Much at stake

Indigenous people have a right to profits from mineral wealth

The Union government seems to be finally getting its act together on what is admittedly a complex issue of regulating mining development. In the Indian context, the subject needs to be treated carefully, keeping in mind multiple interests — environment, local communities, regional development and industrialisation. Financial Chronicle has argued in these columns that action on this front must tilt in the favour of doing what is right, not just what is beneficial. We have said that people's right cannot be held hostage to development plans, however big they may be. To produce a few tonnes of minerals at the cost of decapitating the environment is not acceptable. It is, therefore, welcome that the group of ministers (GoM) on Friday decided, in principle, to provide a share of the profits from mines to local people. This would be a part of the Mines and Mineral (Development and Regulation) Bill that is likely to be introduced in Parliament in the winter session. But the decision to promulgate an ordinance to set up a national mines regulator is even more significant in the immediate context of widespread illegal mining. The MMDR Bill itself has provisions for establishing a regulator, but there is urgency in getting the regulator in place to investigate illegal mining and book the guilty. Illegal mining activities like those carried out with impunity in Bellary in Karnataka are a menace that must be stopped. A bigger mandate for the regulator would be to ensure that mineral resources are used for socially useful industrialisation and without causing wanton damage to the environment or trampling upon the rights of local people. The regulator should also have a role to play in curbing unhealthy competition among state governments in luring mineral industries. Business is prone to view inbuilt mechanism for long-term benefit of local people, such as a share for them in profits of mines, as economically burdensome or even unviable. But that would be a short-sighted view as certain mega corporations and multibillion-dollar investment projects may have realised of late. Displaced people, forest dwellers and tribal people must be given a stake in mineral projects as a matter of right. They may or may not own the land, but have much at stake in the resources to be mined. Their share in mining cannot be seen just as a part of unverifiable corporate social responsibility. Mining companies must treat the payout to local people in the same way as royalty paid to the government. In this context, the proposals made by the ministry of mines, like the one for creation of a district mineral foundation, assume significance. The institution can be charged to pay those displaced and ensure seamless transition among different mining licences to ensure that investments made by companies are properly rewarded by way of grant of mineral lease. Of course, there is scope for fine-tuning these proposals. This can be done when the MMDR Bill goes to the standing committee. There is, however, no case for not providing local people a long-term economic stake in mines. Investors all over realise that viability of mineral projects don't get enhanced by damaging the environment or shortchanging the local populace.
Kobe charts Bengal route

Japanese firm in talks with SAIL

OUR SPECIAL CORRESPONDENT

Calcutta, Sept. 18: Japanese companies are keen on investing in Bengal. After JFE and Sumitomo Metal, Kobe Steel wants to set up a speciality steel plant in Bengal.

Steel Authority of India Ltd (SAIL) is in talks with Kobe on the proposed plant in the state.

SAIL chairman C.S. Verma today said a detailed project report was being prepared for the venture. “It is likely to be an investment of Rs 5,000 crore,” he said.

Land required for the plant will be under 10 acres. SAIL is planning to use excess land within Alloy Steels Plant at Durgapur to build the unit.

The capacity of the unit is likely to be 0.5 million tonnes of iron ore nuggets where ferrous content will be nearly 45 per cent.

Kobe has proprietary technology to make these nuggets using low-grade iron ore. Moreover, the nuggets can be manufactured without using coking coal, a key steel making raw material that is in short supply in India.

“We are keen to join hands with foreign companies who can provide us new technology. This is why we are in talks with Posco and Kobe Steel,” Union steel minister Virbhadra Singh said.

Singh and Verma were in Calcutta to participate in a seminar on raw material security for the steel industry organised by the Mining, Geological and Metallurgical Institute of India.

SAIL officials said the new unit would come up at the Durgapur plant because it could best integrate with the new technology.

The nuggets are used in an electric arc furnace, which only the Alloy Steels Plant has within SAIL. Outside Japan, Kobe’s technology has been put to use only in Minnesota, in the US so far.

Focus on Bengal

Japanese companies have so far shown a steady interest in Bengal, especially in the steel sector. The world’s fifth largest steel producer, JFE, came to India to forge a joint venture with Sajjan Jindal’s JSW Bengal Steel to build a plant at Salboni.

The duo is still in talks even as JFE has invested about a billion in JSW Steel, the holding company of JSW Bengal.

Sumitomo Metal Corporation is also keen to partner Bhushan Steel to build a plant near Asansol. However, the project is yet to take off because of non-availability of land. Jindal is yet to start work despite having land.

Since SAIL has the land and fund, Kobe’s project may take off faster than its other Japanese peers. Bengal has been the beneficiary of one of the biggest Japanese FDI in the Mitsubishi PTA plant at Haldia.
Tata Steel for profit sharing in mining

KOLKATA: Tata Steel on Sunday supported sharing profits of mining projects with people affected by projects. "It is a move in the right direction if implemented in the right way," Tata Steel Vice-Chairman B Muthuraman said while speaking at a seminar.  

