Mining concession for PSUs on menu

New Delhi, Sept. 20: The steel ministry could seek exemptions for PSUs such as SAIL and NMDC from sharing 26 per cent of their profits in mining ventures, which had been proposed in the draft mining bill.

“Some special consideration has to be given to PSUs for the historical role in developing tribal areas being undertaken in different parts of the country,” steel minister Virbhadra Singh said.

The minister, speaking on the sidelines of a seminar organised by a global grouping of engineers, however, made it clear that he wasn’t in favour of a complete exemption.

Last week, a group of ministers approved the draft mining bill that says miners should share 26 per cent of their profits with the locals displaced by mining projects.

The draft bill will be an amendment to the Mines and Mineral Development and Regulation Act, 1957 and attempts to improve the condition of poor tribals, who are affected the most by mining projects.

The Maoist insurgency in the mineral-rich states of eastern and central India — home to many tribals — has forced the government to rethink its development policies.

Singh said the amendments could be sought to the proposed bill before it was placed in Parliament. Officials said it would be difficult to exempt only PSUs; relaxations should be given to all captive miners with a strong track record of promoting development projects among tribals.

The new bill, likely to be placed in the winter session of Parliament, seeks to expedite the grant of mining rights in a transparent manner.

SAIL chairman C. S. Verma had said last week in Calcutta, “Captive mines should be kept out of its (new legislation’s) purview. We cannot sell what we mine. It is for our captive use.”

SAIL has captive iron ore and coking coal blocks in various parts of the country.

Tata Steel vice-chairman B. Muthuraman said the proposal was in the right direction but suggested that funds for locals should be allocated “as part of the cost and not as a result of profit.”

Meanwhile, Singh said the government was not opposed to Posco getting a majority stake in the proposed Rs 12,000-crore joint venture between the South Korean giant and state-run SAIL. The duo are in talks to set up a 1.5-million-tonne plant in Bokaro. “The agreement between the companies is expected in the next two-three months,” Singh said.
मुनाफा बांटने में पीएससू को रियायत
dेना नाइसाफ़ी: जिंदल

नई दिल्ली (एपी)। उद्योगपति और
cोष्टर संबंध नवीन जिंदल के नेतृत्व
वाली कंपनी जीएसपीएल ने खर्च
परिमाणों से प्रभावित लोगों को
मुफ्त से खुदक्षेत्रीय ढेरों में पीएससू
कंपनियों को रियायत देने के प्रयास को
नाइसाफ़ी बताया है। जिंदल कहा कि नए
माध्यम विशेष रूप से यह रियायत है कि
खर्च परिवर्तनों से प्रभावित लोगों
वाले स्वातन्त्र लोगों में कंपनी के मुनाफे
का 26 प्रतिशत हिस्सा बांटा जा रहा।
इसका माना जा रहा है कि जिंदल का
बलचाल रहा है कि उसके अनुसार कंपनी
वाले स्वातन्त्र लोगों में कंपनी के मुनाफे
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MMTC dividend
NEW DELHI, 21 SEPT: State-owned MMTC, a disinvestment candidate, today declared a dividend of 45 per cent to shareholders after earning a net profit of Rs 216 crore on a turnover of Rs 45,263 crore for the last fiscal. The dividend will fetch 45 paise to shareholders for each share of the face value of Re 1. pth
Split books for steel, mines: govt

PROFIT SHARING Move to aid compensation

Sumant Banerji

NEW DELHI: With the debate over sharing of 26 per cent profit from mining with people displaced by mining projects still raging, the government on Tuesday said integrated steelmakers would be asked to demarcate their mining and steel operations and keep separate accounts so that the standalone profit from mining could be ascertained.

Integrated steelmakers led by state-run Steel Authority of India Ltd have opposed the profit sharing clause in the new mining bill citing impracticality.

SAIL and Tata Steel, the country’s two largest steelmakers, have full captive mining operations in iron ore. The companies, however, do not maintain separate financial accounts.

“They (integrated steelmakers) will have to set up separate entities for mining and steelmaking,” said PK Misra, secretary, Ministry of Steel. “People who are settled there (mining areas) will become more positive towards mining if they have a stake in the process...If there is any impact on profitability, it will only be in the short term.”

Standalone mining operations are much more profitable in the country than steelmaking even as mining remains one of the more heavily taxed industries.

