Nalco net declines 7.59% at ₹282.10 crore

Government-owned Nalco on Monday reported a decline of 7.59% in net profit at ₹282.10 crore for the quarter ended March, largely due to higher fuel costs and lower realisations on aluminium sales. The Bhubaneswar-based aluminium major had reported a net profit of ₹305.26 crore during the corresponding period last fiscal. Net sales of the National Aluminium Company (Nalco) also declined marginally by about 2% to ₹1,753.41 crore during the quarter as against ₹1,787.51 crore in the same period last fiscal, it said in a filing to the BSE. For the full year, 2011-12, the net profit plunged over 20% to ₹649.50 crore as its realisations on aluminium and alumina sale were lower, while it had to face shortages of coal during the October-December quarter.
Disappointing Chinese data rile copper market

It used to be the case prior to the scorching 2008-09 recession that if the US sneezed, the rest of the world would catch a cold. What is now to be figured out is the precise impact a sneezing China could have on the broader world commodities market.

Hindustan Copper Chairman Shakeel Ahmed says, "The impact of China sneezing, which is the case now, cannot but be profound on the whole range of commodities." China happens to be the world's largest producer and user of steel, aluminium and copper. To support production of these metals, China, notwithstanding being a major producer of a big range of raw materials, remains a dominant importer of iron ore, alumina, coke and copper concentrate and scrap.

China, which made a habit of clocking an astoundingly high growth rate till it had reasons to slow down, along with other BRIC countries, came to be accepted as a bastion of growth even while economies in the West would fare badly. The immunity of BRIC (Brazil, Russia, India and China) countries, especially China and India, to what happens in the rest of the world is thought to be on account of their large domestic markets. But this has unravelled. "Take the case of copper, in which China alone accounts for about 40 per cent of world consumption. If discouraging trade and industrial production data emerge from China, then a negative price rally in the red metal is unavoidable. We are seeing a demonstration of that now," says Ahmed.

More than anything else, what sent three-month forward copper prices to a four-month low is lower gross domestic product (GDP) growth forecasts for China on the back of reports that the country's manufacturing operations were at their lowest last month since May 2009. The string of disappointing data released by the Chinese National Bureau of Statistics shows April industrial production growth falling to 9.3 per cent from 11.9 per cent in March. The fact that fixed asset investments grew at their weakest rate in the first four months of 2012 at 20.2 per cent and state intervention to curb speculation in real estate slowed investment growth in new properties to 18.7 per cent in April, compared with 23.5 per cent in the first quarter, could only bearishly influence the copper market. Again, the very disappointing power output growth in China, it was only one per cent last month, brought bad omens for copper use.

For the bulls, their torment on red metal may not be over. Confirmation of this is embedded in a Deutsche Bank report which sees indicators suggesting "growth is slowing more meaningfully in China". It further says, "Things look perhaps a little more worrying with respect to how much support that will give to the metals market." As if the slowest quarter of growth in three years in the three-month period ended March was not enough, most watchers of the Chinese economy have come to believe there could be further deceleration in growth before a likely rebound in the second half of this year. Ahmed says it will be in order to take stock of what actually is happening with Chinese copper production and imports. A combination of weak domestic demand resulting from subdued manufacturing activities and high metal stocks led to a 30 per cent fall in the country's refined copper production in April to 491,000 tonnes, a monthly slide for the first time since January. For the same set of reasons, Chinese import of anode, refined metal, alloy and semi-finished copper was down nearly 19 per cent to 375,288 tonnes last month, an eight-month low. This happened in the wake of March imports declining 46.4 per cent to 462,182 tonnes. The oversupply situation is prompting Chinese importers to recast partial-term delivery of copper to original suppliers abroad and also reschedule arrivals of contracted material. Bears, in the meantime, have drawn inspiration from a rapid fall in the LME premium for cash copper over the three-month delivery rates, signalling easing of supply tightness. The slide in copper prices is despite the earlier forecast that this year would see supply deficit of 237,000 tonnes.

"Europe as such is not a big mover of the global copper market. But the growing risk of a chaotic Greece, whose debt will be 161 per cent of GDP next year, exiting the euro and doubting about the euro zone's ability to weather a strategy to save the single currency are a destabilising factor for the market, commodities as well as equity," says Ahmed.

Compounding the crisis, the story of JPMorgan's failed hedging strategy causing a trading loss of $2 billion has grated risk asset markets. Indian anaemic industrial production data was also a destabilising factor for copper. Our industrial output growing 2.8 per cent in 2011-12, down from 8.2 per cent the year before, is a point of concern for metal traders. In this situation, salve in the form of a marginal fall in the US unemployment rate, rise in US consumer sentiment to a four-year high and China cutting bank's cash reserve ratio to support growth isn't enough to shore up copper prices.
Halco Q4 net declines 7.6%
National Aluminium Company on Monday reported a decline of 7.6 per cent in net profit at ₹305.3 crore for the quarter ended March 31, largely due to higher fuel costs and lower realisations on aluminium sales. It had a net profit of ₹305.3 crore in the year-ago period.
No-go ghost haunts Coal India

SUDHEER PAL SINGH
New Delhi, 21 May

More than eight months after the Centre and the coal ministry announced the controversial ‘no-go’ policy, which had banned mining in some areas, state-owned Coal India Ltd (CIL) is still struggling to operate its new projects located in the so-called no-go areas in the absence of a formal go-ahead from the environment ministry.

