Biodiversity and social security in mining areas

In the last decade India had achieved many developmental milestones. Industries have prospered, road infrastructure improved and economic indices are on the rise but concurrently there has been environmental upheavals as a consequence of industrialisation. Industries dependent on natural resources are being established and in the process of compromising the sanctity of virgin forests and lands that until now had sustained the activities of forest dwellers and the biodiversity of the terrain.

The mining industry comes into view as extractive and poses a challenge in achieving biodiversity neutrality. Environmentalists blame mining as a primary reason for the loss of forests and the ecological fallout of mining can be alarming if un-monitored. Satellite imagery has revealed that the Aravallis are under stresses from uncontrolled mining and has brought about an expansion of the Thar Desert. Mining leads to large-scale changes in landscape. Not only does the land where mining takes place get degraded, large peripheral areas lose their green cover due to the activities of men and material. But can we stop mining to avoid community displacement and resource depletion?

Stopping of mining projects is not the right answer as mined minerals feel a large part of the industries and infrastructure necessary for achieving a welfare state. So it is imperative we adequately compensate nature which would lose its ecological value and the people who will lose their forest dependent livelihoods. Forest dwellers had been dependent on the forests therefore we need to make them benefactors in the economic development that would now accrue from the project. The need for greater community participation and the active involvement of the developer and the people is needed in defining the rehabilitation processes.

During a series of consultations held last year in Pune, Ranchi, Bhuj, Assam and Kolkata organised by Balipatra Trust and Frontier Foundation, many biodiversity issues were brought to fore. Social security of the displaced people with a fair allocation of monetary and non-monetary needs and measurement of natural assets like land, energy, water had been discussed. The challenges of illegal mining which negatively impacts the terrain and local communities were also discussed and debated by academicians, ecological groups, representatives of regulatory authorities and stakeholders. The forum also used case studies to identify good practices to replicate their models for addressing issues in similar pain areas.

Rand and rockless mining in many countries leads to large ecological changes, environmental upheavals and affects local communities their forest dependent livelihoods as reported in the media. In Meghalaya there had been reports of water body contamination from coal mines. In Rajasthan it was seen when coal mining was pit mined while coal was being dug. The river water was polluted which got carried into the fields by rains impeding productivity. Un还想ed water from the chromite ore deposits in Sivakota in Orissa is discharged into the nearby river. Negative impacts are seen in agriculture too. Run-off from mine sites is not only destroys crops in cultivable lands downhill but renders them unfit for consumption. Compensation and rectification for biodiversity loss in forest areas due to mining should be made mandatory and environmental degradation in or near mining areas should be measured in a thorough manner.

Compensation and rectification for biodiversity loss in forest areas due to mining should be made mandatory and environmental degradation must be measured in a thorough manner. Ranjit Barthakur

The writer is an Investment Advisor to the Chief Minister.
Flush with funds, but unable to spend

SUDHEER PAL SINGH
New Delhi, 25 June

India’s GDP growth rate slowed to 6.5 per cent in 2011-12 against 8.4 per cent in the previous two financial years. The index of industrial production, too, slowed down sharply to 0.1 per cent in April against 5.3 per cent in the same month last year. All indicators seem to point towards a general stalling of business activities.

The European crisis is a prime suspect. So is the mining crisis that was precipitated by the Supreme Court ban on operations in Bellary, Karnataka. Yet, an analysis of two of India’s largest mining companies — NMDC (National Mineral Development Corp) and Coal India Ltd (CIL) — which meet the basic raw material requirement for most of the industrial activity in key sectors including power, cement and steel has shown an unprecedented inability to deploy funds given to them, says a Parliamentary panel in May this year. This, say experts, is having an adverse effect on industry.

Why has it been so difficult for these companies to spend money allotted to them under the 11th five year plan period?

First, let’s look at the figures. NMDC had an approved outlay of ₹1,147 crore for the eleventh plan period ended March 2012, but the miner managed to spend just ₹3,083 crore, a mere 43 per cent of the total. Even for the financial year 2011-12, the company reduced its spending target from the budgeted ₹3,209 crore to ₹2,020 crore, while the actual expenditure stood at only ₹1,584 crore.

Similarly, Coal India, India’s state-owned and world’s largest coal producer, fell short of meeting its expenditure target last financial year. While CIL had planned to spend ₹4,230 crore, only ₹2,759 crore was spent by February this year, the panel has noted in a separate report.

