

50 tonnes of iron ore seized in Anantapur

DC CORRESPONDENT
ANANTAPUR, OCT. 16

Police has seized about 50 tonnes of iron ore stored illegally in barren lands between Obulapuram and H. Siddapuram villages in D. Hirehal mandal on Sunday.

Acting on a tip-off, police visited Obulapuram village and found low-grade iron ore stored on barren lands. Later, the police transported the ore to the police station and subsequently handed it over to mines and geology officials.

It is learnt that some iron ore traders have engaged villagers to excavate iron ore from barren lands adjoining Obulapuram H.

Siddapuram villages after the Supreme Court ordered suspension of mining activity in the controversial mining sites in 2009. The suspension orders came after allegations that the Obulapuram Mining Company misused the leases granted to the company.

Meanwhile, D. Hirehal sub-inspector, P. Raja said that it was common for villagers to dig iron ore from small pits and sell it to local traders. He added that no case was registered as there was no one to claim the iron ore.

Speculations are rife about illegal mining since suspension of mining as local petty traders eyed the area to make easy money.

FinMin rejects tax exemption for mining bonds

PRIYADARSHI SIDDHANTA
NEW DELHI, OCTOBER 17

THE Finance Ministry has raised several questions on the mines ministry's proposal on attracting investors to the country's investment-starved mining sector. It has, in a recent note to the inter-ministerial committee for development of models of venture capital for mineral exploration, said that the proposal needed to be deliberated extensively with all concerned stakeholders before the ministry firms up its views.

The ministry has shot down the proposal to provide tax exemption for mining and exploration bonds on the lines of infrastructure bonds. "Tax incentives and holidays are being discontinued and have been given a sunset clause under the Income Tax Act. In the Direct Taxes Code, only investment-linked incentives are proposed to be provided," the ministry said.

It has also questioned the proposal to introduce the "flow-through shares" model to lure foreign multi-national giants to the mining sector. It argues that the concept needs a detailed scrutiny.

"The introduction of flow-through shares concept in India requires detailed study as regards the impact it will have on revenue foregone for the government, and also the type of reporting

PROPOSAL

to introduce 'flow-through shares' model to lure foreign multi-national giants needs detailed scrutiny, says finance ministry

and monitoring mechanism," the finance ministry said in its note.

The ministry cited that the concept of these shares was first introduced by the Canada in 2000 to provide incentives for investment in exploration firms.

Such firms, particularly the smaller ones, undertake capital-intensive exploration and they usually do not have sufficient revenue stream to set off the tax deductible expenses available to them. So, in order to improve their fund flows and incentivise investments, the concept of flow-through shares were introduced. This helped exploration companies pass on the un-utilisable tax deduction to potential investors.

It also ruled out the suggestion that payment for exploration should be made eligible as tax exemption. "Deduction for payments to scientific research associations are being given to promote core R&D and mining activity does not stand on the same footing," it said.

CENTRE TEAM INSPECTS MINES IN GOA

AGE CORRESPONDENT
PANAJI, OCT. 17

The Justice M.B. Shah Commission, appointed by the Centre to probe into allegations of illegal mining in Goa, on Monday visited several mines in the state to verify data. It has been alleged that the amount of iron ore actually extracted from Goan mines is far less than the amount exported.

The Central government teams had already inspected the 90-odd operational mines and 30 non-operating mines in the state in September. Sources said that the current round of inspections were only to cross-check extraction data.

The Opposition BJP has alleged that the mining scam in the state amounted to ₹25,000 crores with illegal iron ore coming in from the neighbouring state of Karnataka for export through Goan ports.

The environmental loss itself due to rampant hill cutting and illegal mining has been estimated at ₹500 crores.

The BJP had trained its guns on chief minister Digambar Kamat with Opposition leader and former PAC head Man-ohar Parrikar's report blaming the CM for being a "silent spectator" while the scam was underway. The report, however, had not been allowed to be tabled in the state Assembly by Speaker Pratap Singh Rane citing irregularities in it.

MELBOURNE

**TO FOCUS ON IRON ORE, RIO TINTO
RETREATS FROM ALUMINUM BUSINESS**

The global mining company Rio Tinto signaled a major retreat from its aluminum business Monday, putting an estimated \$8 billion worth of assets up for sale in six countries, only four years after buying the aluminum giant Alcan for \$38 billion.

Rio Tinto said it planned to sell 13 assets, including smelters and alumina refineries, in a move interpreted as a way of diverting more resources to iron ore, which now accounts for nearly 80 percent of the group's earnings.

The sale would leave Rio Tinto's remaining aluminum business focused mainly on its more profitable Canadian operations. (REUTERS)

RIO TINTO PUTS \$8-BN ALUMINIUM ASSETS ON BLOCK

Reuters

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MELBOURNE: Global miner Rio Tinto signalled a major retreat from its aluminium business on Monday, putting \$8 billion worth of assets up for sale, just four years after it bought aluminium giant Alcan for \$38 billion.

