KD Diwan new CMD of Hindustan Copper

KD Diwan, director operations of Hindustan Copper, will take over as the chairman and managing director of the company from September 1. He will replace Shafee Ahmed, who will retire on August 31. The public enterprises selection board selected Diwan for the post after an interview on March 1, the company said.
J&K strikes gold!
Two deposits of precious metal found

Dinesh Manhotra
Tribune News Service

JAMMU, MARCH 22
Gold ore deposits have been found at two places in the “cash-strapped” but “mineral-rich” Jammu and Kashmir and, the process to extract the precious metal would be started after consultations with experts in this field.

This was stated by Minister of Commerce and Industries Surjeet Singh Slathia while speaking on the grants of his ministry in the Assembly today.

“During a recent survey conducted by the Geology and Mining Department, mines of gold ore were found at Akhnoor in Jammu district and Boniyar of Baramullah district in the Kashmir valley,” Slathia told the House.

Also, deposits of iron ore were found in Bhaderwah and Sopore (Baramullah); limestone in Draba (Poonch), and Dooru (Anantnag); coal in Mohgola (Rajouri); and gyspum in Bagra (Urin) during the exploration and investigation of minerals in 2011-12, he said.

The Geology and Mining Department of the state in collaboration with the Geological Survey of India also conducted a survey in the Dastgam area of Kargil after receiving reports of gold ore in that belt. The department found mines of gold ore in the Nathal area of Akhnoor, Slathia later told The Tribune that work to extract gold from these areas would be started after consultations with the experts.

“A detailed report has already been prepared after the survey of the department concerned and the process will be started to create proper infrastructure to extract this wealth,” he said.

Earlier, the minister told the Assembly that the National Mineral Development Corporation, Government of India, and Jammu and Kashmir Mineral Limited had set up a joint venture, J&K Mineral Development Corporation Limited, for the extraction of raw magnesite from Panihal in Reasi and establishment of plant there in 1989.

“As per the detailed survey, reserves of magnesite to the tune of 2.7 million tonnes had been established. The project remained dormant for over 20 years but it has now been revived. All requisite formalities to revive the project at a cost of Rs 150 crore had been completed. Necessary work on the project will be started shortly. The project shall provide employment, both direct and indirect, to local inhabitants.”
Australian mining tax may hit Indian steel makers

**NEWS ANALYSIS**

BL Research Bureau  
*Chennai, March 23*

The Australian Government’s decision to impose a new tax on a portion of profits made by local iron ore and coal miners could adversely impact the profits of steel makers in India. Both groups import thermal and metallurgical coal whose prices are likely to rise following the imposition of this new Market Resources Rent Tax. Under the new regime, profits from iron and coal miners will be taxed at 30 per cent. But the effective rate may work out closer to 22.5 per cent, following deductions on royalties paid to State governments, capital costs and a 25 per cent allowance.

The miners may be in a position to pass on this impost to their user industries worldwide. The coal and iron ore mining industry is far more consolidated than the steel and power producers they supply to. This translates into pricing power. Back-of-the-envelope estimates indicate that miners could pass on the hike if they raise selling prices by a minimum of 4 and 10 per cent respectively on coal and iron ore.

All of India’s top steel producers such as SAIL, Tata Steel and JSW Steel depend on metallurgical coal imports from Australia. Tata Steel with its sizable European operations is likely to be the most impacted given that it depends entirely on external sources for ore. JSW Steel follows as it has few captive sources for ore. SAIL depends on imported metallurgical coal for 60-70 per cent of its requirement.

Under the new regime, profits from iron and coal miners in Australia will be taxed at 30 per cent. Indian thermal players who recently earned some respite in the form of a lower import duty on coal will have reason to be nervous. As of now only a small proportion (8 per cent) of coal for power is imported. Much of these imports are from Indonesia and not Australia. But a few Indian companies have lately been acquiring Australia’s coal assets to meet their future fuel requirements.

Lanco Infratech, Adani Enterprises, GVK Power and CEIL are a few companies that have picked up stakes in Australian coal mines. They will be using a bulk of the output for captive consumption. However, supply from these projects will commence only over a 2-3 year time frame.

The coal projects of Adani Enterprise and GVK Power will be operational beyond 2014. The time lag may allow projects enough time to recover extra costs. These companies may be able to build the costs into new purchase agreements.

