More firms eye overseas listing, says Ernst & Young

Mainly by mining, power, steel and infrastructure firms

Vishwanath Kulkarni
New Delhi, March 20
This could be the year of a big overseas initial public offering (IPO) push from Indian mining, power, steel and infrastructure firms. And they could be headed towards the London Stock Exchange.

Consulting firm Ernst and Young expects more Indian companies from these sectors to list overseas as they expand their global footprint by acquiring mineral assets.

"Confidence has improved in the market and we expect several Indian companies to go for an overseas listing towards the end of this year and early next year," said Mr Michael Lynch-Bell, Global Mining and Metals Transactions Leader, Ernst and Young, UK.

Besides helping raise capital, an overseas listing would bring in credibility and reputation as well, he added.

E&Y is helping several Indian companies on overseas listing.

"The equity markets overseas are interested in emerging market companies. There is an increasing appetite for initial public offers. There are already a lot of companies looking at the London IPO market, which is seen as one of the most-friendly destinations for Indian companies," Mr Lynch-Bell said.

CROSS-BORDER DEALS

The Essar Group listed their energy firm Essar Energy on the London Stock Exchange after the £2 billion pound IPO in May last year. Vedanta Resources is another major firm listed on the LSE.

The Indian companies raised some $20 billion from domestic and overseas markets in 2010, triple the proceeds raised in 2009.

The volume of Indian outbound deals tripled to around 12 deals involving about $4.64 billion in 2010.

Major cross-border deals included the $2.740-billion buyout of Linc Energy's Goonoo Basin Coal in Australia by Adani Mining Pty Ltd.

Mr Lynch-Bell expects the pace of overseas buyouts to continue in the current year also.

In early March, Lanco InfraTech announced the buyout of Australia's Griffin Coal in an A$730-million deal.

Also, the Essar Group acquired the US-based Trinity Coal in a $600-million deal.
दक्षिण भारत में सोने की मांग बढ़ी

बंगalore, 21 मार्च (भाषा)। सोने के दाम आसमान छुने के बावजूद दक्षिण भारत की गुजरात पीढ़ी में हलके आभूषणों की मांग बढ़ने की कारण यहां सोने की मांग बढ़ गई है। सोना कारोबार विज्ञान संस्थान बेंगलुरू में वहा कि दक्षिण भारत में सोने की खींचनी का रूक समय के साथ बढ़ता रहा है, क्योंकि गुजरात पीढ़ी का बुखार हलके और आधुनिक आभूषणों की ओर बढ़ता है।

भारत में सोने का सबसे बड़ा उत्पादन क्षेत्र दक्षिण भारत है। यहां सोने को ज्यादा कीमत के बावजूद सोने की मांग पर कोई असर नहीं है। दक्षिण भारत में देश के कुल स्तर स्तर का 45 प्रतिशत इस्तेमाल होता है। जबकि दक्षिण भारत में हलके आभूषणों की खींचनी की प्रवृत्ति बढ़ गई है, इस कारण से सोने की ज्यादा कीमतों के कारण मांग कटाई प्रभावित होने की संभावना नहीं है।
Approaches law ministry to ascertain proposal

Mines Min for empowering NMRA to review profit sharing mechanism

The mines ministry is understood to have approached the law ministry to ascertain whether the proposed National Mineral Regulatory Authority (NMRA) could be empowered to review the envisaged profit-sharing formula.

According to the proposed formula, which the mines ministry had inserted in the initial Draft Mines and Minerals (Development & Regulation) Bill, 2010, miners will be mandated to share 26 per cent of their net profits (of the previous year) or an amount equivalent to royalty, whichever is more, annually, with the local populace.

However, the ministry, now, in a revised version of the Bill, has decided to add one more clause indicating its willingness to be flexible on the issue by seeking to empower the NMRA to revise the profit-sharing percentage.

Provided that the Central government may, after taking into consideration the reports and recommendations of the NMRA, by notification, revise the profit-sharing percentage, and fix different rates in respect of different minerals having regard to the economy of mining in respect of such minerals," the new clause now states.

Earlier, the Planning Commission had also advised against the proposed mechanism, saying that it could jeopardise potential investments.

Planning Commission deputy chairman Montek Singh Ahluwalia recently said, "If we end up with too high a cumulative royalty burden compared with international standards, this will only discourage future investments in the mining sector."

"We cannot assume that the additional burden can simply be passed on to the consumer, since these minerals are freely importable and users will switch to imports," Ahluwalia said in a letter to finance minister Pranab Mukherjee, who is heading the Group of Ministers (GoM) to iron out the differences in the Mining Bill.

Also, the Federation of Indian Mineral Industries (FIMI), the apex body of miners, has already protested against the profit-sharing formula and warned that, if implemented, it could lead to the flight of capital and deter potential investments into the sector.

Notwithstanding the apprehensions of the Planning Commission or the industry, the royalty sharing mechanism is not unique to India.

In mineral-rich Australia, royalty is calculated in the Free-On-Board (FOB) basis, while in India it is calculated on the basis of Pit Mouth Value (PMV). For example, assuming a FOB of $120 per tonne (Rs 6,000 at exchange rate of Rs 50 per tonne) for iron ore, the royalty payable in Australia at the rate of 7.5 per cent would be Rs 450 a tonne.

