अवैध खनन की होगी हाइटेक जांच

भोपाल

अपने ही विभाग के आज़ाद अभियान से सतत जिले में वन भूमि पर हो रहे अवैध खनन की पुष्टि की सलाह की भर्ती की जा रही है। वन मंत्री डा० गांधीजी जांच दल अवैध हाइटेक सर्वे कर सतत जिले में से पहा नगरण कि वन भूमि पर अवैध खनन हो रहा है या राजकीय क्षेत्र में। खानदान वैध या अवैध और वन हाकर के 250 मीटर के अंदर तो उत्खनन नहीं हो रहा।

सी.एस. डा० यू. प्रकाश, जी की अधिकारियों में एक जांच दल शान्तिकोट को सतत पड़ा गया। उल्लेखनीय है कि एच.एस. दांडी जी के शासन के अपनी जांच में पाया था कि सतना के उद्वेद्र वन परिसर में बड़े पैमाने पर अवैध खनन हो रहा है। इस निषेध के बाद प्रेस के वक्त वास्तव में हड़प्पा मंड मंड था क्योंकि अवैध खनन से भाजन सरकार के दो मंत्रियों का नाम जोड़ा जा रहा है।
ILLEGAL MINING: NOTICES SERVED TO 57 COMPANIES

AGE CORRESPONDENT
BHUBANESWAR, NOV. 21

The Orissa government on Monday issued show-cause notices to at least 57 mines operators in Keonjhar district on charges of violation of rules and illegal exploitation of minerals such as iron ore and manganese. The notices, issued by Joda division of deputy director of mines Umesh Chandra Jena, have sought explanations from the lessees as to why their licences would not be cancelled for lifting minerals beyond the leased area, over exploitation and violation of forest and environmental norms. Some of the prominent companies which were slapped the show-cause notices include Rungta Sons Limited, Orissa Mining Corporation, SAIL and Tisco.
‘Underground mining is way out’

RASHME SEHGAL
NEW DELHI, NOV. 21

The Indian Council of Forestry Research and Education, appointed by the Supreme Court to conduct a macro-level environment impact assessment (EIA) study report of iron-ore-rich Bellary in Karnataka, has recommended that all future mining should (as far as possible) be underground.

This is the most effective way to minimise the large-scale damage to the environment, flora and fauna and also to the population living around these mining areas. The report cites the example of Stockholm, capital of Sweden, which is located on a large underground mine. It has also favoured the continuation of mining only by large leaseholders.

“Underground mining requires the use of the latest technology which is expensive. The practice of giving leases to small leaseholders should be stopped in favour of large leaseholders (companies) who can lease a minimum of 50 hectares of leased area,” a scientist who has contributed to the report pointed out. The report quoted from the findings of the Western Ghat Ecology expert panel headed by Dr. Madhav Gadgil which had recommended a ban on all mining in the Western Ghat.

A team of 50 scientists who had contributed to the EIA pointed out that the Western Ghat contains 10 billion tonnes of magnetite ore. “Given the rich biodiversity available in these Ghats, if in the future, the government gives the green signal to mine here, then underground mines are the answer,” said a scientist.

The other key recommendation suggests that all the concerned ministries provide a 50-year map of the potential of different ores and also how they believe these should be extracted with minimum environmental damage.
Sesa Goa sees fall in iron ore exports

Iron ore exports from India may fall by a third to 65-70 million tonnes in the year to March 2012, the head of a major exporter, Sesa Goa, said on Monday.
Exporters raise concern over likely ban on iron ore exports

Sagar Sen
New Delhi

MINERAL ore exporters from Goa have expressed serious concern over government's contemplated ban on iron ore exports having long-term implications.

Both, centre and Goa governments seem to be mulling the idea of either imposing a ban on export of iron ore or slap restrictive levies on export. This may be in continuation of total ban of iron ore imposed by Karnataka.