PTI
Sharing profits

Mining Bill needs further improvement

The new Mining Draft Bill is an improvement over the previous one, which had provided for a share in company equity to the landowners displaced by mining projects. Now the companies are required to pay the affected local people a 26 per cent share in their profits. Funds will go to the District Mineral Foundation for the use or benefit of the locals. The compensation terms have been revised on the intervention of Congress president Sonia Gandhi but still fall short of the much-advocated Haryana land acquisition model, which also carries offers of jobs and annuity for the displaced.

The new mining Bill’s emphasis on profit sharing is flawed because companies are known to fudge their revenue figures to avoid taxes. Mining firms too may resort to this well-known tactic to pay less to the locals, who will have no guardian or regulator to look after their interests. They cannot count on Congress leader Rahul Gandhi’s rhetorical declaration of being their soldier in Delhi. The simple folks do not understand corporate and political games and have to be provided compensation in a transparent, foolproof manner without the Shylocks entrenched in the system getting their pound of flesh. It is better if the relief for the tribal people is linked with the sales of a company as is done in the case of payment of royalty to the government.

It is widely known that mining companies in India and China are raking in huge profits as metal prices the world over have climbed up due to a spurt in demand. Even the royalty that Indian mining firms pay is too small compared to the level of their profits. Though there are some good corporate citizens who run schools and hospitals in the areas of their operations, most are driven by unbridled greed. They must share with the tribal people a reasonable part of the profits they make at their cost.
अवैध खनन पर रोक के लिए स्वतंत्र नियामक!

सरकार इस दिशा में प्रत्यासत
मौजूद खनन अधिनियम के तहत अध्यादेश जारी करने का इरादा

उपर्युक्त अधिकारी ने कहा कि सरकार नहीं खनन नियम या कार्यक्रम के लिए दोहराए। इसके लिए नीति और उपलब्धियों का प्रदर्शित करने पर भी मांगी गई है। एक विशेष सम्मेलन की आवश्यकता निर्धारित करने के लिए गठित भाँडा समिति का नाम भी जाना है कि अवैध खनन की रोकथाम के बाद एक स्वतंत्र नियामक का होना चाहिए जहां है। राष्ट्रीय अधिकारी का आवेदन विभाग नियम के लिए अभिन्नता में लापता जाय जहाँ मौजूद खनन और खनन विवाद एवं नियमन (एपीसीआर) अधिनियम 1957 के तहत एक आयोग जारी कर इस योजना को परिसर बाढ़ने वाला सुनिश्चित करना है।

उपर्युक्त अधिकारी ने कहा कि सरकार नहीं खनन नियम या कार्यक्रम के लिए दोहराए। इसके लिए नीति और उपलब्धियों का प्रदर्शित करने पर भी मांगी गई है। एक विशेष सम्मेलन की आवश्यकता निर्धारित करने के लिए गठित भाँडा समिति का नाम भी जाना है कि अवैध खनन की रोकथाम के बाद एक स्वतंत्र नियामक का होना चाहिए जहां है। राष्ट्रीय अधिकारी का आवेदन विभाग नियम के लिए अभिन्नता में लापता जाय जहाँ मौजूद खनन और खनन विवाद एवं नियमन (एपीसीआर) अधिनियम 1957 के तहत एक आयोग जारी कर इस योजना को परिसर बाढ़ने वाला सुनिश्चित करना है।
बिल्य व अधिग्रहण
gतिविधियां बेहतर
रहेंगी : डेलॉय

कई बड़ी अंतर्राष्ट्रीय
cंपनियां निःशेष के लिए
अवस्था की ताकत में हैं।
इसके लिए व्‌यापक ऊर्जा
क्षेत्र महत्वपूर्ण होगा।

प्रेम • न्याय हिंदी

देश के आर्थिक क्षेत्र में बिल्य और
अधिग्रहण संबंधी गतिविधियों का
मोड़का संक्षेप डेलॉय ने जवाब
दिया है। उसका उल्लेख है कि हां
किसी भी भाग में ‘निःशेष’ और
‘बिल्य’ की दोनों चीजें होती हैं।
अथवा भी भाग में क्षेत्र के
दोनों क्षेत्र में इतना ज्यादा संयोजन है
कि उसमें बहुत सारी लोन में विदेशी
निःशेष होगा।

देश में डेलॉय के वित्तीय सलाहकार
अभिव्यक्ति गुप्त ने कहा कि अगले वर्ष
अनुमान बांग्लादेश के दीर्घकालिक समय के
संबंध में गतिविधियों बेहतर चुकेंगे वे
उनका उपयोग होगा। यहां यहां
कि विदेशी निःशेष की दोनों को
यह संयोजन दिखाई दे रहा है जो
कि वित्तीय और अधिग्रहण संबंधी
गतिविधियों में बढ़ी होगी तक की संख्या
की अग्रणी होगी।