SAIL and Tata Steel, for example, had an operating margin of only 23.74 per cent and 39.19 per cent in 2009-10. For non-captive steel companies like JSW Steel, the figure drops to 36.24 per cent. Mining companies like National Mineral Development Corporation and Sesa Goa, on the other hand, enjoyed operating margins of 84.7 per cent and 59.7 per cent respectively.

While SAIL refused to comment, Tata Steel has already said it is willing to share revenue but not as a percentage of profit but as a part of overall operational costs.

“Profit can be impacted by several factors. Whereas when it is treated as a part of the operating costs, it will be consistent, transparent and sustainable through the life of the mine,” said Partha Sengupta, vice-president, raw materials, Tata Steel.

With the industry still largely opposed to profit sharing, the enactment of the bill itself could see some delay.

“The bill still has to go through a lot of process and there are several issues that need to be thrashed out,” Misra said while addressing a seminar at industry chamber FICCI.
सीआईएल का आईपीओ पेपर 25 को होगा जमा

सेल का एफपीओ दिसंबर में, शेयर बाजार का असर
ROYAL FAMILIES OF DUBAI, THAILAND EYE KOLAR ‘GOLD’

Want to invest ₹20,000 cr for setting up a theme park

BS REPORTER
Bangalore, 21 September

The royal families of Dubai and Thailand have proposed to jointly invest ₹20,000 crore for setting up a theme park in Karnataka. The facility, which will include an integrated residential township and hotels, will be spread over 20,000 acres in Kolar district, also known for its gold deposits.

“They want to develop a theme park with an integrated residential township, entertainment complexes and hotels, among others, for an investment of ₹20,000 crore. The state government has had the first round of talks with their representatives but no decision has been taken yet,” said Muruges R Nirani, minister for large and medium scale industries.

Talking to reporters on the sidelines of a function to launch new products of Corporation Bank here today, Nirani said the government had deferred a decision on the proposal. It has initialed scions of the Dubai royal family for talks, he said.

He said the government had issued a final notification for acquisition of 80,000 acres in the state for allotment to industrial projects cleared during the recently held global investors’ meet.

The Karnataka Industrial Area Development Board had also issued preliminary notification for acquisition of another 30,000 acres, he said.

On protests from farmers in Bellary, Haveri and Bijapur districts on acquisition of land for the steel projects of ArcelorMittal and Tata Metaliks, and a proposed power project by state-run NTPC Ltd in Bijapur, Nirani said the government would not acquire land forcibly from any farmer.

“We will not force farmers to part with their land if more than 80 per cent of the farmers in any notified project area refuse to sell their land. In most of the cases, farmers are happy to give away their land. The government has offered to pay double the cost of the prevailing land price,” he said.

Nirani said the government was hopeful of developing at least 6,000 Mw of power projects along the two natural gas pipelines under development in the state. While GAIL Ltd is laying an 800-km pipeline from Dabhol (in Maharashtra) to Bidadi (30 km from Bangalore), another pipeline is being laid by Reliance from Chennai to Mangalore via Bangalore.
Compensating the displaced

Define landowner’s stake correctly, don’t mess with profits

The government appears to be moving towards finalising legislation to ensure that those displaced by mining projects get 26 per cent of the profit accruing from them. This is in response to the growing realisation, after the rise of militancy in central India, that those dispossessed by such projects, mainly forest-dwelling tribals and cultivators, need to be made a part of the development process as winners, not losers. The intention is sound but the device chosen is not. Government cannot pre-empt revenues like this and hurt mining interests. There are other ways in which government can raise revenues rather than eat into profits, and that too in perpetuity. After all, there is also the issue of inter-generational equity involved here. Industry associations have opposed the idea on the ground that this may make such projects unviable. While that was seen as largely the stance of the private sector, the opposition to the idea has now been strengthened by public sector giant Steel Authority of India Limited (SAIL) joining the naysayers. The SAIL chief’s contention is that currently mines are owned by the company which handles the entire steel-making process; creating a separate entity for mining will be problematic. It is also worth noting that a share of the profits may not be good for the displaced in the long run as there can be periods of losses (mineral prices can crash during a serious economic slowdown) and imaginative accounting can turn black into shades of red even in good times.

