

# Plan panel pitches for \$10 billion war chest to buy up global energy assets

PRIYADARSHI SIDDHANTA  
NEW DELHI, OCTOBER 20

IN a fresh proposal, the Planning Commission has made a strong case for setting up a Strategic Energy Fund (SEF) with a corpus of about Rs 45,000 crore (\$10 billion) despite India consistently running current account and fiscal deficits. It can be administered by a 100 per cent state-owned company.

In an October 12 note to the Group of Ministers (GoM) on external energy security interface, the Plan panel said the fund could be available to not just government-owned companies but the private sector too, to acquire oil and gas assets and uranium mines abroad and build transportation facilities.

While there can be a concessional component to funding of such projects, it should largely follow commercial lines, it said.

**OF THE 23 nations which have set up SWFs totaling investments of nearly \$2.4 trillion, most are national funds created from oil and gas revenues**

The proposal is different from the earlier one where the Planning Commission had recommended setting up of a sovereign wealth fund (SWF) using foreign exchange reserves. In its latest note on "strategic energy fund" authored by Saumitra Chaudhuri, the Plan panel has noted that two primary requisites for setting up SWFs were consistent fiscal and current account surpluses.

India's current account deficit has ranged 1-3 per cent of GDP over the last four years.

The fiscal deficit is projected at 4.6 per cent of GDP in 2011-12.

Of the 23 nations which have set up SWFs totaling investments of nearly \$2.4 trillion, most are national funds created from oil and gas revenues, the Commission cited.

The next largest category are the funds set up by five nations from persistent current account surpluses aggregating to \$1.882 trillion. These countries are China, Singapore, Hong Kong, South Korea and Malaysia.

There are also four nations having current account deficits and have consciously decided to set up a SWF. Of these four, three have fiscal deficits as well including Indonesia, the plan panel said.

It has asked the Centre to make appropriations from the Budget time to time. To begin with, for the first year an amount of Rs 4,500 crore can be ear-

marked for the SEF.

"The funds should be vested in a 100 per cent central government-owned company and administered by the finance ministry," the planning body said in its proposal.

The plan panel cited the financial support extended by Brazilian and French governments to their PSUs to acquire global oil assets.

The Planning body said when a proposal is cleared, appropriations should be made from the Budget and foreign exchange be purchased directly from the Reserve Bank of India (RBI) to avoid impacting the markets.

"The draw down in the RBI's foreign currency assets will reduce the asset side that will be matched by an equivalent reduction on its liability side equal to the Rupees tendered from the government's treasury account," it said.

## PRICE CARD

As on Oct 20	International	Domestic
<b>METALS (\$/tonne)</b>		
Aluminium	2,171.50	2,569.77
Copper	7,305.50	8,893.80
Nickel	18,935.00	21,983.54
Lead	1,890.00	2,228.47
Tin	21,650.00	25,998.80
Zinc	1,832.00	2,369.00
Steel-HRC	685.00	883.40
Gold (\$/ounce)	1,617.25*	1,636.03
Silver (\$/ounce)	30.66*	32.66
<b>ENERGY</b>		
Crude Oil (\$/bbl)	109.78*	109.18
Natural Gas (\$/mmBtu)	3.61*	3.53
<b>AGRI COMMODITIES (\$/tonne)</b>		
Wheat	231.36	212.41
Maize	254.44*	194.14
Sugar	694.80*	598.47
Palm oil	977.50	1,090.04
Rubber	3,570.04*	4,236.10
Coffee Robusta	1,857.00*	2,067.96
Cotton	2,196.90	2,212.05

Conversion rates: 1) 1 ounce = 31.1032316 gm  
2) 1 US dollar = ₹49.81 \*As on Oct 20, 1800 hrs IST

Notes: 1) International metal are LME spot prices and domestic metal are Mumbai local spot prices except for steel.  
2) International crude oil is Brent crude and domestic crude oil is Indian basket.  
3) International natural gas is Nymex near-month future & domestic natural gas is MCX near-month future.  
4) International wheat, white sugar & coffee robusta are LIFFE future prices of near-month contract.  
5) International maize is MATIF near-month future, rubber is Tokyo-TOCOM near-month future and palm oil is Malaysia FoB spot price.  
6) Domestic wheat & maize are NCDEX future prices of near-month contract, palm oil & rubber are NCDEX spot prices.  
7) Domestic coffee is Karnataka robusta and sugar is M30 Mumbai local spot price.  
8) International cotton is cotton no.2-NYBOT near-month future & domestic cotton is NCDEX spot prices.  
9) International metals, Indian basket crude, Malaysia palm oil, wheat LIFFE and coffee Karnataka robusta pertains to previous days price.

