No bright spots

Slim chances of volume growth amidst increasing cost profile

We are downgrading Sesa Goa (Sesa) to Sell. As we have highlighted earlier, if the CEC (central empowered committee) recommendations are accepted, it will take Sesa’s Narraimines at least 5-6 months to restart and production is not likely to exceed around 3.5 million tonnes (overall production from Chitradurga-Tumkur being capped at 5 million tonnes). The recent newsflow regarding a possible restructuring of the Vedanta group is an added overhang. Reduced scope of any near-term volume growth, increasing cost profile, and no clarity on possible restructuring from the management, trigger our downgrade to Sell from Reduce with a target price of ₹192.

Street overly optimistic on Karnataka: The company’s Narraimines have been placed in Category ‘B’, as per the CEC recommendations. Our ground research suggests that it will take at least 5-6 months to restart production, as the company will have to adhere to a new mining plan coupled with a lower production limit for Chitradurga-Tumkur 5 million tonnes.

What possible impact on production is expected in Goa? There will be volume impact on account of two reasons. (i) Indian Bureau of Mines (IBM) has reduced the cut-off grade for reserves to <45% Fe and Goan mines (probably including Sesa, though we have not confirmed the same with the management) have sold ore exceeding their environmental clearance. This volume needs to be streamlined. A similar process is underway in Karnataka, and (ii) the issue of contract mining is being looked through in detail, as contract mining is not yet legally defined in the Mines Regulation Act of 1960 and has not been addressed even in new MMDR (Minerals Development & Regulation) draft.

Realisations to trend down in Q4FY12: Sesa and NMDC, both reported higher realisations in Q3FY12, contrary to the trend observed in iron ore prices globally. We believe that realisations would go down sequentially, as NMDC has already announced price cuts for Q4FY12 and the effect of global prices come with a lag of one quarter.

Downgrade to Sell: The compelling case of base business valuation no longer holds at current levels. Neither is there any growth case which can be built on the base business (based on issues which we are witnessing in Karnataka and the possible implications that Goa can face), nor is there any assurance that minority shareholders will continue to enjoy the cash dividend from Cairn, given the recent media speculation around the group restructuring. Downgrade to Sell with a target price of ₹192.

- ICICI Securities
Vedanta creates Sesa Sterlite

Mumbai, Feb. 25: Anil Agarwal-led Vedanta group is merging Sesa Sterlite Industries (India) Ltd into Sesa Goa in a major restructuring move aimed at creating a single holding company and one operating entity in the group.

Post merger, shareholders of Sterlite will receive three Sesa Goa shares for every five held by them.

The restructuring will also encompass the consolidation of Vedanta Aluminium or VAL into the new merged entity called Sesa Sterlite and the transfer of a 38.8 per cent shareholding held by group holding company Vedanta in Cairn India to the new entity. This apart, MALCO will be merged with Sesa Sterlite.

The merger will create a Rs 66,451 crore entity straddling across assets such as zinc, iron ore, oil and gas, copper, aluminium and power. It will be the world's seventh largest diversified natural resources company by EBITDA (earnings before interest, tax, depreciation and amortisation).

Speaking to reporters here today, Anil Agarwal, chairman of the Vedanta group, said one of the key objectives behind the merger was to simplify the structure within the group.

"Whenever we went to investors, there was a huge demand to consolidate and simplify," he said, adding that because of this latest exercise, there would be one holding entity (Vedanta Resources Plc) and one operating company — Sesa Sterlite.

Agarwal added that apart from simplification of the group structure, the merger will also lead to significant synergies of up to Rs 1,000 crore per annum. The transaction is expected to be completed this year.

While the merger of Sterlite into Sesa Goa was a bit of a surprise as the markets were expecting the latter to be merged into Sterlite, senior officials from the group hinted that this was partly because of regulatory requirements.

Sesa Goa, they said, held numerous leases and in the event of a merger with Sterlite, they would have to go through the entire process of seeking approvals for the transfer.

However, there was another surprising element that also brought some concerns to the fore.

The restructuring includes the consolidation of sell-out Sesa Sterlite. VAL is now a subsidiary of Vedanta Resources.

The worry here is that this merger will bring more debt into the books of the merged entity. Close to Rs 19,982 crore of gross debt from VAL alone will come to the books of Sesa Sterlite.

Moreover, while Vedanta will transfer its 38.8 per cent direct shareholding in Cairn India, the associated debt of $5.9 billion taken by Vedanta to finance the acquisition of Cairn will come to the new entity.

After the transfer of Vedanta's direct holding in Cairn India, Sesa Sterlite will have a 59.9 per cent shareholding in Cairn India.

The gross debt in the books of Sesa Sterlite is estimated to come to around Rs 67,717 crore, including the existing debt of Sesa Goa and Sterlite. However, after including cash and current investments, the net debt position of the merged entity is placed at Rs 36,036 crore.

Agarwal and his senior management team comprising PK Mohan, CEO of Sesa Goa, and Tarun Jain, group director (finance), however, averred that the jump in debt should be seen in the context of the world-class assets that would come into Sesa Sterlite. For instance, VAL is setting up a 2.6-million-tonne integrated aluminium plant that also comes with a power unit.

"These assets are extremely difficult to replicate and the capital cost of setting up such an asset itself would have gone up," Agarwal said.

Jain also added that the $5.9 billion debt had been raised at an attractive interest of 5.2 per cent and that the outgo on this would be only $600 million.

Analysts here opined that the transaction would be beneficial for Vedanta with its debt levels coming down because of the transfer.

"The restructuring was necessary, especially after the acquisition of Cairn India, because it was a large acquisition and they needed to do things in a more organised way in India," said Jagannadh Thanuguntla, head of research at SMC Investments and Advisors, in New Delhi.

While the restructuring will see the merger of MALCO, which is one of the largest power suppliers in Tamil Nadu, with Sesa Sterlite, Sterlite Energy and VAL's aluminium business will also be merged into the consolidated entity.

Responding to queries, Agarwal said the group was looking to acquire coal assets and that it intended to participate in the auction of large coal blocks in the country.

"Value accretive"

This is the group's second effort to overhaul its structure. A similar exercise in 2008 was aborted after investors opposed the plan.

On Saturday, Vedanta sought to reassure its minority shareholders by saying the restructuring would be earnings-accretive in the first year itself.

The group expects cost savings of $300 million a year from the restructuring, vice chairman Naveen Agarwal told analysts in a conference call.