In India, the average Pit Mouth Value for ore is Rs 1,450 a tonne, implying a royalty payable at only about Rs 280 per tonne.

The benefits accrued to the affected families would be substantial as the mines ministry, at the behest of its former minister B K Handique, has proposed that all members of a family should be benefited in the proposed profit-sharing mechanism.
Independent consultants for environment reports

RASHME SEHGAL

NEW DELHI

March 21: The ministry of environment and forests (MoEF) decision to accredit 200 independent consultants to prepare environment impact assessment (EIA) reports for all future projects dealing with coal, power, construction of ports and mining has received a mixed response.

Environmentalists admit to being extremely critical of the past practice of allowing the individual/corporate putting up the project to also prepare the EIA report, a practise that has received criticism from both the Supreme Court and ministers of environment. Jairam Ramesh admits that a conflict of interest is inherent in such a practice which he has described as “being extremely flawed”. Ravi Aggarwal, head of Toxic Waste, believes that the whole issue of "independent consultants" needs to be looked into in greater detail because it is public knowledge that there are any number of powerful consultants who can “both draft a project plan and guarantee its clearance”.

“The biggest flaw with EIA, and which the minister has not addressed, is that it is submitted at the last stage of the entire project clearance after the land acquisition and the banking formalities have been completed. All the MoEF can do at this stage is place conditionality as they have done in the case of Posco and Lavasa projects. But these conditionality are seldom monitored,” said Mr Aggarwal.

Commander Sureshwar D. Sinha, heading the NGO Pani Morcha which has been fighting to save the Himalayas, believes the monitoring of EIAs must be handed over to institutions who possess expertise on this subject.

“For example, the 60 large power projects being constructed in the Himalayas should have been cleared by institutions which possess expertise in ecology, hydrology, soil erosion...,” said Mr Sinha.

Prof. Vikram Soni, who along with writer Kuldip Nayar, fought to protect the Delhi Ridge, believes MoEF must first prepare a list of evolutionary resources that are irreplaceable. “The MoEF allows corporates to cut down original forests on the grounds that they can go in for compulsory afforestation. We are losing hugely important resources. An consultant who is paid ₹50 lakhs or more for a report will tailor it for the needs of his client. How can the MoEF ensure its impartiality,” he added.
Hindalco share price on BSE in ₹

- Current: ₹190.7, Target: ₹184

The stock has hit a new 2011 low and could travel down till around 182-183 in a three-session timeframe. Keep a stop at 194 and go short. Increase the position between 187 and 188 and reset the stop to 191. Start booking profits below 184.
EXPORTS TO JAPAN 
HIT, BUT TEMPORARILY

Trade in items like iron ore, gems, spices, coffee expected to recover over the next month or two

DILIP KUMAR JHA, SHARLEEN DOSHIJA & DEBASISH MAHAPATRA
Mumbai/Bangalore, 21 March

As India’s Union minister of commerce and industry, Anand Sharma, signed the ambitious Comprehensive Economic Partnership Agreement (CEPA) with Japanese foreign minister Seiji Maehara last month, industrialists and leaders were enthusiastic on taking bilateral trade to a newer height.

The Indian export target was $25 billion by 2014 from $15 billion in 2010, just one per cent of Japan’s global trade. This month’s earthquake and tsunami have, for the time being, blocked those hopes, albeit temporarily. Out major exports to Japan, such as iron ore, oil cake, jewellery, spices, tea and coffee are likely to be hit in the short term. However, demand is expected to resume in a month or two.

The central calamity will create a global shortage of auto and electronic parts, of which the affected area in Japan is the major producer. While the impact on consumer products, including industrial commodities, could not be assessed immediately, it is expected to be minimal. It has been the chairman of Indian Merchants’ Chamber, the industry body that India’s exporters are registered with.

“The effect of the tsunami in Japan on commodity prices will be negative in the short run as demand declines owing to a halt in Japan’s growth. However, once the reconstruction activity begins, there will be an increase in demand for all metals in particular, which will drive up prices,” said Madan Sabnavis, chief economist, Centre for Applied Economic Research (CAER), a rating agency.

The data released recently by the Department of Policy and Promotion (DIPP) shows that Japan ranked seventh in terms of cumulative foreign direct investment in India, accounting for $3.714 billion between April 2000 and March 2010, of which $1.183 million came in during April 2008-March 2010. With the huge growth potential in sight, Japanese investors are now preferring India over China which is evident from increasing number of firms set their feet here. According to the Japanese External Trade Organisation (Jetro), the number of Japanese companies that have trebled in the last four years from approximately 100 companies in 2006-07 to 300 in 2009-10.

India is looking at import of organic chemicals, iron and steel, nuclear reactors, photographic or cinematographic goods.

Gems and jewellery

Japan took $300 million, mainly of high end diamond jewellery items, of India’s overall gems and jewellery sales of $28.4 billion in 2009-10. Japanese jewellers are yet to get momentum there due to various trade restrictions. Although it is too early to assess the impact, exporters here are likely to be hit for a short time, said Rajiv Jain, Chairman of the Gems & Jewellery Export Promotion Council. However, these will recover by the middle of next month, he predicted.