The company said it planned to sell 13 assets, including smelters and alumina refineries, in a move interpreted as a way of diverting yet more resources to iron ore, which now accounts for nearly 80% of group earnings.

"It's all about returns and these big miners are always re-evaluating their businesses," said Gavin Wendt, senior mining analyst for Mine Life in Sydney.

The sale, which would leave Rio Tinto's remaining aluminium business focused mainly on its more profitable Canadian operations, is designed to help the group more than double its aluminium earnings margins to 40% by 2015.

"We're going to be in no rush (to sell)," said Rio Tinto Alcan chief executive Jacynthe Cote. She declined to say whether Rio Tinto was already in talks with potential buyers.

Special funding body mooted for mining sector on lines of IIFCL

■ Agency likely to be set up as an SPV ■ A formal note after deliberations with stakeholders

Parul Chhaparia

New Delhi, Oct 17: The government proposes to set up a new funding entity on the lines of the India Infrastructure Finance Company (IIFCL) to meet the financing requirements of the mining industry.

The sector has huge funding needs for carrying out detailed exploration of embedded and deep-seated resources of base metals. However, banks are reluctant to lend for exploration. There is also a dearth of equity investments in the area considered to be highly risky.

Sources in the finance ministry said that a formal note on the financing entity would be finalised after a consultation with all stakeholders.

The new agency is expected to be set up as a special purpose vehicle (SPV) owned by the government of India that could mobilise funds from the market and multilateral agencies, such as World Bank and ADB, backed by sovereign guarantee.

The government adopted the same model in the case of IIFCL, which was set up as a wholly-owned company of the government of India in January 2006.

"Domestic banks do not have sufficient credit outstanding for investment in exploration. If the security on the investment is improved, then such investment



The sector has not seen big investments despite liberalisation of private and foreign investments

could be possible through mechanism like IIFCL," said an official in the finance ministry, adding that the issue came up for detailed discussions at a secretary-level meeting between finance and mining ministries. Sebi officials and chairmen of a few financial institutions were present.

Exploration is a capital intensive and risky business. The mining sector has not attracted major investments despite liberalisation of private and foreign investments, mainly because of the high risk associated with the sector. The proposed new mining Bill (MMDR Bill) seeks to address certain concerns of in-

vestors. It proposes to allow certainty of mining related awards — prospecting and reconnaissance licenses — and transferability (sale) of these awards.

In China, the exploration investment is over \$ 300 million annually and is rising every year.

It is expected that once the new funding agency is set up, it would facilitate fund flow at attractive rates to mining companies.

It could also offer take-out financing scheme on the lines of IIFCL to help banks reduce their exposure in and offer long tenure loans to mining companies.

IT IS EXPECTED THAT ONCE THE NEW FUNDING AGENCY IS SET UP, IT WOULD FACILITATE FUND FLOW AT ATTRACTIVE RATES TO MINING COMPANIES. IT COULD ALSO OFFER TAKE-OUT FINANCING SCHEME ON THE LINES OF IIFCL TO HELP BANKS REDUCE THEIR EXPOSURE IN AND OFFER LONG TENURE LOANS TO MINING COMPANIES

According to an Ernst & Young study, "Currently, India does not have a local capital market where the exploration companies can raise money for their needs."

The government is yet to work out how a security can be offered on such investments.

A mining ministry official said it was impossible to assure any security to the funding agency as there is no guarantee of success in explorations. "One does not know what would be the result of exploration, what can you offer as security?" he said.

Rio Tinto retreats from aluminium, to sell \$8-bn assets

Melbourne, Oct 17: Global miner Rio Tinto signalled a major retreat from its aluminium business on Monday, putting an estimated \$8-billion worth of assets up for sale across six countries, only four years after buying aluminium giant Alcan for \$38 billion.

Rio Tinto said it planned to sell 13 assets, including smelters and alumina refineries, in a move immediately interpreted as a way of diverting yet more resources to iron ore, which now accounts for nearly 80% of group earnings.

"It's all about returns and these big miners, Rio included, are always re-evaluating

largest primary producer after the ill-timed Alcan deal in 2007, but it could no longer ignore the business's big hunger for capital and relatively meager returns.

Rio Tinto was careful not to appear overly keen to sell and made it clear that aluminium remained a core asset, saying global demand was relatively good and that it would consider making further investments in quality aluminium assets.

