2G-stung Govt tiptoes on mining lease

Seeks AG's advice on a first-come, first-served basis

ANIMESH SINGH

Adopting caution as a buzzword, the Mines Ministry is learnt to be in the process of seeking the Attorney General GE Vahanvati's advice again on whether to resume allotment of mining leases on the prevailing first-come, first-served basis or opt for auction.

According to official sources, the Ministry has recently received a missive from the Prime Minister's Office (PMO) asking it to seek Vahanvati's advice again on whether it can actually resume allotting mining leases on a first-come, first-served basis, two months after it had first approached the Attorney General on the issue.

Giving his go-ahead, Vahanvati at that time (in April), had said that the Government can go ahead and allot mining leases on a first-come, first-served basis, adding that the Supreme Court's decision was in the context of telecom licences and spectrum, and was not related to the mining sector.

A source close to the development said that Mines Secretary Vishwapat Trivedi was likely to write to the Attorney General on the matter this week itself.

As reported by The Pioneer earlier, shaken by the SC's February 2, 2012 decision of cancelling the 122 telecom licences allotted to 11 companies during the tenure of former Telecom Minister A Raja, the Mines Ministry had put on hold the process of granting of mining leases and in the last few months has not issued a single lease to any entity. As a result, several requests for mining leases are lying pending with the ministry.

The SC while giving its verdict on cancelling telecom licences, had said, "...In matters involving award of contracts or grant of licence or permission to use public property, the invocation of the first-come, first-served principle has inherently dangerous implications."

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Though the Mines Ministry was planning to resume allotment of mining leases after receiving the desired clearance from Vahanvati on first-come, first-served basis, reliable sources informed this correspondent that last week the PMO asked it to cross check the matter again with the Attorney General before going ahead with the process.

Sources in the know pointed out that PMO's apparent lack of conviction could have stemmed from the fact that SC in its verdict had clearly stated that "all national resources must be distributed only through auction."

Observers pointed out that the move only goes on to show how over-cautious the UPA-II has become amid a slew of allegations levelled against it related to various scams.

Mining leases (ML) of several high profile entities like Jaiprakash Associates Ltd, Hindalco Industries and Ashapura Minechem are still awaiting clearance from the Ministry, while preferential leases (PL) of companies like global mining giant Rio Tinto, Manganese Ore India Ltd (MOIL), Visal Steel and Monnet Ispat are at various stages of clearance.

Companies shortlisted for mining a particular mineral are given Mls by the Ministry, while PLs are given to an entity for exploring and proving that a mineral deposit exists in a mine.

Officials in the Ministry accepted that a lot of caution was being exercised, especially in the light of the Supreme Court order, as nobody wanted to take a chance. The caution being exercised by the Ministry was also understandable as the Justice MB Shah Commission, which is inquiring the menace of illegal mining, is likely to be given a year's extension to wrap up its probe.

Though the Mines and Mineral Development and Regulation (MMDR) Bill is still with the Parliamentary Standing Committee on Steel and Coal, which is framing its report on it, the Mines Ministry is learnt to have suggested to the panel that it would be open to the auction route for giving MLs in future. This clearly indicates that the ministry intends to play safe and has indicated its open-mindedness on the auction route option.
Karnataka miners look to diversify into pellet making

The absence of export duty and low capital requirement make it an attractive option

MAHESH KULKARNI
Bangalore, 26 June

Iron ore miners in Karnataka, facing uncertainty over possibility of exports in the near future, are increasingly looking at new opportunities to earn higher profits. A large number of miners is exploring the possibility of diversifying into manufacturing and export of pellets, because of the absence of any duty on pellet exports.

At present, the demand for pellets in India is estimated at 37 million tonnes per annum (mtpa) and is projected to double to 76 mtpa by 2016-17. The pellet-making capacity is likely to double to about 30.3 mtpa in Karnataka over the next three years. Currently, seven pellet-making plants are operating in the state with an installed capacity of 15.4 mtpa. These include KIOCL, MSPL, Kidilla and BMM Ispat.