Oil cake

The ₹1,500-crore Indian oil cake market in Japan has been hit severely. The average monthly consumption of oil cake, mostly soybean meal, was 75,000 tonnes and this has almost stopped. Constituting 15-18 per cent of India’s oil cake exports, Japan has temporarily diverted orders to other need-based areas, says B V Mehta, executive director of the Solvent Extractors’ Association, the apex trade body with 800 registered members. However, he says, the Japanese will not cancel orders, as they require Indian meal for bird and animal feed. According to Satyaranjan Agarwal, chairman of the Central Organisation for Oil Industry & Trade, the Japanese market will regain momentum in three months.

Iron ore

Japan constitutes less than five per cent of India’s total iron ore exports. Last year, Japan imported 5.32 million tonnes of ore from various miners, mainly Jamaica’s Fortescue, China’s Qinghai and India’s Nirmal, said R K Sharma, secretary general, Federation of Indian Mineral Industries. Demand should pick up gradually, but the process should take at least a month, he added.

Consumables

Last year, India exported 20 tonnes of mangoes to Japan, at ₹500 each. This is the only item in the fruit and vegetable category sent to Japan, so the impact of the earthquake would be negligible, said S Dave, Director of the Agricultural and Processed Food Products Export Development Authority.

The earthquake has slowed export of spices in general and turmeric in particular; the latter has been severely softened in the domestic market. However, demand from other European nations is intact, as a result of the tsunami in Japan.

India is expected to export 150-155,000 tonnes of turmeric in 2011-12. A fifth of this goes to Japan. Says Manubhai Shah, an exporter based at Navin Mumbai, “Exports to Japan might get delayed, but orders that are on hold for the past 10 days might start coming up (again) in the next one or two months.”

Coffee exports to the Japanese market from India may be affected in the medium term, due to a fall in consumption, said Suresh Babu, a Hyderabad-based coffee trader.

India exported 1,079 tonnes of coffee in March, worth ₹1,421 crore. In this financial year to January, around 800 tonnes had been exported, worth ₹925 crore. Japan is the third largest coffee consumer in the world.

“Japan is a consumer of premium coffee and India is giving incentives to exporters to export to this market. As far as the impact of the crisis on the coffee market is concerned, we are yet to see any adverse effect on coffee exports,” said Jawaid Aftikar, chairman of the Coffee Board.
Profit-sharing
debate moves
to political realm

Key parties have yet to
decide on the legislation
that could force firms
to share 26% of profit
with displaced locals

**By Ruchira Singh**
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MINING BILL

The debate over the new
mining Bill’s profit-sharing
proposal has moved
into the political realm, though
key parties have yet to decide
their stand on the contentious
legislation that could force
companies to share 26% of their
profit with displaced locals.

The Mines and Minerals
(Development and Regulation)
Bill seeks to boost mineral
output by giving speedy clearances
to miners, and at the same
time develop backward areas
and curb Maoist insurgency.

Miners ministry officials are
awaiting a final nod from the
cabinet after which the legisla-
tion will be introduced in Par-
lament.

Even though the profit-sharing
clause has drawn criticism
from industry since last year,
political views have only just
started taking shape.

“We have supported the Bill,
including all its proposals,”
said D.P. Tripathi, general sec-
retary of the Nationalist Con-
gress Party. “It is a step forward
as it includes all stakeholders.
Twenty-six per cent profit
sharing is not that high.”

Trade bodies have said such
a big disbursement of funds
could be mismanaged, besides
shrinking the pool of workers
in remote mining areas as they
would choose not to work if
they get cash handouts.

Government officials who
have drafted the Bill say the
payout is large, but it could
lead to less resistance from lo-
cal people and new mines
could speedily be set up.

Planning Commission deput-
y chairman Montek Singh Ahlu-
walla was reported to have
said last week that profit-sharing
could deter fresh investment
in mining and push
firms to depend on foreign
markets to source minerals.

The debate over mineral
productivity assumes impor-
tance as India moves ahead
with 8-9% economic growth
that needs vast amounts of
metals, power and cement to
meet infrastructure develop-
ment and consumer demand.

Output of minerals such as
iron ore and coal is growing,
but not fast enough as setting
up of new mines is bogged
down with slow regulatory
clearances and social opposi-
tion.

For political parties, the
ramifications are high and key
players are still seeing if they
would want to run the risk of
alienating investors.

“I have not examined it,”
Ravi Shankar Prasad, spokes-
person of the Bharatiya Janata
Party and member of Parlia-
ment, told *Mint*, when asked if
his party favoured the Bill with
its profit-sharing clause.

“Let me see it first,” Brinda
Karat, member of the Commu-
nist Party of India (Marxist),
told *Mint*, in response to
the same question.

Communist Party of India’s
D. Raja couldn’t be contacted,
while the Bahujan Samaj Par-
ty’s Brajesh Pathak did not
return calls.

A political analyst, who did
not want to be named, said
politicians may, by and large,
agree with the profit-sharing
plan as it favours common
people.

Equity market analysts said
the Bill would be negative for
the benchmark Sensex index as
metal firms such as Hindalco
Industries Ltd, Jindal Steel and
Power Ltd, Sterlite Industries
(India) Ltd and Tata Steel Ltd
are components of it.