"...a possible ban on iron ore exports akin to the ban by Karnataka government on iron ore exports will have medium to long term impact on Goa's mining and exports activities", said PK Mukherjee, managing director of Vedanta Resources promoted Sesa Goa. He is also a key functionary of the Goa Mineral Ore Exporters Association (Gmoea).

Currently, Goa based mineral ore exporters have been selling both iron ore and other minerals in both spot and long term markets abroad.

Centre had appointed a commission headed by Justice MB Shah to consider measures against illegal mining activities in the state. The commission has probed the issue and is expected to submit its report next month.

Goa's mine ore exporters apprehend that the Shah commission might recommend a ban on exports of iron ore from the state.

The association felt that majority exports from Goa were of low-grade ore in line with zero waste concept. Moreover, the low-grade ore was not useful for domestic consumption, as it requires expensive extra raw materials for further processing, pointed out Mukherjee.

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FIVE-YEAR REFORM PLAN FOLLOWS CRITICISM OVER CLEARANCE DELAYS

Green ministry to clean up its act

SANJAY JOG
Mumbai, 21 November

UNDER attack for delays in environment clearances and dilly-dallying over issues like the no-go area for mining, the Union ministry of environment and forests (MoEF) has planned various changes.

It wishes to strengthen infrastructure for better management of environmental and forest clearance systems, decentralise its monitoring to regional offices and amend the Environment (Protection) Act of 1986 to raise penalties for non-compliance. Its strategic plan for 2012-13 to 2016-17 (aligned with the 12th Five-Year Plan) proposes to strengthen technical manpower and upgrade laboratories, including those of the central and state pollution control boards.

It is to set up a National Environment Assessment and Monitoring Authority (NEA-MA), a multi-disciplinary autonomous body for impact assessment, coastal zone management and monitoring of clearance conditions. The ministry has also mooted more vigorous criminal prosecution of environmental offenders.

A ministry official, who did not want to be identified, told Business Standard the clearance regime was well established but there was clearly a trade-off between economic development and checking environmental degradation, between exploitation of natural resources and conservation. “However, this trade-off is not intractable and can be resolved, striking the right balance, by making the project proponents amenable to regulation, through additional costs and use of superior technology. In the case of mining, for example, the experience in advanced economies demonstrates that modern mining techniques and regulatory obligations can ensure the environment is restored to its original state or even better. With increasing gross domestic product growth and new challenges, the present institutional infrastructure in the MoEF, however, is somewhat inadequate and could impact the compliance and monitoring of the new notifications’ objectives, and its full environmental benefits.”

He said new notifications had brought in more projects within the purview of appraisal. While the number and complexity of the projects being processed for environmental clearance had increased manifold, the capacity and resources with MoEF and its agencies had not.

Also, the ministry admits environmental management is over-centralised.
Goan mineral ore exporters caution about effect of blanket ban on mining

BS REPORTER
New Delhi, 21 November

APPROACHING a possible blanket ban on mining for at least a while, mining companies in Goa, the largest iron ore exporting state, have cautioned about the implications.

They have done so as the final report of the Shah commission, appointed by the central government to probe illegal mining in India, is yet to come. Earlier, mining was halted in Karnataka on a Supreme Court order due to rampant illegalities.

“The mining industry contributes 35 per cent of the state’s gross domestic product. Close to 75,000 people depend on mining to earn their daily bread. Any move to prohibit iron ore exports will be detrimental,” Shivanand Salgaonkar, president of the Goa Mineral Ore Exporters Association (GMOEA) said at a press conference.

Mining as an industry attracts ₹7,000 crore in direct exchange and brings ₹6,000 crore of direct revenue to the state and the central exchequer in a year, he said. Around 54 million tonnes of India’s 100 mt of iron ore exports occur through Goa.