Source: Bloomberg Compiled by BS Research Bureau

# GOA MINERS EYE TIE-UPS WITH STEEL MILLS OUTSIDE STATE

## Fear the govt-appointed panel might recommend a Karnataka-like ban on iron ore exports

DILIP KUMAR JHA  
Mumbai, 20 October

**A**fter Karnataka banned iron ore mining, focus has now shifted to Goa, where pollution-related issues have dogged the mining sector and left miners looking for survival options, if exports were to be banned there too.

Small independent miners in Goa have started exploring the possibility of tie-ups with steel mills outside the state to supply iron ore, as they fear the Justice M P Shah Commission could recommend a ban on exports.

Justice Shah, heading the commission set up by the Centre, is set to submit the final recommendations by the end of this month. Shah had earlier

said a ban on iron ore exports could be recommended as an interim measure. Now, another member of the commission, Justice R A Mehta, has said: "Ban on exports is one of the options being considered to curb illegal iron ore trade."

The news has led to a panic among 125 (90 operational and 32 non-functioning) mines in the state. As a result, miners have started exploring survival options. Many miners *Business Standard* spoke to were evaluating options to ensure a continuous sale of iron ore.

"After information gathered from various members of the industry, including experts of the Confederation of Indian Industry, we believe the Centre is willing to incentivise the steel industry and confine mineral excavation licences only

to end users. So, independent miners are left only with three options," said Haresh Melwani, CEO of H L Nathurmal & Co, a Goa-based iron ore miner and exporter.

**PELLETISATION HAS BEEN KEPT OUTSIDE the purview of mineral processing. So, independent iron ore miners may set up pelletisation units to keep mining activities going**

First, independent iron ore miners may tie up with steel mills where they ensure selling ore to mills and enter equity-swap deals with them. Mines sell their equities and, in return, get share in mills' equity. Here, the catch is that steel mills

would like to buy stake at throwaway prices which many miners would not like.

Second, mining companies would have to enter into forward integration, which would be difficult in a capital-intensive industry like steel. But, even if they manage to raise funds, the uncertainty will continue due to lack of experience in the cyclic steel business.

Third, miners would have to exit the business they have been in for generations. Since a majority of them inherited their business from their forefathers, exiting the business would put millions of livelihood at stake, said Melwani.

Pelletisation has been kept outside the purview of mineral processing. This means, independent iron ore miners may set up pelletisation units to keep

their mining activities going.

The first round of inspection by the Justice Shah pointed out to several anomalies by mining lease operators. The second round of inspection, however, is currently in progress.

Meanwhile, in an affidavit filed before the Goa Bench of Bombay High Court, the Mines and Geology department has said they are contemplating the possibility of installing Radio Frequency Identification (RFID) tags on the trucks and at vital points including jetties, where ore is unloaded in the ship. The department accused the state government of ignoring the illegal mining trade conceded before the Court that mineral ore transportation is huge to the tune of 48 million tonnes as in 2010-11 which takes place within a radius of 30 km.



## CENTRE ASKS GOA TO CANCEL NOD TO MINES IN ECO-ZONES

ht FOLLOW UP

Snehal Rebello

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**MUMBAI:** The Union ministry of environment and forests (MoEF) has asked the Goa government to cancel clearances given to 19 private mining firms to operate within the 10-km eco-sensitive zones around wildlife sanctuaries.

The SC had in 2006 ruled that mines need the approval of the National Board of Wildlife to operate within these zones.

Prakriti Srivastava, deputy inspector general, wildlife, MoEF, told HT: "It has been brought to our notice that there are mines operating in the buffer zone without clearance from the board. We have asked the forest department to cancel these approvals."

Srivastava said the mines would have to re-apply to the board for clearance. "We can either accept the proposal or reject it."