But in the long run, it would
get factored in owing to good
demand for metals in India
and overseas, and metal and
mining company stocks would
continue to look attractive.

Pure mining companies such
as Vedanta Resources Plc’s unit
Sesa Goa Ltd and state-run
Coal India Ltd and NMDC Ltd
could see a direct hit on their
net profit. But metal compa-
nies not see their net prof-
it eroding to the same extent as
metal prices tend to be high
and they could offset losses.
Monnet buys coal mine in Indonesia

Mumbai: Monnet Ispat and Energy Ltd on Monday said it has acquired an Indonesian coal mine for $24 million (₹108.24 crore). The firm said thermal coal reserves of 65 million tonnes have been established in the mine. REUTERS
कॉपर के दम में बढ़ोतरी से अल्यूमीनियम की खपत बढ़ी

अल्यूमीनियम कंपनी (प्र. ) निर्मितियों के एक बड़ी अभियान का जवाब देने के लिए अल्यूमीनियम की खपत बढ़ी है। इसके कारण, अल्यूमीनियम कंपनी (प्र.) निर्मितियों के एक बड़ी अभियान का जवाब देने के लिए अल्यूमीनियम की खपत बढ़ी है। इसलिए, अल्यूमीनियम कंपनी (प्र.) निर्मितियों के एक बड़ी अभियान का जवाब देने के लिए अल्यूमीनियम की खपत बढ़ी है।

हालांकि, परेल, बाजार में अल्यूमीनियम की खपत बढ़ी है, लेकिन चीन का भाग बढ़े रहा है। अल्यूमीनियम कंपनी (प्र.) निर्मितियों के एक बड़ी अभियान का जवाब देने के लिए अल्यूमीनियम की खपत बढ़ी है।

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राजस्व बढ़ाने में पश्चिमी राजस्थान की
खनिज संपदा की भी बड़ी भूमिका

जयपुर, 21 मार्च (भारत).
खनिज संपत्तियों की फूट से पश्चिमी राजस्थान का आतंक गायब है। इस क्षेत्र में जहाँ खनिज संपत्ति के दोहर व विघान के लिए योजनाबद्ध प्रयास किए जा रहे हैं, वहीं राजस्व वृद्धि में भी इसका भारी कारण है। राजस्थान रेड माइन संवद रॉक्स मिनरल्स (आरएसएमएसएल) का जन्म के आयोगी वित्तीय खिनिजों रेड माइन संवद, विप्रवेद, लाइम्स्टोन, लिनाइट आदि खनिज संपत्ति का दोहर व विघान करने वाला पश्चि का प्रमुख सागरीजनक उद्यम है।

आरएसएमएसएल यूजर्स के कहां- हम लिनाइट आयातित विकली पैदा करते वाले संस्थाओं को लंबी अवधि तक लाइम्स्टोन की आपूर्ति देने वाले परसंपत्ति को खेत पत्ते में ही स्वीकार करने की कृतियों में लगी है।

यूजर्स का कहां कि आरएसएमएसएल के कुल पत्ते में संस्थाओं की शामिल 105.1 मेगावाट हो चुकी है व इन संस्थाओं से विविध उद्योगों के लाभार्थ 1815 लाख रुपये सालाना हो गई है।

यूजर्स का कहां कि आरएसएमएसएल की खनिज संपत्ति परियोजना, जैसलमर के कोलन इंडस्ट्रील मैकेनिकल के तहत चार परियोजनाओं का पंजीकरण हो चुका है और इससे प्राप्त प्रभाव पत्ते की विकसित देशों को विक्रय कर 11.00 करोड़ से अधिक विदेशी मुद्रा आवश्यक हो गई है। इंडियन ने कहां कि देश के क्लाइम एंड धार्मिक संवद के उद्योग का 85 फीसद जैसलमर के साथ माइन संवद के भाग होता है।

यूजर्स से साहित्य इतिहास प्रमाणक (लेख) के इसमें संस्थाओं, टोल स्टोल, जिंडल स्टोल आदि स्टोल उद्योगों को लाइम्स्टोन की आपूर्ति को आती है। संवद से उद्योग लाइम्स्टोन विभाग व समेत संस्थाओं के लिए काम में लिखा जा रहा है।

लाइम्स्टोन के तोते उद्योग के लिए सांस्कृतिक संस्थाओं के लिए काम में लिखा जा रहा है। इसके अलावा करीब 18.50 लाख रुपए सालाना लाइम्स्टोन की आपूर्ति के अन्य उद्योगों में ही सारांश देने होते हैं।

यूजर्स ने कहां कि भविष्य में लाइम्स्टोन की बड़ी मात्रा में देखा जा रहा रेलवे लाइम्स्टोन का वितरण सांख्यिक तरीके के लिए भी होगा। इस परियोजना पर लाभ 190 करोड़ रुपए की आय कामाने की सामान्यता है।

इंडियन ने सत्यांग कि जैसलमर परियोजना से भारतीय रेल की सामाजिक विभा निवेश 450 करोड़ रुपए की आवश्यकता हो रही है। इससे सालाना इस परियोजना से कांटों जून हुए छात्रों की तेजगत थी।
'No illegal mining in Aravalli Hills'

New Delhi, March 21

There is no illegal mining in the Aravalli Hills in Haryana, according to the Union Ministry of Mines. In a written reply in the Rajya Sabha recently, the Minister of State for Mines, Mr. Dhimsha Patel, said that though there were no organised illegal mining activities in Haryana, stray incidents of mineral thefts had come to the notice of the State Government, which "are dealt with as per law". The Minister said that in compliance with the Supreme Court ban on mining activities in the area, the State Government had constituted a district-level task force to keep a watch on such activities. — Our Bureau
Gold advances above $1,430/oz

Bloomberg  
March 21

Gold climbed for a fourth day in New York as investors sought a protection of wealth from air strikes in Libya and on concern unrest may spread in the region.

