Under 'press'-ure

Chairman of Chhattisgarh Mineral Development Corporation (CMDC) Gourishankar Agrawal, a powerful local BJP leader close to Chief Minister Raman Singh, conspicuously avoided meeting the media these past five years. This changed when the corporation came under fire from the opposition Congress over a Comptroller and Auditor General (CAG) report highlighting serious irregularities in the allotment of a coal block. Agrawal hurriedly convened a press conference, prompting a journalist to comment that the CAG should be thanked for propelling him into meeting reporters. But the press conference was so badly organised that it was a fiasco. Agrawal was later heard remarking acerbically to one of his assistants that his team clearly had no experience in organising press meets. How could it when the head himself did not give it any opportunity to hold one earlier?
Karnataka mining scam: SC panel to submit report today

MAHESH KULKARNI
Bangalore, 18 April

The Central Empowered Committee (CEC), appointed by the Supreme Court to inquire into illegal mining and related cases in Karnataka, is likely to give its final report to the apex court tomorrow. The report would cover three cases relating to JSW Steel, Adani Enterprises and former chief minister B S Yeddyurappa.

In its report, the CEC is likely to state whether a Central Bureau of Investigation (CBI) inquiry is required on the bribery charges against Yeddyurappa.

Following an interlocutory application filed by Dharward-based non-government organisation Samaja Parivartan Samajada (SPS) for ordering a CBI inquiry into the nexus, the apex court had asked the CEC to recommend whether a CBI investigation was required.

The case relates to alleged illegalities, including bribing government officials by JSW Steel and Adani Enterprises, and the alleged denotification of land in Rachnala halli near Bangalore by Yeddyurappa.

SPS, the petitioner in the illegal mining case, which filed documents totalling 113 pages to the apex court to substantiate its allegations, had said in Yeddyurappa’s 60-month tenure as deputy chief minister and later, as chief minister, he and his family members had allegedly amassed assets worth ₹359.57 crore. This, SPS had alleged, was disproportionate to their known sources of income. He was alleged to have denotified land and awarded government contracts.

“Considering the powerful corporations involved, Adani Enterprises, and the influence these wield in the state and outside, the comprehensive investigation into these alleged serious misdeeds of Adani Enterprises could only be effectively conducted by an external agency like the CBI. We have urged the apex court to order a CBI inquiry into this matter,” S R Hiremath, founder president, SPS, told Business Standard.

According to final Lokayukta report submitted to the state government on July 27, 2011, JSW Steel had received about 1.3 million tonnes of illegal ore by overloading, causing a loss of ₹324 crore to the state exchequer. JSW, through its subsidiary South West Mining Company, had also paid a bribe of ₹60 crore to the relatives of former chief minister B S Yeddyurappa in return for a favourable recommendation from the state government for sanctioning a captive mining lease.
PMO seeks report cards from ministries as key decisions await green signal

ANI MEH SINGH IN NEW DELHI

Even as some of the key decisions like formulation of the new steel policy, diesel deregulation, foreign direct investment (FDI) in multi-brand retail, and coal auction through competitive bidding, are stuck in limbo due to acute indecisiveness on part of the Government, the PMO has directed all the ministries to come out with an updated list of all their activities in the past 12 months, as it is preparing to unveil its annual "Report to the People" on the third anniversary of UPA-II on May 22.

Incidentally the PMO has asked the ministries to send in their respective report cards to it by Thursday, whereas the letter has reached various departments only earlier this week.

The letter, dispatched by the Principal Secretary in the PMO Pulak Chatterjee, has asked all the departments to prepare an updated report on all the developmental initiatives undertaken by them.

Though this has been an annual exercise by the UPA Government ever since it came to power first in May 2004, it is being conducted at a time when several of its key initiatives are awaiting implementation due to want of any green signal from the top, and the Government is being roundly criticised for its inactivity.

To list just a few, the Steel Ministry's ambitious plan of coming out with an integrated policy aimed at ensuring time-bound implementation of green field projects towards facilitating faster growth of the sector in the country - in short the National Steel Policy, is yet to be formulated.

Under construction since quite some time, the policy, ministry sources now say, would take another couple of months to be finalised. It had been necessitated due to the changing dynamics of the sector, including sharp rise in imports and would be replacing the existing one, which has been in use since November 2005.