The company’s production remained flat.

In NMDC’s case, the inability to spend has meant a gridlock for a list of crucial projects, including the 6998-crore Kurnoolaswamy iron ore mining project in Karnataka. The company has been able to spend only ₹72 crore in the seven million tonne per annum (mtpa) project against the allocated ₹279 crore. Expenditure has also fallen short at the 8572-crore pellet plant at Donimalai in Karnataka.

Then, there is the three mtpa steel plant at Nagarnar in Chhattisgarh where NMDC had planned to invest ₹2,615 crore in the project during the last fiscal. However, the expected expenditure had to be brought down to ₹1,352.25 crore after the actual expenditure in the project stood at mere ₹61 crore by December.

The reasons for this? “During the 11th Plan, NMDC has incurred an expenditure of ₹3,083 crore — 43 per cent of the outlay — mainly due to the delay in grant of forest clearance for the steel plant and Deposit 15 (at Bailadila) and non-finalisation of the Rowghat railway line,” NMDC’s acting Chairman C S Verma told Business Standard in an e-mailed reply.

The company also blames the iron-ore mining ban in Karnataka for the slowdown in investment in the Karnataka project. “Orders for all major packages of around ₹410 crore have already been placed. However, expenditure has been less than the envisaged target mainly due to the mining restrictions imposed,” says Verma, who is also the chairman of steel maker SAIL. This has had a less-than-salutary effect on NMDC’s numbers.

WITH FEW OPTIONS

- India’s mining sector has plunged into an output and investment crisis.
- An analysis of NMDC and Coal India reveals major lapses in capital expenditure.
- The reasons for the dismal performance go beyond the recent clampdown on illegal mining activities.
- Delays in equipment procurement, MoU activities, land acquisition hiccups, green clearances and law and order issues have played spoilsport.
- The dip in growth and investment is in sharp contrast to the accumulating cash pile of these two companies.

The company recorded a marginal one per cent dip in its overall earnings at ₹11,261 crore in 2011-12, the second such decline after the financial crisis days of 2009-10.

Coal India points at other reasons for its lag in fund utilisation. One is the way the company does budgeting for its projects. “Even if there is a low possibility of a project getting materialised in a year, we provide for it in the expenditure plan to avoid delays in case the project is commissioned before time,” a senior official from the company told Business Standard.

Other reasons include delays in procurement of heavy earth moving machines, unprecedented shortages of experienced manpower, deficient supply of explosives, delayed green clearances, law-and-order problems as well as the lowest-bidder tendering process, which the company says causes delays.

Another major reason for the poor fund utilisation by CIL is the dismal progress on the overseas coal assets acquisition front. The company has been earmarking ₹6,000 crore annually for the past two financial years, but has failed to clinch a single deal in the global market.

Both NMDC and CIL are the government’s cash-rich public sector undertakings. While Coal India is sitting on a cash reserve of ₹58,000 crore, NMDC possessed a cash surplus of ₹20,200 crore as on March 2012.

Experts believe the reasons for the slowdown in the performance of the mining companies goes beyond statutory clearances. “One of the main reasons is the dip in demand from China and other coal importing nations, as they have pulled down steel capacity creation. Around 54 per cent of NMDC’s iron ore is exported,” Kishor P Oswal, chairman and managing director of Mumbai-based CNI Research, said.

The ban on mining in Karnataka has added to the woes.

Is there any respite for both the industry and these companies looking ahead? “The issues of forest clearances, land acquisitions and MoU activities will continue going forward,” says Arvind Pandurangi, a noted infrastructure expert and senior director at Deloitte Touche Tohmasu India. “The government’s entire focus should be on reviving these ground-level issues, else infrastructure projects will not move ahead,” he adds.
Diverse presence across commodities a positive for Sesa-Sterlite

Though near-term outlook is subdued for most, copper margins should hold and higher volumes in silver, lead & zinc provide cushion in FY13. Analysts are more bullish on Sterlite on favourable valuations

By VAJIRAJ DASA

The merger process of Sesa-Sterlite crossed another hurdle after the companies announced on Monday that shareholders had approved formation of the combined entity. Some nervousness existed, as the first restructuring exercise attempted by Vedanta in 2008 had failed, with objections raised by minority shareholders. The concern at that point of time was associated with valuations of the Konkolga Copper Mines (KCM), not a part of the merged entity this time. Sesa Goa’s stock ended in the green at ₹87.35, up 0.8 per cent. However, Sterlite’s stock, which rose initially, came under pressure during closing hours in line with the broader market.