The best way to proceed in this matter is not to lose sight of the fundamentals. If tribals and cultivators, deprived of their traditional means of livelihood by development, should benefit and not suffer from it, then how best to go about the task? Paying the entire compensation as a lump sum is not a good idea. Those not used to seeing big money can blow it up, aided and abetted by sharks. The cardinal aim must be for the displaced to acquire new skills and new means of livelihood with the help of the capital available as compensation. Hence, the Haryana model of splitting up the compensation into a lump sum component and an annuity that runs for 30 years is gaining acceptance. But the question of training and help to start new ventures remains, as also the need to recreate displaced communities and preserve at least some parts of their tradition. Tata Steel, the other integrated steel maker which says it has always shared its prosperity with neighbouring communities, has made some suggestions. Make the social cost of resettlement a part of operational costs, not profits, during the life of the mine. It can be levied in the manner of mining royalty. It also focuses on the utilisation of the levy. This should be done in consultation with the community, possibly through a trust or local development body in which the community, government and the corporate house in question participate. In reality, money is only a part of what it needs to help people learn new means of livelihood and sustain and rejuvenate their communities after the disorientation of shifting. Knowledgeable public-spirited individuals have to help, hence the notion of a trust.
Efforts on to make last-minute changes to Mines Act amendment bill even as GST troubles grow

MINING COMPANIES ARE lobbying hard against an amendment to the Mines and Mineral Development and Regulation Act of 1957, which will force them to share 26% of their profits with people displaced by their projects. Although a group of ministers led by finance minister Pranab Mukherjee has cleared the proposed changes, lobbies are burning midnight oil to swing the law their way before it is discussed at the Cabinet and finally in Parliament. If the Vedanta episode is any indication, the dice seems to be loaded against them. The controversies surrounding the ventures of the Reddy brothers in Karnataka haven’t helped their cause much. Those in favour of the changes are looking at ways to prevent the lobbies from tinkering with profit-sharing formula. With the situation still fluid, efforts are on to convene one more meeting of the GoM to thrash out certain critical aspects of the changes, which could make implementation difficult. The NGOs and others fighting for the cause of displaced people are keeping a close watch. Watch these columns for the latest developments.
Sand miners hack away at Nandi Hills near B’lore

Jayashree Nandi

Bangalore: The quiet charm of Nandi Hills makes it a must-go for day-trippers. It now appears to have caught the eye of the sand-mining mafia too. And their rapacious work is much in evidence as you head to the hills.

huge chunks of land have been scooped out, leaving behind ugly craters. Convoys of lorries pass by this road every day, transporting tonnes of sand to different parts of the state, and perhaps to other states too. On paper, sand mining is banned even on private patta land in Chikkaballapur district.

In the road heading from Kuduti to Nandi Hills, the land has been plundered to such depths that in some places the surface water has come up. There are some labourers who insist it’s for construction work to level the road. But there’s no sign of any construction, just an excavator to scoop out the sand and trucks to take it away.

All this makes for an environmental disaster: Prof PK Shetty, School of Natural Sciences and Engineering, National Institute of Advanced Studies, said sand mining in this zone could be disastrous. “When such mining is carried out in the foothills, there is always a chance of landslides. Biodiversity loss is a given. Isn’t it common knowledge that Nandi Hills is an eco-sensitive zone and it has high historical and tourism importance? The Bhoga Nandeshwara temple was built by the Cholas, and today so many people visit the place. Around six water bodies originate from this area, including the Palar and the Arkavathi.

rivers. They’re polluted and impacted and will be affected”, he said.

Locals said trucks transport the sand every night and most mining takes place between 8 am and 9 pm. Some of the lands are privately owned, while some parts are forest areas. “Trucks transport the sand every night. These are not government projects. They are privately-owned units. We face problems due to constant transportation of sand. Some drivers tell us sand is transported even to Gouribidanur”, said a shopkeeper near Kuduti Junction.

ECO-DISASTER: Pools of water surface from where sand has been massively excavated, at Nandi Hills
Govt to address steel cos’ concern on profit sharing

The government will address concerns raised by steel industry on draft mining bill proposal. If miners share 20% of their profits with tribals affected by the project, steel secretary PK Mishra said Tuesday. “We will take into account the industry's concern on profit sharing issue, which they feel is too high as also the people’s concern and take a holistic view on that,” he said.