It had projected the country's steel consumption to grow at 7 per cent, based on a 7.7 per cent GDP growth rate, and production of 110 million tonnes by 2019-20.

The Government also does not seem to be in a hurry to go in for deregulation of diesel, even as the oil marketing companies have been shouting themselves hoarse on the losses they are incurring by selling the "sam admi" commodity at much less than the market price.

State-run fuel retailers are selling diesel at a loss of Rs 14.57 per litre, and, in fact, recently even the Reserve Bank of India (RBI) during its third quarter review of the monetary policy earlier this year, had suggested the Government to deregulate diesel to check mounting trade deficit and increasing deisisation of the economy.

However Petroleum Minister S Jaipal Reddy had practically ruled out the option, saying that "while their (RBI) suggestion has academic relevance, we have to take all practical and political difficulties into consideration."

Even on the issue of introducing foreign direct investment (FDI) in multi-brand retail, the Government, after showing initial enthusiasm, had to put the proposal in deep freeze after facing vehement political opposition, principally from its biggest ally - Trinamool Congress.

In the crucial energy sector also, the inadequate supply of coal to power stations, forced the Government to evoke President's Reference, thus virtually ordering Coal India Ltd (CIL) to sign fuel supply agreements with power entities in order to ensure that power stations commissioned till December 31, 2011, don't fall short of dry fuel.

Here, too, the Government woke up to the urgency of the situation only after the power producers in a last ditch effort (after suffering for months on account of lack of coal supply and virtually facing a power crisis like situation late last year), met Prime Minister Manmohan Singh in January this year, pleading with him to ensure coal supply to their stations.

The Coal Ministry on its part, is still stuck with finalising the rules related to auctioning of coal blocks through competitive bidding, though the provision allowing this in the Mines and Minerals Development and Regulation Bill (MMDRB) was passed by Parliament a year back.

Around 216 blocks with geological reserve of 50 million tonnes have been allocated to various public and private companies. However, the progress on these blocks has not been very encouraging.

Under the new rules, which the Coal Ministry is still finalising, offers will be invited through auction from companies engaged in the business of specified end-use. They will be required to submit technical and commercial bids. With regard to allocation of blocks to PSUs, the Centre will identify areas and fix a reserve price.
UltraTech Cement in Talks to Buy Mozambique Mine for ₹1,500 Cr

Building New Foundations: Aditya Birla company could end up building a 1-2 MT cement plant in the African country.

MV RAMSURYA
Mumbai
Aditya Birla group’s UltraTech Cement, India’s largest cement maker, is in talks to acquire a large limestone mine in Mozambique for about ₹1,500 crore.

The negotiations between the Mumbai-based conglomerate and the mine owner which started about two months back, could subsequently result in the group building a 1-2 million tonne cement plant in the African country where demand for the building material has been growing at the rate of 9-9% annually, a person familiar with the development said.

The limestone mine is located in the Magude region in southern Mozambique near the capital city of Maputo and has reserves of more than 700-800 million tonnes of high grade limestone, said the person who is aware of the the Birla group’s plans.

A spokesperson for the group did not comment on the issue due to the forthcoming earnings season.

If the talks are successful, it would be the second time in less than a year that the Aditya Birla group would progress on building a greenfield plant overseas. The group recently announced its intention to spend ₹500 million to build a greenfield fibre plant in Turkey. In April 2010, UltraTech acquired Dubai-based, 2.3 million tonne, ETA Star Cement for about Rs 1,700 crore which has given them access to the construction-heavy markets of UAE, Bahrain and Bangladesh.

“Mozambique is one of the fastest growing countries in Africa and has a very industry-friendly government that promotes investments in minerals,” said Devesh Sharma, group managing director of Future Focus, a consultancy that guides Indian and foreign companies in setting up businesses in the African country. “Apart from having large limestone reserves, the country is also rich in high grade coking coal which is vital for steelmaking,” Sharma added.

The Tatas and the Ruias of the Essar Group, were among the first Indian companies to enter Mozambique to buy coking coal mines. The Tatas have a 35% stake in Riversdale Energy (Mauritius), which owns coal assets in Mozambique. Tata Steel had formed a venture with Riversdale to develop the Benga coal project in Mozambique, before Riversdale was acquired by Rio Tinto.