In addition, JSW Steel has a pellet plant with a capacity of eight to nine mtpa. Karnataka currently contributes about 36 per cent of the national production of pellets. About 14 new pellet plants with a combined capacity of about 15 mtpa has been estimated. The national production of pellets stands at 42 mtpa and another 32.5 mtpa capacity is under implementation. Fresh memorandum of understanding signed for setting up new plants amount to 51.9 mtpa. While the total demand for pellets in India stands at 37 mtpa, the balance is exported. The government had exempted pellet exports from export duty during the last financial year.

“In the existing scenario in Karnataka, miners appear to have accepted that exports may not be possible for some time. Till then they need to find an alternate means of income. Compared to integrated steel mills, the capital requirement to set up pellet plants is quite small and the final product (iron ore pellets) can be easily sold, either to domestic steel mills, DRI plants or even exported, if the price is right,” Prakash Duvvuri, senior analyst at OreTeam, a New Delhi-based mining consultancy firm, said.

Currently, pellets earn an export price of $153-155 per tonne (cost and freight) in China as against $138 per tonne (cost and freight) for iron ore of 63 per cent Fe grade. Export of pellets from India is likely to increase considerably. India’s export of pellets in 2010 stood at 3.7 mtpa. KIOCL, JSPL and Mandovi are the leading exporters of pellets from India.

The national production of pellets is 42 mtpa and another 32.5 mtpa capacity is under implementation. Fresh memorandum of understanding signed for setting up new plants amount to 51.9 mtpa. While the total demand for pellets in India stands at 37 mtpa, the balance is exported. The government had exempted pellet exports from export duty during the last financial year.

“In the existing scenario in Karnataka, miners appear to have accepted that exports may not be possible for some time. Till then they need to find an alternate means of income. Compared to integrated steel mills, the capital requirement to set up pellet plants is quite small and the final product (iron ore pellets) can be easily sold, either to domestic steel mills, DRI plants or even exported, if the price is right,” Prakash Duvvuri, senior analyst at OreTeam, a New Delhi-based mining consultancy firm, said.

Pellet plants can be as small as 0.8 mtpa and an investment of close to $200 crore is required to erect and set these running, he pointed out. He added several miners were looking for joint venture opportunities in technology besides finance from Chinese companies.
Inter-ministerial panel to review steel projects

PTI  New Delhi
Against the backdrop of major steel projects facing hurdles, an inter-ministerial panel is scheduled to meet early next month to sort out issues impeding investments in the sector, a Steel Ministry official said. The group will have participation from ministries of steel, coal, mines, environment, railways and shipping. It would discuss issues including delays in environment and forest clearances and mining leases, iron ore and coal linkages and problems in land acquisition, besides other regulatory hurdles.
Select copper moves up on stray demand

MUMBAI: In lacklustre activity, select copper edged up at the non-ferrous metal market here today on better off-take from consumer industries. Meanwhile, tin dropped on lower demand from alloy industries.

Industrial metals gained at the LME following positive US housing data though caution remained ahead of European Union Summit later this week. Copper armature and copper utensils scrap inched up by Re 1 per kg each to Rs 465 and Rs 445, respectively. However, tin fell by Rs 5 per kg to Rs 1,305 from Rs 1,310 yesterday.
Govt opposes auction mode
to give away resources

Dhananjay Mahapatra | TNN

New Delhi: World over, the first-come first-served mode is preferred over auction route to allot mining leases, the Union government told the apex court ahead of the July 10 hearing on the presidential reference questioning the SC ruling which said distribution of natural resources should be through auction only.

The apex court had on February 2 cancelled 122 telecom licences faulting allotment of spectrum or mobile services bandwidth through first-come first-served mechanism and said natural resources should be distributed only through auction and not as largesse of the government.

The mandate to auction all natural resources piqued the government and it took the constitutional route to question the efficacy of applying this ruling to other natural resources like mining, which has traditionally been done through FCFS mechanism for the last four decades.