"Abroad of the announcement, shares in Sterlite, valued at $7.9 billion, closed 3.1 per cent higher in a weak Mumbai market on Friday," shares of Sesa, valued at $4 billion, closed down 0.2 per cent.
**SUMMING UP THE PARTS**

<table>
<thead>
<tr>
<th>T coin</th>
<th>Key financials</th>
<th>Sesa Goa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterlite</td>
<td>Indus.</td>
<td>Calm</td>
</tr>
<tr>
<td>Revenue</td>
<td>62,704</td>
<td>11,364</td>
</tr>
<tr>
<td>Ebitda</td>
<td>10,128</td>
<td>9,586</td>
</tr>
<tr>
<td>Net income</td>
<td>2,995</td>
<td>5,476</td>
</tr>
<tr>
<td>Gross debt</td>
<td>4,413</td>
<td>12,263</td>
</tr>
<tr>
<td>Cash &amp; investments</td>
<td>141</td>
<td>21,546</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>-9,181</td>
<td>-6,459</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>-201</td>
<td>1,000</td>
</tr>
<tr>
<td>Net debt/Ebitda (x)</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Net debt/Equity (x)</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Debt service coverage</td>
<td>15.0</td>
<td>20.0</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>325</td>
<td>-705</td>
</tr>
<tr>
<td>Return on assets (%)</td>
<td>2,995</td>
<td>6,643</td>
</tr>
</tbody>
</table>

**GLOBAL COMPARISON**

<table>
<thead>
<tr>
<th>High cap Stock</th>
<th>Earnings (Rs.</th>
<th>Market cap</th>
<th>EPS (Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BHP</td>
<td>11,364</td>
<td>29,963</td>
<td>0.9</td>
</tr>
<tr>
<td>WE</td>
<td>18,330</td>
<td>31,330</td>
<td>0.9</td>
</tr>
<tr>
<td>Sesa</td>
<td>11,364</td>
<td>29,963</td>
<td>0.9</td>
</tr>
<tr>
<td>Agio-American</td>
<td>18,330</td>
<td>31,330</td>
<td>0.9</td>
</tr>
</tbody>
</table>

**In conclusion**

The conclusions drawn from the analysis indicate that Sesa Goa’s financial data is comparable to its peers in the industry. However, the company’s debt redemption ratio and coverage of debt service are quite healthy, indicating a good financial standing. The ROE and ROA metrics suggest a strong potential for growth. The company’s stock is undervalued compared to its peers, providing a good opportunity for investors. The dividend yield is also attractive, providing a steady income stream. Overall, Sesa Goa can be considered a good investment for long-term growth.
NMDC to grab mines window after Supreme Court cancels licences

BS REPORTER
Hyderabad, 26 February

Public sector miner NMDC Limited has got an unforeseen domestic opportunity, especially in Karnataka, in the light of the final report on illegal iron ore mining submitted by the Central Empowered Committee (CEC) to the Supreme Court early this month.

The CEC has classified the over 150 mines in Karnataka, where iron ore production had been stopped on the directives of the apex court, into three categories. Of this, close to 50 mines categorised under class-C for alleged gross violations have been recommended for cancellation.

The CEC has recommended resumption of operations under 45 mining leases in category A while suggesting a reclamation and rehabilitation programme for 72 mines that fall under class-B. “We could see some opportunity in class-C mines where the mining leases are expected to be cancelled. I have asked someone to find out what are these mines, how spread out they are and size and so on,” N K Nanda, chairman and managing director of NMDC, said here on Friday.

Though there is no clarity in the report as to what should be the way forward in case of mining leases facing cancellation, the Supreme Court may take a call in this regard after it resumes hearing in this case on March 2. NMDC is pinning hopes on one of the possibilities in which the court may entrust the operations of such mines to it.

“The Supreme Court needs to give directions as to what will happen to these mines that are going to be closed. Then the matter will go to the mines ministry for further directions. Lease allotments will be made by state governments; meaning, these mines will be delisted and again notified. Or the Supreme Court may give directions that NMDC should operate these mines or ask us to revive the mines in a scientific manner. Then we will have a role. But all this is a wild guess,” Nanda said.

Otherwise, the granting of fresh leases will take a natural course of law because no one can take a lease and give it to someone else just like that, he said.

However, Nanda added that they would be interested only in mines with reserves ranging from 80 to 100 million tonnes and above. All these class-C mines are all located in Bellary and Chitradurga regions in Karnataka. If they are small areas then they are not of much use for the company in terms of operational viability.

Usually, NMDC-operated mines are as big as 600 hectares each. “A mine with a reserve of 100 million tonnes is good for us. That is why we have always been asking the Government of India that it should give us mines having at least 100 million tonne reserves,” he said. NMDC produces 70 per cent of its annual capacity of about 32 million tonnes of iron ore from Bailadilla cluster in Chhattisgarh and the remaining comes from its mines in Karnataka.

To appoint due diligence firms

The company is set to appoint due diligence agencies this month as part of the preacquisition process necessary for rock phosphates assets of Mineskem, apart from the 970-million-tonne Ridley iron deposits of Atlas Mining — both in Australia — and the 1.5-billion-tonne coastal iron ore assets identified for acquisition in Brazil, Nanda said.
‘We’re not pushing for Balco’s residual stake very hard’

In 2008 when ANIL AGARWAL tried to restructure his Indian operations by creating business verticals, his investors reacted adversely to the circuitous route. That forced a rollback within a fortnight. This time around, the Vedanta Resources Chairman is confident that it’s a win-win for all, creating global scale and value. In an interview with Shubheshish, Malini Bhupta and Anjit Barman, he speaks about why he believes natural resources should be auctioned and how his next bet on coal will play out. Edited excerpts:

This restructuring exercise is seen as pitting Vedanta or now Sesa Sterlite directly against global resource majors such as BHP Billiton and Vale. Is that a deliberate attempt?

BHP Billiton has come out of Australia; Vale came out of Brazil and Anglo American of South Africa. It was absolutely imperative that an Indian natural resource player be seen as emerging. We need not one, but at least five such Indian companies. So, we have taken the first step where we can say to the world that we are an Indian natural resource player going global.

But, what about creating value? That’s the whole idea. A metals pure play has very less value. Vale has always suffered because of that. So they have now added coal, copper, etc, to have a mixed basket and diversify. As an Indian company, we have really large capacities but internationally we are still small. We have only created a foundation for taking off. We still don’t want to lose our identity of being Indian.

But, where will the next phase of growth come from? The capex has already been spent. We have to still enhance our capacities. Coal is one area we are looking at very seriously. But apart from that, in the oil and gas sector there is tremendous potential to grow, both here as well as abroad. The same for iron ore; the growth potential is in India and abroad. We have already spent $6 billion on expansion plans. We will continue to be the lowest cost producer in metals. That is our focus. We are not looking at acquiring companies at the moment, except if the government auctions coal blocks, we will look at it.