The Birlas led by their strategy head Dev Bhattacharya have been scouting for mines in the Magude and Salamanga regions for over three months. These regions have been the main target for the Birlas as apart from mineral reserves, logistics and infrastructure in the region is also well developed due to a large number of sugar mills which transport their products across the country.

Since Mozambique has a long coastline, about 2,400-km long, it is also feasible for companies to build a cement clinker plant and then export to grinding units in nearby countries.

Analysts however said acquiring an existing cement unit would be more beneficial for UltraTech as it would accrue the gains faster. “A greenfield plant would take not less than 2 years to be fully built and more time before any benefits will start,” said Nihal Saboo, a cement analyst with SKP Securities.

It is also the right time for Indian cement companies to look for opportunities for growth. A recent Kotak Institutional Securities said that while cement stocks have outperformed the benchmark BSE Sensex by 11% in the past three months.
Mineral Output Value Delines 2.67% in Feb

NEW DELHI Lower production of gold, crude oil, natural gas and iron ore has led to a fall of 2.67% in India’s mineral output to ₹16,566 crore in February from ₹17,020 crore a month earlier. “The total value of mineral production (excluding atomic and minor minerals) during February, 2012, was ₹16,566 crore,” a Mines Ministry statement said. The mineral sector showed a positive growth of 2.15% in February as compared to the corresponding month of previous year, it added. Crude oil, coal, ironore, natural gas, lignite and limestone accounted for about 95% of the total value of mineral production in February. Biggest fall in value was registered in crude oil at ₹5,406 crore in February vis-a-vis ₹5,725 crore in January.
Copper steadies around $8,000/t

Reuters
London, April 18
Copper prices steadied around $8,000 a tonne on Wednesday as growing caution regarding the Euro Zone debt crisis and a stronger dollar offered an earlier boost to sentiment from a surge in the Chinese stock market.

Benchmark copper on the London Metal Exchange (LME) traded at $8,040 a tonne in official rings, almost flat from Tuesday’s close of $8,050 a tonne. The metal earlier hit a session high of $8,125 a tonne, up in tandem with Shanghai copper after Chinese shares posted their biggest one-day percentage rise in more than two months.

Bargain hunting has helped copper recover from a three-month low of $7,885.25 hit earlier this week, but prices remained below their 100-day moving average resistance level. Copper is up around 6 per cent for the year to date, falling back from a gain of more than 11 per cent in the first quarter.

In other metals traded in official rings, aluminium traded at $2,067 a tonne from Tuesday’s close of $2,075.50, while zinc was at $1,993 from $1,992. Lead traded at $2,059 from $2,075 while nickel was at $17,815 from $17,825. Tin was untraded in official rings, but bid at $21,220 from Tuesday’s close of $21,650.
McNally Bharat rejigs group entities

Kolkata, April 18

McNally Bharat Engineering Co Ltd (MBECL) has conducted a minor restructuring of the network of entities under its fold. The BM Khaitan group company informed the BSE that “as a measure of restructuring its group holdings”, it has acquired 3.49 lakh equity shares constituting 99.9 per cent of the total share capital of MBE Coal & Mineral Technology India Pvt Ltd from an overseas-registered 100 per cent subsidiary. Mr Prabir Ghosh, whole-time director and group CFO, told Business Line that the control of the company was passed on to MBECL for a consideration of $3 million, the same price at which it was purchased by the Singapore entity MBE Mineral Technologies Pte Ltd, a wholly owned subsidiary, from the German company Hambach Wedag a couple years ago. After the acquisition, MBE Coal & Mineral Technology India Pvt Ltd became a direct subsidiary of MBECL. The restructuring was done to facilitate operational benefits as the company had a functional domain in India. “The company operates in coal technology related areas with specific physical operational market in this country. Its indirect control earlier was creating operational and statutory hurdles,” Mr Ghosh said.— Our Bureau
Mecon to plan revival of ÒMDC

Jayanta Mallick
Kolkata, April 18

Oriana Minerals Development Co Ltd (OMDC) has asked Mecon to prepare a plan for revival of its operations. The listed miner, now under RINL fold, is struggling to return to activity.