Gold futures for April delivery rose $14.90, or 1.1 per cent, to $1,431 an ounce at 7:59 a.m. on the COMEX in New York. The metal for immediate delivery in London was 0.9 per cent higher at $1,431.28. Bullion rose to $1,427.75 an ounce in the morning fixing in London, used by some mining companies to sell output, from $1,420 at the afternoon fixing on March 18.

Silver for May delivery in New York rose 3 per cent to $36.095 an ounce. It climbed to $36.745 on March 7, the highest level since March 1980, the year in which futures reached a record $50.35. Palladium for June delivery was up 2 per cent at $746.05 an ounce. Platinum for April delivery gained 1.1 per cent to $1,743 an ounce.

Bullion rates

Mumbai: Silver spot (999 fineness): Rs 54,770; standard gold (99.5 Purity): Rs 20,955; Pure gold (99.9 purity): Rs 21,085.

Chennai: Bar silver: Rs 53,985; retail silver: Rs 57.75; standard gold: Rs 21,000; retail ornament gold (22 carat a gm): Rs 1,953.
Sesa Goa rules at crucial level

Sesa Goa: The stock is ruling at a crucial level. A close below Rs 261 could trigger a fresh slide for the stock. In that event, Sesa Goa finds an important support at Rs 243 and Rs 219.

On the other hand, if it manages to hold on to Rs 261 level, it faces an immediate resistance at Rs 277 and the next at Rs 301.

F&O pointers: Trading in futures and options presents a mixed view for Sesa Goa. The Sesa Goa futures added fresh long positions on Friday while option trading signalled a negative bias.

Strategy: Exit. If you are willing to take a risk hold your position with a tight stop loss at Rs 258 (Spot price on a closing day basis).

Reliance Industries: The stock moved down sharply on Friday – this is typical of long-term sideways move of this scrip between Rs 850 and Rs 1,150. The stock finds the immediate resistance and support at Rs 1,051 and Rs 973 respectively. A close below Rs 973 could drag the stock towards Rs 921 initially and then to Rs 888-890. It appears the stock is heading towards support zone.

F&O pointers: The Reliance futures saw unwinding of long positions on Friday. The option trading also indicates a negative bias as calls witnessed heavy accumulation of open interest and puts saw unwinding.

Strategy: Exit your position and re-enter once it takes a clear direction.

Bank Nifty: After a recent slump, the index has been moving in a range 11,150-11,050 during the last one month. The immediate term outlook, however, appears negative. The index finds a support at 10,250 and resistance at 10,931.

F&O pointers: The Bank Nifty futures saw unwinding of long positions on Friday. Option trading indicates downward bias as puts shed open positions.

Strategy: Exit.

NOTE: The analysis and opinion expressed in this column are based on F&O data available at this point of time and on technical analysis based on past price movements. There is risk of loss in trading.

Feedback may be sent to f&o@thehindu.co.in
Gold leashed; but speculative interest rising

By C Chandrasekhar
Mumbai, March 20

After taking stock of the devastating effects of tsunami and earthquake that struck Japan, global commodity markets have returned to closely examine other drivers such as tightening monetary policy and effects of high crude prices. China’s central bank announced a further 50 basis points (bps) hike with effect from March 25, strongly signalling intent to maintain tight monetary policy. On March 17, India tightened bank credit by 25 bps.

While Japan's quake left varying impact on commodities, uranium is seen the worst affected both short-term and long-term. Prices have already declined from $72.73 per pound to $57.62/lb because of the twin effect of loss of demand from Japan and the US announcement of 450-tonne Uranium sale next two years. At the mid-50s level, Chinese demand can be expected, experts asserted.

Gold: After plunging below $1,400 an ounce followed by margin calls elsewhere, the yellow metal regained traction towards the end of last week to settle higher. In London on Friday, the PM Fix was at $1,420/oz, up 1.2 per cent from the previous day's $1,409/oz. After easing from the 31-year high, silver too moved in tandem with gold, with Friday AM Fix at $35.15/oz, up 2 per cent from the previous day's $34.47/oz. The price of $1,400/oz is proving to be good support for the yellow metal as physical demand resurfaces. Demand is seen emerging, especially in Asia, on price dips. Longer-term investor interest is seen stabilising. The broad market uncertainty is likely to support investor interest in gold; but silver is likely to remain volatile given its weak fundamentals.