Accepting that there illegalities within the system of mining and exports, P K Mukherjee, a member of GMOEA and managing director of India’s largest private sector iron ore producer, Sesa Goa Ltd, said there was an urgent need to strengthen the monitoring system in the state. However, he added, a “blanket ban will lead to destabilisation of the Goan economy.

These social and economic dimensions need to be addressed before arriving at a decision”. He was responding to recent media reports suggesting the Shah commission could recommend a ban on exports.

The Goan government has already imposed a ban on movement of dumps, the low-grade ore, within the state. Mukherjee said India’s exports could come down by a fourth if the situation did not improve.
ILLEGAL MINING

Probe slowing iron ore trade: Goa miners

BY RUCHIRA SINGH
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NEW DELHI

Iron ore exports from Goa have slowed further in recent months following a probe into illegal mining in the state, which local miners say has tarred their reputations in global markets.

“All the signals going out to customers is doing a lot of harm,” P.K. Mukherjee, managing director of Sesa Goa Ltd, said at a press briefing on Monday. “Suppliers get a reason for blame so there is definitely a serious issue for the long term.”

India has been cracking down on illegal mining for over two years, which has resulted in a ban on iron ore mining in Karnataka and tightening of measures in Orissa, which is the largest producer.

According to Mukherjee, also the president of the Federation of Indian Mineral Industries, or Fimi, India’s iron ore export in 2011-12 is set to fall to 65-70 million tonnes (mt) from about 100 mt a year ago.

Goa shipped 19.76 mt of iron ore between April and October, down 6.15% from a year ago, Fimi’s data show.

In 2010-11, Goan ports routed about 54 mt of India’s total export of about 95 mt. Most of its iron ore fines landed in China, which houses the world’s largest steel industry.

Mukherjee said the pace of mining in Goa has not dropped much and the state’s output is likely to be about 47 mt.

The Goan miners at the briefing conceded illegalities in mining did occur, with about 7-10 mt of the fines coming from unknown origins. Fly-by-night operators drawn by the surge in demand in the past few years did not pay attention to mining rules, they said.

“In majority of the cases, we don’t fall under any of the violations seen in Karnataka,” said Ambar Timblo, managing director of Fomento Resources.

“There is a need to make sure (that) because of one violater everyone doesn’t get painted by the same brush.”

The miners are awaiting the Justice M.B. Shah Commission’s report on illegal mining in the state. About 75,000 people are involved in mining in about 90 mines in the state. The industry earns about ₹17,000 crore from exports and contributes about ₹6,000 crore of direct revenue to the state and the centre.

“We have been collecting statistics from ports and supplying it to the government on a concurrent basis,” said Shivanand V. Salgaocar, managing director of V.M. Salgaocar and Brother Pvt. Ltd and president of the Goa Mineral Ore Exporters’ Association.”
Rising iron ore prices not reflected in companies’ stocks

A strong rebound in international iron ore prices has had little effect on the shares of domestic ore producers. Between 1 November and now, the import price of iron ore fines (with 62% iron content) in China has risen 24% to $147.4 (around ₹7,665 today) per tonne. In the same period, Sesa Goa Ltd’s price has fallen by 17%, while that of NMDC Ltd is down 22%. That may seem strange, especially when one considers that exports will fetch more due to the rupee’s depreciation versus the dollar.

It was only in October that global iron ore prices fell sharply after the demand scenario for steel weakened considerably.

Even a normally resilient Chinese market saw steel mills cutting back on production as the government sought a soft landing for the economy and, hence, cut back on iron ore stocks.

Now, news reports are indicating that Chinese mills have begun restocking on iron ore, preparing for the winter months when steel demand improves. Still, the rise in iron ore prices is unduly sharp, given that the global macroeconomic situation continues to remain uncertain. That keeps alive the prospects of this rally being short-lived. A rebound in steel production is a key factor to be watched for the rebound in ore prices to gain some credibility.