*adarsh@thehindu.co.in*
NALCO targets Rs 7073 crore sales turnover

National Aluminium Company Limited (NALCO) has signed an MoU with the Ministry of Mines, Govt. of India regarding physical and financial targets for the 2012-13 fiscal. As per the MoU signed in New Delhi between Vishwapati Trivedi, IAS, Secretary, Ministry of Mines and B.L. Bagra, CMD, NALCO, the sales turnover target has been fixed at Rs 7073 crore, which is Rs 500 crore higher than that of the current fiscal. As regards physical performance, NALCO has projected high targets from its Mines & Refinery Complex at Damanjodi.
## PRICE CARD

<table>
<thead>
<tr>
<th>METALS ($/tonne)</th>
<th>International Price</th>
<th>%Change</th>
<th>Domestic Price</th>
<th>%Change</th>
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<tr>
<td>Aluminium</td>
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<td>Tin</td>
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<tr>
<td>Zinc</td>
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<tr>
<td>Steel-HRC</td>
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<td>Gold (1ounce)</td>
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<td>Silver (1ounce)</td>
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## ENERGY

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<th></th>
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<th>%Change</th>
<th>Domestic</th>
<th>%Change</th>
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<tr>
<td>Crude Oil $(/blb)</td>
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<td>Natural Gas $(/mmBtu)</td>
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## AGRICULTURAL COMMODITIES ($/tonne)

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<th>Crop</th>
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<th>Domestic Price</th>
<th>%Change</th>
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</thead>
<tbody>
<tr>
<td>Wheat</td>
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<td>11.3</td>
<td>236.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Maize</td>
<td>277.0</td>
<td>11.3</td>
<td>236.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Sugar</td>
<td>655.0</td>
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<td>585.0</td>
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<td>Palm oil</td>
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<td>Rubber</td>
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<td>12.4</td>
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<td>1.7</td>
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<tr>
<td>Coffee Robusta</td>
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<td>2,125.9</td>
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<tr>
<td>Cotton</td>
<td>1,504.0</td>
<td>1.6</td>
<td>1,836.1</td>
<td>-9.9</td>
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</table>

### Exchange Rates:
- 1 Indian Rupee = 0.01563 US Dollar
- 1 Indian Rupee = 0.00839 Euros

### Baltic Exchange Indices

| Baltic Dry | 896 | 1.36 |
| Baltic Sogromax | 1,067 | 1.82 |
| Baltic Panga max | 1,015 | 1.10 |
| Baltic Capesize | 1,604 | -0.85 |
| Baltic Handygize | 530 | 1.53 |
| Baltic Clean Tanker | 850 | -0.31 |
| Baltic Dirty Tanker | 837 | -1.30 |

### Electricity Trading at IEX

<table>
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<th>Market Price in INR/Watt</th>
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<tr>
<td>Mar 19, 2012</td>
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Novelis growth strategy sees a key shift

SHUBHASHISH
Mumbai, 22 March

Novelis, owned by the Aditya Birla group flagship company, Hindalco Industries, has been selling its loss-making assets for a while, even if it means selling a smelter in a high-growth market like Brazil. Now, it has gone a step ahead and decided to sell a business that is doing well, but doesn’t fit into its growth strategy. It is selling three aluminium foil manufacturing plants in Europe to American Industrial Acquisition Corporation (AIAC). The plants are located in France, Luxembourg and Germany.

Philip Martens, president and chief executive officer of Novelis, said, “The foil operations are well-established businesses with strong customer bases. However, they are not aligned with the Novelis growth strategy and, therefore, we believe they will have a better future with AIAC.” He said, “Novelis is focused on growing the higher-volume, premium markets of beverage cans, automobiles and specialty products.”

Beverage cans

From shifting its can body plant at Rogerstone in the United Kingdom to India to shutting down smelters losing cash, the company has done it all. The Rogerstone plant has been shifted to Hindalco’s Hiralal facility in Orissa and will start commercial production soon.

The company has already started approaching clients for certifications and approvals mandatory to supply cans. It is also investing over $300 million in expanding rolling and recycling mills in Brazil. A little over 10 per cent of this is being spent on setting up a coating line for its beverage can business in the country.

Asia spending

In May, Novelis announced an expenditure of $400 million to strengthen its aluminium rolling and recycling capacities in Asia. Buying out the 31.2 per cent stake of Taian Electric Wire Co in its Korean subsidiary, Novelis Korea, wasn’t on the cards back then. However, its seriousness on growth from emerging markets can be gauged from how swiftly the company decided to buy the stake from its joint venture partner in November and completed the $350-million financing in a month.

