

NMDC move

■ New Delhi, Oct. 23:
Iron ore miner NMDC,
which had entered into
a deal to acquire a 50
per cent stake in Aus-
tralia's Legacy Iron
Ore last month, is likely
to decide on acquiring
four more overseas
properties by the end
of this month.

PRICE CARD

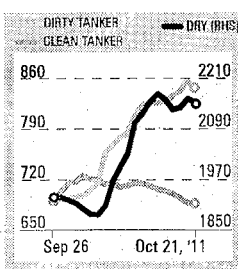
As on Oct 24	International	Domestic
METALS (\$/tonne)		
Aluminium	2,110.00	2,568.73
Copper	7,062.00	9,090.91
Nickel	18,675.00	22,376.08
Lead	1,841.00	2,247.64
Tin	21,760.00	26,189.04
Zinc	1,793.00	2,368.05
Steel-HRC	685.00	882.98
Gold (\$/ounce)	1,658.80*	1,671.88
Silver (\$/ounce)	31.59*	33.66
ENERGY		
Crude Oil (\$/bbl)	111.46*	108.43
Natural Gas (\$/mmBtu)	3.66*	3.66
AGRI COMMODITIES (\$/tonne)		
Wheat	237.34	219.10
Maize	260.91*	221.05
Sugar	710.00*	605.26
Palm oil	980.00	1,096.93
Rubber	3,770.04*	4,244.43
Coffee Robusta	1,881.00*	2,077.01
Cotton	2,149.28	2,217.76

Conversion rates: 1) 1 ounce = 31.1032316 gm
2) 1 US dollar = ₹49.83 *As on Oct 24, 1800 hrs IST
Notes: 1) International metal are LME spot prices and domestic metal are Mumbai local spot prices except for steel.
2) International crude oil is Brent crude and domestic crude oil is Indian basket.
3) International natural gas is Nymex near month future & domestic natural gas is MCX near-month future.
4) International wheat, white sugar & coffee robusta are LIFFE future prices of near-month contract.
5) International maize is MATIF near month future, rubber is Tokyo-TOCOM near-month future and palm oil is Malaysia FOB spot price.
6) Domestic wheat & maize are NCDEX future prices of near-month contract, palm oil & rubber are NCDEX spot prices.
7) Domestic coffee is Karnataka robusta and sugar is M30 Mumbai local spot price.
8) International cotton is cotton no.2-NYBOT near-month future & domestic cotton is NCDEX spot prices.
9) International metals, Indian basket crude, Malaysia palm oil, wheat LIFFE and coffee Karnataka robusta pertains to previous days price.
Source: Bloomberg Compiled by BS Research Bureau

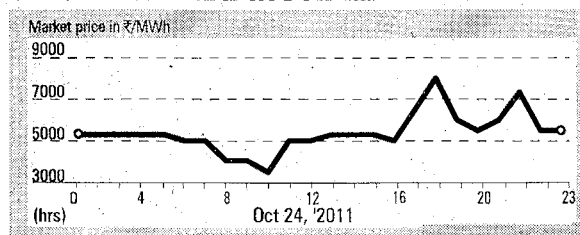
BALTIC EXCHANGE INDICES

	Oct 21, 11	chg%*
Baltic Dry	2,153	-0.37
Baltic Supramax	1,607	-0.31
Baltic Panamax	2,026	-1.55
Baltic Capesize	3,566	0.03
Baltic Handysize	826	-0.12
Baltic Clean Tanker	686	-0.15
Baltic Dirty Tanker	849	-0.82

* over previous close



ELECTRICITY TRADING AT IEX



BASE METALS EXTEND BIGGEST RALLY SINCE 2009

Industrial metals rose for a second day in London, extending the biggest rally in two years, as figures showed manufacturing might swell in top global consumer China. Chinese manufacturing may expand in October for the first time in four months after a preliminary index of purchasing managers released by HSBC Holdings Plc and Markit Economics today climbed to 51.1 from September's final reading of 49.9. Metals also gained as Japanese exports increased more than estimated by economists surveyed by Bloomberg News. Copper for three-month delivery advanced \$209, or 2.9 per cent, to \$7,354 a tonne by 10:11 am on the London Metal Exchange (LME). The LME Index of the six main metals traded on the exchange increased 4.7 per cent, the most since August 2009, on October 21. Copper for December delivery rose 3.1 per cent to \$3.3235 a pound on the Comex in New York. European leaders ruled out tapping the European Central Bank's balance sheet to boost the region's rescue fund and outlined plans to aid banks, inching toward a revamped strategy to contain the Greece-fueled debt crisis.