Indian ore companies’ shares are not seeing any rub-off effect of rising international spot prices. True, the price increases will not benefit them immediately, but a one-month rally in spot prices should have had some effect. Investor concerns seem more centred on the output front, where the ban on exports and mining in Karnataka—other than NMDC, which can undertake limited mining for domestic supply—appear to be weighing on sentiment.

Last week, the Supreme Court adjourned till 20 January the hearing of an appeal against the ban on mining. In October, iron ore exports from India were down 33.8%, said a PTI report published in the Business Standard newspaper. The lower production from mines in Karnataka will reflect in the financial performance of the two listed firms from the December quarter.

The effect of the ban on mining should have already been factored in, and the fact that domestic steel consumption has slackened is also old news. Perhaps shares of iron ore companies are following the downtrend in all metal stocks due to the Western world’s economic problems. The BSE Metal index is down 14% in November and had fallen by 3.5% on Monday. If iron ore prices trend upward or remain firm, iron ore producers should benefit. That should be some good news, amid an otherwise gloomy market outlook.
जारी रहें अयस्क निर्यात

नई दिल्ली • गोवा मिनरल और एक्सपोर्ट्स एजेंसियां ने १९९२ से लील्ड अयस्क के निर्यात पर प्रतिबंध न लगाने की मांग की है। एक्सपोर्ट्स के प्रेसिडेंट शिवकांड सरलागंगकर का कहना है कि गोवा का खानन उद्योग राज्य के साक्षर परिवृत्त उद्यान में ३५ फीसदी हिस्सेदारी रखता है। खानन उद्योग केंद्र और राज्य को अर्थव्यवस्था १७,००० करोड़ रुपये की विदेशी मुद्रा मुहैया प्रदान कर सकता है, वहीं सीमा तीर पर ६,००० करोड़ रुपये की अम्ल हो सकती है। ऐसे में यदि लील्ड अयस्क के निर्यात पर प्रतिबंध लगाया जाये, तो अर्थव्यवस्था तीर पर राज्य को नुकसान हो सकता है।
Raising many questions

The new mining policy’s norm that mining companies will have to share profits with miners may discourage many to take a plunge, writes AJITH ATHRAY

After working for more than two years, the Union Government finally approved the Mines and Mineral Development and Regulation (MMDR) Bill, 2011, recently, which will replace the current mining Act which was framed half a century ago.

With the mad scramble of illegal mining and the criticism of large number of tribals living in mining areas forced into joining MGNREGA due to deprivation of forest wealth, the Centre was under pressure from various sections to replace the archaic law and make it more people and industry-friendly.

Indeed, the Ministry of Mines had to struggle a lot to finalise the bill with the pangs and pull from various sections on a number of issues. While framing the new law, illegal mining was thriving across the country, especially, in one-rich states like Karnataka, Odisha, Chhattisgarh, Goa, Jharkhand and Andhra Pradesh. After consulting all the stake holders, the bill got the stamp from the Union Cabinet recently and is likely to be tabled in the winter session of Parliament beginning from the third week of November for its approval.

The new MMDR bill, which aims to increase revenues by bringing in concepts of price discovery and true value, ensuring equity, fair play, transparency and promoting scientific mining and sustainable development, also raises many questions about the government levies.

The new law has proposed automatic mining approvals once a discovery is made after looking at the prospects. Currently, miners need separate approvals for surveying deposits, prospecting and mining.

Another feature of the bill is that mining leases will be freely transferable and will mostly be granted through competitive bidding, with some preference given to state-run companies whenever they face a resource crunch.

The core of the bill is a provision for 26 per cent profit sharing by coal miners and an amount equivalent to royalty by people affected by the project. In the case of non-coal miners, the new law will provide for payment of amount equivalent to royalty paid to the state government to persons affected by the project. As per the new bill, a Mining Development Fund will be created in every district, in which profit and royalty shared by miners will be kept and spent on the local population and area development. Apart from compensating project-affected people through profit sharing and royalty, the new bill also obligates mining firms to pay a 10 per cent cess to state governments and 2.5 per cent to the Centre on the total royalty paid. This cess will be used to set up a fund that will boost capacity building in the industry, such as research and introduction of scientific mining methods. The Ministry of Mines claims that the new bill has longer vision and will address all the industry issues including preventing illegal mining, value addition, investment and proper rehabilitation and resettlement policy.