The delay is set to stem the miner’s efforts to meet new supply obligations, further aggravating the ongoing coal crisis in the country.

“Since September last year, only two of our new mining projects have received clearance and, that too, outside of the no-go list. Overall, 179 proposals are still awaiting green clearances,” CIL Chairman S Narsing Rao told Business Standard. That includes 132 proposals awaiting the first stage clearance and 47 waiting for the second stage nod from the ministry. Around 40 of CIL’s new projects are stuck in the no-go zones.

No-go classification

The ministry, under the then environment minister Jairam Ramesh, had announced the no-go classification in mid-2010, banning mining in major coal bearing areas. The move blocked the development of 203 coal blocks with reserves of a whopping 660 million tonnes (mt)—enough to fire a power generation capacity of 130,000 Mw. Apart from CIL’s projects, blocks allotted to two dozen companies, including NTPC, Hindalco Industries, Essar Power and Adani Power, were also falling under the no-go zones. A twelve-member ministerial panel, headed by Finance Minister Pranab Mukherjee, had in September last year decided to do away with the classification.

While the no-go system has been done away with, the environment ministry is now working on a new concept which will demarcate some mining areas as “inviolate areas”, where mining will be prohibited, owing to their high quality of forest cover.

CIL claim rejected

A senior official from the environment ministry rejected CIL’s claim that delay in green clearances were hurting production. “The company is raising a hue and cry to put the blame for reduced output on others. CIL has not developed even 10 per cent of the land in some forest areas approved by us for the company,” he said. He also added that as the policy on “inviolate areas” is still under works, it cannot be a reason for delayed clearances as claimed by CIL.

Despite the lack of approvals for new projects, CIL reported a two per cent growth in its 2011-12 output. The world’s largest coal producer ramped up production in February and March to make up for a dip in output in the early part of the year.

This year, however, the pressure to meet supply obligations has increased manifold as the government instructed the company to sign pacts with power producers at a higher commitment level of 85 per cent of demand.

Rao, however, is optimistic about meeting the challenge. The company is bracing itself to meet this year’s higher production target of 464 mt, in addition to the 70 mt supply commitment for new power projects. “Our capital expenditure is set to double from Rs 4,000 crore last financial year to Rs 8,000 crore this fiscal. This is apart from the Rs 6,000 crore to be invested in acquisitions of assets overseas,” he said.

A majority of the new investment this year would be channelised in buying heavy earth moving machinery for two subsidiaries — South Eastern Coalfields Ltd (SECL) and Northern Coalfields Ltd (NCL). The rest of the investment would go in land acquisition in new mines and improving railway sidings for speedier evacuation.

Rao also said his team had started applying for green clearances with the environment ministry afresh. The coal ministry had last January instructed state governments to submit revised proposals for projects stuck in the no-go areas, taking note of a formal end to the classification.
CRISIL LOWEST BIDDER FOR COAL BLOCK AUCTION

New Delhi: Global firm Crisil has emerged as the lowest financial bidder for the coal ministry’s contract to prepare the methodology for determining reserve price for coal block auctions.

"Crisil emerged as the L1 bidder (the bidder which quoted the lowest price) when the financial bids were opened. The consultancy work would be allocated to Crisil only after examining its document," a source said.

Crisil provides ratings, research, and risk and policy advisory services. Of the six bidders in all, Crisil, SBI Caps and PwC had been shortlisted by the ministry after the technical bids, sources said. Deloitte was also among the early bidders.

In February, Coal India Ltd subsidiary — Central Mine Planning & Design Institute (CMPDI) — had invited an expression of interest for providing consultancy services.

— PTI
‘Need regulators to protect resources’

New Delhi: The white paper on black money released on Monday has backed the idea of appointing independent regulators and ombudsmen, particularly for scarce resources such as land, minerals and forests to stamp out the possibility of generating black money.

It said the process of allocation and utilization of natural resources, including water, mines, forests and spectrum needs significant improvement in transparency and public accountability and appropriate price discovery mechanisms, "in the absence of which these sectors can become vulnerable to illegal encroachments, while their allocation at highly subsidized rates can lead to windfall gains for the allottees. There is therefore need for comprehensive reforms requiring coordination and consensus among states and the Centre".

"To ensure transparent and efficient allocation of natural and man-made resources, oversight in the form of comprehensive regulations, independent regulator, and appointment of ombudsmen for grievance redressal, particularly for scarce resources — as in land, minerals, and forests — can be considered as a remedy," it said. The paper also called for several supportive measures to combat the menace of black money: it talked about creating public awareness and support, enhancing accountability of auditors, protection to whistleblowers and witnesses, strengthening social values among other measures to deal with the problem.

"Unlike many developed countries, auditors in India have not been requisite accountable, resulting in frequent undermining of this important aspect," the paper said. It also said that cases were regularly detected by the regulatory authorities where the auditors had failed to point out "gross violations and blatant misrepresentations" and in the absence of adequate effective provisions, the auditors were hardly ever held accountable for these lapses.