BLOOMBERG



ANALYST'S VIEW

KUNAL BOSE

Steel-making raw materials remain a cause of concern

THE common wisdom based on a decadal experience is that demand elasticity of steel in emerging economies will stay ahead of gross domestic product (GDP) growth rate. This was particularly evident in China during preparations for 2008 Beijing Olympics and construction of the Three Gorges Dam, when steel consumption grew close to an annual rate of 20 per cent compared with GDP growth rate of 12-13 per cent.

But, much water has flown down the Yangtze river since then and China's 12th Plan (2011-15) provides for an annual GDP growth rate of seven per cent. Economist Intelligence Unit, however, estimates that China's GDP will grow nine per cent this year and 8.6 per cent next year. The current plan period, according to China Iron & Steel Association (CISA), will see the country's annual steel consumption growth slowing down to seven per cent and less as the steel industry undergoes a critical phase of "transformative development", so that common wisdom does not hold good for China any longer!

The coming years will see China pursuing "sustainable growth" for steel instead of chasing quantity. Parallel to continuing the drive to phase out uneconomic capacity, China will be seeking capacity consolidation and scaling the steel value chain. Now there are signs of China progressively reducing emphasis on exports of steel based products in favour of domestic demand driven growth for steel. Whatever that may be, the World Steel Association (WSA) reports that in the first eight months of this year to August, China's steel production grew at an impressive 10.6 per

cent to 469 million tonnes (mt). During this period, India recorded a rather modest steel output growth of 5.3 per cent to 48 mt. CISA says China will end the year with production of up to 710 mt leaving at least 90 mt of unused capacity.

WSA short-range outlook says the Chinese steel demand growth will shrink to 7.5 per cent in 2011 from 8.5 per cent in 2010. But, there will be a bigger demand fall to six per cent next year. In any discussion on world steel, China with close to 45 per cent share of global production will remain at the centre point. WSA is anticipating a 6.5 per cent rise in global steel use this year to mark a major fall in demand growth of 15.1 per cent in 2010. What should not be missed here is that the world came out of the memory's worst recession in 2010 and the growth rate in steel demand that year looks impressive since it happened on the back of deceleration in metal use in past two years. World steel use fell from 1.32 billion tonnes in 2007 to 1.299 billion tonnes in 2008 and then further to 1.203 billion tonnes in 2009.

What no doubt will be raising steel men's hackles here is the rather grim WSA demand growth forecast for the current year. Just ahead of WSA saying that Indian steel demand will grow only 4.3 per cent this year, SAIL chairman Chandra Sekhar Verma on the assumption of GDP growth of 8 to 8.5 per cent said local steel demand should "rise at least 9 to 10 per cent." Earlier steel secretary Pradeep Kumar Misra, undaunted by what is happening to the real economy said, steel demand "would go up to 10 to 12 per cent by year-end given the higher elasticity of steel demand vis-a-vis GDP growth." The lo-

cal steel industry didn't get off to a good start in 2011-12 as the meagre 1.8 per cent demand growth for its products in the first half will prove. A number of factors have combined to keep the steel demand down to a point of concern. But it could not have been otherwise because of the prolonged monsoon slowing down construction activities, disappointing industrial growth and now power crisis short-circuiting factory work across the country.

But, both, Misra and Verma being incorrigible optimists, they appear confident that steel demand will be picking up strongly now onwards. If this becomes the case, then that conventional wisdom will still be holding good for India where new capacity addition of up to 12 mt will take the total to 90 mt by 2011-12-end. Verma draws comfort from recent rises in steel prices of the order of ₹500 to ₹1,000 a tonne. "Steel making raw materials, however, remain a point of concern. This is in spite of coking coal prices coming down from the alarmingly high of \$350 a tonne, caused in the wake of floods related supply disruptions in Australia, to the recent October-December contracts at \$250 to \$270 a tonne. I think coal will be seeking further lower levels," says Verma. Interestingly, in spite of export disruptions in Karnataka and Goa, world iron ore prices have remained under pressure. Financial uncertainty in the West, steel capacity outages in Europe in attempts at matching supply with weak demand and margin pressure on Chinese producers led to fall in spot ore prices from \$190 a tonne at year start to about \$150 a tonne now, their lowest since November 2010.