However, the mining industry raised several questions about the provisions of the bill, complaining that it would harm the sector as it has a provision for imposing more levies by both central and state governments. The creation of Mineral Development Fund for which the mining companies have to make payments, will hit the financial health of the companies. For instance, if the levy had been in force in 2003, it would have caused a loss of 13 per cent per cent in profit before tax of the leading mining companies like Sesa Goa Limited, Hindustan Copper Limited or Hindustan Zinc Limited. For coal companies and their investors, the new bill would hit even harder. While net profit is calculated at the corporate level, a fund has to be created at the district level. How is it to be determined, will become a contentious issue, says an industry expert.

Indeed, the bill will have a significant impact on the companies’ finances and is likely to hurt cash flows and earnings. To absorb all costs, companies may seek to pass on these costs to consumers.

The doubling of royalty payments will make it unattractive for the private sector to invest in mining,” said Federation of Indian Mineral Industries Secretary General R K Sharma, adding, “Unless you are able to attract investors, how will you develop mines and the local area?”

The bill will weigh on investor sentiment in the near term. In the longer term, though, it may become easier for the mining industry to do business, if the compensations fund is utilised properly, which would also lead to mining activity in resource-rich areas with local populations to ease out. As a whole, if mining output grows much faster than it would have without the bill, then the industry might still benefit. A lot depends on how the scheme is formulated and implemented.

Discussing the industry fear, Ministry of Mines Secretary Vijay Kumar says, “The new bill has gone through an enormous amount of consultation with the state governments, the industry, civil society and central ministries. We have come up with a robust bill that addresses mining on a very broad range of issues whether it is regulation or concession grant, whether it is scientific mining, value addition or sustainable development.”

Defending the profit sharing clause, the ministry officials say that they were inspired by BEE Act (Black Empowerment Act) of South Africa. The BEE requires companies to have ownership by historically disadvantaged South Africans at a level of 35 per cent, which is increasing to 26 per cent by 2014. Raising concerns over the royalty and profit sharing proposals of the new mining bill, industry body Ficci said that its implementation would make Indian mining industry uncompetitive globally as it will be charged with highest tax rates cross the world.

Seeking changes in the proposed law, the industry chamber said that tax incidence on coal will rise to over 63 per cent from the current 47.7 per cent, post implementation of the new mining law. For the iron ore industry, the tax incidence would be about 35 per cent, while for Bauxite miners, it will be as high as 101 per cent, it added.

Talking about the financial implications of the proposals, Ficci said that it will not only drive them to losses and subsequent closure, but even big public sector companies like Sal, Coal India, NDMC’s revenue and valuations would also have a big impact. Despite India producing 96 million tonnes, the industry is still characterised by a large number of small operational mines and is not able to realise its full potential. The industry contributes around 2 per cent to the overall GDP. During 2004-05, while the GDP in India grew at a CAGR (compound annual growth rate) of 6.1 per cent, the mining industry registered a slower growth of 0.7 per cent.

The key factor is the low thrust on exploration which accounts for less than 0.5 per cent of the global exploration expenditure (US$2.6 billion in 2008). Industry experts say that instead of low cost advantage, strategic location and an untapped mineral base, the industry has the potential for higher growth and attracting capital to the exploratory stage of mining.

Though India has huge mineral reserves, the country failed to create global mining leaders. The scale of operations of Indian producers is very small compared to international standards. Countries like China, Brazil and Australia have been successful in developing global companies with large scale of operations and these companies generally dictate the price environment in the global markets for key minerals.