गुप्त के मुताबिक वित्तपरामर्श के
विनियोग भारत पर अपनी नजरें जयगढ़
होगे हैं और अभी भी विदेशी निःशेष की
बड़ी मात्रा में बढ़ी होगी। कई
बड़ी अंतर्राष्ट्रीय निःशेष कंपनियों
के लिए अवस्था की ताकत में है।
संयोजन के ऊर्जा क्षेत्र के
दोनों क्षेत्र में इतना ज्यादा संयोजन होगा
कि उन्होंने कहा कि इसमें काफी
निःशेष की जाएगी तो यह लॉकअप होगा।
लदान के दोहर बाद में सुनिश्चित
किया कि उन्होंने कहा कि इसमें
निःशेष की जाएगी तो यह लॉकअप नहीं होगा।
लदान के दोहर बाद में सुनिश्चित
किया कि उन्होंने कहा कि इसमें
निःशेष की जाएगी तो यह लॉकअप नहीं होगा।
लदान के दोहर बाद में सुनिश्चित
किया कि उन्होंने कहा कि इसमें
निःशेष की जाएगी तो यह लॉकअप नहीं होगा।
लदान के दोहर बाद में सुनिश्चित
किया कि उन्होंने कहा कि इसमें
निःशेष की जाएगी तो यह लॉकअप नहीं होगा।
लदान के दोहर बाद में सुनिश्चित
किया कि उन्होंने कहा कि इसमें
निःशेष की जाएगी तो यह लॉकअप नहीं होगा।
लदान के दोहर बाद में सुनिश्चित
किया कि उन्होंने कहा कि इसमें

MOVE TO CHECK ILLEGAL MINING

Govt plans independent regulator

press trust of india

NEW DELHI, 19 SEPT: In a bid to intensify its drive against illegal mining, the government plans to set up an independent sectoral regulator, possibly through an ordinance under the existing mines Act.

Besides, the government is set to make the registration of miners and traders mandatory under the Mineral Conservation Development Rules (MCDR).

“A ministerial panel constituted to examine the new mining legislation is of the view that we must have an independent regulatory authority to check illegal mining,” a senior government official said.

Government is examining how to put a national mining regulatory authority in place and this could be through an ordinance in the existing Mines and Mineral Development and Regulation Act (MMDR Act), 1957.

The official said the new mining legislation, which the government is working on, will take time for enactment.

“We are trying that this authority is set up in advance of the proposed new MMDR Act, which may be time-consuming as the group of ministers (GoM) constituted will meet again to give a final nod to it,” the official said, adding that the Bill will then be referred to the Cabinet.

The authority will be vested with powers to investigate and prosecute those involved in illegal mining.

In another important move, the mines ministry is set to amend MCDR to make the registration of miners and traders mandatory to check illegal mining, the official added.

He said the ministry had asked state governments to follow Goa and Orissa patterns to compare the total production of iron ore with export figures and initiate action against the guilty if the exports exceed production.

The Centre has asked all state governments to constitute high-level committees to crack down on illegal mining and intensify the drive against the menace. The issues will be discussed with the state governments in a meeting here on 21 September.

The GoM, headed by finance minister Mr Pranab Mukherjee, has reached a consensus to give a go-ahead to the draft mining Bill, which seeks that miners share 26 per cent of profits with local people who get affected by their projects.

The new Bill seeks to expedite the grant of mineral concessions in a transparent manner and attracting big investments in the sector, besides checking illegal mining.

At present, there are not enough legal provisions for Central intervention in illegal mining in states. The magnitude of the problem is so great that as many as 42,000 cases of violation were detected in 11 mineral-bearing states last year.

The country produced 226 million tons of iron ore in the last fiscal, half of which was exported.
Govt plans regulator for mining sector

New Delhi: In a bid to intensify its drive against illegal mining, the government plans to set up an independent sectoral regulator, possibly through an ordinance under the existing mines Act.

Besides, the government is set to make the registration of miners and traders mandatory under the Mineral Conservation Development Rules.

“A ministerial panel constituted to examine the new mining legislation is of the view that we must have an independent regulatory Authority to check illegal mining,” a senior government official said. PTI
Ispat Industries Ltd first denied rumours that its lenders were planning to convert their loans to equity and then sell it. It subsequently announced that the UK's Stemcor Holdings Ltd is buying a 10% stake and will become a strategic partner.

Ispat makes flat steel products with a capacity to make 3.3 million tonnes of hot-rolled steel with additional capacities for value-added products.

A key problem for the company is its large debt burden. It had debt of ₹7,186 crore as of June 2010 with a debt-equity ratio of 3.2 times. In fiscal 2010 (15 months ended June), its interest outflow was ₹1,285 crore, while its profit before interest and depreciation was just ₹1,721 crore. Though its operating profits are adequate to service debt, rising raw material and steel prices come with their own headaches, for companies with stretched balance sheets. They signal higher working capital requirements, both for inventories and debtors.

Ispat's lenders had restructured its debt in 2009. Around ₹130 million, or around ₹600 crore, has to be repaid in 36 monthly instalments, from April 2010.

Meanwhile, Ispat is also in the middle of integrating its steel operations in an attempt to improve profitability and lower its working capital needs, which will leave it with more cash to service its loans. These include captive iron ore mining operations, a captive power plant, a coke oven plant, and iron ore pellet facilities for its steel-making operations. These projects will need funds too.

Stemcor was earlier partnering Ispat's coke oven project of Ispat. The steel trading company takes equity stakes in projects in return for the privilege to supply raw materials to the project or market its finished products. The 10% stake sale could yield about ₹270 crore, based on its market price before the deal was announced. That is sizeable considering Ispat's cash balances of ₹204 crore as of 30 June.