CAPTIVE SOURCE

Essar's Zimbabwean steel quest turns sour

The African nation declines to supply the resource; firm may have to renegotiate the terms of the contract

By JOHN SATISH KUMAR
john.k@livemint.com

MUMBAI

The Essar Group's quest for iron ore remains elusive with Zimbabwe declining to supply the resource as envisaged in a contentious deal between the Indian conglomerate and the African state.

The Essar Group may have to renegotiate the terms of the contract if it wants to continue with its plans in the African nation.

Zimbabwe won't sell 90% of its iron ore resources to one company, mines and mining development deputy minister Gift Chimanimikire said. He added that the provision in the current pact that allowed this was wrong.

"We have said to them (Essar): Do not expect us to hand over these resources. As government, we cannot just do that," Chimanimikire was quoted as saying by *The Herald*, a daily published by the Zimbabwean government.

An Essar Group spokesman said it was against company policy to comment on speculative reports.

"Essar continues to hold discussions with the Zimbabwe government over a number of issues relating to the Zisco (Zimbabwe Iron and Steel Co.) transaction, and we continue to make progress. However, we would not like to comment on any specific points," the spokesman said.

Essar's deal to gain access to a captive source of iron ore has been caught in political cross-fire ever since it was signed in early August.

The Essar Group and Zimbabwe announced the launch of NewZim Steel Pvt. Ltd and

NewZim Minerals Pvt. Ltd to revive Zisco, committing an \$850 million investment by Essar Africa with the promise of job creation.

The shareholding structure in the two joint ventures was envisaged at 60:40 and 80:20, respectively.

Essar also committed to revive Zisco to its original capacity and unveiled a plan to double annual capacity to 2.5 million tonnes.

NewZim Minerals was to undertake exploration and technology assessment, with a testing programme commencing in the first 18 months. After this, depending on the outcome, it was to construct a large-scale beneficiation project and related infrastructure for an estimated expenditure of \$3.5 billion.

Beneficiation is a process in which low-grade iron ore is upgraded to higher iron content through concentration and elimination of impurities.

Some members of Zimbabwe's coalition government have questioned the deal, even as the strife-torn nation's President Robert Mugabe has called for a general election in early 2012.

Industry and commerce minister Welshman Ncube led negotiations when the deal was signed.

Ncube is part of the Mutambara faction of the Movement for Democratic Change (MDC-M), which split in 2005 from the original Movement for Democratic Change, called MDC-T, headed by current Prime Minister Morgan Tsvangirai. Chimanimikire belongs to MDC-T's Tsvangirai faction.

Both factions of the MDC share an uneasy alliance with the Zanu-PF in the current co-

alition government.

Zimbabwe's 87-year-old President Mugabe, the leader of the Zanu-PF party, has been ruling the country for three decades, but was forced to share power with political opponent Tsvangirai after the 2008 elections.

As no candidate received an outright majority in the first round of elections, a second was called, but Tsvangirai withdrew his candidature a week before this, citing violence against his party's supporters.

Amid sustained international pressure, former South African president Thabo Mbeki brokered a power-sharing agreement with an arrangement, the so-called Global Political Agreement, for Mugabe to remain President while Tsvangirai was made Prime Minister.

Zimbabwe won't sell 90% of its iron ore resources to one company, mines and mining development deputy minister Gift Chimanimikire says

"Resource nationalism is rising in many parts of the world where governments and other stakeholders believe that value has already been created once it's known

that resources exist, but that is a misplaced notion," said Anjani Agrawal, national leader for mining and metals sector at global consultancy Ernst and Young.

Resource nationalism refers to the recent trend of governments across the world targeting the metals and mining sector to increase revenue in the face of commodity deficits and the consequent rise in prices.