To be sure, speculative interest in gold has turned positive due to political turmoil as reflected in non-commercial long positions in Comex gold having returned to their highest level since the beginning of the year. Fresh longs have been re-established and gross short positions covered. Indian market, while taking cue from overseas, is groping for direction. Despite favourable conditions - easy money, geopolitical instabilities and high crude prices - the precious metal has remained leashed. The downside risk to prices comes from equity markets on whose improvement, gold will see a strong correction.

Base metals: Last week, lead was the standout performer in the global market with a gain of over 10 per cent to about $2,700 a tonne. Nickel market fundamentals are seen improving with LME stocks declining fast and physical premium improving. Tin and copper are actually in deficit; but it may take some time for prices to reflect the tightness. The effects of Japanese earthquake on base metals complex are seen mixed. Lead is likely to be in greater demand from the generators and batteries sector. When the re-construction activity commences, aluminium, copper and zinc should benefit.

Crude: With the situation in Libya turning increasingly complex and unpredictable, the oil market is bracing itself for prolonged-uncertainty. Once Japan's worst demand losses are over and economic activity resumes, oil demand will receive further support. While there will be short-term demand loss, in the longer-term Japanese oil demand is expected to expand. One can well imagine the price implication of these anticipated developments.
Hindustan Copper plans to quadruple investment

Hindustan Copper plans to invest Rs 3,677 crore to almost quadruple its existing copper ore production capacity to 12.41 million tonnes per annum (mtpa) by 2016-17.

“The company has prepared an ambitious expansion plan to expand capacity of 3.21 million tonnes to 12.41 million tonnes at an estimated cost of Rs 3,677 crore, which would be funded from internal resources, fresh issue of shares and debt,” the mines ministry’s Outcome Budget for 2011-12 said.
Curtail exposure as volatility looms; support seen on declines in precious metals

The markets witnessed a low turnover as traders displayed caution due to the tensions in Middle East. North Africa and Japan. The week-on-week market-wide turnover on the MCX fell by 8%. The market-wide open interest rose by 4%. The MCX turnover gained during the week were aluminium, crude palm oil, iron ore, lead, mentha oil, natural gas, potato, and wheat.

The open interest gainers were iron ore, lead, mentha oil, potato and zinc. The US non-strategic petroleum reserves were higher by 1.7 million barrels, at the 350.6 million barrel mark. Coupled with higher US inventories, anticipated demand destruction due to higher prices and crisis in Japan triggered profit sales on energy counters. Bullion witnessed some declines as bulls booked profits. I expect support on declines in precious metals. Base metals are witnessing pullback rallies and may witness buy-on-dip patterns. Traders should continue to curtail exposure on volatility concerns.

Agri commodities

Mentha oil is precariously perched at its stiff resistance levels at the ₹1,305 levels which must be overcome on a sustained trading basis if a fresh upthrust is to occur. After a spectacular upthrust like the one witnessed last week, some profit sales may be a matter of routine and the bulls must manage to defend the ₹1,250 levels in case of dips. Market internals indicate a 9.8% increase in turnover and a 0.0% decrease in open interest.

Potato has confirmed the weakness on the counter as long as the commodity stays below the ₹660 levels, the outlook will remain weak in the absolute near-term. Bottom fishing as of now is not advisable. Market internals indicate a 3.4% increase in turnover and a 1.0% decrease in open interest.

Copper has managed to close gains as bull support emerged at the ₹61 levels, which will be the floor to watch out for in case of declines. This support has held for a fortnight in a row and any violation of this floor will indicate weakness in the offering. On the upside, the counter must breach the ₹642 levels for upward momentum to sustain. Market internals indicate a 4.8% decrease in turnover and a 0.6% decrease in open interest.

Gold has ended with mild losses as the safe haven buying support has eased as the commodity levels to approximate 1,720 levels. The weekly candle chart indicates a hammer which underlines the buying interest alive on deep declines. Unless the ₹29,000 level is violated on a consistent basis, declines may continue to enjoy buying support. A sustained trade above the ₹21,100 levels will trigger a fresh rally. Market internals indicate a 5.0% decrease in turnover and an 0.8% decrease in open interest.

Nickel has bounced from a weekly bullish trending support in the bargain making a bullish hammer on the candle chart. The ₹12,100 level will now be an immediate support that needs watching. As long as the counter trades above the ₹11,100 levels, the outlook remains bullish and existing longs may be held. Market internals indicate a 2.0% decrease in turnover and a 1.0% decrease in open interest.

Silver has seen some profit-taking on advances as the safe haven buying support has eased as the global community pledges support for rebuilding Japan and oil prices remain stable. The weekly candle chart indicates a hammer which underlines the buying interest alive on deep declines. Unless the ₹45,000 level is violated on a consistent basis, declines may continue to enjoy buying support. A sustained trade above the ₹21,100 levels will trigger a fresh rally. Market internals indicate a 12.3% decrease in turnover and a 5.2% decrease in open interest.

Natural gas has managed to hold on to its gains and the bulls must continue to keep the counter above the ₹118 levels on a sustained closing basis if the upthrust is to sustain. A dip below the ₹117 levels will threaten the upward momentum. Market internals indicate a 15.0% increase in turnover and a 3.9% decrease in open interest.