Are you looking at downstream business, too? Like an oil refinery or in aluminium or even a steel plant?

I think we are very comfortable to stay focused on oil exploration and aim to raise capacities in the crude oil business. On the iron ore side, I have always said that we don’t understand the steel business. But, it is important to be a part of the steel business. So if somebody is putting up a big steel plant, we would like to take equity part in that. It will be a win-win situation for both of us. We can supply the iron ore and also be equity partners.

What will be your revenue mix? Will it be more from India or will your global aspirations make you focus more on markets outside?

I think 60-70 per cent will still be India-driven. And, going forward, it can grow more.
**From Page 1**

**Not pushing for...**

But, why will anybody partner you? Big players would want to do it alone and smaller players will feel threatened. Look at BHPL Billiton, they take equity in steel mills. Rio Tinto and Vale also pick up equity stakes in steel companies. It's a strategy, I don't think it's a threat to any of the partners.

**Sesa Goa went ahead and bought Bellary Steel. It is now in litigation with JSW Steel but what was the rationale behind that move?**

We thought something was available and it was in Karnataka, where Sesa Goa has its iron ore mines. There are so many foreign companies from Brazil, Korea, etc looking to enter India to build steel plants. So we want to be ready as we can offer them this land and iron ore from our mines.

Where do you discussions with the government for the residual stake sale in Balco and Hindustan Zinc stand today? We are very comfortable having the government as a partner. But, they want to sell and asked us for our offer. So we have given them our offer. We are still having discussions.

What was your offer to the government this time around? We have given them the formula that was part of the deal when we bought the two firms.

But that seems to be the bone of contention, the government's argument being the formula is not relevant today as the fair market value of the companies is very different now. I think they also want to sell it. But, we are also not pushing it very hard because it requires large sums of money.

So, how important is Balco in your scheme of things today, given that you have significant capacities lined up in aluminium outside the company? It is not important.

So, would you consider divesting your stake in Balco? We will buy our stake. We have 3 mt capacity and the vision is to create the largest aluminium capacity with the lowest cost. We are not in the business of selling and buying companies. Balco and Vedanta Aluminium together with Sterlite create huge synergy. In every business, there are partners. So here, the government is the partner. If a partner decides to remain in the business, you can't force it out.

But, what about growth? We have been able to raise equity on the same basis. There is definitely pressure as they (government) don't align with our equity, but it doesn't matter. If you look at HZL alone, it's a $13-14 billion company. It was just $1 billion earlier and has come all the way to this. The government has never got this kind of upside.

Everybody thought, Sesa Goa would merge into Sterlite, as Sterlite is the bigger company. But you did the opposite. Why? We appointed the best of lawyres, chartered accountants, etc. They did a good job and came out with this scheme which is a win-win. My only instruction was — keep the last shareholder of the company in mind.

In Sesa Sterlite, coal is the only missing link. So, will you look globally or focus on India? Large coal mines in countries such as Colombia, Brazil, etc make sense as the valuations are lower. Australia has become very expensive. My preference is India. When the government auctions the coal blocks, we will look at it. What is happening is that currently 95 per cent of the coal is coming from just one company, Coal India. There have to be more companies supplying coal. As and when the coal block auctions happen, we will certainly look at it.

You think the roadblocks for you in the oil and gas sector are over? The Prime Minister personally told me that we need 10 more players. If you have an open and transparent policy, then foreign companies would love to come to India. I think the entire resources sector should be based on the auction model, or revenue model. In this business, we need more companies, we need big players to come in and put in big money.

But, you are a rank outsider in the oil and gas business and there is already one big established player in the private sector. Going by the issues that the telecom industry has seen, likecrony capitalism,do you expect to face similar obstructions or resistance? We have found no hindrance in our operations. The system works, the government works. We are prevalent in many states and we are very friendly with them. But for something very different like licences, etc, it's a very different thing as one has to take various approvals.

Cairn India earlier was forced to restrict its operations within India. How do you now make it a global oil exploration company? We have unshackled Cairn. Earlier they were restricted. Now we want to take them to go wherever there is an opportunity. They have already gone to Sri Lanka. Going forward, wherever there is an opportunity of growth in Africa, Asia or Latin America, Cairn will pursue it.

Like Reliance, are you open to roping in a bigger oil company to partner Cairn? I don't know. But for growth, if it is necessary then we will do it.

There is no clarity on the management of Sesa Sterlite. How would the board structure be in the new company? In principle, we would like to have more of non-executive directors on the board. At the moment we have well-run Sesa Goa and Sterlite Industries. Probably, we could have a couple of managing directors for Sesa Sterlite. Each sector can drive its own business with its own management. It's still work in progress. But, I can answer that we will have more non-executive directors and more independent directors than the corporate governance norms.

Lastly, you have always believed in the India story. But keeping in mind the troubles you faced in Cairn, or you still face in Orissa, don't you feel India has judged you very harshly? It's a state of mind. There is no point getting emotional about it. One needs to be patient about these things. And I have learnt this over many years. Why get upset? People will realise the value we want to create in India.
दिसम्बर में 1499 कैरेट हीरे और 171 किलो सोने का खजन

नई दिल्ली (एप्सेंड)। दिसम्बर 2011 में देश में 171 किलोग्राम सोना और 1499 कैरेट हीरे के खजन के संबंध में इन मामलो में नवम्बर 2011 की तुलना में खजन उत्पादन 6.39 प्रतिशत अधिक रहा है।

शार्डिक वर्ष 2010 की घायल अपार्शी की कुछ में दिसम्बर 2011 में खजन उत्पादन में 3.77 प्रतिशत की दर्ज की गई है। दिसम्बर 2011 में देश में परम्परा और अन्य भागों के खजनों को छिड़कर कुल 17286 कैरेट रूपये के खजनों का उत्पादन हुआ। देश के कुल खजन उत्पादन सरकार में 94 प्रतिशत वाले हिलेस्टरी रहने वाले राश मुख्य मैकर्ली में कच्चा देल 5725 कैरेट रूपये, कच्चा 5292 कैरेट रूपये, लोहा व्यक्तिक 3227 कैरेट रूपये, फ्रांड़केसक 1430 कैरेट रूपये, श्रृंखला 363 कैरेट रूपये और पुष्प फल 286 कैरेट रूपये की भारदारी रही।

