In 2011, investors turned to newer areas for diversification

Poor returns & uncertainty in equities saw move to new asset classes, often rather risky avenues.

RAGHAVENDRA NATH, MD of Ladderup Wealth Management, says, “Silver prices were very volatile this year. Traders, more than investors, used this opportunity to diversify into this commodity and gained quite a bit.” Silver prices were near $47,000/kg in December 2010, went up to $75,000 in April and are now near $52,500/kg.

Those with a relatively less risk appetite took the international feeder fund route. According to mutual fund rating agency Value Research, these funds have lost between 1.5% to 14.5% per cent. There are inherent associated risks – currency conversion rate and additional taxes.” As a portfolio diversifier, those with moderate risk-taking ability should invest up to 10 per cent of their alternative asset portfolio in these. Aggressive investors could go up to 25 per cent.

Aggressive high net worth investors were seen participating in real estate non-convertible debentures (NCDs) and also private equity. Real estate NCDs work on the same principle as those issued by companies. Though offering a higher rate of return, it is a loan where a builder pledges plots. Many a time, these are disputed. Hence, these issuances carry higher risk. Liquidating these NCDs is another issue. In a bad market, when banks tighten purse strings, real estate developers come to the public to raise funds via such issuances. Several real estate companies have come out with NCDs at a high coupon rate of 16 to 24 per cent. “This is a high-risk structured debt product and out of the growth asset portfolio, one should allocate up to 15 per cent to these,” says Rajesh Saluja, CEO of ASK Wealth Managers.

Many have also participated in consumption, engineering and infrastructure-led private equity investments. Analysts say one should not invest more than five to 10 per cent of his/her portfolio in these.
Copper ends higher on industrial support

Copper prices moved up modestly in thin trade at the non-ferrous metal market in Mumbai on Monday on mild industrial support. Copper and brass utensil scrap both eased on lower offtake from consumer industries.

Copper armature gained Rs 1 to Rs 441 from Saturday’s closing level of Rs 438. Copper cable scrap, copper wire bar and copper sheet cutting rose Rs 2 a kilo each to Rs 455, Rs 483 and Rs 436, respectively, from the close of Rs 453, Rs 481 and Rs 434.

Copper scrap heavy edged up by a rupee to Rs 448. However, copper and brass utensil scrap both softened by a rupee a kg each to Rs 420 and Rs 306 from last weekend’s close.
Value of mineral output dips to ₹14,555 cr in Oct

NEW DELHI: A decline in production of coal and iron ore resulted in a reduction in the value of mineral output in October this year to ₹14,555 crore from ₹14,572 crore a year ago, according to a data by the ministry of mines. Crude petroleum was the biggest contributor to the overall value of mineral production, at ₹6,800 crore, compared to ₹5,427 crore in the same month last year. PTI
Voices against bauxite mining in AP get shriller

Suresh Dharur/TNS

HYDERABAD, DECEMBER 26

After Nyamgiri forests of Orissa, it is now the turn of north coastal tribal belt of Andhra Pradesh to emerge as a new battleground to stage mass protests against the proposed bauxite mining in the region.

The situation has turned volatile with the Maoists entering the scene and stepping up the anti-mining campaign. The local tribals, civil rights activists, environmental groups and Opposition parties have been opposing Andhra Pradesh government’s proposal to exploit the abundant bauxite reserves.

The state-owned AP Mineral Development Corporation (APMDC) had signed agreements in 2007 to allot bauxite mining leases to Jindal South West Limited, which is part of OP Jindal Group, and ANRAK, a state-owned company of United Arab Emirates (UAE), in Visakhapatnam and Vizianagaram districts.

Those opposing the mining project argue that it would not only lead to environmental degradation but also displace thousands of tribal families. “The mining activity will render people homeless in 350 villages in three blocks and snatch the sources of livelihood of farmers and tribal communities,” Telugu Desam Party leader and former Chief Minister N Chandrababu Naidu said.

Ironically, when he was the CM, Naidu had given a go-ahead for bauxite mining in the area. However, his government had to drop the idea way back in 2000 after the then Governor Dr C Rangarajan advised the government against the mining activity in the region.