Stemcor will supply raw materials to Ispat till its projects begin production, expected to take two years. Broadly, according to a company statement, Ispat and Stemcor will get access to each other's distribution networks to market their respective product range. More specifically, though, Stemcor gets equity stakes in the new projects, with Ispat becoming a captive and committed customer. Stemcor could also facilitate Ispat's exports. In return, Ispat will share profits from its new projects with Stemcor.

If Ispat's performance and cash flows improve significantly as a result of this alliance, it can service its debt and keep its lenders at bay. That outcome is, perhaps, attractive enough for Ispat to cede some of its profits to Stemcor.
A SENIOR bureaucrat had to pay the price for his enthusiasm at a Group of Ministers meeting recently. The ministers were discussing a new mining bill to replace the existing Mining and Minerals (Development and Regulation) Act, when this Secretary of an infrastructure ministry tried to make an intervention. He was curtly reminded by one of the ministers that this was a Group of Ministers meeting and not a Committee of Secretaries and that he should speak only when asked to.

No babudom here, rules GoM
‘Coal blocks in No Go areas could upset expansions’

PRIYADARSHI SIDDHANTA
NEW DELHI, SEPTEMBER 19

Concerned that the Union Ministry of Environment and Forests (MoEF) classification of major coalfields would keep major coal blocks out of bounds for mining by mega utilities and could potentially rattle their expansion plans, the Steel Ministry has appealed to the Prime Minister’s Office (PMO) to intervene and bail out the blocks.

In a letter to the PMO on September 14, Steel Secretary Pradeep Kumar Mishra pointed out that most of the steel utilities holding coal blocks have made substantial investments in their end-use projects linked to these blocks. Detailing out the elaborate investments made by the utilities, most of whom are in the midst of executing mega expansion plans, Mishra said, “Most of these projects were conceived and developed on the premisses of the availability of coal through the allocated coal captive blocks and any hindrance in their development as this stage may affect the economic viability of these projects, as the concerned companies may have to procure coal either domestically or through imports at a much higher price.”

To take stock of the problems being faced by major manufacturers because of the environmental issues, the Steel Ministry had recently convened a meeting wherein the producers highlighted their problems. Leading companies like Tata Steel and Steel Authority of India Limited (SAIL) are believed to be struggling to secure environment clearances for their coal blocks which are directly linked to their expansion plans. For example, SAIL was facing problem for its Tisra block while Tata Steel was also facing environment hurdles for its Kotre Basantpur block. Similarly, Sajjan Jindal promoted JSW’s Rohn coal block in Jharkhand has hit a environment roadblock. The Steel Ministry has already solicited Coal Ministry’s help in bailing out the stuck-up blocks.

“The problem is even more acute in case of coking coal blocks, as the domestic steel industry is already heavily dependent on the costlier imported coking coal in the country. In such a scenario blocking the development of these coal blocks by categorising them under ‘No Go’ areas may not only adversely affect these ongoing steel projects, but may also impact future investments in the steel sector due to the shadow of uncertainty looming large over the availability of this critical raw material,” Mishra told the PMO. Instead, if required, suitable conditions for protection of environment and conservation of forests may be imposed so that the environment concerns were duly addressed in harmony with the developmental needs for sustainable growth, the Steel Secretary argued.

“So Kindly take up the matter immediately with MoEF for de-classifying the captive coal blocks allotted to the steel sector from No Go area so that these blocks can be developed at the earliest,” Mishra said in his letter. Incidentally, the Coal Ministry too is fighting a battle of nerves with the MoEF as most of the allocated blocks were facing environmental roadblocks.
Independent regulator to check mining

New Delhi, Sept. 19: In a bid to intensify its drive against illegal mining, the government plans to set up an independent sectoral regulator, possibly through an ordinance under the existing mines Act.

Besides, the government is set to make the registration of miners and traders mandatory under the Mineral Conservation Development Rules (MCDR).

"A ministerial panel constituted to examine the new mining legislation is of the view that we must have an independent regulatory authority to check illegal mining," said a senior government official.

Government is examining how to put a National Mining Regulatory Authority in place and this could be through an ordinance in the existing Mines and Mineral Development and Regulation Act, 1957. — PTI
Firm pitches for eco-friendly cans

Next time you finish your can of beer or soft drink, you may be doing your bit to help the environment and a global campaign that has started from India for re-use of these metal cans, which are 100 per cent recyclable. Dubbing this initiative 'Canvironment', leading Indian can manufacturer Hindustan Tin Works Limited is looking to rope in all major can-makers and brand owners from across the world for a can-recycling movement.
Riddhi Siddhi takes 5% stake in USE

PALAK SHAH
Mumbai, 19 September

Riddhi Siddhi Bullion, a major gold dealer, has taken a five per cent stake in the United Stock Exchange (USE), which will go live with currency trading from tomorrow.

In a separate transaction, New Delhi-based Jaypee Capital is in talks with two large export houses to sell 10 per cent stake in USE. Prithviraj Kothari of Riddhi Siddhi Bullion confirmed the deal to Business Standard. Jaypee officials from Jaypee Capital said they were yet to conclude the deal.