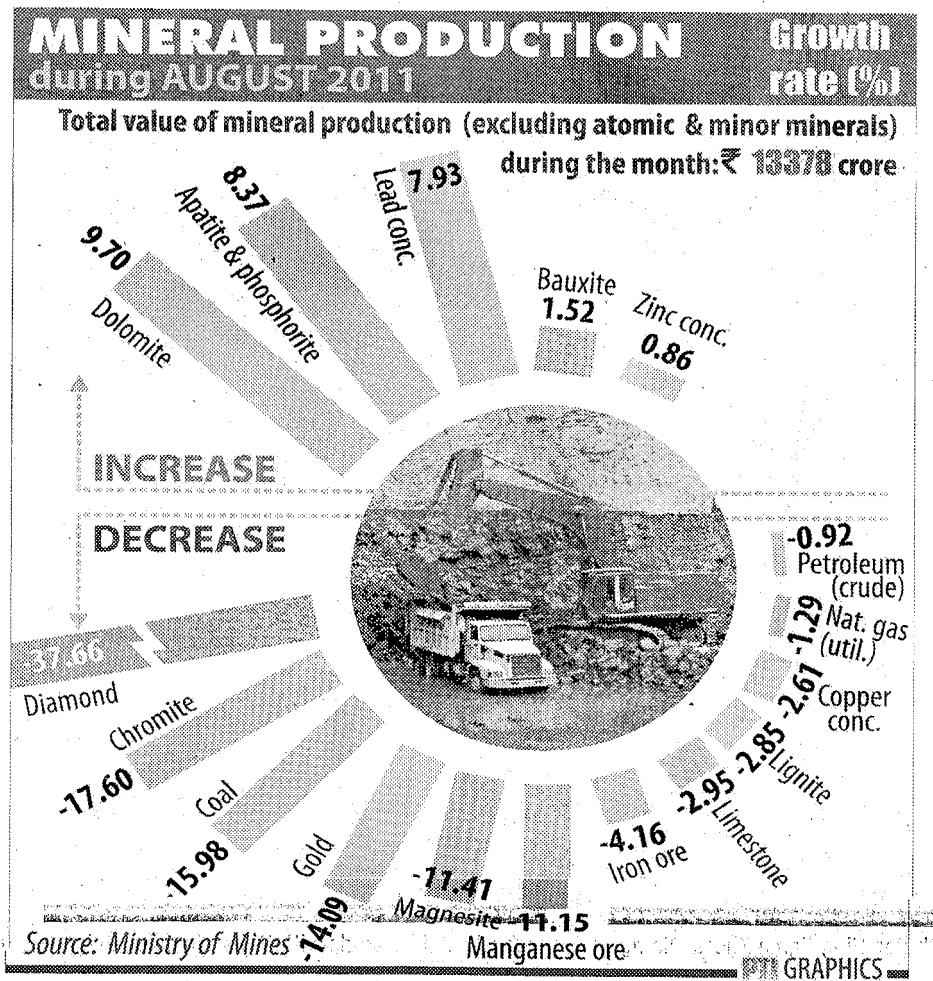
Essar Africa Holdings Ltd, a group company incorporated in Mauritius, emerged as the preferred bidder for Zisco and the iron ore resources that it owned beating the world's largest steel maker by capacity, ArcelorMittal, and the Naveen Jindal-headed Jindal Steel and Power Ltd.

CORPORATE

JSW considering bid for Australian miner

Mumbai: JSW Steel Ltd, India's third largest producer of the alloy, is considering a bid for **New Hope Corp. Ltd**, the Australian coal producer valued at 5 billion Australian dollars (around ₹26,000 crore), two people familiar with the plans said.

The company is studying the assets and may make an offer, according to people with knowledge of the plan who asked not to be identified because the discussions are at an early stage. JSW will look at ways to raise money to fund the acquisition either on its own or through a venture, one of the people said without giving details. **BLOOMBERG**



NMDC to buy four iron ore assets abroad

NEW DELHI, PTI: NMDC, which had entered into a deal to acquire 50 per cent stake in Australia's Legacy Iron Ore last month, is likely to decide on acquiring four more properties overseas by the end of this month.