Meanwhile, though outlook for the iron ore business remains weak for Sesa Goa, analysts see the stock gaining due to valuation of the combined entity and gains from being present across diverse businesses — ferrous, non-ferrous, oil and gas. For Sterlite, while its current stock price shows the swap ratio is favourable, more important is that higher volumes on account of commissioning of new capacities will support its performance in FY13.

Sesa Goa

With the iron ore mining ban continuing in Karnataka and no respite yet, Sesa Goa continues to suffer as it has around six million tonnes per annum (MTPA) mining capacity in the state. Further, in Goa, where the company has a little more than 15 Mtpa capacity, the logistics issues continue and Goa mining is also under a scanner. With prices also under pressure, the outlook for the iron ore business remains weak.

Even the Sesa management, in the annual report, has shown only cautious optimism on the iron ore business, saying Bloomber data, of 41 analysts polled, 30 had ‘buy’ ratings, 14 had ‘hold’ and just seven had ‘sell’ ratings on the stock (consensus target price is ₹215).

Sterlite Industries

The swap ratio of 5:3 — for every five shares of Sterlite, shareholders will get three shares of Sesa Sterlite — makes the Sterlite stock, now at ₹99, attractive (value of three shares of Sesa Goa at ₹87.35 each are worth ₹52.96), Sterlite Industries has reasonably good business prospects. The outlook for the copper business remains strong, as profitability depends on treatment and refining charges (OTC). Copper contributed 46 per cent to revenue during the March quarter.

Zinc and lead segments, which contributed 37.7 per cent to revenues during the quarter, are the major profitable segment and contributed 59 per cent to the March quarter’s earnings before interest and tax. Though global prices have fallen, the outlook remains strong as zinc and lead mining capacity has been expanded by 10 per cent to 1.064 Mtpa, which should help expand volumes of these metals. The 350-tonne per annum silver refinery, commissioned in the December 2011 quarter, will result in a three-fold rise in total capacity to 50 tonnes per annum and drive silver volumes in FY13.

The smaller aluminium segment that contributed eight per cent to gross revenues remains a cause of concern, looking at weak prices. Also, though Balco’s 1,200 Mw power plant is shortly to be commissioned, analysts remain concerned on coal supplies.

Overall, most analysts remain positive on the stock. Ravi Deshpande at Elara Capital says that at current levels, the stock is trading at attractive valuations. Analysts at Motilal Oswal Securities had arrived at a sum of the parts (SOTP) price target of ₹143 in their report after the March quarter results. Bloomberg data also shows a consensus price target of ₹129 for the stock.

Sesa-Sterlite

The Vedanta group expects to complete the formation of the combined entity, Sesa Sterlite — comprising Sesa Goa, Sterlite Industries, Madras Aluminium, Sterlite Energy and Vedanta Aluminium, as well as its 38.8 per cent stake in Cairn India — by the end of calendar year 2012. The merger of VAL in the combined entity was being looked at with scepticism in February, at the time of announcement of the merger, since it brought a debt of ₹5.9 billion. However, its 38.8 per cent stake in Cairn India is also coming to Sesa Sterlite. Sesa Goa already had a 20.1 per cent stake in Cairn, which would bring Sesa Sterlite a controlling stake of 58.9 per cent in Cairn and, hence, presence in a lucrative segment (crude oil).

Though Sesa Sterlite would end with total debt of ₹14 billion, Giriraj adds that all these concerns already remained factored in. The combined cash flows should also be sufficient to service this debt and bring it down in the longer run.

In terms of valuations, analysts at Motilal Oswal Securities had observed that the merged entity, Sesa Sterlite, is trading at 4.6 times FY13 estimated EPS and at an enterprise value of 4.4 times FY13 estimated Ebitda (earnings before interest, taxes, depreciation and amortisation). While their SOTP value for Sesa-Sterlite stood at ₹192, an analyst peg the value at ₹207.

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Giriraj Daga at Nirmal Bang Institutional Equities. He, however, assigns a ‘buy’ rating to the stock, taking into consideration the combined entity’s valuation (a major portion of the valuation is driven by Cairn India and Hindustan Zinc), with a target price of ₹230, slightly lower than his earlier target price of ₹241. From
Nod for Sesa Goa, Sterlite merger

FORMING A GIANT

New firm would be called Sesa-Sterlite

HT Correspondent

NEW DELHI: In what would pave the way to the formation of one of the world's largest natural resources company, shareholders of iron ore firm Sesa Goa has approved the merger of the company with group firm Sterlite Industries betraying market expectations of some opposition, sa.