Mishra said on the sidelines of an industry event. He, however, said sharing of profits will harm steel companies only in the short term and once they gear up for more efficient production pattern, they will be able to minimise the impact. “Besides, iron ore prices are now so buoyant and the industry can have a lot of margin between the cost of production and the cost at which steel is sold,” he said.
Vedanta’s Agarwal risks 30% return by tracking BHP

Sep 21: Mining billionaire Anil Agarwal, who delivered 30% gains to shareholders in the past five years, plans to spend $3.6 billion to replicate the strategy of BHP Billiton, a rival that’s posted smaller returns. Agarwal-led Vedanta Resources plans to buy a controlling stake in Cairn India and get access to the nation’s biggest onshore oilfield. His first foray into petroleum will echo the structure of BHP, the Australian mining company that first ventured into oil in 1987 and delivered average annual gains of 20% since 2005.

The acquisition may compromise Vedanta’s growth after the company takes on $6.5 billion in debt to finance the purchase, said Jeremy Cave, an analyst at MF Global Securities in London. Standard & Poor’s and Moody’s Investors Service are reviewing Vedanta’s credit ratings, and its shares slid 14% in the two weeks following the deal’s announcement.

BHP’s “diversification is spread around the world, whereas Vedanta’s assets are concentrated in India so there’ll be more risk attached,” said Walter Rossini, a fund manager at Aletti Gestielle Sgr SpA in Milan, who helps manage $350 million including shares in Vedanta’s Sterlite Industries and in Cairn India. “From the point of view of a shareholder, I would prefer a bit of the cash on Vedanta’s books comes to me.”

Agarwal, 58, was born in Patna in Bihar state as the son of a cable and wire maker. Leaving school at 15, he took charge of his father’s business before establishing Vedanta in 1976 as a scrap-metal dealership in Mumbai, a job that showed him the importance of raw materials in industry, he said in an August interview in London.

Agarwal began to build his metals empire by acquiring copper-cable producer Shamsher Sterling Corp from the king of Nepal in 1979, obtaining a bank loan for the $1.07 billion purchase. Adding Australian copper mines in 1999, aluminum and zinc producers over the next three years and iron ore exporter Sesa Goa for $962 million in 2007, the entrepreneur parlayed his scrap metal startup into a $30 billion group of companies.

BHP also began as a minerals producer, focusing on silver, lead and zinc before moving into energy and now has oil and gas operations from the Gulf of Mexico to Pakistan. The expansion proved lucrative, with underlying profit from its petroleum unit almost doubling since 2005. BHP bought Billiton Plc in 2001 for $116 billion. BHP succeeds by buying “very large assets” to supply a significant chunk of a commodity, keeping production costs down and forcing out smaller rivals, said Cave at MF Global. Vedanta, which intends to fund part of the Cairn deal with cash from its Sesa Goa unit as well as bank loans, faces higher financing costs in pursuit of an expansion into oil. Companies with credit ratings below investment grade, such as Vedanta, pay average loan interest margins of 413 basis points over benchmark rates, compared with 307 bps in 2007, according to data compiled by Bloomberg.

Bloomberg
Steel makers may have to form separate mining entity

Draft Act proposes profit sharing with affected people

Our Bureau
New Delhi, Sept. 21
Integrated steel makers might be forced to disclose the financial performance of their mining operations if the Mines and Minerals Development Regulation (MMDR) Act goes through.

The draft of the Act proposes that miners would need to share 26 per cent of their profits with the people affected in the mining region.

"Steel makers would need to create a separate mining entity to share the profits with the affected people," said the Steel Secretary, Mr P.K. Misra, on the sidelines of a FICCI summit here.

Currently, integrated steel players like SAIL, Tata Steel, Jindal Steel and Power Ltd among others do not have a separate accounting head for mining and the companies would need to bring in either organisational changes or change the accounting methods.

ADVANTAGE
The Steel Secretary though supported the profit sharing clause in the new mining bill, stating that the clause might help curb illegal mining.

"The local population themselves would have an interest to stop illegal mining because they would get a share of the profits. The clause might impact the profitability of both mining and steel companies in the short term but if the companies improve efficiencies and secure the required raw material resources, it would be a win-win situation for the companies and the people who lose their land and livelihood due to mining activities."

Mr Misra said that there would be no discrimination between public and private steel companies in the issue of sharing profits with the people.

OPPOSITION
Jindal Steel and Power Ltd's Joint Managing Director, Mr Anand Goel, added, "26 per cent (profit sharing proposal) is too high. It is a social cost and it should be the part of the operating cost and not out of profit. Why should there be any discrimination between PSUs and private sector. We are also doing a lot of CSR activities. Be it PSU or private company, both are making steel."
Jolt to Vedanta mining project

NEW DELHI, Sept 18

(PTI): Vedanta Resources got another jolt today with the National Environment Appellate Authority (NEAA) suspending the green nod to its USD 1.7 billion bauxite mining project in Orissa and asking the environment ministry to “revisit” the proposal.