Of these, two properties - an iron ore mine and a phosphate mine - are in Australia, while the third one is an iron ore deposit in Brazil and the fourth, a coking coal asset of Russia's Vincy Coal, a source said. The iron ore asset in Australia is certified by the Joint Ore Reserves Committee (JORC) code of the country and is "a large asset", the source said, adding that NMDC was looking to acquire "a minimum of 50 per cent" stake in the asset.

Besides this, NMDC Board would also take a call on buying at least 50 per cent stake in Wonarah phosphate deposits of Australian Securities Exchange-listed firm Minemakers Ltd.

Besides this, the NMDC Board would also decide on buying a coking coal asset of Russia's Vincy Coal and an iron ore deposit of Grey-stone Mineracao Do Brasil, the source said. /

NMDC to buy four more iron ore assets abroad

NMDC, state-owned iron ore miner which had entered into a deal to acquire 50% stake in Australia's Legacy Iron Ore in September, may decide on acquiring four more properties overseas by the end of this month. "The company board is likely to meet this week to take a final call (on these properties)," a source said. Of these, two properties — an iron ore mine and a phosphate mine — are in Australia, while the third one is an iron ore deposit in Brazil and the fourth, a coking coal asset of Russia's Vincy Coal, the source said.

Copper up on Europe debt deal optimism

Reuters

London, Oct. 24

Copper rose more than 4 per cent on Monday as encouraging manufacturing data from top metals consumer China and hopes that European leaders may soon strike a deal to tackle the debt crisis boosted investor confidence. Benchmark copper on the London Metal Exchange, untraded in official rings, was bid at \$7,380 a tonne, from a close at \$7,145 a tonne on Friday.

ROBUST DEMAND

Encouraging manufacturing data from China soothed investor fears that an abrupt slowdown in the world's second largest economy might seriously affect base metals

demand prospects. China's vast manufacturing sector expanded moderately in October to snap three months of contraction, reflecting the resilience of robust domestic demand, although the data still reflected slower growth due to tighter credit conditions.

Tin untraded in official rings, was bid at \$21,755 from \$21,670 while zinc, traded at \$1,861 from \$1,805 Friday's close. Earlier, zinc rose almost 5 per cent to hit a session high of \$1,893 a tonne.

Lead untraded in rings, was bid at \$1,965 from \$1,915 and aluminium changed hands at \$2,180.50 from \$2,125. Nickel traded at \$19,100 in official rings from \$18,800.

Hind Zinc trying to extract metal from mining 'residue'

Our Bureau

New Delhi, Oct. 24

Hindustan Zinc's Central Research and Development Laboratory is working on methods to extract zinc from mining 'residue.' This was one of the research findings presented at a three-day conference on 'Mineral Processing Technology' organised jointly by Hindustan Zinc and Indian Institute of Mineral Engineers in Udaipur.

The research on the 'residue' is expected to improve extraction rates of zinc, lead and

silver from ore. In addition to reducing wastage, such measures are also expected to reduce the impact of mining on the environment.

MAKING MONEY FROM SCRAP

One of the key themes discussed at the conference that ended on Saturday and had over 12 parallel technical sessions was novel methods for the utilisation of tailings, lower grade ore ferrous and non-ferrous ore and waste material generated from mining operations. These materials have

traditionally been discarded in the mining cycle adding little value to the environment or companies.

MORE IRON

Another major theme discussed in the conference was iron ore beneficiation. This is the process by which grades of iron ore containing relatively lower amount of iron are processed into raw materials containing higher amounts of 'iron.'

Over 60 per cent of India's estimated iron ore reserves are

in the form of 'fines.' This variant requires a great deal of processing compared to the more easily usable iron ore 'lumps.' Participants including researchers from Tata Steel, JSW Steel, SAIL and Sesa Goa, covered methods to process and utilise iron ore fines and tailings in steel-making.

Topics such as coal preparation non-ferrous and mineral processing were covered by the Indian Bureau of Mines and participants from national and global universities. The opening day of the conference

saw Mr G. Srinivas (Joint Secretary, Ministry of Mines); Mr M.S Mehta (CEO, Vedanta); Mr Akhilesh Joshi (COO, Hindustan Zinc); Mr R. Venugopal (President, IIME); Mr C. S. Gundewar (IBM), and Mr Rahul Guha (Deputy Manager, General Mines and Safety) make the case for aggressive prospecting of India's mineral reserves, greater investments in the space, dispelling misconceptions on the impact of mining and the role of research in enhancing mining practices.