"We're going to be in no rush (to sell)," Rio Tinto Alcan chief executive Jacynthe Cote told reporters in a phone briefing after the announcement. She declined to say whether



Rio Tinto plans to sell 13 assets to divert more resources to iron ore, which now accounts for nearly 80% of group earnings BLOOMBERG

their businesses. And iron ore is currently a real cash cow for Rio Tinto," said Gavin Wendt, senior mining analyst for MineLife in Sydney.

The sale, which would leave Rio Tinto's remaining aluminium business focused mainly on its more profitable Canadian operations, is designed to help the group more than double its aluminium earnings margins to 40% by 2015.

"The only way they can achieve that is by getting rid of all these assets which can never be world class," said Peter Chilton, resources analyst at Constellation Capital Management.

Rio Tinto's shares jumped 3% to a month high of A\$70.29 on the news, with fund managers applauding the move away from a poorly performing business with a gloomy outlook compared with its iron ore unit, which enjoys a 70% profit margin.

Rio Tinto has been in aluminium since the 1950s and ranks itself as the world's

Rio Tinto was already in talks with potential buyers.

The company said it would look at a range of options for divesting the assets, which could include floating them as a separately listed company, spinning off shares in a new company to Rio Tinto shareholders or finding buyers for the assets.

"It's a well thought-out plan to realise value that might not be recognised in the current Rio share price and should deliver benefit to shareholders in the medium to longer term," said James Bruce, a portfolio manager at Perpetual.

Analysts said smaller buyers were more likely to be interested in these assets than major producers such as Russia's UC RUSAL or Chinese state-owned Chinalco. Like Rio Tinto, the big producers are all chasing higher-return assets. Aluminium prices have tumbled nearly 15% in the past quarter.

Reuters

FIIIs pare exposure to banking mining & metals in Sept quarter

Ashley Coutinho
Mumbai, Oct 17

Foreign institutional investors (FIIIs) have sequentially upped their stake in 121 out of 450 companies that have disclosed their shareholding pattern for the quarter ended September 2011. FIIIs are more bearish when it comes to the 30 stocks belonging to the BSE Sensex index, having reduced their stake in 10 out of 14 Sensex companies, for which data is available. Banking, metals and mining companies have seen a significant paring of FII exposure.

Among Sensex firms, FIIIs have increased their holding the most in ONGC and Hero Motorcorp, increasing their stake by ₹744 crore and ₹441 crore, respectively. FIIIs have sold the most in State Bank of India and Tata Steel, decreasing their stake by ₹2,704 crore and ₹976 crore, respectively. In % age terms, they have offloaded the most in Hindalco Industries (2.59%).

Outside of the Sensex pack, Lupin (₹544.99 crore) and Apollo Hospitals (₹398.85 crore) have seen the maximum increase in their FII holding.

DWINDLING NUMBERS

Q-o-Q rise/decline in FII stake

Companies	% ch	Value (₹ crore)
ONGC	0.3	744.3
Lupin	2.6	545.0
Hero Motocorp	1.1	441.6
Apollo Hospitals	4.3	398.8
Dr Reddy's Labs	1.5	379.8
Jindal Steel	-1.2	544.9
Hindalco Industries	-2.6	650.5
Tata Steel	-2.5	976.4
Axis Bank	-3.5	1,472.2
State Bank of India	-2.2	2,704.5

Source: Capitaline



Others firms, which have seen substantial investment include Dr Reddy's Labs, Petronet LNG, GAIL (India), Kotak Mahindra Bank, Redington India and ACC.

In % age terms, FIIIs have hiked their holdings the most in Redington India (7.6%), Zee News (6.9%), Apollo Hospitals

(4.3%) and Gujarat Pipavav (3.2%). The maximum percentage decline was in Info-Drive Software (35%), Educomp Solutions (5.7%), PVR (4.6%), BEML (4.1%) and Dalmia Bharat (4%).

FIIIs have significantly reduced their stake in banking companies.

These include Axis Bank (3.5%), State

Bank of India (2.2%), Union Bank (2.3%), Karnataka Bank (1.9%), Bank of Baroda (1.7%), Canara Bank (1%).

FIIIs have also pared their exposure to metal & mining firms. Prominent examples include JSW Steel (2.63%), Hindalco Industries (2.6%), Tata Steel (2.45%) and Jindal Steel (1.15%).

FIIIs are among the main drivers of Indian equities and have sold shares worth \$1.18 billion in the year to date. Apart from the turmoil facing the global economy, high interest rates and high inflation back home could impact FII inflows. According to Sashi Krishnan, CIO, Bajaj Allianz Life Insurance, FII inflows have been mixed and there is not enough overseas investment coming in to support our market at present.

According to a recent report by Kotak Securities, interest rates and inflation are likely to peak over the next 2-3 months. The likely decline in crude prices over the next 3 to 6 months could also act as a positive. However, an uncertain global environment and continued weak governance overshadow these positives.