दिसम्बर 2011 में कोमोरो का उत्पादन 536 लाख तन, लिटमाल 37 लाख तन, एंडोसिक्स 3071 एक्सेसियो, कच्चा तन 52 लाख तन, खाफ्साउट 1111 हाइड तन, खोमाउट 343 हाइड तन, लोहा अधिकार 13 हाइड तन, लेज़ अधिकार 136 लाख तन, फ्रांड़केसक 181 हाइड तन, फ्रांड़केसक 156 तन, नवी पारम 203 लाख तन, सेकन्ड 171 किलोग्राम और सेक्शन 1499 कैरेट हीरे। वर्ष 2011 में देश का उत्पादन 47.41 प्रतिशत बढ़ा है जिसका का उत्पादन 26.77 प्रतिशत घट गया है।
एनएमडीसी 3 एजेंसियां करेगी नियुक्ति

ब्रेट • हैदरअबाद

सार्वजनिक क्षेत्र की कंपनी एनएमडीसी अब ही तीन विदेशी परियोजनाओं के लिए हिडु डिलीज़ेज़ के संचालन के लिए तीन अलग-अलग एजेंसियों की नियुक्ति करती है। एनएमडीसी के नए परियोजनाओं में हिस्सेदारी खारिज करना चाहता है। कंपनी के एक शीर्ष अधिकारी ने यह जानाया था।

एनएमडीसी के चेयरमैन एम्बॅक्यूएल शासकर (इनचार्ज) एन के नंद ने अपने समाधानों को बताया कि हम तीन परियोजनाओं में हिडु डिलीज़ेज़ के संचालन के लिए एजेंसियों की नियुक्ति करेंगे। वे 45 से 60 दिनों के भंडार अपनी रूपरेखा बनाने के लिए कर रहे थे। उन्होंने बताया कि भविष्य की हमारी यात्रा उनके निर्देश और मार्गदर्शन की भूमिका के बारे में विवरण देने की उम्मीद की।

उन्होंने बताया कि एजेंसियों की नियुक्ति ऑस्ट्रेलिया में एनएल ग्रुप के रिलीज़ ईंटरनैशनल और हिडुरेरिक, माइक्रोनीसिया मिलिटेंट के बोनर कोर्पोरेट डिजाइन तथा ब्राजील में एक अमरान और प्रोजेक्ट के लिए हिडु डिलीज़ेज़ के संचालन के लिए प्राप्त हुये। एनएमडीसी के पायसी हिस्सेदारी के साथ जोनार डिलीज़ेज़ में 50 प्रतिशत हिस्सेदारी खारिज करने के लिए विवरण बुनाई कर चुकी है जिसे ऑस्ट्रेलिया में सभी बड़े अंतर-निर्माण प्रोजेक्ट भीड़ों में से एक माना जाता है। इसमें 12 वर्षों के बीच 1200 ओवर टन का संचालन होने का अनुमान है। उन्होंने बताया कि हम साथी 24 वर्षों की समय ले जायेगा इसके अनुसार है कि एनएमडीसी ऑस्ट्रेलिया की इस कंपनी से इस उद्यान देने की आवश्यकता की आवश्यकता एवं
Wildlife gets a beastly treatment

WITH the BJP leaders, including the Forests Minister C P Yogeshwara, fighting for survival, conservation and wildlife protection has taken a backseat in Karnataka.

Since the last three years, rampant incidents of encroachment of forests, illegal mining and granite quarrying, promotion of tourism and development projects in critical wildlife habitats and their migratory paths, are forcing the endangered animals out of their home range.

It has become common for elephants and leopards to stray into villages and towns located along the periphery of the forests leading to an increase in human-animal conflicts. Elephants are being spotted even in big cities such as Bangalore and Mysore, an indication of the fragmentation of their habitats and corridors.

The government, rather than addressing the core of the problem, in an attempt to woo vote banks, is announcing higher compensation to victims of human-animal conflicts — farmers whose farms and crops are destroyed by the wildlife.

Karnataka, probably, has the highest number of wildlife experts and professional conservationists with field experience in the country. It is highly disappointing that the government has never involved them in addressing the wildlife related problems.
RESTRUCTURING MOVE

Vedanta’s residual stake buy plan awaits GoM decision

The company had submitted various options for buying the residual stakes in Balco and Hindustan Zinc

By Ruchira Singh
rchira.s@livemint.com

NEW DELHI

Vedanta Resources Plc’s proposal to buy the government’s remaining stakes in Bharat Aluminium Co. Ltd (Balco) and Hindustan Zinc Ltd is being studied and will be sent to a group of ministers for a final decision, two government officials handling the matter said.

“It’s with the committee of secretaries,” said one official, who declined to be named, adding that Vedanta has proposed to purchase the government’s 29.54% stake in Hindustan Zinc and 49% in Balco. “Ultimately, the group of ministers will decide.”

Increasing stakes in the two companies will allow Vedanta to take swifter decisions to expand Balco’s aluminium production capacity and give the holding company access to Hindustan Zinc’s cash reserves, analysts said.

At the same time, the stake sale will help the government raise some money for its Rs40,000 crore asset-sale target for the year to 31 March.

“Difficulties in valuations apart, the government is now ready in principle to sell their stakes in Balco and Hindustan Zinc owing to their fiscal deficit and disinvestment target pressures,” said Arun Kejriwal, director of Mumbai-based equity research firm KRIS. “Getting full control of the two companies will be good for Vedanta as they won’t have to get clearances for every operational move in the companies.”

On Saturday, Vedanta merged miner Sesa Goa Ltd with copper producer Sterlite Industries Ltd. Sterlite’s shareholders will get three shares of Sesa for every five held.

The merged Sesa Sterlite will own stakes in Hindustan Zinc, Balco, Cairn India Ltd, Vedanta Aluminium Ltd and some other companies.

The government had sold a 51% stake in Balco for Rs51 crore in 2001 and 64% in Hindustan Zinc for more than Rs300 crore in 2003 to Sterlite as part of an asset-sale programme to raise revenue.

Vedanta had submitted various options for buying the residual stakes in Balco and Hindustan Zinc, a plan pending since 2007 with one of the sticking points being valuation of the stakes, Mint reported on 25 January. Hindustan Zinc is publicly traded, but Balco is not.

A long-drawn-out arbitration process had prevented Vedanta from acquiring the government’s stake in Balco in the past few years.

“The government wanted our response and we have given it,” S.K. Roongta, managing director of Vedanta Aluminium, said in an interview. “The ball is in the government’s court.”