Energy

Crude oil has managed to cling to slim gains as the bull/bear tussle has seen higher than normal volatility on the counter. Libya, Japan and Iran are the pressure points that are likely to keep traders on the edge. The bar reversal on the weekly chart on week ended March 12, 2011 will imply that the bulls need to surpass the ₹74,900 levels consistently to draw in fresh buyers, which is likely to be a challenge in the absolute near-term. Watch the ₹74,400 level as a threshold below which the outlook will weaken in the near term. Market internals indicate an 8% decrease in turnover and a 3.9% decrease in open interest.
Niyamgiri vs Chiria

SAIL’s status as a PSU played a major role in it getting environment clearance

Amitabh Sinha
Smart cafe

Did the environment ministry apply different yardsticks in the two cases? We answer the questions in our usual Q&A format.

Earlier this month, Orissa Mining Corporation (OMC), a state government owned enterprise, approached the Supreme Court, challenging the order of the Environment Ministry cancelling forest clearance to a bauxite mining project in the Niyamgiri area of Lanjigarh district of Orissa. The project was to be executed by SAIL, Industries India, a subsidiary of Vedanta Aluminium, which had entered into an MoU with OMC in 2006.

One of the main reasons that is said to have emboldened the OMC to approach the Supreme Court, six months after the Environment Ministry had passed its order was the recent decision to allow SAIL to mine iron ore in the Chiria mining complex of West Singhbhum District in Jharkhand. The Orissa government feels double standards had been applied in the two cases and argues that the environmental impact of the Chiria mines is going to be greater than the bauxite mining in the Niyamgiri hills.

The Financial Express examines the two projects to see whether they are comparable.

What was the issue with the Niyamgiri project?

In Niyamgiri, a total of 660 sq km of forest land was sought to be diverted for mining. The mining location was proposed to be in the Telkani-Ishkali forest range of Lanjigarh, operated by Vedanta. The company had plans to expand the refinery’s capacity from one million tonnes per year to six million tonnes yearly.

And Chiria? Chiria, too, involved the diversion of forest land for mining purposes. In fact, SAIL had already been mining 194 hectares in the Chiria mining complex, which lies in the Sundarban forest area. The company had applied for a renewal of its license to mine in an additional 40 hectares of forest land. Together, the mining area of about 250 hectares would comprise nearly 50% of the 2,370 hectares of the entire Chiria mining complex.

What happened to Vedanta’s application for Niyamgiri project?

Vedanta had obtained stage I forest clearance for the Niyamgiri project before running into troubles. While assessing its application, the Forest Advisory Committee (FAC) – the permanent expert panel in the Environment Ministry – was responsible for assessing whether a project deserves to be given forest clearance or not – recommended that the final approval should be granted only after assessing the implementation of the Forest Rights Act in the area.

What led to the cancellation of the Niyamgiri project?

The Environment Ministry acted on the recommendations of the FAC, which had expressed concerns over the project’s environmental impact.

So why was Chiria cleared?

In clearing SAIL’s proposal to mine Chiria, Environment Minister Jairam Ramesh actually overturned the advice of his own ministry’s expert panel (FAC). Some of the reasoning behind this decision were:

- SAIL was a ‘Maharatna’ public-sector company with a good track record of corporate social responsibility and deserving of special treatment.
- The company had a Rs 3,000 crore IPO lined up, half of the proceeds from which were to go to the government of Orissa. Therefore, an early decision was required to be taken.
- Chiria is essential for the future of SAIL, as nearly 40% of the company’s requirement of iron ore over the next five years is likely to be met from Chiria. If the arguments used against Vedanta were valid, then the Niyamgiri mines would have been able to provide for only four years of supplies for the company’s alumina refinery at Lanjigarh.
- Chiria is affected by noxious violence and has a substantial tribal population. CSR activities by SAIL would help in the socio-economic development of the region. In the case of Chiria mines, it was necessary to take a ‘broader view’ keeping national interest topmost in mind.
Investors snub sectors with high policy arbitrage, reveals rich list

Rishi Raj
New Delhi, Mar 21

Sectors having policy arbitrage continue to suffer at the hands of investors. This is best illustrated by the changes in the ranking of India's top 10 business groups and their promoters' wealth in terms of their holdings in their respective group companies over a period of the last one year.

Between March 2, 2010, and March 1, 2011, two groups and their promoters saw decline in their ranks in terms of market cap and their personal wealth — ADAG's market cap declined from ₹120,000 crore to ₹80,000 crore seeing Anil Ambani's rank among the top 10 richest businessmen declining from number 7 in March 2010 to number 8 in March 2011. The other loser was Anil Agarwal of the Vedanta/Sterlite group. Real estate firm DLF lost in terms of its market cap but despite this promoter KP Singh held on to his number 6 position. His wealth though declined from ₹68,010 crore to ₹29,603 crore. Barring these, the market cap of the other seven business houses increased thereby increasing the personal wealth of their promoters.

Telecom, power, real estate and metals and mining are the sectors where policy arbitrage is high as witnessed in the last one year and the groups mentioned above have significant presence in them. So if Anil Ambani's rank among the top 10 richest Indian businessmen suffered earlier. Mittal wrested the number 3 position earlier held by Agarwal while Birla edged out Anil Ambani.

The other rankings are in order. Mukesh Ambani continues to be the richest Indian businessman with his personal wealth at ₹145,220 crore as on March 1 2011, up from ₹144,599 crore on March 2, 2010 (March 1, 2010, was Holco's market was closed). Azim Premji of Wipro ranks second, followed by Sunil Mittal (see chart).