On Thursday, the company, in its reply to the showcase notice slapped by the Environment Ministry, had claimed that it had not violated any forest rights at the project site in Niyamgiri hills of Kalahandi district.

Last month, the ministry had rejected the stage-II forest clearance for the Orissa Mining Corporation and Sterlite Bauxite mining project citing a series of violations and issued a showcase notice.
New system to monitor seismic activity in Northeast

AGARTALA, Sept 18: An ambitious project to modernise the seismic monitoring system in the Northeast — said to be the sixth most quake-prone belt in the world — has been taken up by the union ministry of earth sciences (MoES), officials said here on Friday.

“A VSAT-based real time seismic monitoring network (RTSMN) over the northeast consisting of two central receiving stations (CRS) — one in Shillong and the other in New Delhi — is under commissioning,” meteorological department director Dilip Saha told IANS.

He said the RTSMN would be a satellite based system and it would have 21 stations across eight northeastern states. Approximately Rs 25 lakh would be spent on each station for commissioning the equipment and developing necessary infrastructure.

The RTSMN stations are Guwahati, Tezpur, Dibrugarh, Dhubri, Silchar, Jorhat and Lehkapani in Assam, Yupia, Tawang, Pashighat and Ziro in Arunachal Pradesh, Tura and Shillong in Meghalaya, Mokokchung and Kohima in Nagaland, Agartala and Belonia in Tripura, Aizawl and Saitala in Mizoram, Imphal in Manipur and Tadong in Sikkim.

“After commissioning of the RTSMN, more accurate seismic activities relating to earthquake would be known,” Saha stated.

The Geological Survey of India (GSI) earlier notified that the mountainous northeast comprising eight states could experience a devastating earthquake as the region is considered by seismologists to be the sixth worst quake-prone belt in the world.

Assam experienced a massive tremor measuring 8.5 on the Richter scale August 15, 1950, that claimed some 1,500 lives. The worst quake, measuring 8.7 on the Richter scale, was felt in the region in 1897. It killed 1,600 people. (IANS)
COAL INDIA BACKS THE PROPOSAL, BUT PLANS TO RAISE COAL PRICES TO OFFSET REDUCED PROFIT

PSUs seek waiver from new mining bill

DC CORRESPONDENT
NEW DELHI

Sept 20: The steel ministry could seek a concession for public sector companies from the 26 per cent profit sharing rule proposed in the draft mining bill. This would cover firms such as SAIL, NMDC and Rashtriya Ispat Nigam Ltd. Another PSU Coal India Ltd, however, came out in support of the proposal.

The companies could be given some special consideration looking at their strong record on corporate social responsibility, said the steel minister, Mr Virbhadra Singh. He clarified that the ministry doesn't want complete exemption from the new legislation.

Amongst the firms, steel major SAIL feels that captive mines should be kept out of the ambit of the proposed legislation. Last week, a group of ministers led by the finance minister, Mr Pranab Mukherjee, had reached a consensus on the draft mining bill.

The bill made it mandatory for mining firms to share 26 per cent of their profits with the people affected by the project. The government is expected to introduce the bill in the winter session of Parliament. The new bill will be applicable for the mining of all minerals in the country, except oil and gas.

As per the new bill a District Mineral Foundation will be created and the locals will be paid out of it. Some compensation for the affected population has also been envisaged if the project runs into losses. The recent years have seen major controversies erupt on the issue of land acquisition involving firms such as Vedanta, Arcelor Mittal and Posco.

The bill is being seen as a part of moves to involve locals as stakeholders in such projects. The bill was re-drafted after UPA chairperson, Mrs Sonia Gandhi, called for a higher compensation for the people affected by the government's land acquisition.

State-owned Coal India Ltd, which supported the proposal, said that it will impact coal prices.

"Any kind of basic mining is associated with grass-roots, and CIL welcomes this proposal which will provide distributive justice to the project affected people," Coal India Ltd chairman, Mr Partha S. Bhattacharyya, said.

Coal India, which is scheduled to come out with possibly the largest public offer in India in October, added however that such an outcome would have an impact on price of coal.