Naidu’s TDP is now leading the Opposition against the mining. In a memorandum submitted to the Governor ESL Narasimhan, the Opposition party sought cancellation of the clearances given by the Union Environment and Forests Ministry.

“The bauxite mining involves plunder of tribal resources for the benefit of two companies. This is a scan-
बेरोजगारी में शॉर्ट सेलिंग की ही रणनीति काम आएगी

रवि टाकर • दैर्घ्य

बेरोजगारी में शॉर्ट सेलिंग की ही रणनीति काम आएगी। अनुमोदन ने अपने सारे नियमों को इसे लागू करने के लिए कार्यान्वयन किया है। तस्वीर 2012 के चरण में बेरोजगारी की ही रणनीति पर छाप अस्वीकार करने के लिए लगाया गया है। अनुमोदन ने अपनी सरकार ने इस प्रकार काम करने का आदेश दिया है।

टस्वीर 2012

पाइपलेन्ट फॉर में अपने छह महीने तक चीन की मंगो घटनों की संख्या कुएं अधिक रही.

अनुमोदन की शहर व शहरों में इलेक्ट्रांटों दर रही।

टस्वीर 2012 में बेरोजगारी की ही रणनीति काम आएगी.

टस्वीर 2012 में बेरोजगारी की ही रणनीति काम आएगी.

टस्वीर 2012 में बेरोजगारी की ही रणनीति काम आएगी.
Nalco’s margins to remain under pressure

Despite rupee fall cushioning the revenue decline and expectations of aluminium prices improving, raw material costs may keep a tab on profitability

UJWAL JHAWAR

The Nalco stock has lost over half its value since March 2011 due to declining aluminium prices on account of the global uncertainty and weak performance. Rising production costs, owing to high raw material prices, have hit the company’s profitability. Nalco saw its operating margin dip to a seven-year low of 9.5 per cent in the September 2011 quarter.

The rupee depreciation has provided some respite, as it may limit the decline in revenues for domestic aluminium players like Nalco. A silver lining also comes from analysts’ expectations that aluminium prices will bounce back in the coming quarters as low prices have led to production cuts. They feel that operating margins, too, have bottomed out. However, coal still continues to be a cause for concern. Other raw materials like caustic soda, having been contracted at higher prices, will continue to impact profitability for the next few quarters. Therefore, over two-thirds of the analysts, according to Bloomberg data, have either a hold or a sell rating on the stock.

**Prices and currency**

Due to global concerns, aluminium prices on the London Metal Exchange have slid to under $2,000 levels, almost 30 per cent lower than the April 2011 price. This has left half the industry in the red, or the average aluminium production costs come close to $2,000 a tonne which should lead to production cuts from manufacturers. As a result, analysts are revising their aluminium price estimates.

Taranag Bhanushali at IIFL estimates the average aluminium prices for 2011-12 at about $2,310 a tonne and for 2012-13 at $2,250.

For domestic players, the rupee depreciation is cushioning the decline in revenues in spite of low aluminium prices. Bhanushali estimates that while producers in other countries will see a 10-15 per cent fall in revenues, domestic producers would see just a 1-3 per cent decline.

**Raw material costs**

Coal, however, continues to be a cause for concern. According to reports, Nalco had to shut 120 of its 931 pits in September and October. Though coal supplies may have improved now, supplies within the country still remain limited. The rupee depreciation, which is limiting the decline in revenues in spite of lower aluminium prices, will, however, lead to higher imported coal costs, even as global coal prices in the quarter have declined by $30 to $330 a tonne.

Further, Jigar Mistry and Anoop Fernandes of HSBC Global Research believe that coal India is likely to bear the incremental profit sharing costs as determined by the proposed mining bill, which could raise linkage coal costs by 8-8.5 per cent a tonne. They add that other raw materials have been contracted at higher prices, the impact of which will continue to be seen in the next 9-12 months.

**Capacity constraints**

Nalco added 525,000 tonne of alumina refining capacity in September 2011, which has increased total alumina capacity to 2.1 million tonnes a year. However, aluminium capacity continues to remain at 0.46 million tonnes a year. Its plans to increase aluminium capacity in India and Indonesia, besides its diversification into nuclear power, will not be coming up soon.

On the raw material front, Nalco is expected to increase bauxite mining from 6.3 million tonnes to 6.8 million tonnes a year by July 2012. The benefits from its 70-million-tonne-a-year Odisha coal block are expected to accrue only in 2013-14.