It also called for a witness protection law and said that all law enforcement agencies may need to look at adopting witness protection programmes to provide adequate protection to informants and whistleblowers.

"In India, the law has not been able to provide adequate protection to informants/whistleblowers, nor do government departments have effective witness protection programmes," the paper said.

"As a result, credible information is not forthcoming and witnesses do not turn up or turn hostile resulting in acquittals in prosecution cases," it added.

The white paper also said that citizens should be kept in the loop about government strategies as in a democratic form of government, political will and decisions were often "a function of public demand and perception".
Essar Africa to Rejig Top Deck on Mine Buy Delay

M V RAMSUBRHYA & REENAZA CHARIAN
MUMBAI

A management reshuffle has been initiated at Essar Africa Holdings to address delays in completion of the Ruia-led group’s $750-million acquisition of a Zimbabwean mine that has taken more than a year to be finalised due to student political opposition.

The reshuffle will possibly involve the appointment of at least two senior group executives from India to assist current Essar Africa head Firhadko Coovadia, who looks after the steel-to-oil conglomerate’s Middle Eastern and African operations simultaneously, said people familiar with the development.

Essar Group vice chairman Ravi Ruia spearheads the steel-to-oil group’s international forays.

While this reshuffle may not lead to any change of guard, it indicates the seriousness of the Essar Group to resolve the delay in transferring control of the mine that holds more than 500 million tonnes of iron ore reserves, vital for its steelmaking operations in Zimbabwe and Canada.

It also comes to the fore the failure of Indian mining companies to consummate overseas mining acquisitions within a given time frame, and this is the second time in less than a week that a change in the top guard has been initiated in an Indian company to address procedural delays.

Late last week, Adani Australia, which is trying to complete an $11-billion coal mining and railway project, saw the resignation of its CEO Jagannath Desai, again due to the unusually long time in getting regulatory approvals for its projects in Queensland. Desai’s function is now being looked after by Adani Group president (international business) Harsh Marsra.

Responding to queries from ET, an Essar spokesman said Steven Dehn has been appointed to Newmim Minerals — a company formed by Essar to acquire the iron ore mine — without elaborating on his role.

“Essar is still proceeding with the transaction closure. We remain committed to our plan. Essar is strengthening the team at Zimbabwe. Firhadko Coovadia continues to be the resident director — Middle East and Africa,” the spokesman added.

The delays in Zimbabwe have been mostly due to differences of opinion about the valuation of steelmaking and mining operations of Zimbabwe Iron and Steel, a state-owned company that had downed shutters due to unviable operations.

In March last year, Essar Africa acquired 80% of Zisco Steel and 80% of Buchwa Iron Mining for $750 million.

“While control of the steel company has been transferred, Essar has not been able to resume operations due to a lack of an iron ore supply agreement from Bimco,” said the person cited earlier, who also added that Essar had planned to resume steelmaking in 12 months.

The Zimbabwe mining ministry is reportedly studying the agreement after the Opposition alleged that the deal was undervalued. Acquisitions done globally indicate that a mine with 500 million tonnes reserves would fetch a valuation upward of $1.2 billion, depending on the grade of the ore.

Adani Enterprises, which has been aiming to develop the Carmichael coal mine in Australia to meet demand from Indian power plants, has been rushing to complete the deal, which was scheduled to finish in 2014, as local supplies are getting scarce.
Copper up as China pledges to boost growth

Bloomberg
May 21
Copper rose in New York after China's government pledged to focus on spurring economic expansion, bolstering the outlook for demand in the world's biggest consumer of the metal.
Copper for July delivery gained 0.6 per cent to $3.491 a pound by 7:54 a.m. on the COMEX in New York, rebounding from a third weekly retreat.
Three-month metal rose 1 per cent to $7,729 a tonne on the London Metal Exchange after last week reaching $7,625, the lowest level since Jan. 10.
Concern about a slowdown in China's economy contributed to copper's three-week drop.
The government on May 12 cut banks required reserves for the third time in six months following data that showed trade, industrial production and lending were below forecasts in April.
Stockpiles of copper tracked by the LME, down 10 per cent this year, rose 1.4 per cent to 224,575 tonnes, daily exchange figures showed.
The three-session increase of 4.2 per cent is the biggest since February 2009, data compiled by Bloomberg showed. LME zinc and nickel rose as lead, aluminium and tin fell.
L&T Construction bags orders worth Rs 744 crore

Mumbai, May 21

L&T Construction has bagged orders valued at Rs 744 crore. In power transmission & distribution, it has secured orders worth Rs 479 crore. This includes orders for electrical, instrumentation and automation for a furnace project for National Mineral Development Corporation in Chattisgarh, a 400 kV switchyard and plant electrifies for Jindal Power at Tamnar, Chattisgarh, besides electrical work for a super thermal project for National Thermal Power Corporation. An order has also been awarded by Power Grid Corporation for the construction of 400 kV overhead transmission line in Uttar Pradesh. — Our Bureau
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