"Apart from renewal of mine leases, OMDC needs to have a new roadmap for restarting its mining activity. Mecon will submit a report in June for resumption of commercially viable mining activity," Mr P. Madhusudan, Finance Director of RINL, told Business Line.

Mr Madhusudan, who is on OMDC board, said the company’s earlier practice of getting mines operated by contractors would be abandoned. "The board has decided to opt for in-house operations."

OMDC has three non-mechanised, and currently un-operative, iron ore and manganese mines in Odisha.

WHOLE-TIME DIRECTORS

The OMDC board has also decided to have two whole-time Directors – for operations and finance.

OMDC had resumed development and mining operations on December 29 last year at its Kolha Roida iron ore and manganese mines and Dalik manganese mines in Keonjhar district. But, it had to stop work almost immediately in the absence of permission for lifting of minerals from the local authority.

PERFORMANCE

Last week OMDC informed the Bombay Stock Exchange that it opted for not reporting unaudited results. It said it would report audited FY12 results by May 31. The nine-month performance showed an operational loss of Rs 39.27 crore against a full-year operational loss of Rs 33.18 crore in FY11. It, however, made a net profit of Rs 3.17 crore till December 31, 2011. This is largely because of its treasury reserves from its Rs 798.03 crore reserves. Its paid-up capital stands just at Rs 60 lakh.

The statutory auditors in the nine-month limited review observed that “amortisation of lease premium for mines, rates of depreciation on different fixed assets, valuation of stock in trade and payment of conveyance expenses to attend board meetings need to be checked thoroughly for future accounting as necessary.”

The Rs 10 OMDC stock on Wednesday closed up 0.5 per cent at Rs 34.348 on the ISE at 16.5 per cent.

RINL holds 50.01 per cent of the low-float stock through its subsidiary Eastern Investments.

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Getting coal pricing right

The real cost of coal has to include the costs of environment and rehabilitation—the methods exist, few use them.

In response to a query from the power ministry, an organisation shepherding a major use of coal, the coal ministry has reportedly 'expressed its helplessness in giving the exact cost of production of coal from different blocks in the coal industry' (Financial Express, April 9). This is also seen as a rebuff to the recent leaked CAG draft report. For a ministry that is the public interface of a major PSU undertaking, this is a extraordinary confession, if true.

The coal ministry has correctly stated that geo-mining conditions, such as the size of the property, seam thickness, mineable reserves, whether the area is geologically disturbed and also the method of extraction of coal (open cast or underground mine), stripping ratio and kind of mechanisation, are the main cost determinants. It has also correctly stated that the nature and surface feature of land, the amount of rehabilitation and resettlement work and availability of infrastructure near the project site also alter costs. This second set of factors is easily measurable and hence can be disposed of at the outset.

The whole concept of an arms-length relationship between a PSU and a ministry can be operationalised only if cost estimates are possible, as I remember from the PSU reform committee I worked in or chaired in the days of my youth as a public sector pricing czar. The power ministry was asking for this data according to the FE report for loading it onto the bids documents of private power projects. A bidder private manager is reportedly to have gleefully noted all this. The upshot is that while the factors the coal ministry has stated were present always for geology, the Government of India had done pioneering work on the estimation of coal mining costs and these reports are all in the public domain.

In my first job in the government in 1974, coal had been nationalised by the late Mohan Kumar Manglam and he had horror stories of the coal mining companies, largely MNCs, exploiting nature and the economy and for almost a decade. Coal production was near constant before nationalisation. Coal India, NTPC and so on, were set up and Indian coal production went up in quantum jumps and was the reason India efficiently faced the first energy crisis for coal-substituted imported crude.

Coal pricing became an issue and the usual arguments—"we can't do it"—were trotted out. Asked to price coal when I was BICP chief, we looked at what the big coal mining boys in the world were doing. It turned out the econometrics of coal mining costs had come of age. The Institute of Economic Growth's Planning Unit knew it and so did the Institute of Mines at Dhanbad. But, of course, our politicians and bureaucrats don't like domestic knowledge institutions.