**Outlook**

Though the operating margins may have bottomed out in Q2, the improvement will be gradual due to coal constraints and other raw material costs. The operating margins are estimated to fall to 18.3 per cent in 2011-12 (compared to 25 per cent in 2010-11) and then inch up to 21.8 per cent in 2012-13.

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**TOUGH TIMES AHEAD**

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**SILVER LINING**

Aluminium prices may bounce back as low prices have led to production cuts.
Core industries fan hope

The growth of eight infrastructure industries have accelerated in November to 6.8 per cent raising hopes of a recovery in industrial production from its two year low in October. It was around 0.1 per cent in October. The eight core industries have a combined weight of 37.90 per cent in the index of industrial production (IIP).

“This means the IIP will be positive in November. This is an improvement on the October figures but these figures have been volatile and there is no certainty that it will not again dip to close to zero per cent in the next month,” said Mr. D. K. Joshi, chief economist at Crisil, local arm of Standard & Poor’s. Mr Joshi said that on average the IIP figures for the rest of the fiscal is likely to come below five per cent. As per the data, there was good improvement in coal production, which has been facing regulatory issues in many states. In November the coal production grew by nearly 5 per cent as compared to a contraction of nine per cent in October.

This has been the biggest growth in coal production in any month this fiscal. In September coal production had contracted by 17 per cent and in August by 15 per cent.

Coal production contracted by 4 per cent during April-November 2011-12 compared to its growth at 0.4 per cent during the same period of 2010-11.

In October, there were many power plants which were having a very low coal storage and there was also a fear that some power plants may be shut down due to this shortage at that time.

Electricity generation had a 14.1 per cent growth in November 2011 compared to its 3.5 per cent growth in same month last year. This is the biggest growth in electricity production this fiscal.

In November, the natural gas production saw a negative growth of 10 per cent and crude oil production contracted by 5.6 per cent. The fall in natural gas could be attributed to the steep fall in natural gas production in KG D6 block.

Petroleum refinery production has seen a growth of 11.2 per cent in November compared to its negative growth of 3.5 per cent in November 2010.

Petroleum refinery production has registered a growth of 4.5 per cent during April-November 2011-12 compared to its 0.8 per cent growth during the same period of 2010-11. Cement production registered a growth of 16.6 per cent and steel production had a growth rate of 5.1 per cent in November.
Mineral production falls for fifth consecutive month

MINERAL production in the country continues to decline. It fell marginally to Rs 14,555 crore in October from Rs 14,572 crore in the same month a year ago. This is the fifth consecutive month where mineral output registered a decline. The continuous decline in the iron ore and coal production has become a major issue with mining ministry and companies.

While crude petroleum, which is the biggest contributor of mineral output, grew from Rs 5,427 crore in October 2010 to Rs 5,806 crore this October, it was mainly the production of coal, iron ore and gold that impacted overall growth. Coal’s share from total output fell from Rs 4,051 crore to Rs 3,764 crore during October this year and iron ore dipped from Rs 2,602 crore to Rs 2,321 crore. In terms of quantity, coal production has come down to 400 lakh tonne from 439 lakh tonne and iron ore to 105 lakh tonne from 152 lakh tonne.

The production of precious mineral diamond, however, has grown tremendously in the last one year. It has reached 1,481 carats now, compared to 35 carats in October last year. The gold output, however, has not picked up. It has fallen to 104 kg from 197 kg a year ago. The country produces around 87 minerals. This includes four fuels, 10 metallic, 47 non-metallic, three atomic and 23 minor minerals. The mineral production was lower by 5.84% in September and 3.36% in August compared to same months a year before.
Continuous need for value addition in flat products

NOW the year is drawing to a close. It is tempting to forecast the movement of prices for early 2012. Flat prices led by HR coils and plates are down due to poor demand from consumer goods, automobile and tube segments as well as less urge to build up inventory. HRC of Ukrainian origin at $610 cfr Mumbai is matched by supplies from Iran at $10/tonne lower.

But the rising scrap prices by about $20/tonne for Heavy Melting Scrap H2 (60:20) of United States origin at $460 cfr Turkey has made the price of Billets and Merchant Bar equivalently dearer at $700-710 fob Turkey.