USE will be the third exchange to trade currency futures on its platform after the National Stock Exchange (NSE) and MCX Stock Exchange (SX) started currency futures segment in 2008.

Kothari was allotted shares directly by USE. Jaypee, which held 15 per cent stake prior to this transaction, was under obligation to cut its holding to five per cent, in accordance with the Manner of Increasing and Maintaining Public Shareholding regulations stipulated by the Securities and Exchange Board of India.

Apart from USE, Kothari holds stake in the NSE and the Inter-Connected Stock Exchange and runs an over-the-counter gold trading platform.

He was the key member involved with Dubai Gold and Commodity Exchange, launched by Financial Technologies (FT), where rupee-denominated currency futures were traded for the first time.

USE, where the Bombay Stock Exchange holds 15 per cent stake, is a direct competitor to MCX SX, promoted by FT group.

Currently, both NSE and MCX SX are suffering losses in the currency segment as they have waived transaction fees, the chief source of income for any exchange, to attract volumes. Both generate a combined daily turnover of over ₹20,000 crore on their currency platforms. The USE, too, may not impose any transaction fee to begin with, exchange officials informed.

USE is banking on banks and exporters, the largest hedgers of currency, to gain volumes on its platform. Apart from 26 banks, which includes most public sector ones, MMTC and India Potash are USE shareholders, too.

USE will trade in all four currency pairs – dollar-rupee, euro-rupee, yen-rupee and pound-rupee – which are currently permitted to be traded in India. Globally, currency accounts for nearly 25 per cent of volumes of all the segments, including equity, commodity and interest rate futures.
Gold may rally, but corrections seen

G. Chandrashekar
Washington DC, Sept. 19

Is macroeconomic pessimism slowly lifting to give way to cautious optimism at least in a limited sense? This is a multi-million dollar question uppermost in the minds of most commodity market stakeholders.

Strong economic data out of the US and China last week has surely a lot to do with commodities across the board posting price gains and raising hopes.

While growth-oriented commodities such as base metals recorded some gains, most precious metals and agriculture gained much more for commodity-specific reasons including investor interest and weather aberrations. Interestingly, the Chinese currency RMB showed signs of a healthy appreciation last week as a result of which Chinese exports may become less competitive, but imports will receive support.

Oil prices look to have entered the consolidation mode with growth outlook becoming less erratic, while demand conditions continue to stay healthy in China and major OECD economies.

However, the market is not without its share of concerns. For the market to fully regain confidence and for demand-supply fundamentals to begin to assert themselves, the world needs sustained flow of positive economic data from the US and other major economies. As the market moves out of the seasonally slack summer demand months, there is hope of revival in the last quarter.

**GOLD**

All precious metals rose over the week. In particular, gold was up 2.2 per cent in nominal terms. However, silver and other precious group metals performed even better, advancing by about 5 per cent. Gold prices settled at an all-time high last week, surpassing the previous record set in June by almost $20 and testing intraday highs above $1,280 an ounce for the first time. In London on Friday, the PM Fix was at $1,274/oz, slightly up from the previous day's $1,272.50/oz. Silver did not lag behind with Friday AM Fix at $20.85/oz versus previous day's $20.76/oz.

**BASE METALS**

Over the week, the entire complex showed price increase in the world market. With highly supportive Chinese economic data, tin prices increased 8 per cent to a new 2-year high, while aluminium added 3.9 per cent. Zinc and lead lagged with gains of less than 2 per cent and 1 per cent, respectively.

From a fundamental perspective, news from the demand side is most reassuring. In China, the policy-induced slowdown may now be stabilising and the Asian major is likely entering a restocking phase. OECD demand also is highly supportive of base metals.

Copper and tin are seen having the greatest potential for a price rise because of mine supply constraints and positive demand trends. In particular, copper has the potential to average $8,000 a tonne in the last quarter.

**CRUDE**

Although fundamentals continue to support a price rally from the current levels, the market is still suffering from a lack of confidence.

We need to wait and watch for positive data flow that may help fundamentals to reassert themselves.
Gold to test resistance, correct

Comex gold futures ended higher on Friday as weak US consumer confidence and buying boosted by central-bank interest in gold to diversify reserves. Data showed Thailand boosted its gold holdings by 0.5 million ounces, to 3.2 million ounces in July. The gains were also fuelled by the dollar’s drop earlier this week on Japan’s yen intervention. After some profit-taking, the metal turned higher again after data showed consumer sentiment worsened in early September to its weakest in more than a year. Another report indicated little underlying US inflationary pressure. The metal’s rise this year has been fuelled largely by investor nervousness that stemmed from the fallout from the euro zone debt crisis and from economic data that has suggested global economic growth may be losing momentum. Comex gold futures are moving in line with our expectations. As mentioned in the previous update, a gradual rise towards $1,285 was anticipated. Corrective declines were limited and $1,265 cushioned dips during the week. Further moves to $1,285-88 or even higher to psychological resistance at $1,500 look likely in the coming sessions also being a trend line resistance zone. State of indicators suggest that there could be a good corrective dip in the offing. Trying to catch a top in this strong up trend is difficult and it is better to wait for the right signals instead of pre-empting a top at the resistances. Only a fall below $1,233 will once again take prices lower towards $1,170 or even lower.