While 91.7% of the Sesa Goa shareholders present at last week's meeting in Goa voted for the merger, 92% of Sterlite Industries' shareholders approved the deal. The latter had voted on June 21 in Tuticorin, Vedanta said in a release.

After the merger, Anil Agarwal-led Vedanta Resources will hold 58.7% stake in Sesa-Sterlite. As per the arrangement, Sterlite shareholders will get three shares of Sesa Goa for every five shares held according to the swap ratio. Cairn India, Hindustan Zinc, Balco, Vedanta Aluminium, Madras Aluminium, Talwandi Sabo Power and Australian Copper Mines will become subsidiaries of Sesa Sterlite after the restructuring. Only Konkola copper mines of Zambia would stay out of the restructuring.

The company had first announced its plans to restructure its operations in February. It would result in a cost saving of ₹1,000 crore annually, it had said. This is second restructuring exercise being attempted by the Vedanta which had yielded results, as its first attempt in 2008 had failed due to objections raised by some minority shareholders over valuation of a group firm, Konkola Copper Mines.

Shares of Sesa Goa reacted to this news and were up 0.8% to ₹87.25 while shares of Sterlite was down 0.5% to ₹99.15.
Sesa, Sterlite merger creates 7th largest resources player

fe Bureau
Mumbai, June 25

LONDON Stock Exchange-listed Vedanta Resources moved a step ahead to merge its Indian subsidiaries to create a diversified mining and metals group. On Monday, iron ore miner Sesa Goa and copper-to-aluminium maker Sterlite shareholders approved creating the $14.5-billion Sesa Sterlite, the seventh-largest natural resources company by operating profit.

Sesa Goa said 91.70% of its shareholders, representing 79.12% of votes, approved the merger of Sterlite, Madras Aluminium and Vedanta Aluminium with itself, despite opposition from FII Franklin Templeton which owns 12.5%, 92% of Sterlite shareholders, too, voted for the merger with Sesa Goa. Vedanta now needs approval from the Foreign Investment Promotion Board (FIPB).

Sesa Sterlite will own iron ore, oil & gas, aluminium, power, zinc and copper — insulating it from the cyclical nature of commodities and global volatility, besides saving ₹1,000 crore a year through synergies.

Vedantachairman Anil Agrawal had said on February 25: “Sesa Sterlite will be the principal operating company and with its high quality assets, growth projects and strong management, it will be well placed to create value for all shareholders."

Sesa Goa rose 0.78% to ₹187.35 on the BSE while Sterlite fell 0.50% to ₹99.15. The market value of the merged entity at ₹49,513 crore has overtaken rival Hindalco’s ₹21,968 crore at Mondays’ price.

Vedanta expects the combined entity to earn more than $10 billion revenues a year, while operating profit is expected to be more than $5 billion.

Under the new structure, Sesa Sterlite will own 58.9% in Cairn India and full control in VAL and MALCO, but with rise in debt. The company’s consolidated gross debt will be $13.5 billion with an average interest cost of 8% raising analysts concerns. Vedanta’s debt will fall 61% to $3.8 billion.

“The consolidated entity would have to refinance its debt transferred from Vedanta as its cash flow will be lower than the debt servicing required over the next two years,” said Tarang Bhande of IIFL in a research note on February 28. “High debt is one of the key risk to Sesa Sterlite. Dewang Sanghavi, analyst at ICICI Securities said in a note on February 28. But, some analysts say the company can service debt without much pain.

“The debt is not much of a concern as the company will also get a lot of operational assets with which they would be able to service the debt,” said Raksh Arora, head of securities at foreign brokerage Macquarie Capital Securities in an earlier interaction with FE.

Although the merger creates a large diversified natural resources company, Sesa Sterlite would still have to overcome several risks to deliver the performance promised by the Vedanta management.

The group has a number of significant expansion plans for its existing operations and planned Greenfield projects, which involve significant capital expenditure, Vedanta told its shareholders. “Any delay in completing planned expansions may have a material adverse effect on the Group’s businesses, operating results, financial condition and/or prospects.”
Concerns over Europe debt crisis spur demand for gold

Bloomberg
June 25

Gold gained for a second day in New York as concern about Europe’s debt crisis spurs demand for the metal as a protection of wealth.