Mr Bhattacharyya said the company will have to resort to other measures like increasing coal prices to sustain profitability and production.

He, however, did not indicate the quantum of possible increase in prices saying it was too early as the proposal is still to be finalised.
CIL backs bill, Tata Steel tone down stand

Coal behemoth CIL came out in support of the draft mining bill, while Tata Steel toned down its stance on the issue. Contrary to its earlier stand of supporting the profit sharing clause in the proposed mining law, Tata Steel said it would rather suggest that the operating costs be the basis for contribution to local development.

"The proposal to include them in the earnings of the corporate entities operating mines is laudable, but the company also believes that this social cost must be a part of the cost of operations and not derived as a share of the profit," Vice President, Raw Materials, Tata Steel Partha Sengupta said in a statement to PTI.

State-owned Coal India Ltd (CIL), on the other hand, supported the proposal but said it will impact coal prices.
26% from mining firm, ₹1 per day for affected tribal

Harish Gupta  
NEW DELHI

Rahul Gandhi may be their 'soldier in Delhi' and the UPA government may be putting itself on the back for asking mining companies to pay 26% of their net profit to the tribal population. But the figure is deceptive, as far as tribal welfare is concerned.

A deeper look into the figure and an estimate of the tribal population shows that each tribal person will get no more than ₹400 a year, or roughly ₹1 a day. Not that all tribal members will be eligible for the compensation, which means the amount could be more than ₹400 for those who are eligible, but in all likelihood, the sum will be in a similar region.

Sources in the government told DNA that 1,161 mining companies operate in 10 major mineral-producing states. These companies paid Rs2,191 crore as royalty in 2006-07 to the states. But though some companies and individuals in the mining business have become strong in recent years (such as the Reddys of Karnataka), the royalty rose merely by about Rs100 crore in three years. The figure in 2006-07 was Rs2,089, and in 2007-08 Rs2,102 crore.

According to the registrar-general of India, the tribal population as per the 2001 census in the 10 states was 5.89 crore. Today, this number must be above 6 crore.  

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<th>State</th>
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26% from mining firm, ₹1 per day for a tribal

From p1

If the companies pay an amount similar to the royalty to the tribal people, each tribal person will get Rs400 a year. The group of ministers (GoM) which cleared the proposed law last Friday envisaged that mining companies will either pay 26% of their net profit or an amount equivalent to the royalty paid to the states, whichever is higher.

The number of mining companies operating in the country is 1,531 (69 are in the government sector). The majority, 1,361, operate in just 10 states (see table).

The companies are crying foul and stoutly opposing the proposed amendment to the Mining and Minerals (Development and Regulation) Act, 1957. Insiders say profit is being made either by the state-owned companies or the big private ones, and the majority of the companies are in losses.
NEW FRONTIERS

Reliance Venture sets sights on aerospace, defence sectors

R-Adag’s VC arm sees opportunity as govt seeks growth and foreign investors lobby for easing of FDI norms

BY DIVYA GUHA
divya.g@livemint.com

NEW DELHI

The venture capital arm of the Reliance-Anil Dhirubhai Ambani Group (R-Adag) is looking to invest in aerospace to take advantage of an increasing number of space technology applications and government plans to open up the sector.

"Now is a good time to train your sights on the sector," said Harshal Shah, chief executive of Reliance Venture Asset Management Ltd (RVAM). "Aerospace has a host of primary, core industries, each of which has ancillary industries such as microelectronics for machinery as well as a plethora of IT (information technology) products."

Shah says RVAM is the first Indian venture capital firm looking to invest in aerospace—at a time when the government wants to see growth in the sector.

India’s space budget for the fiscal to 31 March 2011 is ₹5,778 crore, the sixth largest in the world, and accounts for 0.14% of gross domestic product (GDP).

Nearly half the budget focuses on development and operation of launch vehicles. The rest is devoted to space technology and applications, satellite operations and satellite communication.

The sector has traditionally faced tight regulations against private investment as it over-
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The sector has traditionally faced tight regulations against private investment as it overlaps with the sensitive defence and aeronautics industries.

But hoping to promote indigenous manufacturing, the government plans an offset policy that will make it mandatory for foreign firms to create an offset in India, according to Shah.

“Another proposal is to amend the defence procurement procedure to encourage Indian firms to procure parts from abroad and assemble the product here,” said Nidhi Goyal, director, aerospace and defence, at consultancy firm Deloitte Touche Tohmatsu India Pvt. Ltd.