On Saturday, Vedanta Resources chairman Anil Agarwal told reporters in Mumbai that he expects to buy the remaining stakes owned by the government in the two companies by December.

“This is one of the critical steps to watch out for,” said Rakesh Arora, managing director and head of research, India, at Macquarie Capital Securities (India) Pvt. Ltd. “Because cash is getting accumulated in Hindustan Zinc and it has to be used.”

A Vedanta official, who declined to be identified, said shareholders of its group companies are likely to approve the restructuring, unlike in 2008, when stockholders rejected the company’s proposal to restructure the group into four companies that would have held the group’s copper, aluminium, zinc and lead, and energy assets.

The objective of the restructuring was consistent with its strategy to consolidate and simplify the group structure and eliminate cross-holdings, Vedanta said in a presentation. It has also been done to lessen cost of capital and to give access to capital, it said.

Vedanta would transfer its 38.8% stake and $3.9 billion debt in Cairn India for $1 to Sesa Sterlite, which would now own 58.9% in the oil explorer.

Shares of Sesa Goa are expected to decline on BSE on Monday, while Sterlite is expected to rise, said Jagannadh Thunuguntla, strategist and head of research at SMC Global Securities Ltd.

“Three shares of Sesa Goa would give a price of Rs80, while five shares of Sterlite would give a price of Rs90, so the holder of Sterlite shares would be at an advantage,” Thunuguntla said.

On Friday, shares of Sesa Goa fell 0.13% to Rs27.35 on BSE. Shares of Sterlite Industries closed at Rs118.65, up 3.17%. The benchmark Sensex fell 0.86%. 
NMDC to appoint consultants

Hyderabad: State-owned NMDC Ltd will soon appoint three agencies to conduct due diligence for three overseas projects in which it is looking to buy a stake, according to a top NMDC official.

“We will be appointing agencies to conduct due diligence for three projects. They will be submitting report in 45-60 days. Our future course of action will depend on their reports,” NMDC chairman and managing director (in-charge) N.K. Nanda said on Sunday. The agencies will be appointed to conduct due diligence for Ridley Iron ore deposit of Atlas Mining, Wonarah phosphate reserve of Minemakers Ltd in Australia and an iron ore project in Brazil, he said. PTI
Sesa Sterlite’s bloated debt a concern, merger benefits in the very long run

Vedanta Resources Plc’s decision to consolidate its Indian holdings is not surprising.

On occasion, these companies have operated in line with the group’s overall strategy. For instance, when Vedanta acquired Cairn India Ltd, it routed part of the acquisition through Sesa Goa Ltd, an iron ore miner. When Hindustan Zinc Ltd did not get the government’s (a co-promoter’s) permission for a large international acquisition, Sterlite Industries India Ltd stepped up. The listed companies have also invested in and lent to group companies.

Investors may conclude, based on the timing of the consolidation, that transferring debt from the group to the listed entity was the main objective. Between Sesa and Sterlite, the total net debt (excluding cash and liquid investments) is negative, that is cash exceeds debt by ₹4,900 crore. But Sesa Sterlite will start with a total net debt of ₹36,936 crore, mainly because of debt on Vedanta Aluminium Ltd’s books, and transfer of debt taken for the acquisition of Cairn. That is substantial and leaves the merged entity with a debt-to-equity ratio of 0.5:1. Last week, Sterlite’s shares lost 11.3% while Sesa was down by about 7.3%, as news of the impending merger spread.

Sterlite’s shareholders will get three shares of Sesa for every five held, or 100 shares of Sterlite worth ₹1,190 on Friday will be exchanged for Sesa’s shares worth ₹13,620. Thus, Sterlite’s shareholders are getting a premium of 14.4% for their shares. But this gap is because of last week’s price fall; if we take the share prices as of 17 February, the gap narrows to just 2.4%, making the merger ratio neutral.

In addition, Vedanta Aluminium and Madras Aluminium Co. Ltd will be acquired by Sesa Goa in an all-share transaction, for an equity valuation of ₹2,332 crore and ₹1,790 crore, respectively. Vedanta will also transfer a 38.8% stake in Cairn India for a nominal equity value of ₹1 although this stake brings with it a ₹5.9 billion debt burden. But Sesa Sterlite will get a 59% stake in Cairn, allowing it to consolidate its financials.

The immediate effect of the merger is to create Sesa Sterlite, a company with a revenue of ₹66,431 crore, Ebitda of ₹24,953 crore and a net profit of ₹10,971 crore for the 12 months ended December 2011. The company claims cost synergies of ₹1,000 crore a year. Now, the total net profit of Sterlite, Sesa, and 59% of Cairn’s profit comes to ₹13,314 crore. The consolidated entity’s profit is lower, chiefly because of the loss incurred by Vedanta Aluminium, and higher interest costs. Thus, investors are correct in reacting negatively to the immediate effect of this consolidation.

How could the consolidation benefit shareholders? Vedanta lists a simple group structure and easier access to funds as reasons. This could be important. The Vedanta group competes with global mining majors, who have consolidated through acquisitions. The integration makes it easier for Vedanta to fund global acquisitions. It may use that route to grow, as its iron ore mining business and greenfield aluminium operations in India have run into trouble. While one near-term benefit for Vedanta may be easier servicing of its debt obligations, it may use the group’s cash flows to further its inorganic growth ambitions. Over the longer run, the acquisition could pay off, if Vedanta Aluminium is able to achieve high utilization rates for its aluminium operations, as it will turn profitable, and its own cash flows will contribute to servicing its debt burden. In addition, if Sesa Sterlite makes any transformational acquisitions, using the enlarged balance sheet, shareholders may see the benefits of this consolidation.
Vedanta Resources merges two of its Indian entities

Promit Mukherjee

Putting rest to speculations, the Anil Agarwal-controlled Vedanta Resources Plc on Saturday formed the world’s seventh biggest natural resource company by merging two of its flagship Indian entities — Sterlite Industries and Sesa Goa.

According to the terms of the merger, aluminium and copper player Sterlite Industries will be merged with iron ore company Sesa Goa, at a ratio of 3:5. This means that the shareholders of Sterlite Industries will get 3 shares of Sesa Goa for every 5 shares held by the former.

The new company will be called Sesa Sterlite with an expected market capitalisation of $20 billion.

Anil Agarwal, chairman, Vedanta Resources Plc, said: “The idea behind the merger is to mitigate the risks attached to commodity cycles as now we will have a diversified portfolio spreading across oil and gas, iron ore, aluminium, copper, zinc, lead, silver and power generation.”

He said the transaction is EPS (earnings per share) accretive from day one for the shareholders of Sesa Goa, Sterlite and Vedanta.