Copper at 3-week peak on supply concerns

Reuters

London, Oct. 17

Copper rallied to a three-week peak on Monday as prospects for a resolution to the Euro zone's debt crisis spurred risk appetite, while supply concerns gathered momentum due to strikes in Peru and Indonesia.

Three-month copper on the London Metal Exchange traded at \$7,570 a tonne in official rings, up by half a per cent from Friday's close at \$7,545 a tonne. It had hit its highest in three weeks at \$7,660 a tonne.

SUPPLY KINKS

Underpinning copper sentiment and helping to provide a floor for prices, was industrial action at operations run by

Freeport McMoRan Copper & Gold Inc in Indonesia and Peru, said Mr Steve Hardcastle, head of metals trading at Sudden Financial.

Freeport McMoRan Copper & Gold Inc halted copper and gold production on Monday at its giant Grasberg mine in Indonesia because of security fears and worker blockades, in the worst supply disruption since a strike began a month ago. Aluminium traded at \$2,226 in rings from a last bid of \$2,220 on Friday. Three-month tin was untraded but bid at \$21,825 from \$21,800.

Zinc was at \$1,918 from \$1,930 on Friday's close. Lead was at \$2,022 from \$2,026.

Nickel was also untraded but bid at \$18,750 from \$18,875.

Ships carrying dubious ore not to be allowed to leave Goa port

MAYABHUSHAN ■ PANAJI

The Mormugao Port, caught in the eye of a storm after it was hit by allegations of allowing export of illegal ore both from Goa and Karnataka, has now decided to act and stop dubious ships from leaving port.

MPT chairman P Mara Pandiyan, who has in the past accused the Goa Government of shirking its responsibility, has in an official statement said that he had instructed all the leading exporters of iron ore in Goa to double check the authenticity of their consignments failing which the ship carrying the consignment will not be allowed to set sail.

"They should take sufficient care to ensure only legally permissible iron ore is sent to the port... If the stipulated rules are not followed, the port

will go to the extent of stopping vessel movement which will result in heavy loss for the exporter and action will also be initiated," said the top official of Goa's only major port located 35 kms from here.

The State has been in media focus for a mega mining scam, which the Opposition has pegged at ₹25,000 crore. Official statistics published by the Goa Mineral Ore Exporters Association (GMOEA), a body of iron ore exporters in Goa, has also pointed out that nearly seven million tonnes of unaccounted ore was shipped out of Goa recently; five million from a minor port off Panaji and two from the MPT.

Pandiyan has now directed them to "display the quantity of iron ore permitted by the EC (environmental clearance) order along with the quantity

of iron ore extracted and dispatched everyday outside the mines," along with the name of the mine and the quantity of ore in the shipping bill presented to the port authorities.

Earlier last week Pandiyan, a senior IAS, officer had virtually indicted the Goa Government for being slack as far as combating illegal mining was concerned.

"Iron ore is mined as per environment clearance orders and thereafter relevant laws are enforced by Goa Pollution Control Board, Directorate of Mines and Geology and the Transport Department. The whole area of mines is under the administrative control of the State Government," he had said, after Goa Chief Minister Digambar Kamat accused the port authority of abetting illegal mining.

Tribal affairs ministry to suggest changes in mining Bill

statesman news service

NEW DELHI, 17 OCT: After the controversy related to the land acquisition Bill, the government could face similar problems vis-a-vis passage of another proposed legislation, the new mining Bill, which seeks to earmark funds for development purposes in mineral-rich areas.

The Mines and Minerals (Development and Regulation) Bill, 2011, to be introduced in Parliament during the winter session could face "technical objections" from the tribal affairs ministry. It is likely to suggest 'changes' to make the Bill more "tribal friendly and do justice to the tribal rights on land" to the standing committee once the legislation is sent there.

The tribal affairs minister, Mr Kishore Chandra Deo, has demanded the minerals should be declared "national wealth". He is of the view that "unless land rights" of tribals in the forest areas are recognised not much of the benefits of the new legislation would go to the affected people.

The ministry feels that extraction of minerals from forested areas by the state-run PSUs should be disallowed. "Even PSUs like private companies do mineral extraction for commercial purposes only," Mr Deo said recently.

Officials said state governments giving approval for mining in the forested areas should be held accountable for any irregulari-

ties. They feel Naxal activities in tribal areas of Jharkhand, Orissa and Chhattisgarh owe their origin to land entitlements and mining activities.

On 30 September, the Union Cabinet cleared the draft mining Bill. It has proposed setting up a National Development Fund to which about Rs 10,000 crore would accrue which would be spent on the affected people, officials said.

"As part of the exercise to form the ministry's opinion on the Bill, the minister (Mr Deo) is likely to travel Naxal affected districts in order to find ways to mitigate marginalisation of the tribals," sources added.