“Our decision to buy out the minority shareholders in Novelis Korea represents another key step in Novelis’ strategy to prepare for future growth in Asia,” Martens said, adding: “We believe this transaction will provide Novelis with greater control of our manufacturing assets in the region, while at the same time helping to drive our ongoing initiatives for globally integrated operations.”

For full report visit www.business-standard.com
Vedanta ups the ante for Balco, Hindustan Zinc

Billionaire Anil Agarwal's Vedanta Group has offered ₹17,000 crore ($3.4 billion) to buy the government's remaining stakes in Hindustan Zinc Ltd and Bharat Aluminium Co, a ministry official said.

A panel of bureaucrats from ministries, including law, corporate affairs, finance and mining, met yesterday and decided to seek the advice of a group of ministers on the proposal. Vishwapati Trivedi, secretary at the ministry of mines, told reporters in New Delhi.

Buying the stakes will give Vedanta's Mumbai-based unit Sterlite Industries (India) Ltd. control over a combined 964,000 metric tonnes of annual zinc and lead-producing capacity and full ownership of a two million tonne-a-year bauxite mine. The government is seeking to narrow fiscal deficit through steps including asset sales and capping of expenses. "This will be positive for Sterlite," Rakesh Arora, head of research at Macquarie Capital Securities (India) Pvt., said in Mumbai. He has an outperform recommendation on Sterlite and expects the shares to rally 59 percent in 12 months. "The cash that Sterlite will spend will come back in the form of surplus from Hindustan Zinc."

The zinc maker has cash and equivalents of $3.35 billion, according to data compiled by Bloomberg.

Pawan Kaushik, spokesman at Hindustan Zinc, declined to comment. Senjam Raj Sekhar, a spokesman at Vedanta Resources Plc, didn't respond to two calls made to his mobile phone and a text message seeking comments.

**Government stake**

Vedanta offered ₹5,000 crore for one company and ₹2,000 crore for the other, Trivedi said, without identifying them. The government's 29.5 percent stake in Hindustan Zinc is valued at ₹16,200 crore at the current share price. Hindustan Zinc fell 0.2 percent to ₹130 at 9.19 a.m. in Mumbai trading, giving it a market value of ₹10.8 billion. Sterlite gained 0.3 percent to ₹145.80.

Sterlite, the nation's biggest copper producer, owns 64.9 percent of Hindustan Zinc. The company may complete the transaction this year, Agarwal said on February 25. It bought 51 percent of Bharat Aluminium, which owns the bauxite mine, in 2001 and a majority stake in Hindustan Zinc a year later.

Lack of full control at Hindustan Zinc has undermined decision-making at Vedanta. In 2010, Vedanta's plan to buy Anglo American Plc's Skorpion zinc mine in Namibia through Hindustan Zinc fell after the Indian government didn't ratify the deal. Vedanta completed the purchase through Sterlite.
CAG draft estimates
Rs 10.67 lakh cr loss

NEW DELHI, DHNS: The draft Comptroller and Auditor General (CAG) report points to the UPA government extending “undue benefit” to the tune of Rs 10.67 lakh crore to commercial entities by giving them 155 coal blocks without auction, between 2004 and 2009.

The report says that about 100 private companies and some public sector power, steel and cement firms were among the beneficiaries.

The report, dealt in detail by a national daily, says that the private entities cornered in excess of Rs 4.79 lakh crore of the gains, while the Central and state government utilities had Rs 5.88 lakh crore.

According to the report, among the major private sector beneficiaries are: Tata Group entities, Jindal Steel and Power Ltd., Anil Agarwal Group firms, Delhi-based Bhushan Power and Steel Ltd., Aditya Birla Group Companies, Essar Group power firms, Adani Group, Lanco Group and Arcelor Mittal India.

The CAG preliminary report said among the public sector entities that benefited included National Thermal Power Corporation, several West Bengal government corporations and Mines and Minerals Development Corporation, Chhattisgarh, Jharkhand and Madhya Pradesh.