The Euro Zone is not any closer to solving the debt crisis engulfing the region, analysts at ETF Securities Ltd. wrote in a report. Investors appear to be building their gold positions to hedge against continued government failure to find solutions.

Gold for August delivery rose 0.1 per cent to $1,569.20 an ounce by 8:01 a.m. on the COMEX in New York. Gold has dropped 6.1 per cent since the end of March, the worst quarterly performance since the three months to June 2004. Bullion for immediate delivery was 0.2 per cent lower at $1,568.57 in London.

The metal is up 0.2 per cent this year after 11 consecutive annual increases. Holdings in gold-backed exchange-traded holdings increased 37.5 tonnes this month, the most since November, and are about 11.1 per cent from the all-time high set in March, data compiled by Bloomberg show.

Silver for September delivery was little changed at $26.745 an ounce.

Palladium for September delivery rose 0.3 per cent to $608.95 an ounce for a 6.9 per cent quarterly loss. Platinum for October delivery was little changed at $1,436.60 an ounce. It slipped 14 per cent this quarter.

BULLION RATES

Mumbai: Silver spot (999 fineness): Rs 55,435; standard gold (99.5 purity): Rs. 39,050; pure gold (99.9 purity): Rs. 29,985.

Chennai: Bar silver (a kg): Rs 52,795; retail silver (a gm): Rs 66.50; standard gold (for 10 gm): Rs 29,970; retail ornament gold (22 carat a gm): Rs 2,802.
Chinese spot buying boosts copper

Reuters

London, June 25

Copper inched up on Monday as European leaders agreed on a package to revive growth in the debt-burdened Euro Zone, which calmed markets and as some spot buying emerged in top consumer China, but worries about global economic performance persisted. Benchmark copper on the London Metal Exchange rose 0.3 per cent to trade at $7,335 a tonne in official rings.

On Friday it dropped 1.7 per cent to six-month lows of 7,219.50 before paring losses to end the session down 0.4 per cent at $7,310.

Limited copper restocking by Chinese investors, designed to exploit a favourable arbitrage between London and Shanghai, supported prices, but LME copper's fall to a six-month low on Friday showed markets were still worried the problems faced by Europe, the United States and China might crimp demand for metals.

In other metals, aluminium traded at $1,858.50 from $1,861.

Tin traded at $18,795 from $18,675, while zinc, used to galvanize steel exchanged hands at $1,802 from $1,806 at Friday's close.

Battery material lead traded at $1,805 from $1,816 and nickel at $16,410 from $16,575.
Sesa Goa’s Merger with Sterlite Gets Approval of Shareholders

Large number of invalid votes brings to focus need for corporates to switch to electronic voting

OUR BUREAU

MUMBAI

The merger proposal of Anil Agarwal-promoted Vedanta Resources flagship firms Sesa Goa and Sterlite Industries managed to scrape through after a large number of votes were found invalid at the court-convened meeting.

The two flagship companies secured from shareholders the requisite majority and now it is only a formality to obtain the rest of the approvals for the merger which will in its wake create a new entity called Sesa Sterlite.

But the huge number of invalid votes cast in the secret ballot by "sophisticated institutional investors" was not expected. It set alarm bells ringing and brought to focus the crying need for corporates to switch to electronic voting at the earliest.

"Some votes, both in favour of the merger and against it, were declared invalid primarily on account of invalid proxies. Each such proxy was subjected to independent thorough checks as per the provision of law and well established practices," a group spokesperson explained.

In the recent Union Budget proposals, the two depositories NSDL and CDSL were shortlisted to facilitate electronic voting, to encourage transparency and better participation.

Vedanta officials have been trying to explain the intricacies of the deal to analysts and investors. "It was an outcome we had expected," said a senior Vedanta Resources official.

"We've been having endless meetings with shareholders and have explained to them the benefits of the merger, including the widening of the portfolio for Sesa Goa, which has been facing problems due to external factors," he added.

In a statement to stock exchanges, Sesa Goa on Monday announced that in the merger vote with Sterlite, 91.7% in number and 79.1% in votes in value voted in favour of the merger. Among Sterlite shareholders, 92.3% in number and 79.1% in value voted in favour of the merger.