As per business Monitor International, the overall mining industry is expected to grow at a CAGR of 8 per cent during 2008-12 to reach Rs 1.3 trillion by 2012. The industry is expected to form 2.7 per cent of GDP by 2012.

In this situation, the new law will not hamper the growth of the industry, instead, add to its concerns. While welcoming some of the provisions of the new bill, the Confederation of Indian Industries (CII) doubts the setting up of the fund to provide assistance to project affected people, stating it may be difficult to be implemented. While urging the government to address industry concerns, the industry chamber said only that if the government is able to address concerns can the bill be more appropriate, meaningful and useful to the nation. While propelling the industry’s growth, the government has an obligation of protecting the interests of the people who live and around the mining areas. As most of them are poor tribals, the government must ensure that they should not be driven out of the development trajectory of the country.
Iron ore exports likely to slip to 70 mt this fiscal

fe Bureau

New Delhi, Nov 21: Iron ore exports from India—world's third biggest supplier—are likely to come down to 65-70 million tonnes (mt) from over 100 mt last year during this financial year. From Goa alone the exports are expected to fall by almost 10 mt from 54.42 mt to 45-50 mt by the end of this fiscal.

While some of this may be due to lower demand, the Goa mines including Sesa Goa, Fomento and VM Saltgacha fear that the exports will go for a toss if the government announces a blanket ban on mining similar to Karnataka. Goa mining is being probed by the Shah Commission which is expected to give its report by next month. The miners said that the ongoing inquiry has already put pressure on businesses.

"Goa was the top exporter last year. It may ship 45-50 million tonnes this year, down from 54.42 million tonnes in the year earlier period. If you see Goa's contribution, then you can work out what impact a ban can have on exports," PK Mukherjee, managing director, Sesa Goa told reporters on Monday.

Goa exported 19.76 mt in April to October period, which was 6.15% lower than the same period a year before.

The iron ore mining in Goa has come under scanner over illegal mining. The Goa Mineral Ore Exporters' Association (GMOEA) though agree that there may be some fly-by-night operators, their numbers could be limited. "We do not deny that there are certain illegalities in mining and in particular in exports. However, a ban would hit entire industry," he said.

The government has opted various measures to restrict iron ore exports. In its last budget, it hiked the export duty and another duty hike is expected in the next budget, taking it to a levy of 30%. The freight rates have also gone up by around 50%.
OMDC defers stock-split proposal for second time

Odisha Minerals Development Company (OMDC), at its board meeting, has once again deferred a proposal of sub-division of face value of shares. This is the second time that the board of OMDC has deferred stock-split proposal. Earlier, the board held a meeting on November 9 and deferred the proposal, citing absence of government nominee director at the board meeting. As a result, shares of the company dropped over 6.79% on Monday, touching the monthly low of ₹39,699.
Metal stocks hammered on fear of demand slowdown

Fall in raw material prices may not help as cos are sitting with high inventory cost

Suresh P. Iyengar
Mumbai, Nov. 21

Metal company stocks bore the brunt of Monday's mayhem with the metal index plunging 361 points to close at 10,072 points.

Most of the blue chips, including JSW Steel, SAIL, Tata Steel, Sterlite Industries, Sesa Goa and Hindalco Industries, finished the day with a huge fall.

The fear of further slowdown in economic growth depressing the demand for metals led to hammering of the stocks on Monday. Though prices of raw materials, including that of iron ore and coal, have softened marginally, analysts expect the fall in demand to curb the capacity utilisation of major metal producers who are already operating at 80-85 per cent of production capacity. The fall in key raw material prices may not be of much help to metal producers as they carry inventory of high cost material.

The BSE Metal index had underperformed the wider market over the last one month. The metal index dipped 6.17 per cent against Sensex's 2.25 per cent decline. The index performance in the last quarter was lower by about 12 per cent as against 0.60 per cent slide in the Sensex.