But Goa's principal chief conservator of forests, Shashi Kumar, said: "We have not received the circular. And we have not reached a decision on whether to revoke leases. The files are still passing around."

Significantly, the MoEF has submitted the directive in the Goa bench of the Bombay High Court on October 19.

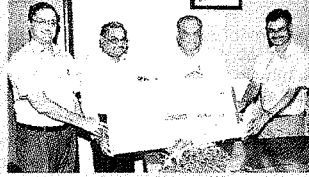
The Goa government has, in the last four years, granted clearances in the buffer zone even to mines that do not have the board's nod. It has defended its decision by saying the state advocate general's opinion has been that clearance from state forest officials is sufficient.

HT has, in a series of reports, revealed how nearly half the mines in Goa's forests do not have wildlife clearances and how illegal mining has cost the state Rs 3,000 crore.

In May this year, the MoEF had directed the state government to shut a mine situated three km from the Netravali wildlife sanctuary.

### NALCO pays dividend

National Aluminium Co. Ltd. (NALCO) has declared a total dividend payout of Rs



257.72 crore which includes the final dividend of Rs 0.50 per equity share capital i.e. 10 per cent on face value of Rs 5 each, in addition to interim dividend of Rs 2.00 per equity share paid on pre-revised equity

share capital i.e. 20 per cent on face value of Rs 10 each. This sum is 60 per cent higher than Rs 161.08 crore paid for the previous fiscal. The company has earned a profit after tax of Rs 1,069 crore for 2010-11.

### ● खनन माफिया और अधिकारी के बीच मारपीट

ग्रेटर नोएडा, (प्रवीन सिंह): कोतवाली जेवर क्षेत्र में खनन माफियाओं द्वारा अधिकारी के साथ मारपीट का मामला प्रकाश में आया है। इससे पहले भी खनन माफियाओं द्वारा एसडीएम के साथ मारपीट और फायरिंग भी हो चुकी है। खनन माफियाओं के इस हौसले के सामने पुलिस बिल्कुल ढीली नजर आ रही है। जेवर क्षेत्र के यमुना नदी के किनारे अवैध बालू खनन करने वाले झुप्पा गांव निवासी विरेन्द्र, तेजपाल, योगेश और नीरज को जब खनन अधिकारी ने रोकना चाहा तो खनन माफियाओं ने अधिकारी के साथ मारपीट करनी शुरू कर दी। पुलिस के मोर्के पर पहुंचने पर सभी आरोपी फरार हो गए। खनन अधिकारी ने जेवर कोतवाली में चारों आरोपियों के खिलाफ रिपोर्ट दर्ज करा दी है। मालूम हो कि तीन दिन से खनन विभाग द्वारा अवैध खनन पर लगाम कसने के लिए छापेमारी की जा रही है। बता दें कि जिले में खनन माफियाओं का दबदबा पहले से ही कायम है जिसकी वजह है कि पहले भी पूर्व एसडीएम सदर विशाल सिंह के साथ भी खनन माफियाओं ने मारपीट और फायरिंग की थी। खनन प्रशासनिक अधिकारियों का कहना है कि खनन माफियाओं के हौसले पुलिस के ढुलमुल रवैये की वजह से बढ़ गए हैं। पुलिस और खनन माफियाओं की मिलीभगत भी हो सकती है।

# Edible salt to be produced in state

PRATIBHA CHAUHAN/TNS

SHIMLA, OCTOBER 20

The basic rock salt mining being undertaken by Hindustan Salt Ltd in Mandi district is likely to be converted into a full-fledged Rs 250-crore solution mining project, making Himachal the only state in North India where edible salt will be produced at a mega scale.

The dispute over rock salt mining at three sites in the Darang area of Mandi district being undertaken by Hindustan Salt Ltd for the past several decades, was finally resolved today. The Chief Managing Director of the public undertaking, RK Tandon, today met Additional Chief Secretary (Industries) Harinder Hira to resolve the irritants, which had prevented the proper extraction of salt deposits in the area spread over 123 acres.