There were a high number of invalid votes in both votes. There were 67 invalid votes (8% of valid votes), which came as a surprise, in the merger vote with Sterlite, including 12 for and 55 against the merger. In terms of value, this represented 3.3 crore (6% of valid vote value) shares, including 85 lakh shares for and 2.4 crore shares voted against the merger.

"Assuming all valid and invalid votes, the percentage of those valid votes voting for the merger was 85.3% in number and 75.2% in value, just higher than the threshold mark of 75% in value terms," Rahul Jain, analyst at Royal Bank of Scotland, wrote on Monday in a research report titled 'Vote marginally scrapes through'.

Sesa Goa told stock exchanges that 91.7% in number and 79.1% of votes in value voted in favour of the merger.
Stemcor’s Iron Ore Project in Odisha Gets ₹900-crore Funding

TheIL&FS-led consortium’s move sparks hopes of a revival in lending to large mining projects

A consortium of lenders led by IL&FS have agreed to provide ₹900 crore to an iron ore project in Odisha promoted by UK-based trading major Stemcor sparked hopes of a revival in lending to large mining projects.

The mining sector has recently taken a hit with government and Supreme Court investigations into illegal mining.

Non-banking finance companies (NBFCs), such as Indostar Capital, Tata Capital, Birla Finance, and IFCI are the other members of the IL&FS consortium. Brahmani River Pellets, a wholly-owned subsidiary of Stemcor UK, is executing the project.

This is one of Stemcor’s largest projects in India and includes a beneficiation plant, a 230-km pipeline and a four-million-tonne pellet plant that will partially feed the ore requirements of greenfield companies such as Tata Steel Odisha, Jindal Stainless, Mesco, and Neelachal Ispat.

“Obviously, the fundamentals of the project have given comfort to the lenders who have been very reluctant to lend to the mining industry,” said Stemcor managing director Mathew Stock. “The parent company’s guarantee to the project also sends the right signal to the institutions,” he added.

Pellets are typically formed out of low-grade iron ore fines to be used in blast furnaces directly.

Under the terms of Stemcor’s project, about 5 million tonnes of iron ore fines will be beneficiated to produce about 4 million tonnes of concentrate. The fines will be sourced from the mines of MidEast Integrated Steel, Essel Mining and KN Ram from Barbil and transported through a slurry pipeline to Kalinganagar where about six greenfield projects are being built. MidEast would be the major supplier of iron ore fines and shall fulfill about 50% of the requirement, while the balance will be sourced from the other mines.

Stemcor’s pipeline will pass through relatively safe areas, unlike Essar Group’s similar pipeline that was laid in the Maoist-hit areas of Chhattisgarh and was prone to a number of attacks leading to supply disruptions. “Most approvals from government agencies are in place,” said a senior official of one of the lenders who did not want to be named. “The pipeline is on track which will be ready in three months,” he added. Banks in India, hit by rising number of corporate defaults, have restricted lending to various sectors, including mining, in recent times.

A Silver Lining

Other banks in the consortium, NBFCs like Indostar Capital, Tata Capital, Birla Finance, and IFCI etc.

Project details

Executed by: Brahmani River Pellets, a wholly-owned subsidiary of Stemcor UK

The project includes:

- A beneficiation plant
- A 230-km pipeline
- A 4-MT pellet plant that would partially feed the ore requirements of companies like Tata Steel Odisha and Jindal Stainless
- A 5 MT of iron ore fines will be beneficiated to produce about 4 MT of concentrate

Banks have been reluctant to lend to mining projects

Value of Corp Loans banks have been reluctant to lend to mining projects

Value of Corp Loans: ₹6,000 crore

200%
JSPL eyes buyouts despite setbacks

Pankaj Doval | TNN

New Delhi: Despite setbacks in Bolivia and Australia, Jindal Steel and Power (JSPL) has said it is “actively considering” acquisition opportunities in India and abroad in its hunt for natural resources. JSPL will continue to look for propositions that go well with the company’s overall growth plans.

“We are open (to acquisitions) and are actively considering some,” Sushil Maroo, CFO, told TOI. “There are some good assets available in India and we are examining some of these to see if they fit our parameters. We can look at various aspects when making an acquisition. Can the company be turned around; or are there any raw material linkages; or what is the size of the company; or whether it has the necessary infrastructure.”

The company can spend up to Rs 3,000-4,000 crore for buys. “We are not highly leveraged and have enough cash flow,” Maroo added.