Despite tepid demand and falling international prices, steel prices in India have remained stable in the last few months due to high raw material cost and unprecedented 10 per cent depreciation of rupee against dollar in last three months. Non-ferrous segment may also see margin compression due to lower London Metal Exchange (LME) prices.

Tata Steel's consolidated net profit fell 89 per cent to Rs 212 crore even as its income rose 12 per cent to Rs 32,918 crore. The company's performance was adversely impacted by higher global raw materials costs and lower average selling prices at Tata Steel Europe. Its net debt at the end of September quarter stood at Rs 45,056 crore against Rs 46,627 crore at the end of March 2011.

Similarly, SAIL's net profit fell 85 per cent to Rs 495 crore on 2 per cent increase in net sales at Rs 10,837 crore. The fall in net profit was attributed to a forex loss of Rs 509 crore incurred by short-term foreign currency loans, lower volume, higher raw material, power and staff costs.

JSW Steel reported a consolidated net loss of Rs 669 crore for the September quarter, compared with net profit of Rs 373 crore in Q2 September 2010.

"The ongoing issues such as mining mess, policy paralysis and slowing economy are structural in nature and the financial performance is expected to remain stressed for metal companies, at least for the next two quarters," said an analyst.
ICVL to tie-up with Virginia for coal mining

Our Bureau

New Delhi, Nov. 21

International Coal Ventures Ltd (ICVL), a joint venture floated by public sector firms such as SAIL and NMDC to acquire overseas coal assets, will forge a strategic relationship with the Commonwealth of Virginia, US.

The SAIL Chairman, Mr C.S. Verma, who currently leads ICVL, held discussions with a delegation led by Mr Robert F. McDonnell, Governor of Commonwealth of Virginia on Monday for facilitating acquisition of coking coal assets and companies for ICVL.
Goa mining report leak to be raised in Parliament

\textit{Indo-Asian News Service}

Panaji, Nov 21

The Congress will raise during the winter session of Parliament beginning on Tuesday the alleged leak to media of a sensitive report on illegal mining in Goa, a statement said on Monday.

Goa's lone MP in the Rajya Sabha, Mr. Shantaram Naik, strongly backed the mining industry and said those responsible for allegedly leaking the Justice M.B. Shah report on illegal mining would have to be taken to task.

"The inquiry into mining operations in Goa had been ordered by the Union Ministry of Mines to bring transparency into the system. The Government will take due action after the Commission's report is submitted," Mr Naik said.

"But leakage of the report will have to be inquired into and those responsible should be taken to task," he said. "We cannot allow legal mining to be stopped and starve the families depending on the mining activities directly and indirectly. But the Government will be firm in dealing with illegal mining," Mr Naik said.

Members of the Central Government-appointed Justice M.B. Shah Commission - under the Commission of Enquiries Act - to probe illegal mining across India have already hinted at large-scale illegal mining in Goa during their field visits here last month.
Ore Export Ban, Mining Curbs Blunt Metal Stocks

Top 10 cos have shed about 33% since July compared to 15% fall suffered by Sensex

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hares of metals and mining firms are unlikely to regain their sheen soon, with fears of a ban on ore exports from Goa and just a partial resumption of mining in Karnataka expected to exacerbate the losses from a spate of negatives stacked against the sector.

Ten of India's top metals and mining firms have shed about 33% on average in their stock prices since July when the Supreme Court ordered suspension of mining in Karnataka. The fall is much sharper than the 15% that the broader index suffered during the same period. And, analysts say, the sentiment is likely to get worse before it gets any better.

Metals and mining firms have been hit by the recently-pushed Mining Bill, besides the persisting uncertainty over the crisis in eurozone, the general slowdown in industrial activity and the depreciating rupee.