Stakeholders in the aerospace sector from the US, the UK, France and Canada, including arms dealers, have been lobbying with the defence ministry to raise the foreign direct investment (FDI) ceiling from 24% to 74%. That level of FDI is already allowed in joint ventures with Indian companies.

“This makes it a good time to scout for investment opportunities,” said Shah.

In anticipation of regulatory changes, RVAM has already invested in Tessolve Services Pvt. Ltd, a full-service semiconductor testing and product engineering firm; Scalable Display Technologies, a platform for super-resolution, multi-projector displays and simulators based on off-the-shelf components used for digital signage and data visualization; and Dharma Innovations Pvt. Ltd, which makes apparel for extreme climatic conditions.

Shah did not disclose the amount RVAM has invested in these firms, but said: “Once the sector opens up, the investment opportunities will be plentiful. Given the demand, both at civil and defence levels, there is no doubt that the returns on investment in this sphere will be bountiful.”

While space technology is primarily developed for non-commercial government projects, it is finding increasing use in a slew of non-space industries that makes it profitable.

An example is the telecom industry, an offspring of space communication, which has grown rapidly after the government deregulated it nine years ago. Today, India has the world’s fastest growing and one of the most profitable telecom sectors.

Space technology spin-offs into non-space areas include 224 technology transfers, 165 patents, 17 copyrights and 10 trademarks.

The Indian Space Research Organisation (Isro) has nurtured partnerships with more than 500 domestic firms, says a report co-released last month by the Confederation of Indian Industry (CII) and Deloitte.

The report adds that unexplored areas include solar energy and mining.

“With Isro’s need for high-end works, critical hardware components and so on, small-, medium- and large-scale industries are set to enhance their capacities and capabilities,” said Deloitte’s Goyal.

“For this, they would eventually require technical advancement and more investment,” Goyal added.

K.R. Sridhara Murthi, managing director of Isro’s commercial arm Antrix Corp. Ltd, said that besides communication, advancements in space technology are also finding new uses in navigation, disaster management and remote-sensing technologies.

“The commercial space sector has experienced unprecedented growth over the past decade,” he said. “The increasing capacity in space services such as telecommunications and imaging from space across the world has driven down the cost of commercial space services drastically.”

“Once the technology in question becomes second generation,” said Shah, “the company is allowed to dispense it to civilians at their desired cost. This creates an enticing win-win situation for all the parties involved.”

Recent advances in Indian space engineering are also making investors take notice.

India is beginning to compete with rocket manufacturers around the world over, building cheaper, faster and better rockets. A country’s polar satellite launch vehicle (PSLV) is becoming a favourite launch vehicle for small satellites, having put payloads in orbit for countries including Switzerland, Turkey, Germany, Israel and Italy.

Isro, the country’s sole integrator of space launch vehicles and satellites, can now build a satellite in 28 months, beating the global average of 30 months, according to the CII-Deloitte report.

Last year’s launch of the Chandrayaan-1 lunar satellite, which discovered water on the moon, has boosted India’s credibility further.

As a result of these launches, “many avenues have opened up for Indian space industry,” said Murthi.

In the US, arms control and export regulations forbid satellites built using locally made components from being launched on Indian rockets. But the US government is negotiating an agreement that will allow it to exclude commercial satellites from these rules.

RVAM hopes to leverage R-Adag’s deep links across the Indian business landscape to help small- and medium-sized firms develop scalable products and services.

“As the corporate venture capital arm of the ADA Group, we have a host of companies that can be leveraged to an SME’s (small and medium enterprise) benefit,” said Shah.

It takes time for investments in space technology to be spun off into other areas before they can start yielding profits.

But Shah remains undeterred. “In a sector as sensitive as aerospace, we prefer not to have fixed expectations about returns,” he said. “Moreover, investing in a company once its technologies have commercialised is far more expensive.”

He said the terrorist threat to India has also increased pressure on the government to deploy cutting-edge surveillance technologies—another opportunity for private companies.

“Insisting a profit motive can spur innovation as well as help the country cross new milestones,” said Shah. “While the Indian space sector is years behind its competition, this fact has turned the need for the sector to open up more urgent than ever.”

Murthi of Isro said if space has to remain a driver for growth, issues such as a conducive space environment, education about the cost of access to space, and global application of space technology to serve families and communities throughout the world need to be addressed.