Professor Gopal Kadelodi at the IEG estimated these models for the BICP and the factors he took into account with mine level data were seam thickness, depth, gradient, over-burden ratio, total dumper hours, scale of output, number of dumpers, man shifts, number of faces, and haulage distance. This was published in an IEG working paper in 1988. G Kadelodi and A Sharma estimated cost elasticities as these factors varied. So standard cost functions were available. I quoted him extensively in a book I wrote on Indian Development Planning and Policy published by World Institute of Development Economic Research at Helsinki. It met the market test and the second reprint is still around, so it can be easily read.

Kadelodi is still around, and I am sure could guide work at Dharwad. Apart from settling the fate of future scams, this kind of work is important for the nation to pay the price of the real cost of India's natural endowments. Coal India might want more of open cast mining, but prudence may need us to go down and that cost has to be paid. The point that Jairam Ramesh was making as environment minister, that the real costs of coal mining include environmental and rehab costs, is correct. These costs have to be paid. My argument is that this is scientifically doable.

A few years ago, at a TERI meeting on sustainable energy and water policies, the then adviser, energy in the Planning Commission was at length lamenting how the available coal pricing models everybody was using were wrong. When I told him that fact-based exercises were available and only needed updating, he said "Sir, nobody does that kind of work anymore". I don't believe this, for it violates a basic Alagh Law that the next generation is smarter than mine. We only need to lead them there.

The author is a former Union minister. He has a personal interest since his wife owns Ordinary Coal India shares and he owns Ordinary NTPC and ONGC shares.
Muzaffar Raina

Srinagar, April 17: Kashmir's famed fossil heritage site at Guryul is facing a fresh threat from "illegal stone quarries," sparking fears that remains from the pre-dinosaur Permian period are being sold as raw materials to feed the Valley's booming construction business.

The quarrying at the site, 18km from Srinagar, had stopped after an outcry by leading geologists from the country and abroad following a report by The Telegraph in 2008.

G.M. Bhat, who heads the geology department at Jammu University, has now written to the Jammu and Kashmir government that stone quarrying has resumed at the site, posing a fresh danger to the remains that date back more than 250 million years.

"The undersigned, along with MSc students and research scholars of Jammu University, was on a geological field trip to Guryul ravine and adjacent areas from 5-9 April 2012. We found illegal mining was going on and eight new quarries have been started within the prohibited area which needs to be stopped immediately," Bhat wrote in the letter to the state's geology department.

Bhat said illegal mining at Guryul, declared a protected site in 2007, had stopped in 2008-09 after geologists from India and abroad brought the matter to the notice of Prime Minister Manmohan Singh and chief minister Omar Abdullah.

"We found dozens of quarries operating there but eight of them are inside the area that has been demarcated for the heritage site. There is a real possibility that priceless fossils embedded in rocks are being lifted in trucks and sold as stone chips for cement factories or housing construction," Bhat said.

The mineral officer for Kashmir, Abdul Majid Mir, said he had received no reports of any illegal mining at Guryul.

"Any extraction is banned at the site as it is a protected site of international importance. Our department shares the responsibility of protecting the site along with other agencies like police. But, yes, our department has weak manpower so extraction may be taking place during odd hours. We, however, have no report that it is indeed taking place," he said.

Mir said the state government had recommended to the Centre that the site be declared a geological park. "That process is on," Bhat said, his team had also noticed illegal mining during the day. "The officials are aware of it but are not taking any action for unknown reasons."

The site, he said, has been known to geologists across the world since 1868 and has attracted leading geoscientists in their search to know the causes of the "mother of mass extinctions" — the Permian-Triassic extinction about 252 million years ago, which wiped out 95 per cent of marine life and most land species.

"Thousands of fossil species are embedded in limestone in the Guryul ravine at Zewan. The global extinction event is recorded in several parts of the world like Iran and China but with 'partial' preservation. The Kashmir section exposed in the Guryul ravine is completely preserved," the Jammu University geology head said.

"Kashmir is known for these fossiliferous Zewan beds among the geological community and the specimens from the site include plants, primordial corals, small invertebrates and mammal-like reptiles known as therapsids."

Despite the massive summer unrest that rolled the Valley from 2008 to 2010, the site attracted teams from Canada, Taiwan, Italy and London. "We expect a Swiss team next month and it will be a great embarrassment if they witness this wanton destruction of such an important site," Bhat said.