"If this (the Bill) becomes an Act, in the current form, it will adversely impact EPS in the range of 1.9-15.2% for various mining-metal companies under coverage," said Jagdish Agarwal, senior research analyst, Emkay Global. He attributed the slide in the shares of these companies to the estimated loss from the proposed legislation and the industrial slowdown that is likely to reduce demand for steel and other metals.

Hindalco, which fell to its 52-week low on Friday, recovered marginally to end down 3.7% on Monday. Along with Nalco, SAIL, Sterlite, Tata Steel, Coal India, JSW Steel, NMDC, Sesa Goa and Jindal Steel & Power, Hindalco's fall has been much sharper than that of Sensex since July.

The slide has spread across the sector, subsuming companies such as Tata Steel and SAIL, that have in the past remained insulated from extreme fluctuations because they own iron ore mines and buy only half of the coal they use. Tata Steel and SAIL are down 37% and 38%, respectively since July, while Hindalco has fallen 94%, Sterlite 38% and JSW 36%.

"Aluminium consumption in India was lower in line with the overall slowdown in sectors like building and construction, electrical and automotive sector," said Debu Bhattacharya, MD, Hindalco, when the company announced its second-quarter results. "This trend is likely to persist during the second half too," he added.

Most companies in the sector have large foreign debt on their books that has not been hedged. The sharp depreciation in the rupee has left them with large mark-to-market losses for which they will have to provide. The strong dollar led to a notional loss of $509 crore for SAIL in the September quarter, while for Tata Steel the loss amounted to $150 crore. Rising costs are another dampener, with SAIL's Q2 profits in the current fiscal down 55% while Tata Steel saw its profits plunged 89%.
Goan Majors Blame Unorganised Players for Iron-Ore Mining Mess

In the Spotlight

The Shah Commission, appointed to investigate allegations of rampant illegal mining in Goa, is scheduled to come out with its report in December.

Goan ore is mostly exported as it is not used by local Indian companies due to its low ferrous content.

more than doubled price of the mineral in three years. Led by Sesa Goa, a small group of miners, Fomento Resources, V M Salgaocar and Chowgule account for 75-80% of overall sales.

According to Anil Vithal, managing director of Fomento Resources, about 80% of the 190-155 traders of iron ore do not own iron ore concessions. These new entrants, however, account for 6% of the volume of ore traded. Goan ore is mostly exported as it is not used by local Indian companies due to its low ferrous content. The ore is in much demand from China where it is blended with other high-grade minerals to cut costs. According to the Goa government estimates, mining contributes about 35% of its GDP. While the foreign exchange earned by the mining industry last year was over Rs 17,000 crore, taxes alone generated Rs 6,000 crore direct revenue to the state and the Centre.

But most of the violations are due to inherent flaws in the Goan mining norms. According to Shivanand Salgaocar, Managing Director of V M Salgaocar, the dumping of ore rejects outside the lease area are mainly due to the small size of leases. “Goa being a Portuguese colony, had its mineral rights vested under the 1906 Portuguese decree. The leases that were allotted were small, about 100 hectares only. This left the miners with little room to store the dumps.”

The recent surge in demand from China has now made the dumps economically viable. While Goa’s low quality ore — which averages about 55% ferrous content — is largely exported to China, rising prices and a reduction of threshold from 55% to 65% Fe, has made the dumps an attractive option to export. In a letter to the Goa’s secretary for mining and geology, the Union mines ministry last month said the Indian Bureau of Mines had calculated a 15% increase in production, over the approved amount, over four years.

The problem is that there are too many players in Goa who are not miners and don’t own a lease. These firms are involved in the export of iron ore,” said PK Mukherjee, Managing Director of Sesa Goa, India’s largest exporter of ore. “By bypassing royalty, these traders can earn about $100 for every tonne of ore they export,” he said in defense of aggrieved miners who face an uncertain future. The Shah Commission has already completed its investigation in Goa and is scheduled to come out with its report in December.

Iron ore mining in Goa is more than 50 years old, but has attracted illegal operators after a sharp demand in China.