Our wave counts have changed after an unexpected rise above $1,255. We could either view the recent high at $1,264 as a fresh impulse or an irregular wave “B”. However, we favour a possibility of a fifth wave impulse continuing as long as $1,222 remains undistributed. Only a daily close below $1,210, will now confirm the beginning of a possible A-B-C, corrective move has started. RSI is in the overbought zone now indicating that a corrective decline is in the offing. The averages in MACD are above the zero line of the indicator signalling bullishness to be intact. Therefore, look for gold futures to test the resistance levels initially and then correct lower again. Supports are at $1,265, $1,235 and $1,202. Resistances are at $1,285, $1,290 and $1,300.

Gnanasekara 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 gnanasekara_thangarajan@yahoo.com.)
Boom time for private port players

While success stories of private port ventures are encouraging, at the same time, green-field port ventures in India are besieged by problems at various stages.

T.E. Raja Simhan

Starting 2010, the future may belong to the private sector in Indian ports, commented a senior Shipping Ministry bureaucrat five years ago. Things are going pretty much in the same direction as he predicted, contrary to many in the industry saying government-run major ports will continue to dominate the sector.

The private sector's share of cargo handling increased to 24 per cent in 2009-10, compared to 27 per cent a year ago and just 5 per cent nearly a decade ago. "We anticipate the private sector will handle nearly 50 per cent of Indian cargo in the next five years," said an industry source.

"We cannot sit back and relax now. The private sector's role in ports is growing at an unprecedented pace," observed a senior official of the Chennai Port Trust. His concern was that private ports such as Krishnapatnam and Gangavaran, in Andhra Pradesh, and Karaikal in Tamil Nadu will not only compete with one another for cargo but pose a formidable challenge to the government-run major ports of Visakhapatnam, Chennai, Tuticorin and Ennore. "We need to start building capacity at the earliest and have the latest mechanised cargo-handling equipment," he said.

Mr R. Ravichandran, Senior Vice-President and Co-Head, Corporate Sector Ratings, ICRA, a research company, observed that the private sector would play a larger role in the Indian context, as is evident from its growing share in the cargo mix; its dominance in upcoming and proposed green-field ventures; its increasing presence at major ports through PPP (private-public-partnership) projects and its active participation in port support and logistics activities.

SUCCESSFUL VENTURES

Among the private sector ports are the Mundra port (among the larger ports, by cargo volume) and Pipavav port – both in Gujarat. The green-field ports commissioned in the recent past (2008-09 and onwards) include Krishnanpuram and Gangavaram (in AP), Karaikal (in TN), and Jajpur in Mahalashtra. These ports commenced their first-phase operations and have lined up subsequent expansion phases with mega capacities.

Some of the green-field port ventures expected to be commissioned include the Dahej port in Orissa; Adani (Petronet) Dahej solid cargo port terminal in Gujarat; Dighi port in Mahasarakar and Gopalpur port in Orissa.

At present, around 24 green-field port projects entailing a total investment of Rs 587 billion are planned for commissioning between 2016 and 2025. These would cumulatively add a capacity of 835 million tonnes, if the implementation progresses as planned, ICRA said in a recent paper on Indian ports.

CHALLENGES REMAIN

Encouraging trends are thus seen in private green-field port ventures but challenges remain. Post-liberalisation, a number of domestic players and foreign entities entered the Indian port sector, encouraged by the favourable business potential and the investment environment in some States.

On the credit perspective for port companies, Mr Ravichandran stated that, while the favourable demand-supply dynamics anticipated are expected to create a positive environment for growth and, in turn, favourably impact the business and financial risk profiles, certain challenges remain.

The most prominent is the ability to manage project risks besides regulatory risks and systemic issues in an evolving environment.

While success stories of private port ventures are encouraging, at the same time, ICRA observes that green-field port ventures in India are besieged by problems at various stages. These include problems faced in land acquisition and environmental clearances, resulting in cost and time over-runs, besides delays in connectivity projects involving road and rail networks.

The Karaikal port, a private initiative near Puducherry, is one among many greenfield ports that have planned expansion phases with mega capacities.

DEMAND AND SUPPLY

Cargo traffic at Indian ports reported a compounded annual growth rate (CAGR) of 10 per cent from 579 million tonnes (mt) in 2006-07 to 846 mt in 2009-10, driven by the growth in GDP and in trading activities (exports and imports). Traffic flows posted a CAGR of 16 per cent between 2005-06 and 2009-10 at non-major ports and 7 per cent at the major ports (the lower growth rate of the latter to be seen in the context of a larger base).

Fiscal 2008-09 proved weak for the port sector with cargo volumes growing a meagre 1 per cent because of the overall weak macro-economic environment, global recessionary conditions, and fall in trade activity and cargo movement.