■ Industrial Metals' Rally Rubs Off on Copper



LONDON Copper rose for a second day in New York on Monday as industrial metals extended the biggest rally in two years after figures showed manufacturing may swell in top global consumer China. Chinese manufacturing might expand in October for the first month in four after a preliminary purchasing managers' index released by HSBC Holdings and Markit Economics on Monday climbed to 51.1 from September's final reading of 49.9. Metals also gained as Japanese exports increased more than estimated by economists surveyed by Bloomberg News. "Good data out of China overnight is adding to the positive Monday morning sentiment," said Ole Hansen, vice president of trading advisory at Saxo Bank in Copenhagen. Copper for December delivery advanced 3.6% to \$3,340.5 a pound by 7:45 am on the Comex in New York. Copper for three-month delivery rose 3.4% to \$7,386 a tonne on the LME. The LME Index of the six main metals traded on the UK exchange increased 4.7%, the most since August 2009, on October 21.

Panel for action against 617 officials

ILLEGAL MINING ■ Committee's report to be put before Karnataka Cabinet on Friday

JOHNSON T A

BANGALORE, OCTOBER 24

A FOUR-MEMBER committee set up by Karnataka Chief Minister D V Sadananda Gowda to study the Karnataka Lokayukta's July 27 report on illegal mining to recommend action against government officials has suggested disciplinary measures against 617 officials including seven all-India services officers from the administrative and forest services.

The report of the committee comprising four top bureaucrats given to Chief Secretary S V Ranganath on Monday is to be put before the Cabinet on Friday for approval. The state Cabinet

has already sought clarifications from the Lokayukta in connection with elected representatives indicted in the report.

"The expert committee has recommended further investigation against officers to allow them to be heard fully," the head of the committee, Additional Chief Secretary K Jairaj, said. Many of the government officers have so far denied playing active roles in the scandal despite being indicted.

The expert committee has identified government officials who allegedly aided and abetted the illegal excavation, transport and export of several lakh metric tonnes of iron ore from the mining district of Bellary on the basis

CM Gowda
had set up a 4-member committee to study Karnataka Lokayukta's July 27 report on illegal mining

of findings in the Lokayukta report of July 27.

The Lokayukta report identified officials on the basis of its own investigations and documents seized from Karapudi Mahesh, a close associate of former Bellary district in-charge minister G Janardhan Reddy — now arrested by the CBI in the course of a probe into illegal iron ore mining.

The documents seized

from Mahesh by the Income Tax department record details of payments made to 617 officials in 17 districts of Karnataka to allow the transportation of iron ore that was looted or grabbed in the Bellary district. According to the Lokayukta, an amount of Rs 2.46 crore was paid as bribes to 617 government officials by Mahesh in the year 2009-10 alone.

Senior government sources said that the former director of the department of mines and geology M E Shivalinga Murthy is one of the IAS officers against whom disciplinary action has been recommended. Murthy is charged in the Lokayukta report of approving the issuance of mineral

dispatch permits to the Associated Mining Company owned by the then minister in the BJP government G Janardhan Reddy after an illegal takeover and transfer of mining lease.

Former deputy conservator of forests in Bellary S Muthaiah who is now a conservator of forests has also been recommended for punishment. "He is already under suspension," government sources said.

Though the Lokayukta report named 787 officials, the committee whittled the list down due to a difficulty in clearly establishing the role of nearly 150 persons referred to in a document seized from a private company, the sources said.

**Sterlite's Q2 profit
falls on higher costs**

**Mumbai: Sterlite Industries (India)
Ltd, the nation's biggest copper produc-**

er, posted a 11% drop in second quarter profit as higher raw material costs and foreign-currency losses eroded an increase in refining fees.

Net income fell to ₹998 crore in the three months ended 30 September from ₹1,010 crore a year earlier, the unit of **Vedanta Resources Plc** said in a statement to stock exchanges on Monday.

BLOOMBERG