Union government said through counsel Devadatt Kamat, ‘The touchstone for testing any policy of distribution of natural resources is whether it suberves the common good in accordance with the mandate of Article 39(b) of the Constitution.’
Hind Copper to receive ‘Turnaround CPSE’ award

Our Bureau
Kolkata, June 26

The Board for Reconstruction of Public Sector Enterprises (BRPSE) has adjudged Hindustan Copper Ltd as the best turnaround story for 2011-12. The board would confer the annual ‘Turnaround CPSE’ Award to the city-headquartered HCL’s Chairman and Managing Director, Mr. Shakel Ahmed, in the Capital.

Bridge & Root Co Ltd, also a city-based public sector unit, had bagged the award for 2010-11.

FINANCIAL PERFORMANCE
HCL posted the highest-ever profit after tax (PAT) of Rs 223 crore, highest-ever profit before tax (PBT) of Rs 473 crore, and sales turnover of Rs 1,638 crore for the FY 2011-12 by achieving production at or near a decade high.

HCL was back in the black in 2009-10 after reporting a loss in the previous year.

The company sustained profitability for three consecutive years, rationalised operations and reduced labour.

From 5,440 on March 31, 2009, the staff strength has been brought down to 4,810 on March 31, 2012. It has further come down to 4,760 as of now.

CATHODE CONVERSION
The company not only discontinued unprofitable conversion of cathode into CC rods, but also began to outsource the conversion of 50 per cent of its metals in concentrate into cathode.

MINING OPERATIONS
The current profitability of HCL, the lone vertically integrated copper producer of the country, is driven primarily by mining operations.

It has undertaken plans to expand its mining business over the next five years.

OUTPUT TARGET
The target is to reach 12.4 million tonnes a year by 2017 from the current level of 3.4 mt a year at an estimated capital expenditure of Rs 3,435 crore.
India Inc’s revenue growth in April-June may be weakest in 6 quarters

Our Bureau
Mumbai, June 26
Indian companies’ revenue growth in the April-June quarter could be the weakest in the last six quarters due to demand moderation, said Crisil Research.

Given the slowdown in economic activity and gross fixed investments, revenue growth in April-June 2012 (Q1 FY13) is forecast to drop to around 14 per cent from 17.5 per cent in the first quarter FY12.

The revenue growth in Q1 FY13 is expected to be much weaker due to a sharp deceleration in airlines, auto components, commercial vehicles, hotels, metals, organised retail, real estate and textiles.

Crisil Research’s analysis is based on the aggregate financial performance of 247 large companies across 26 sectors (excluding banks and oil & gas companies).

The revenue growth in Q1 FY13 is expected to be much weaker due to a sharp deceleration in airlines, auto components, commercial vehicles, hotels, metals, organised retail, real estate and textiles.

Depreciation charges as a percentage of revenues for Indian companies fell to its lowest level in the last 10 years, while growth in fixed asset creation was at its lowest in the last five years, reflecting the sharp deceleration in the investment cycle, it said.

“We believe demand growth will continue to remain weak going forward, as interest rates are likely to remain high for longer than anticipated.”

“The deceleration in fixed capital investments growth may lead to further slowing of consumption demand,” said Mr Mukesh Agarwal, President, Crisil Research.

EBITDA MARGINS
EBITDA (earnings before interest, taxes, depreciation, and amortisation) margins are projected to decline by 100-150 basis points (bps) on a year-on-year basis to around 19-20 per cent, but remain flat compared with Jan-March 2012 quarter (Q4 FY12).

EBITDA margin is also known as operating margin. It is an indicator of profitability of companies emanating from core business operations before accounting for any interest, asset depreciation charges, extraordinary income and taxes.

Although, overall EBITDA margins are expected to remain flat for Q1 FY13 on a quarter-on-quarter (q-o-q) basis, 15 of the 26 sectors will continue to face margin pressure.

“For sectors like commercial vehicles, cement, construction and real estate, EBITDA margins are forecast to contract by 100-200bps q-o-q, due to slower demand growth and high input costs,” said Mr Prasad Koparkar, Senior Director.