## PROJECT TO COST RS 250 CR

- Solution mining will be undertaken at three places in the Darang area in Mandi by pumping water into the mines and the salt will be made through the vacuum process
- The project will be set up at a cost of Rs 250 crore as a joint venture and will provide employment to 400 people
- The mining area is spread over 123 acres. Till now only rock salt fit for cattle consumption was being produced

"The fact that the project will provide employment to over 400 people of the area, both at the mining site and the refinery, will be important for the economy of the area," said Hira. She added that Hindustan Salt Ltd had agreed to pay the Rs 30 lakh pending dues and seek a fresh mining lease so that they could make it a profitable venture.

Till now mining of rock salt was being done for cattle consumption, but it was not being refined to be made fit for human consumption. "We have resolved all issues and

subject to grant of various permissions, we will start the solution mining project and get into edible salt production, the only one in North India," said Tandon.

The detailed project report of the unit, to be set up at a cost of Rs 250 crore, was almost ready. The environmental clearance, too, had been obtained and the moment the other necessary permissions from the Forest, Industry, Revenue and other departments were obtained, work would start on the project.

Tandon said efforts would

be made to rope in a public sector undertaking to be a partner in the joint venture. "Our preference will be to have a public undertaking as out partner but if that does not come through, we will even join hands with a private investor to help us set up the project," he said.

So far 75 per cent of the salt requirement of the country is met from Gujarat, followed by 12 per cent supply from Rajasthan. As such Himachal will be the first state up north to produce edible salt at a mega scale with the starting of solution mining in the Darang area.

The state government had issued notices to Hindustan Salt Ltd for illegally continuing mining in the Darang area ever after the expiry of its lease. Now with the dispute having been resolved, the unit can herald prosperity in the area.

## अगस्त में खनिज उत्पादन घटा

नई दिल्ली, 20 अक्टूबर (भाषा)। देश का खनिज उत्पादन अगस्त में 5.99 फीसद घटकर 13378 करोड़ रुपए मूल्य का रहा। सरकारी बयान में कहा गया है कि अगस्त में देश में खनिज उत्पादन (परमाणु व सूक्ष्म खनिजों के अलावा) का कुल मूल्य 13378 करोड़ रुपए रहा। इस उत्पादन में सबसे बड़ा योगदान पेट्रोलियम या कच्चे तेल का 41 फीसद (5432 करोड़ रुपए का) है। इस दौरान कोयला उत्पादन का मूल्य 2264 करोड़ रुपए रहा।

आलोच्य महीने में 3143 करोड़ रुपए मूल्य का लौह अयस्क, 1242 करोड़ रुपए मूल्य की प्राकृतिक गैस, 309 करोड़ रुपए मूल्य का लिग्नाइट और 269 करोड़ रुपए के चूना पत्थर का उत्पादन हुआ। बयान में कहा गया है कि इन छह खनिजों ने अगस्त में खनिज उत्पादन के कुल मूल्य में लगभग 95 फीसद का योगदान किया। अगस्त में कोयले का उत्पादन 327 लाख टन, लिग्नाइट का 25 लाख टन, प्राकृतिक गैस का 399.3 करोड़ घन मीटर, पेट्रोलियम (कच्चा तेल) 32 लाख टन, बाक्साइट 912000 टन, क्रोमाइट 262000 टन व तांबा मिश्रण उत्पादन 12000 टन रहा। लौह अयस्क उत्पादन आलोच्य महीने में 150 लाख टन रहा। सीसा उत्पादन 15000 टन और चूना पत्थर का उत्पादन 197 लाख टन रहा।



PRABHUDAS LILLADHER

### **Hindustan Zinc (Accumulate)**

**CMP: Rs 121**

**Target: Rs 147**

Hindustan Zinc (HZ) reported better-than-expected results for the quarter on the back of lower than expected increase in energy costs and higher revenues in silver business. We remain positive on the stock given its strong earnings profile (RoE>22 per cent), attractive valuations and robust free cash flows. Management's move to high dividend pay-out policy would augur well for stock's performance. On the back of strong earnings quality, attractive valuations and robust cash flows, we continue to remain positive on the stock.

## **Copper hits 2-week low**

**Reuters**

*London, Oct. 20*

Copper fell more than 4 per cent on Thursday to its lowest in two weeks as plans to tackle the EU debt crisis stalled and concerns about an economic slowdown weighed on the metal demand outlook.