While the major ports posted 2 per cent year-on-year (y-o-y) growth in 2008-09, cargo volumes at the non-major ports dipped 1 per cent y-o-y that year. However, in 2009-10, volume growth rebounded following a pick-up in economic activity and reported a 15 per cent y-o-y increase over 2008-09 with cargo volumes up by a substantial 41 per cent y-o-y at the non-major ports and by 6 per cent y-o-y at the major ports. In 2009-10, major ports accounted for 66 per cent of the total cargo handled and the non-major ports for the rest 24 per cent.

DRIVERS OF GROWTH

The cargoes that are expected to drive growth include coal, containerised goods, LPG, polyethylene and petrochemicals. India's port sector has already shown signs of recovery. Indefinite relief has been given to port authorities under the 11th and 12th Five Year Plans for freight savings on account of the reduction of the port cess.

Traffic related to offshore exploration and production activities and the emerging trend of coastal shipping (for petroleum products and dry bulk cargo) would be other revenue contributors for ports.

According to the projections on cargo traffic in the Eleventh Five Year Plan (2007-2012), India's port traffic would cross the 1,000 mt mark by 2011-12 which, considering the recovery trend in cargo growth in 2009-10, appears plausible. However, on the supply side, constraints are likely to arise, considering the pace of implementation of projects under both Government and private initiatives, the ICRA report said.
Rush for mining assets: needs deeper look

There are good reasons to assess carefully the desirability of acquiring coking coal or iron ore mining assets at this point. The rush for them seems to continue unabated. The steel makers without raw materials security are unsafe as the pricing power will remain with the mining companies in an oligopolistic market. They have seen that all in the past few years when both coking coal and iron ore touched the record levels. The prices of these crucial raw materials have always risen to nearly neutralise the potential gains to be made by the steel makers in selling steel.

But, the prices remaining reasonably sticky downward, the mining companies did not provide the adequate support to the steel makers when the steel prices dropped. Today, whereas the coking coal and iron ore prices are getting indexed to steel prices, this system, many believe, will not work so well. The next to come is hard to predict at this point.

The steel makers wanted to secure their supplies even if they have to pay the prevailing market price. They are also looking to hedge future price rise with ownership and control of mines. Fundamentally, they are looking for a footprint in the profitable coking coal or iron ore mining business.

What is the price one pays for that? The valuation of mining assets went through the roof at the peak of the last boom, till the global meltdown brought them down for some time. The coking coal assets were bought or even continued to be valued at the prices corresponding to coking coal prices of $600 plus a tonne, whereas the current prices are hovering in the range of $210-225 a tonne. Many believe strongly that the current weakness in coking coal (or even iron ore) prices is just temporary and the valuation for most assets at such prices is justified.

This may not be so. The assets are overvalued. The good ones among them may be overvalued in multiples of a realistic range. Even the unprospected exploration assets with very little reliable geological information are commanding huge prices. The risks are very high. Further, with new taxes proposed or even those which have been brought in, plus several investment commitments tagged to each such mining project in many countries cut the attractiveness of such investment proposals. Political risks are also significant in many countries with high mineral prospects and where even Indian companies are making their bids.

There are no gains to have without risk. True. But, the investment appetites should not be totally driven by a panic which has been magnified many times by massive aggregate of uncoordinated industry responses of individual players running in the same direction worldwide. The panic was justified but not the open declaration of that. This only led to manifold increase in the mineral assets prices. The question that is relevant now is all the asset prices are justified at current iron ore or coking coal prices.

At current costs, coking coal mining is a hugely profitable business in countries like Australia. All that costs an established player is about $5-5.5 a tonne to bring a tonne of coking coal to the port for export. In Australia itself, this will not be the case for all the new mines. The costs will be much higher as it will take a long time to build the necessary transport infrastructure for efficient movement. The quality of the coal will also not be the same. There will be increase in costs towards environment protection and taxes. This means, the prices of coal will have to absorb them all. The argument is similar in the case of iron ore too.

It is also doubtful if the coking coal prices will ever reach back the levels upward of $500 a tonne. If they are to be linked to steel prices, they are unlikely to be much higher than what they are today — may be 20 per cent up or 10 per cent down. The new mining assets acquired at high costs, cannot wait long and will be brought into operation quickly as capital will have to be serviced. This means, suddenly within a few years, there will be a steep increase in supply of coking coal, bringing pressure down on prices. There are good reasons to be in the profitable mining business. But, the investments should not be made in such a way that there is nothing much to bring home.
Mining bill debate

OUR SPECIAL CORRESPONDENT

Calcutta, Sept. 19: Steel Authority of India Ltd is not in favour of sharing 96 per cent of miners' profit with the locals as proposed in the draft mining bill that was approved by the group of ministers (GoM) yesterday.

The public sector entity under the Union ministry of steel said the government should increase the royalty on mines rather than asking companies to share the profit.

"There are a lot of practical problems to implement this. It is better that the government hikes royalty rates and uses the fund for development," SAIL chairman C S Verma said.

Integrated players such as SAIL and Tata Steel own iron ore and coal mines for captive use. The mines are not separate business units with separate accounting.

The bauxite mines owned by aluminium producers are also not treated as separate ventures as also the coal mines given by the government to power companies for captive use.

Tata Steel vice chairman B. Muthuraman welcomed the idea of profit sharing. "As a principle, it is good. We have to see how this can be implemented," he said.

