 10.34 per barrel to the government as its share of profit petroleum," he added.

ONGC would be left with $0.65 per barrel after payment of royalty, cess and profit petroleum to the Government. On the other hand, operator Cairn would be left with $42.5 per barrel, since it does not have to pay royalty.

"The balance of $6.5 per barrel is insufficient for meeting the obligations of sales tax/VAT, fees and caps," the official said, adding that ONGC wants the Government to refund the royalty it has to pay on behalf of Cairn.

"Even if in case royalty paid by ONGC on behalf of Cairn is reimbursed to it, the break-even crude price would work out to $71 per barrel," he said.

At a $70 a barrel sale price, ONGC’s realisation after paying cess, royalty and profit petroleum would be just $5.78. The project offers negative returns and over the life of the field, the PSUs will lose Rs 14,000 crore."
Gold to test support, rise

Comex gold futures ended marginally lower on Friday but closed firm for the week, after government data showed slightly more-than-expected consumer prices in July, and retail sales showing hints of lingering economic softness. Bullion benefited from higher-than-expected US jobless claims and the Federal Reserve’s downgrade of its economic outlook. Federal Reserve said US economic growth is slowing and it will revive its Treasury purchases. A rallying dollar also weighed down oil and metals and kept a lid on gold’s gains. The dollar chalked up its best week in nearly two years against major currencies as the tepid consumer data fed fears that slower US growth would hurt the world economy. That fear boosted a safe-haven bid for the greenback.

Comex gold futures are moving in line with our expectations. As mentioned in the previous update, prices showed inclination to get back into the $1,200 zone. Prices have stayed above $1,200 comfortably for the whole week, and this will reinforce bullish expectations. Presently, prices found resistance in the $1,218-20 zone, being an important resistance in the past. Strong resistance is still seen in the $1,218-20 zone for the coming sessions. Only an unexpected rise and close above $1,220 could cause doubts on our overall bearish view and would force us to abandon it. There are signs that this rally could develop into a strong one taking out the recent highs. It will be confirmed once it crosses $1,235 on a closing basis. Till then we favour a consolidation in the $1,205-1,220 zone before the next push higher. There is a possibility of a fall even below $1,200 and while $1,190 holds, we can look for prices to edge higher.

Our wave counts are indicating that the impulse moves have ended and corrective ones have started and a close below $1,115 would validate this view. Elliot wave analysis now indicates a possibility of a fifth wave impulse possibly getting over at the recent high of $1,266. A daily close below $1,135, will now confirm the beginning of a possible A-B-C, corrective move has started. The counts will need to be reviewed above $1,235. RSI is in the neutral zone now indicating that it is neither overbought nor oversold. The averages in MACD are still below the zero line of the indicator indicating bearishness to be intact.

Therefore, look for gold futures to test the support levels initially and then rise higher in the coming sessions. Supports are at $1,210, $1,197 and $1,185. Resistances are at $1,218, $1,227 and $1,238.

Gnanasekar T.
(The author is the Director of Commtrendz Research and also in the advisory panel of Multi Commodity Exchange of India Ltd (MCX). The views expressed in this column are his own and not that of MCX. This analysis is based on the historical price movements and there is risk of loss in trading. He can be reached at gnanasekar_thilagarajan@yahoo.com.)
Gold may rise on growth worries, but bumpy ride likely

G. Chandralekha
Mumbai, Aug 15

How fickle markets can get. Choppiness have characterised the global commodity markets in recent days. Prices have come under pressure, especially of growth-linked commodities such as crude and base metals, following softer-than-expected macro data from the US and China. Pessimism has seized the market so much that crude dropped $5 a barrel last week to trade below $80 despite strong fundamentals that do not justify the current price.

However, agricultural market prices have witnessed price rallies triggered by adverse weather conditions; and the embargo on grain shipments from Russia has served to fuel the frenzy, raising the spectre of record high food prices two years ago.