The report pointed out that introduction of competitive bidding of coal blocks to bring in transparency commenced in June 28, 2004. But, the process got delayed at different stages and did not materialise even after a lapse of seven years. According to calculations, a total of 33,169 million tonnes of coal reserves must have been present in all 155 allocated blocks.
Vedanta offers to buy stake in HZL

New Delhi/Mumbai, March 22: Billionaire Anil Agarwal's Vedanta Group offered ₹17,000 crore ($3.4 billion) to buy the Centre's remaining stakes in Hindustan Zinc Ltd and Bharat Aluminium Co., a ministry official said.

Vedanta offered ₹15,000 crore for Hindustan Zinc and ₹2,000 crore for Bharat Aluminium, Mr Vishwaspati Trivedi, secretary at the ministry of mines, said on Thursday in New Delhi. The zinc maker has cash and equivalents of $3.35 billion (₹16,750 crore), according to data compiled by Bloomberg.

Vedanta is offering to buy the government's 29.5 percent stake in Hindustan Zinc at a 10 per cent discount to the 20-day moving average, according to data compiled by Bloomberg. A panel of bureaucrats from ministries, including law, corporate affairs, finance and mining, met and decided to seek the advice of a group of ministers on the proposal, he told reporters on Wednesday.

Buying the stakes will give Vedanta's Mumbai-based unit Sterlite Industries (India) Ltd. control over a combined 964,000 metric tonne of annual zinc and lead-producing capacity and full ownership of a two million tonne-a-year bauxite mine. The government is seeking to narrow its fiscal deficit through measures including asset sales and capping of expenses.

"This will be positive for Sterlite," Mr Rakesh Arora, head of research at Macquarie Capital Securities (India) Pvt, said in Mumbai. He has an outperform recommendation on Sterlite and expects the shares to rally 55 per cent in 12 months. "The cash that Sterlite will spend will come back in the form of surplus from Hindustan Zinc."

Mr Pavan Kaushik, spokesman at Hindustan Zinc, declined to comment. Mr Sanjiv Raj Sekhar, a spokesman at Vedanta Resources Plc didn't respond to two calls and a text message to his mobile phone seeking comments.

— Bloomberg
On a business trip down under

Sujay Mehndudia  

NEW DELHI: Even as the great Australian rush seems to be catching up around the globe, it has evoked strong interest among Indian companies. Scouting for coal and mineral assets is now the favourite past time of major Indian entities, which are impressed with no roadblocks or red tape approach in doing business in that country.

In the recent past, two Indian companies have made major acquisitions there. Adani Enterprises purchased Linc Energy’s Galilee coal tenements for $2.7 billion in August last year. Second, power producer Lanco Infratech had recently acquired Griffin coal assets for $750 million. Three other major Indian groups — Essar, GVK and Lanco — are bidding for $2-billion coal mines put up for sale by Hancock Coal. “India is now in league of nations such as Japan, South Korea and the U.S. which have been traditional investors in Australia. The ease of doing business in Australia is the most attractive factor. The whole framework is very open and transparent without any bureaucratic hassles. Our application to the Foreign Investment Review Board was cleared in 30-45 days,” a senior official of a power company said.

It takes just two days to register a company in Australia, and most of the work can be done through e-mail. With an annual production in excess of 800 million tonnes, Australia is the world’s largest exporter of coal. New coal areas such as the Galilee Basin in Queensland and the Gunnedah Basin in New South Wales provide opportunities for Indian companies willing to fund infrastructure developments as part of a partnership agreement. The country is well on the path of dethroning Indonesia as the favourite destination for coal hunting.

Once the most favourite destination of Indian companies, Indonesia is now falling behind due to certain changes made in the law last year. Tata Power, which is at present developing imported coal-based 4,000 MW ultra mega power project (UMPP) at Mundra, acquired 30 per cent stake in two coal mines of Bumi Resources for $1.1 billion in 2007. The very next year, Reliance Power bought three coal mines in South Sumatra region with an investment commitment of $2 billion. In 2009, GMR acquired Indonesian coal company Barasen-tosa Lestari for around $80 million.

However, things changed after Indonesia tightened its mining policy with regard to coal exports imposing regular tax of around 30 per cent on exports and surcharge on profits. These laws, formulated by the end of 2009 and effective since 2010, also have made it tougher to own mines. Under the new laws, companies that acquire mines cannot employ a turnkey contract miner, because it is required that they are involved in some part of the value chain. Besides, companies now require clearance from municipal authorities along with the Federal government, making the process lengthier.