Though the ones enjoying policy arbitrage have lost the pattern is not entirely even. Though telecom has emerged as the single biggest controversial sector with the 2G spectrum scam and the Supreme Court ordering a probe into all spectrum allocation since 2001, it is only Anil Ambani, who's flagship firm is Reliance Communications, who has lost. Both Mittal (Bharti Airtel) and Birla (Idea Cellular) have moved a notch upwards.

Continued on Page 2
Investors snub sectors with...

Similarly, though the metals and mining sector is seen as one that investors would like to keep out of, Agarwal has lost out but Birla, who has significant presence there, has not.

Calendar year 2010 saw a similar pattern when the benchmark BSE Sensex ended up 17.63% but major real estate, infrastructure, and metal firms underperformed losing between 13 to 48% during the year.

In 2010, scrips of major real estate firms like DLF, Unitech, HDIL and Indiabulls declined by 20%, 21%, 40% and 41%, respectively, with the realty index down 25.08%, hugely underperforming the Sensex. Agarwal’s Sterlite and Sesa Goa had also ended the year down 10% and 21%, respectively. This was when the BSE’s metal index was marginally up 1.33%. In that year in the telecom sector while Bharti gave a return of 6% and Idea Cellular of 22%, Reliance Communications was down 20%.
Monnet Ispat buys coal mine in Indonesia

Our Bureau
Mumbai, March 21
Monnet Ispat and Energy (MIEL) acquired PT Sarwa Sembada Karya Bumi, an Indonesia-based coal company, in a deal valued at Rs 108 crore.

The deal, executed through the Dubai-based Monnet Global, provides access to thermal coal mine spread over 25,000 hectares. Currently, 1,500 hectares have been explored, establishing 65 million tonne of coal reserves. Monnet Ispat expects the reserves to go up substantially after complete exploration of the total area.

Mr. Sandeep Jajodia, Executive Vice-Chairman and Managing Director, Monnet Group, said the mine has an excellent logistic facility. Coal shipped from the mine will be more cost effective and will have less transit time to India. Besides, it is a best fit for our planned coal-based power projects.

"We plan to mine more coal than required for our captive needs, for selling in the open market. The worldwide coal markets are expected to do very well in the coming years with India and China remaining strong buyers," he said.

"We have been able to close the deal at a very low value as the agreement with PT Sarwa was initially executed in 2008; however, the process and regulatory procedures for actual transfer took a long time to finally close the deal," said Mr. Jajodia.

MIEL has manufacturing facilities at Raipur and Raigarh in Chhattisgarh and is currently implementing 1.5 mtpa integrated steel plant at Raigarh with an investment of Rs 4,500 crore.

Monnet Power Company is at present executing a 1050 MW IPP in Orissa backed by captive coal mines. The project consists of two units of 525 MW to be supplied by BHEL. The project has all its statutory approvals and clearances in place and has achieved financial closure. Both these units are expected to get commissioned between September and December 2012. The company is now in the process of developing an additional 2000 MW which is expected to come up by June 2014.

Shares of the company were down 0.88 per cent at Rs 522 on Monday.
LME copper rises

Bloomberg

March 21

Copper advanced in New York on speculation that demand for industrial metals will strengthen as Japan rebuilds after this month's earthquake and tsunami.

Copper for May delivery was little changed at $4.3385 a pound at 8:24 a.m. on the COMEX in New York after climbing as much as 0.7 per cent earlier. Copper for three-month delivery gained 0.2 per cent to $9,533 a tonne on the London Metal Exchange.

Tin for three-month delivery on the LME rose 1.5 per cent to $29,835 a tonne. Aluminium, nickel and lead also gained in London. Zinc fell.
सीआईएल की 77 परियोजनाएं विभिन्न चरणों में 92 करोड़ टन क्षमता की 77 परियोजनाओं को सक्षम करे। (सीआईएल) की 18.5 करोड़ टन क्षमता की 77 परियोजनाओं को सक्षम करे। मंजूरी मिल चुकी है और वे परियोजनाओं के निर्माण के विभिन्न चरणों में हैं। बजट 2011-12 में कहा गया है कि 18.47 करोड़ टन की 77 परियोजनाओं को मंजूरी मिल गई है और वे परियोजनाओं के विभिन्न चरणों में हैं।

दस्तावेज में कहा गया है कि कोल हंडिया ने 1110 कोटन (2007-012) में 142 परियोजनाओं की पहचान की है। दस्तावेज के मुताबिक, रेश मंजूरी के अन्तर्गत 65 परियोजनाओं की पहचान की है। इन परियोजनाओं की कुल क्षमता 19.5 करोड़ टन की है। कोल हंडिया मंडल ने इससे पहले कहा था कि कोल हंडिया की 46 परियोजनाएं संरक्षित और अन्य आइटमों की वजह से अभियंता है। इनमें से 11 परियोजनाओं का तत्काल परिष्कारण (संबंधित मंजूरी) न मिलने की भील रहीं। मंडल के आन्दोलन से पहले परियोजनाएं भूमि प्रदान से अवरुद्ध रहीं।