Steel minister Virbhadra Singh concurred even as he wondered how the new rule would be implemented.

"It may be 26 per cent or 30 per cent. But some sort of levy should be paid (by the miners)," Singh, who is also part of the GoM, said.

The steel minister said the mining proposal would go to the GoM again and then to the Union cabinet for approval. Subsequently, it would be placed in Parliament.

Singh agreed with Verma that it was important to see how companies such as SAIL which mine for captive use and did not sell in the market could be taxed.
कई जिसों में हैं निवेश के मौके

फायदा "अमेरिकी अर्थव्यवस्था में अनिश्चितता से सोना-चांदी में अभी तेजी रहने के आसार

भिड़ता मन के कमबीटी प्रमुख प्रामाणिक चिह्न की सलाह है कि कि ऐक्सिबिटर बाजार में अभी लक्ष्यशील है और भारतीय बाजार है यह लक्ष्य के छोटे मॉडल है। बैंक ने एक व्यापक कार्यक्रम का आयोजन किया है जिसमें जुड़े हुए विक्रेताओं के लिए कार्यक्रम का आयोजन किया है।

मुनाफे का गुर

भिड़ता मन के कमबीटी प्रमुख प्रामाणिक चिह्न की सलाह है कि कि ऐक्सिबिटर बाजार में अभी लक्ष्यशील है और भारतीय बाजार है यह लक्ष्य के छोटे मॉडल है। बैंक ने एक व्यापक कार्यक्रम का आयोजन किया है जिसमें जुड़े हुए विक्रेताओं के लिए कार्यक्रम का आयोजन किया है।

सुप्रीम सोना और चांदी बाजार में, बैंक ने एक व्यापक कार्यक्रम का आयोजन किया है जिसमें जुड़े हुए विक्रेताओं के लिए कार्यक्रम का आयोजन किया है।

भिड़ता मन के कमबीटी प्रमुख प्रामाणिक चिह्न की सलाह है कि कि ऐक्सिबिटर बाजार में अभी लक्ष्यशील है और भारतीय बाजार है यह लक्ष्य के छोटे मॉडल है। बैंक ने एक व्यापक कार्यक्रम का आयोजन किया है जिसमें जुड़े हुए विक्रेताओं के लिए कार्यक्रम का आयोजन किया है।

मुनाफे का गुर

भिड़ता मन के कमबीटी प्रमुख प्रामाणिक चिह्न की सलाह है कि कि ऐक्सिबिटर बाजार में अभी लक्ष्यशील है और भारतीय बाजार है यह लक्ष्य के छोटे मॉडल है। बैंक ने एक व्यापक कार्यक्रम का आयोजन किया है जिसमें जुड़े हुए विक्रेताओं के लिए कार्यक्रम का आयोजन किया है।

मुनाफे का गुर

भिड़ता मन के कमबीटी प्रमुख प्रामाणिक चिह्न की सलाह है कि कि ऐक्सिबिटर बाजार में अभी लक्ष्यशील है और भारतीय बाजार है यह लक्ष्य के छोटे मॉडल है। बैंक ने एक व्यापक कार्यक्रम का आयोजन किया है जिसमें जुड़े हुए विक्रेताओं के लिए कार्यक्रम का आयोजन किया है।
कई जिस्में हैं...

फिल्मों की सुलतान में नजूम हैं
जबकि हास्य का मुह अलमार बना रहा है।
इसलिए में जीत अभियान में फिल्मों के
है रहस्त हैं। फिल्मों के लोगों में शेष,
जीतने ने अभियान पर 10.5 फीसदी
स्वीकार का दिन दिया है। दो व्यापार जो इसका
दाम 739 रुपए प्रति किलो था जो 17
सितम्बर को बढ़ाकर 817 रुपए प्रति
किलो हो गया। उन्होंने कहा कि अगर
अगस्त में मूल्य का मामला का बंपर
उस्ताद होने का अनुमान है। निर्माताओं
के लिए, ऐसे होटल खोलने के बजाय,
इसमें किस्मत का मामला सही होगा।
शहजात शहजातने अभियान पर
व्यापार के दाम 16.2 प्रतिशत तक बढ़ा
है। दो व्यापार जो इसका भाग 2,395
रुपए प्रति किलो था जो 17 सितम्बर
को बढ़ाकर 2006 रुपए प्रति किलो
रह गया। कमेंटेट निर्माताओं अभियान
रूपाधिकार ने कहा कि यहां, निर्माता में
गूहा का रोटा है। निर्माता का
किस्मत का मामला सही होगा।
मज़ा अपने निर्माणों में फिल्मों
से 2.8 प्रतिशत की फिराक आदमी
बाधा 1,226 रुपए प्रति किलो
रह गया है।
इस प्रति पवित्र करने से
रूपाधिकार की निर्माणों में
व्यापार जो इसका बंपर
167 रुपए प्रति किलो रह गया। अभियान
में उत्पादन बढ़ा है तथा बाहर महीनों एवं
सितम्बर बढ़ाने की संभावना है।
फिल्मों में निर्माताओं एवं निर्माता
की संभावना है।