The Australian grade coal, especially thermal coal, has an average calorific value of 6,500 KCal.
Gold deposits found in J&K

Jammu, March 22

The Jammu and Kashmir government today said that gold deposits have been found in Akhnoor and Boniyar border belts of Jammu and Baramulla districts of the State. “An exploration and investigation was carried by the Department of Geology and Mining in 2011-12 in which gold and zinc deposits have been found in Akhnoor border belt in Jammu district and Boniyar in Baramulla district,” the Minister for Industries and Commerce, Mr. Surjeet Singh Salathia, told the Legislative Assembly today. Iron ore deposits have also been found in Bhaderwah belt of Doda district and Sopore belt of Barmalla district, he added. – PTI
Copper falls on poor Euro Zone PMI data

Reuters
London, March 22
Copper prices fell to a two-week low on Thursday after shrinking factory activity in top consumer China and worsening Euro Zone purchasing managers indexes (PMIs) raised concerns about the outlook for demand, with a weak euro adding pressure to prices.

Benchmark copper on the London Metal Exchange (LME) was untraded in official rings, but bid at $8,289 a tonne from Wednesday's close of $8,455 a tonne. The metal used in power and construction earlier fell to its lowest level since March 7 at $8,280 a tonne, dropping below its 200-day moving average.

In the US, data showed new US claims for unemployment benefits dropped to a fresh four-year low last week, offering evidence the jobs market recovery was gaining traction. Aluminium traded at $2,181.50 in official rings from Wednesday's close of $2,209.50, and tin traded at $22,500 from $23,000. Lead was at $2,005 from Wednesday's close of $2,044 and nickel traded at $18,525 from $18,805 a tonne. Zinc was untraded in rings, but bid at $2,003 a tonne from Wednesday's close of $2,020.
No leeway at all on green clearances: Apex court

S. Murlidharan

Considering the deleterious impact of indiscriminate river bed mining on flora and fauna as well as on human habitats, it is not advisable to vest State governments with any leeway at all, observed the Supreme Court while striking down the law that confers leeway on State governments from Central environmental clearance on leases up to five acres.

The Ministry of Environment and Forest had exempted lease of lands of less than five hectares from the central environmental clearance requirement provided two such lands were separated by a distance of at least one km. This leeway obviously has been handy for those adept at splitting.

This is what the apex court found to its consternation while examining a petition by Deenak Kumar against the State of Haryana recently. By taking care to grant leases of not more than five acres and separating each such quarry by a kilometre, the State governments were thumbing their noses at the Centre as well as at environmental concerns.

(The author is a New Delhi-based chartered accountant.)
Lack of Quality Iron Ore Hits Karnataka Steel Mills Ops

Steel mills in the southern state currently operating at 60-70% of capacities

M RAMSURYA
MUMBAI

Even as the illegal mining case in Karnataka gets delayed due to procedural hassles, steel mills in Karnataka that account for a fourth of India’s production of the alloy are operating at 60-70% capacities, due to non-availability of iron ore reserves.

Apart from low inventory, the iron ore that is being currently auctioned for use in Karnataka’s steel industry has low grade ores that are not viable for steel production, said people connected with the industry.

The Supreme Court is scheduled to hear the matter on March 23, after postponing it from March 16, due to inadequate representation of the Forest Bench.

The apex court had ordered suspension on mining in Karnataka in July last after the state Lokayukta, acting on a writ petition, probed and detected mining irregularities in the districts of Bellary, Chitradurga and Tumkur. Subsequently, the court directed state-run MSTC to conduct auction of 25 million tonne of ores that had been seized from illegal miners. This seized ore was to help steel mills function till a final order was delivered.

“Now that the reserves are almost exhausted, low grade fines are being auctioned at high prices which makes it unviable for our production process,” said a senior JSW Steel executive. The company is currently operating at 70% capacity.

According to Tata Metaliks vice president Sudhin Mitter, the situation in Karnataka “is very difficult and ore levels are getting depleted quickly. Our plants are currently shut as we are waiting for the situation to improve,” he added.

A majority of Karnataka’s sponge iron units, about 56 out of 69 units, are also lying idle for the past four months. India makes about 22.5 million tonne of iron ore annually. In 2009-10, Karnataka produced around 42 million tonnes out of which 28 million tonnes were exported. In 2010-11, Karnataka produced 33.6 million tonne of ore out of which 7.4 million tonne were exported.