Benchmark copper on the London Metal Exchange (LME) was untraded in official rings and was last bid at \$6,925, down about 4 per cent from a close at \$7,210 a tonne on Wednesday.

Zinc, used to galvanize steel, traded at \$1,769.50 from \$1,838 at Wednesday's close.

Lead also fell to a 15-month low of \$1,796.50 a tonne. It later traded at \$1,830 a tonne in official rings from \$1,870.

Tin traded at \$21,300 from \$21,925 while aluminium changed hands at \$2,147 from \$2,182 and nickel at \$18,225 from \$18,800.

# “Claim that mining in Goa did not exceed norms blatantly false”

Mines department's description of excess production as handling of dumps questioned

Prakash Kamat

**PANAJI:** Leader of the Opposition and senior Bharatiya Janata Party leader Manohar Parrikar on Thursday expressed shock over what he described as a “blatantly false” affidavit filed in the High Court by the Goa Mines and Geology Department early this week claiming that Goan mines in general had not exceeded production norms prescribed in the Environmental Clearances (EC).

The department's affidavit, challenging a public interest litigation petition on excess extraction, *inter alia* stated that except for a case of extraction amounting to 6000 tonnes in one instance, there were no instances of mines exceeding EC limits for production.

Mr. Parrikar, whose controversial Public Accounts Committee draft report on illegal mining failed to make it to the Assembly, at a press conference gave several instances wherein EC limits were exceeded by showing new production as handling of old dumps at the mine sites.

## Authority questioned

He questioned the Mines Department's authority to describe the excess production as handling of dumps, which were done without any environmental clearance.

Mr. Parrikar said the 12/53 lease owned by Vaikunth

• Department files affidavit in court challenging PIL on excess extraction

• 'Handling of dumps cannot be called legal production activity cleared by Bureau of Mines'

Kadnekar in Mina Quepem taluk of south Goa was re-validated in 2006 by condoning the delay. For, Vaikunth Kanekar and the mine extracted 2.44 lakh tonnes in 2010-11 above EC limits and showed the same as handling of dumps.

“When the case in question was a mine not operated since 1987 till 2007, where does the question of handling of dumps arise?” asked Mr. Parrikar.

Another instance was a mine in Caurvem village in Sanguem taluk of south Goa being revalidated on October 18, 2007 and operated through a power of attorney by a contractor, Dinar Tarcar. Mr. Parrikar said production amounting to 3.90 lakh tonnes in 2009-10 and 3.60 lakh tonnes in 2010-11 was shown as handling of dumps.

If the department believes that there was no case of excess mining in this lease then why did it suspend the operations of the mine on September 28, 2011 based on a complaint received about excessive extraction, he asked.

## Irregular operations

Mr. Parrikar said irreg-

ular operations like these were many and his party submitted a detailed complaint to the Central Bureau of Investigation and Central Pollution Control Board, New Delhi last week demanding action.

However, to his surprise, Mr. Parrikar said he was told that the Goa government had scrupulously kept the State Mining Department under the Mines and Minerals (Development and Regulation) Act, 1957, out of the jurisdiction of the CBI.

## Report on illegal mining

Stating that the BJP had decided to release its own report on illegal mining next week, Mr. Parrikar said the party would submit the names of those involved in illegal mining to the CBI.

He also said that during senior national BJP leader L.K. Advani's 'Jan Chetna Yatra' to Goa, scheduled for November 1 and 2, the illegal mining issue would be highlighted.

Meanwhile, Claude Alvares of the Goa Foundation told *The Hindu* that the State Department of Mines is not an authority to approve any activity at the

mines and as such its contention that there was only dump handling and no excess extraction beyond EC limits has no *locus standi*.

“It is the Indian Bureau of Mines which has to approve all the mining plans at any mining lease and no mining plans have been approved showing mining dumps which could be handled subsequently.

“Therefore, handling of dumps cannot be called legal production activity cleared by the Bureau of Mines,” said Mr. Alvares.

## Difference in figures

Moreover, he said the department seems to be in a habit of producing different figures to different agencies at different times.

“Documents collected by us from the replies given in the State Assembly by Chief Minister Digambar Kamat as Minister for Mines pertaining to figures of production and exports in the year 2009-10 were different than those given in 2011 [recent session]. The figures given by the Department to Pollution Control Board are still different,” said Mr. Alvares.