Under the terms of the merger, Vedanta Aluminium, which is a drag on the balance sheet of parent company Vedanta Resources due to heavy losses, will be 100 per cent consolidated into Sesa Sterlite. Madras Aluminium Company will also be merged into the new entity. Besides this, the entire 38.80 per cent holding of the parent company in Cairn India will be transferred into Sesa Goa and the new entity will eventually hold 58.9 per cent shareholding in Cairn. This will also include the associated debt of $5.9 billion, at cost.
Overseas targets: NMDC to appoint 3 agencies for due diligence

Press Trust of India

Hyderabad, Feb. 26

State-owned NMDC will soon appoint three different agencies to conduct due diligence for three overseas projects in which it is looking to acquire a stake, according to a top official of NMDC.

“We will be appointing agencies to conduct due diligence for three projects. They will be submitting report in 45-60 days. Our future course of action will depend on their reports,” the NMDC Chairman and Managing Director (in-charge), Mr N.K. Nanda, told reporters on Sunday.

THE TARGETS

Agencies will be appointed to conduct due diligence for Ridley iron ore deposit of Atlas Mining, Wonarah phosphate reserve of Minemakers Ltd in Australia and an iron ore project in Brazil, he said.

NMDC has already entered into an exclusive agreement with Minemakers to acquire 50 per cent stake in Wonarah deposits, which are considered as one of the largest under-developed phosphate reserves in Australia, with an estimated resource of 1.26 billion tonnes at 12 per cent phosphate.

As the agreement will end by February 28, NMDC may request the Australian company to extend the deadline, he said.

The Ridley project, wholly-owned by Atlas Mining, contains 970 mt of high grade iron ore reserves and can produce 330 mt of ore over 30 years.

Mr Nanda, who is set to leave for Perth to attend the board meeting of Legacy Iron in which it recently acquired 50 per cent stake, said NMDC will be investing $15 million over a period of three years for the exploration activity that is going on at Legacy’s Mt Beven iron ore project.

“So far indications are good with regard to the exploration at Mt Bevan. We would make major investment after the exploration is over,” he said.
Mining sector turns less labour-intensive

Direct employment drops by a third to half a million

Vishwanath Kulkarni
Aditi Das Nigam
New Delhi, Feb. 26

It is a case of machine versus man. Increased mechanisation of mining operations is taking a toll on direct employment in the sector, with the number of people employed in the sector progressively dwindling.

The number of those directly employed has come down by about 30 per cent in the past 15 years to about half a million now. “Due to increased mechanisation, there has been a shift towards more capital-intensive mining forms than labour-intensive. This means, contrary to popular belief, the industry’s potential to generate employment will reduce further,” a Centre for Science and Environment report says.

The Indian Minerals Year Book 2010, brought out by the Indian Bureau of Mines, has pegged the average daily employment in the mining sector at 5.21 lakh persons for 2009-10. The public sector accounted for 81 per cent or 4.19 lakh employees, with the rest employed by the private sector. In 1995-96, the number of direct employees in the sector stood at 7.16 lakh.

INDIRECT JOB CREATION

The industry, however, believes the total number of people employed in mining would be much higher. “Every direct employment in the mines creates 10 indirect jobs in ancillary sectors,” said Mr R. K. Sharma, Secretary-General, Federation of Indian Mineral Industries (FIMI). But he acknowledges that the employment numbers could have come down in several pockets, such as Karnataka and Goa, in the last two years.

Following a crackdown on illegal mining in Karnataka and Goa, the sector has come to a standstill. The ban on mining in regions like Bellary on environmental grounds has rendered thousands of labourers jobless.

The workers unions, too, point to mechanisation and rising contractorisation for lower labour participation in the sector. “Almost 50 per cent of coal production is being done through contract labour, both in the public and private sectors,” said Mr Jibon Roy, General-Secretary of the Coal Workers’ Federation.

NO SAFETY NET

He said, despite the hazardous nature of mining, there are no safety measures. “State minimum wage payment, even for highly-skilled workers, healthcare or sanitation facilities in place. Conceding that mechanisation is here to stay, Mr Roy said no sector could remain healthy in the long run if production and revenues were earned through slavery.

“The mining sector needs to synchronise the man-machine synthesis and invest in skill upgradation and education of workers, apart from ensuring decent work conditions and wages,” Mr Roy added.

Despite the sector witnessing a volatile growth pattern in past few years, the value of minerals produced in the country has doubled from Rs 1.04 lakh crore in 2006-07 to Rs 2 lakh crore in 2010-11.

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>5,21,425</td>
</tr>
<tr>
<td>2004-05</td>
<td>5,56,647</td>
</tr>
<tr>
<td>1999-2000</td>
<td>6,38,741</td>
</tr>
<tr>
<td>1995-96</td>
<td>7,16,183</td>
</tr>
</tbody>
</table>
NMDC Eyes Opportunity in K’taka’s ‘Illegal’ Ore Mines

CR SUKUMAR
HYDERABAD

With India’s apex court set to announce its final verdict anytime on the fate of illegal iron ore mines in Karnataka, the country’s largest iron ore producer NMDC is eying a major opportunity in the ‘illegal’ mines.

The Supreme Court’s panel for forest issues, the Central Empowered Committee, submitted its final report on illegal mining in the three main iron ore districts of Karnataka — Bellary, Chitradurga and Tumkur — on February 4.

Dividing the lease owners into three broad categories, the panel recommended that 49 leases where excessive illegalities were found be revoked. It suggested that these leases then be put up for auction.

“We see an opportunity in the category C mines where mining leases will be cancelled and awarded afresh,” said NMDC’s CMD NK Nanda. “We have asked our team to look into these 49 leases under category C as to how they are spread and the reserves available in these mines to assess the opportunity available,” Nanda told ET.

The Supreme Court’s forest bench has granted the mines two weeks time to prepare their defence before it takes a call on whether the leases can be revoked and to take up the matter again this Friday.

The CEC has prescribed that mining can resume after reclamation and rehabilitation programme, based on ecological impact assessment report of the Indian Council of Forestry Research and Education (ICFRE), has begun.

While the CEC has recommended that 49 leases, with minimal or no violations, be allowed to resume mining after fulfilling certain conditions, a penalty had been suggested for the remaining 72 leases. Depending on the nature of violation, a penalty of ₹5 crore per hectare or ₹1 crore per hectare of operation outside lease boundary is to be levied.

NMDC, which was made responsible for providing a million tonnes of iron ore to the sponge iron and steelmakers of the state, has a mine that falls in the last category. While waiting for the court to take a view on its committee’s report, NMDC is exploring the hidden opportunity.