The amount of investment flowing into the commodity sector has also been rising in recent months. Currently, the market is torn between tightening fundamentals and macro-economic pessimism. At the moment, negative sentiment and pessimism about growth seems to have overtaken constructive fundamentals.

How long this sentiment will last will depend on the quality of data flow in weeks ahead. Prices of a number of commodities have potential to rise sharply once pessimism wanes.

**Gold:** Prices have once again broken above $1,200 an ounce to one month highs. With macroeconomic concerns resurfacing and the US dollar weakening, prices have bounced upwards. Physical demand has naturally dried up at the current elevated levels. However, investor interest is picking up evidenced partially by inflows into physically backed ETFs.

Long term investor interest in gold continues to be strong. The environment is developing favourably for the yellow metal for safe haven buying. With economic uncertainties refusing to fade decisively, rising speculative demand will prop prices higher. But the ride higher will be far from smooth. Expect volatility and occasional correction due to profit booking are likely.

**Bouncing high:** A file picture of a tower of gold bars. Although rising speculative demand may prop prices higher, it will be far from smooth. Volatility and occasional correction due to profit booking are likely.

**Base metals:** After rallying for weeks, the entire complex has come under pressure with concerns over growth resurfacing following slightly disappointing data from the US and China, as well as lack of distinctive positive news from any region of importance. Seasonal slowing in physical demand has also added to the sentiment. So, in the short term, prices are vulnerable to downside risks.

To be sure, the fundamentals are constructive for most base metals. Copper, tin and lead enjoy strong fundamental support. Zinc prices may witness a pullback as the rally may have been overdone.

**Crude:** With sentiment worsening, prices have dropped well below $80 a barrel; this despite some strong figures emerging from Europe. Oil demand growth projections for 2010 and 2011 have been consistently revised higher. Oil demand is expected to rise to new highs. Asia will continue to drive demand growth. Yet, local US data continue to be used as a proxy for global conditions, observed an expert. Any sign of the current pessimistic sentiment waning would send prices soaring higher.
Measures to halt illegal mining: BSY

Bengaluru CM B S Yeddyurappa promised new measures to stop illegal mining in the state as Karnataka celebrated Independence Day with patriotic fervour. “All round development of the state is the best answer to critics of my government,” he said.
खनन लॉबी के दबाव में नहीं आएं : संघ

भाषा II नागपुर

भारत सरकार ने खनन लॉबी के दबाव के बाद भारत सरकार की ओर से उठाए इस मामले पर लाभदायक सुंदर समेर के नाम पर विवादित किए। इसके बाद भारत सरकार ने एक समस्या जमानतीय नाम को लिया, जो सीधे संख्यात्मक साथ नहीं पहुँचता। रेडी को संख्या साल के बजाय जनता के नाम पर देखा जा रहा है। रेडी की संख्या की ओर से देखा जा रहा है कि क्या इस समस्या से संबंधित नहीं है। रेडी की संख्या के बजाय जनता के नाम पर देखा जा रहा है कि क्या इस समस्या से संबंधित नहीं है।
Cairn-Vedanta deal unlikely to get govt nod

THE government is unlikely to clear London-listed Vedanta Resources’ acquisition of majority stake in Cairn India, as it sees an opportunity in the deal to settle Oil and Natural Gas Corp’s (ONGC) negative returns from the latter’s Rajasthan oil fields.

Cairn Energy is selling the majority of its 62.37 per cent stake in subsidiary Cairn India to Vedanta. But the deal is contingent upon government approval.

“ONGC has invested $1.3 billion in Rajasthan fields and ideally, it is ONGC that should take over Cairn Energy’s interest,” a senior government official said.

In 2005, Cairn Energy had offered its interest in the Rajasthan and other fields to ONGC for about $5 billion. But when ONGC did not agree with the valuation, it floated an India unit and listed the firm on the bourses in 2006.

“It is a matter of concern that a non-energy firm is to take over operatorship of these complex fields. Globally, governments insist on prior experience before companies are allowed even to explore,” the official said. PTI