The affidavit in question was filed in the High Court this week by the Mines Director Arvind Loliekar in the matter of the PIL petition filed by the Goa Foundation.

Mr. Alvares said that they had raised this issue with the Shah Commission of Inquiry for further probe.

## Goa trade body cracks whip on erring miners

### Pledges to drop defaulters from GCCI

MAYABHUSHAN ■ PANAJI

Facing the heat from the media on illegal mining, the Goa Chamber of Commerce and Industry (GCCI) on Thursday promised to suo motu crack the whip against its members indulging in illegal mining. Several members of the trade body are mine owners and operators in Goa.

GCCI chief Mangurish Pai Raikar said, "We will drop any member who has been indicted for illegal mining. A lot of (iron ore) traders have come to the fore. They are fly-by-night operators. One or two of our regular members might have been there too." He claimed that the mega illegal mining scam in Goa was largely being fuelled by a slew of shady iron ore traders, who along with "one or two" known industrialists were responsible for illegal mining in Goa.

However, action hasn't been forthcoming yet, espe-

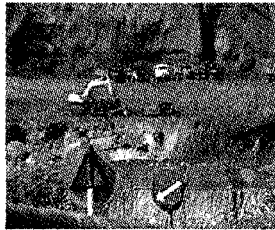
cially against the chairman of its mining committee Narayana Bandekar, who has been hauled for running an illegal mining outfit.

Bandekar's firm, the NRB group, operates the Shigao mines located 25 kms from here. The company has already been hauled up for illegal mining by the Indian Bureau of Mines earlier this year.

Incidentally, Bandekar apart from being a vice president of the GCCI, is also a member of the Federation of Indian Mineral Industries (FIMI), a national body of mineral ore industrialists.

When asked about Bandekar's indictment by the IBM, a Union Ministry of Mines body, Raikar said: "There are other dimensions to that case. It is not like it seems".

The president also said that the body has advised its members to install Radio Frequency Identification (RFID) tags and Global Positioning System (GPS) systems on trucks to keep track on ore, right from extraction points where the trucks are loaded and to the jetty's where the ore is offloaded.



**GLOBAL ALUMINIUM EXPO ATTRACTS BIG GLOBAL PLAYERS**

INCAL 2011, the sixth International Conference on Aluminium, organized by the Aluminium Association of India to be held at Hyderabad International Convention Centre in Hyderabad between December 6 and 8, will showcase the latest technologies and advancements relating to the aluminium industry and provide a unique platform for the Indian aluminium sector to interact with top experts from all over the world. Representatives from many countries including USA, UK, Australia, Germany, China, Italy, Japan, Singapore, Sweden, Canada, Brazil excelling in the aluminium industry will take part in INCAL 2011.



## Iron's worst rout in 15 months may deepen

**Oct 20:** Iron ore's biggest decline in 15 months may worsen as the economy slows in China, the largest importer; the European debt crisis persists and BHP Billiton and Rio Tinto Group increase production, analysts said.

Ore for immediate delivery may drop to \$140 a tonne by year-end, according to Macquarie Group analyst Bonnie Liu in Shanghai. That's down 5.2% from \$147.70 on Wednesday, data from The Steel Index show. The price may fall to the mid to low \$140s, said Australia & New Zealand Banking Group.

China, the world's biggest steelmaker, grew at the slowest pace since 2009 in the third quarter on weaker export demand and monetary tightening as steel prices dropped to a 10-month low and port ore inventories held near a record. Cheaper ore—also sold through quarterly contracts—may limit profit growth at Vale SA, Rio Tinto and BHP Billiton, the largest producers.

"I'm leaning toward lower prices than they are



now for the rest of this year," Daniel Hynes, a Sydney-based analyst at Citigroup, said by phone, without giving a forecast. "The marginal buyers, who have been pretty active in the market this year, have pulled away."

Prices of fines with 62% iron content delivered to the port of Tianjin plunged 18% in the past six weeks after reaching \$191.90 on February 16, the highest since at least 2008, The Steel Index data show. The cash price hasn't traded at less than \$140 per tonne since September 2010. Swaps for December are at \$126.87 per tonne, according to Singapore Exchange. *Bloomberg*