Nanda said NMDC would be interested in bidding for these leases only if there are iron ore reserves of at least 100 million tonnes at one location. “It doesn’t make sense for us to bid for smaller mines spread over smaller areas,” he said.

The CEC has recommended to the Supreme Court in its final report that the fresh allotments or assignments of mining leases should be done only at ‘market value’ without any artificial subsidies, and preferably to steelmakers.

NMDC is setting up a 3 million tonnes steel plant in the state in partnership with a Russian firm Severstal on a fast-track basis. If the CEC’s recommendations on freezing fresh allocations are accepted, other steelmakers with plans in the state will also be queuing up alongside NMDC.

ArcelorMittal, which after many years of trying only managed to acquire land in Karnataka, as well as Posco which is yet to do so, have both indicated their openness to the idea of competitive bidding of captive resources. But the advantage of such a captive supply at market rates of iron ore has to be measured against the quality and reserves still available in the iron ore blocks and the cost of operating the mines.

Close on the heels of the Supreme Court judgement on telecom spectrum that said all exhausted natural resources be distributed in a fair and transparent manner, the CEC said though the laws governing mining sector don’t prescribe any auction process, no law prevents such an allotment method.
We Aim to Create Diversified Mega Mining Co in India

Anil Agarwal, chairman of Vedanta Resources, is determined to take a helicopter view of the PNS project in Goa. He is keen to communicate his vision of a diversified mega mining company based in India that would compete with the likes of Vale and BHP Billiton. Difficulties, such as the ban on mining in one area in Karnataka or the uncertainty over supply of bauxite to its mega aluminium project, attribute to India’s vibrant, nosy democracy. He is convinced that environmentalists will eventually see the big picture. Agarwal spoke to ET after the board of various group companies endorsed his plans. Edited excerpts.

What is the rationale for the merger?
The whole objective was based on a vision: to create a large diversified resource company based out of India. Vedanta has assets in Australia which has BHP Billiton, UK has Rio and South Africa has Anglo-American. We wanted to create one that can use the abundant deposits that India has in minerals. It is to simplify the group structure and have synergy.

What accounts for the timing?
We were waiting for the completion of the Cairn acquisition to start work on this structure. The intention was also to reduce overholding. Exposure in oil is something that all global majors have.

There have been problems for your aluminium project which is supposed to be a growth driver for you.
Aluminium is a fantastic business. We have put up 1.75 million tonnes of smelter facilities through Vedanta Alumina, that no one can replicate. The problems in Vedanta Alumina (closure of mining and cancellation of refinery expansion) are short-term. I believe that in a few months we will get the approval for aluminium refinery. At the moment, we buy bauxite from outside and that is costly. We are still in the lowest quartile for production cost. We have faith in the system. We invested $2.24 billion in aluminium and energy in Orissa. Globally, all mining projects face delays.

What is the status of alumina refinery expansion which was cancelled by the government?
We have made an application and re-applied on the directions given to us by the government. New terms of references were issued and we have filed that. It is a normal process and we are confident that issues will be resolved.

There are reports that the structure would enable you to free cash flow to acquire the residual stakes in Bihore and Hindustan Zinc.
The government is very business-friendly. We have started the process to buy out the remaining stakes. We have had talks with them. It will take some time. But yes, the ultimate aim is to buy the residual stake.

What are your expansion plans?
In Cairn, we are expanding to $75,000 barrels and we are eventually growing to 400,000 barrels. We have recently discovered reserves in Sri Lanka. In Senegal, we will double capacity from 20 million tonnes to 40 million tonnes. We are continuing with exports of Cao. There are some problems with mining in Indonesia, but those issues will be resolved. In Senegal, we are also looking at value addition. We are getting into pig iron and we will also look at steel making through a joint venture.

Vedanta can set up a steel plant either in Jharkhand or in Odisha. But since we know nothing about steel, we will go with a joint venture partner.

What plans do you have in steelmaking?
There are no steel plans. We can set up a steel plant either in Jharkhand or in Odisha. But since we know nothing about steel, we will go with a joint venture partner.

Do you have any apprehensions on the mining bill which has been tabled in the Parliament?
I have not seen the bill and would not comment on it. But globally, mining has been the best model. When you bring in profits, you create problems. Auction of mine lease is the best model. High taxes are a reality in mining globally. What we are concerned with is whether it would reach the region where it is meant. We pay our taxes. Last year, we paid income tax of $300 crores.

In the past your shareholders have turned down some of your earlier proposals to restructure the group. Do you think there is a trust deficit in Vedanta Resources?
I don’t think so. We wouldn’t have raised $2 billion from investors if there was no trust. We have always taken our shareholders along with all our projects, be it in aluminium or zinc. We have been transparent in our policies.
Sesa Sterlite will generate $10bn revenue every year

Vedanta Chairman Anil Agarwal Refutes Claims That New Entity Has Been Created To Park Group’s Debt

Piyush Pandey & Shubham Mukherjee | TNN

Fire in the belly could be a has-been, even by his own admission, it was quite literally this hunger which set him out on a journey from the bylanes of Patna to establish a $70 billion natural resources empire straddling four continents. Anil Agarwal, the chairman of the London-based Vedanta Resources and the most successful emigrant from Bihar in modern times, is also one of the handful in the licence raj regime to have carved out a place for himself in the world of manufacturing, where a few well-known business families enjoyed a monopoly.

The billionaire businessman on Saturday announced the merger of two of his Indian firms, Sesa Goa and Sterlite Industries, to create a Rs 1,00,000 crore behemoth, ‘Sesa Sterlito’, the world’s seventh largest natural resource company, joining the league of BHP Billiton, Vale and Rio Tinto. In the process, Agarwal, who believes the best is yet to come, has also created the second most profitable company in the Indian private sector after Reliance Industries, which still retains the top slot.

In an exclusive interview following the announcement, he refuted claims of analysts that Sesa Sterlito had been used as a dumping ground by its parent Vedanta Resources to park a debt of $6 billion and loss-making firm Sesa Aluminium. “You have to go for the holistic picture,” Agarwal says. It’s perhaps this big picture which has kept the positivity alive in the man, while most other industrialists have bitterly complained about slow decision-making, tardy approvals and the now fashionable expression of policy paralysis as reasons for slow growth.

“I can hardly complain. The government with 1.2 billion people has other priorities. Everything must be auctioned in a transparent manner and we need simplification of government processes. This will bring in revenues,” Agarwal says.