However, despite its aggressiveness, some of JSPL’s moves have not been successful. It’s most ambitious effort — a $2.1-billion investment plan in Bolivia — is on the rocks and the company warned earlier this month that it may have to scrap the steel project as the Bolivian government has not met contract terms that include supply of natural gas for the project. The company has served its “intent to terminate the contract” and the Bolivian government has 30 days to resolve the issues.

In Australia, its three-year-long takeover battle for listed Australian coal explorer Rocklands Richfield has ended after the foreign company’s senior management accepted a bid by China’s Linyi Mining Group, which is a wholly-owned subsidiary of Shandong Energy. China’s fifth-largest coal producer, Linyi Mining owns about 20% in Rocklands, while Jindal Steel has 27.8% stake.

Maroo hinted that with the Chinese company emerging a favourite with Rocklands Richfield’s management, JSPL may quit the race. “We will have to take a call. We can give it (JSPL’s holding) to the (new) buyer or hold it,” he said, adding, “We are open to sell it to the buyer. Normally, we do not like to be a financial investor.”

Maroo said there are not many big-ticket acquisition targets in the domestic market. “There are some mid-size companies which are struggling in states like Chhattisgarh, Jharkhand and Orissa.” However, he did not give details.
Sesa, Sterlite merger creates 7th largest resources player

ENS ECONOMIC BUREAU
MUMBAI, JUNE 25

LONDON Stock Exchange-listed Vedanta Resources moved a step ahead to merge its Indian subsidiaries to create a diversified mining and metals group. On Monday, iron ore miner Sesa Goa and copper-to-aluminium maker Sterlite shareholders approved creating the $14.5-billion Sesa Sterlite, the seventh-largest natural resources company by operating profit.

Sesa Goa said 91.70 per cent of its shareholders, representing 79.12 per cent of votes, approved the merger of Sterlite, Madras Aluminum and Vedanta Aluminum with itself, despite opposition from FII Franklin Templeton which owns 12.5 per cent. 92 per cent of Sterlite shareholders, too, voted for the merger with Sesa Goa. Vedanta now needs approval from the Foreign Investment Promotion Board.

Sesa Sterlite will own iron ore, oil & gas, aluminium, power, zinc and copper — insulating it from the cyclical nature of commodities.

Vedanta chairman Anil Agarwal had said on February 25, “Sesa Sterlite will be the principal operating company and with its high quality assets, growth projects and strong management, it will be well placed to create value for all shareholders.”

Sesa Goa rose 0.78 per cent to Rs 187.35 on the BSE while Sterlite fell 0.50 per cent to Rs 99.15. The market value of the merged entity at Rs 49,513 crore has overtaken rival Hindalco’s Rs 21,968 crore at Mondays’ price. Vedanta expects the combined entity to earn more than $10 billion revenues a year, while operating profit is expected to above $5 billion.

Sesa Sterlite will own 58.9 per cent in Cairn India and full control in VAL and MALCO but with rise in debt. The company’s consolidated gross debt will be $13.5 billion with an average interest cost of 8 per cent. Vedanta’s debt will fall 61 per cent to $3.8 billion.

“The consolidated entity would have to refinance its debt transferred from Vedanta as its cash flow will be lower than the debt servicing required over the next two years,” said Tarang Bhanushali of IIFL in a research note on February 28.
नाल्को ने अल्युमीनियम बिक्री सोदा किया

भवनेवर • सार्वजनिक क्षेत्र की कंपनी नेशनल अल्युमीनियम कंपनी (नाल्को) ने 8,000 टन अल्युमीनियम इंगट को चिह्नित कॉर्ट, इंडियाना पैंट फ्रेंट (सीआईआईएस) चार्ज चार्ज पर की है। यह चिह्नित गैरआधार लॉवर एंड एक्सचेंज के केंद्रीय भाव के साथ 203 डॉलर प्रति टन प्रीमियम पर हुआ।

नाल्को के फोर्मलिशन डायरेक्ट अनुसूची के अनुसार वुल्फस फहरस के बीच दुसरे के खरीदार को अल्युमीनियम को सत्यां आठ सौ (प्रत्तियुक्त 1,000 टन) में की जाती है। इस महीने के शुरू में नाल्को ने 180 डॉलर प्रति टन प्रीमियम पर दुसरे के खरीदार को 4,500 टन अल्युमीनियम इंगट बेचा था। नाल्को का बिक्री मूल्य वैल्यूमॅर्क के रूप में माना जाता है।