On govt’s auction policy
I can hardly complain. The government with 1.2 billion people has other priorities. Everything must be auctioned in a transparent manner and we need simplification of government processes. This will bring in revenues.

On environmental concerns
We have not removed a single blade of grass in Orissa, so where is the question of environmental damage?

On future growth
We expect to double in size, volume and profitability in the next three years.

On acquisition targets
Every year and large we do a couple of big-ticket acquisitions. We are looking at acquiring coal, iron ore, copper, oil & gas assets.

Anil Agarwal
CHAIRMAN, VEDANTA RESOURCES

Approvals and the now fashionable expression of policy paralysis as reasons for slow growth.

He believes tolerance and patience are virtues which are inextricably woven into his entrepreneurial fabric and that has ultimately contributed to his success. “Tolerance and patience pays. You learn a lot when you struggle,” he says, recalling his humble beginnings in a Patna municipal school, where his only companion was the fire in the belly.

But the turning point in his life came when, like a lot of youngsters from the state, he too moved to Mumbai to realize his dreams. The soft-spoken Agarwal, who is known to be quite adept at managing the system, tried his luck in various businesses, starting from scrap in 1976 before settling for cables in 1986.

There have been setbacks too in the form of the tardy growth of his aluminium business and environmental hurdles. “We have not removed a single blade of grass in Orissa, so where is the question of environmental damage?” he says, defending the project.

He may come across as a man of few words, but when it comes to the merger he is rather verbose. “Sesa Sterlito has a ready debt of $6 billion at an interest of 5.5% compared to the prevailing interest of 12%. The new entity valued at $20 billion, will generate $10 billion every year, so servicing debt is not an issue at all. Also, we will benefit from savings of $500 million each year by way of synergies.”

As for shareholders, he says the simplified holding structure will unlock value as there is a 50% upside on an immediate basis. “Going forward, we expect to double in size, volume and profitability in the next three years,” says Agarwal, who spends a large part of his time creating the vision for the group and spearheading mergers and amalgamations.

Asked about his acquisition plans for the year, he says it’s still in the planning stage. “Every year by this age we do a couple of big-ticket acquisitions. We are looking at acquiring coal, iron ore, copper, oil & gas assets.”

The ability to spot opportunities and buy cheap has been one of the recipes of his group’s success. Vedanta has followed a strategy of aggressive acquisition and has picked up several strategic assets in the last two decades, starting with Madras Aluminium Company in 1985 and Australian Copper Mine (CMT) in 2000.

“I see the potential to produce 10 million tonnes of aluminium in the country against its nameplate capacity of one million tonne,” he said, elaborating on plans for aluminium. Besides, he acquired Bharat Aluminium at Hindustan Zinc in the government’s divestment process soon after. Then came Konkola Copper mines in Zambia in 2004 and the $1-billion acquisition of Sesa Goa. The acquisition of Anglo Zinc’s assets in Namibia, Ireland and South Africa followed in 2010. But, perhaps the biggest challenge was his acquisition of Cairn India for $3.7 billion, a deal which took 16 months to get the final nod from the government. After Agarwal continues to be hungry and continues to scout for his next pot of gold.
To free $80 bn coal reserves, NTPC may relocate North Karanpura project: Panel

PRIYADARSHI SIDDHANTA  
NEW DELHI, FEBRUARY 26

A PANEL chaired by Planning Commission member BK Chaturvedi that was set up by the Group of Ministers last September has recommended that state-owned electricity giant NTPC may consider relocating its 3x660 mega watt North Karanpura project in Jharkhand since it would otherwise block six billion tonnes coal reserves perpetually. Given the volatility in global coal prices, the loss could be as high as $70-80 billion, the panel noted.

NTPC had in 2001 proposed to set up a 3x660 MW power generation project at North Karanpura at an expenditure of nearly Rs 12,000 crore. It secured all statutory clearances, and has so far spent Rs 74 crore on initial construction and another Rs 150 crore on oustees to seek physical possession of 1,500 acres of land for the project. It also tied up with Japan International Cooperation Agency, duly backed by government's sovereign guarantees.

In 2003, based on the updated geological data, maharashtra miner Coal India Ltd (CIL) and Central Mine Planning and Design Institute informed NTPC that underneath its project site lied an estimated coal reserves of six billion tonnes, which the nation cannot afford to lose. NTPC refused to budge and the power ministry shot down CIL's suggestion to relocate the project.

The power and coal ministries — representing NTPC and CIL, respectively — got embroiled in the war between the two maharanis. The matter finally reached the group of ministers chaired by Finance Minister Pranab Mukherjee on September 20, 2011. The GoM formed a three-member panel headed by Chaturvedi to iron out the differences. The other two members were coal secretary Alok Perti and his power ministry counterpart P Uma Shankar.

As it turns out, the panel has not made any clear cut recommendations on the course of action. The four options for NTPC explored by the panel were: i) abandon the project, ii) give up mining reserves fully, iii) re-locate to Patratu or Tenughat, areas in proximity to coal mines in Jharkhand, but hand over the site to CIL, iv) go ahead at the current site in North Karanpura with adequate safeguards. The panel rejected the first two options, stating they were 'sub-optimal'.

Chaturvedi is learnt to have suggested that NTPC can try its luck by scrapping some existing outdated capacities at Patratu and Tenughat and build a plant based on super critical technology. If there is a consensus that NTPC can re-locate elsewhere, CIL can be mandated to compensate NTPC by paying Rs 250 crore already invested by it. If there is no consensus, NTPC can be allowed to continue at North Karanpura for 25-30 years and thereafter hand over the site to CIL for unlocking the reserves. 

Coal Secretary Alok Perti has, however, shot down the suggestion of NTPC continuing at North Karanpura stating that the economic value of coal reserves are worth between $87.5 billion and $540 billion. The best solution would be to re-locate NTPC project as suggested by Plan Panel Deputy Chairman Montek Singh Ahluwalia and Home Minister P Chidambaram, said Perti.
Asian Age, Delhi
Monday, 27th February 2012, Page: 17

COMMODITY WATCH

ALUMINIUM ₹110.55/KG
COPPER ₹74.10/LB
LEAD ₹105.65/KG
NICKEL ₹976.50/KG
PLATINUM ₹2,705/GM
ZINC ₹101.10/KG
CRUDE OIL ₹53.06/BBL
RUBBER (KOCHI) ₹18,759/100 KG
JUTE (KOLKATA) ₹2,549.50/100 KG
COTTON ₹16,420/Bole

Spot prices (MCX at Mumbai as on February 24) are disseminated for information and shall not be considered as guidance in any case.