As demand for long products mostly from the construction sector remains subdued but stable, the prices are relatively higher than those of the flats.

Early next year, therefore, may exhibit a higher capacity utilisation in billet rolling and other long products. One notable exception to this scenario is the higher HR prices ruling in United States to the extent of nearly $300/tonne compared to the ruling global prices.

This may be a temporary phenomenon as higher prices would attract exporters to United States. However, India and CIS countries may be unable to reap higher realisation due to high anti-dumping and countervailing duties imposed on them. The higher prices have already set in motion the kick-off of several HR mills (Arcelor Mittal, Nucor, Severstal) in United States.

The scenario as it unfolds itself more clearly in the early months of 2012 would imply that raw material prices would exhibit a falling trend. Coking coal from a high of $335/tonne fob Australia in Q2 of 2011 has been settled at $225/tonne for Q1 of 2012, a drop of 30% and iron ore from $185/tonne cfr China in Q1 of 2011 is likely to come down by 30% at $130/tonne in Q1 of 2012, if not more.

Long product producers may thus enjoy a period of higher capacity utilisation and also higher margin compared to flat producers. In India Q4 (Jan-March) is traditionally associated with higher government expenditure in project constructions which should help marketability of TMT and structural steel.

Under Indian context, it would lead to higher availability from EAF/IF units. In 1990s the first major thrusts of private sectors in steel (Jindals, Essar, Ispat) were oriented towards flat products.

Over the years these producers have acquired and created fresh capacities in long products as well and are equipped partially to minimise the risks of operating a single product line. Flat products require value addition on a continuous scale in order to keep abreast with market dynamics, an imperative need not so pronounced for the long products. The coming days may provide more such interesting developments for the steel producers and may usher in new strategies.

The author is DG, Institute of Steel Growth and Development. The views expressed are personal.
Panel designates entire Western Ghats as ecologically sensitive area

Proposes indefinite moratorium on new clearances for mining in the region

K.S. Sudhi

KOCHI: The Western Ghats Ecology Expert Panel (WGEEP) has designated the entire hill range as an Ecologically Sensitive Area.

The panel, in its report, has classified the 142 taluks in the Western Ghats boundary into Ecologically Sensitive Zones (ESZ) 1, 2 and 3. It recommended that “no new dams based on large-scale storage be permitted in Ecologically Sensitive Zone 1. Since both the Athirappilly of Kerala and Gundia of Karnataka hydel project sites fall in Ecologically Sensitive Zone 1, these projects should not be accorded environmental clearance,” it said.

For Goa, the committee headed by eminent ecologist Madhav Gadgil, suggested an “indefinite moratorium on new environmental clearances for mining in ESZ 1 and 2, phasing out of mining in ESZ 1 by 2016 and continuation of existing mining in ESZ 2 under strict regulation with an effective system of social audit.”

“The moratorium on new clearances in ESZ 2 can be revisited when the situation improves and a comprehensive study on the impact of mining on the ecology, environment, human health, and biodiversity by a competent multidisciplinary team, working along with people’s institutions, has been concluded,” it said.

No new polluting industries, including coal-based power plants, should be allowed in ESZ 1 and 2. The existing red and orange category industries should be asked to switch to zero pollution by 2016, with an effective system of social audit, the report said.

Regarding the mining and related activities in Ratnagiri and Sindhudurg districts, the panel said investigations in the plains and coastal tracts “suggested that these are under severe environmental and social stress.” It is essential that a “cumulative impact analysis of various development activities in these tracts, ideally in conjunction with Raigad district of Maharashtra and Goa, must be undertaken,” preferably by the National Institute of Oceanography, Goa.

The panel recommended that “the current moratorium on new environmental clearances for mining, and red and orange category polluting industries and power plants in the plains and coastal tracts of Ratnagiri and Sindhudurg districts should be extended till satisfactory completion of a carrying capacity analysis. The moratorium may then be reviewed in the light of the findings of the study,” it recommended.

It suggested the formation of a Western Ghats Ecology Authority (WGEA), a statutory authority which enjoys the powers under the Environment (Protection) Act. “As the Ghats is an extensive region spanning over six States, 44 districts, and 142 taluks, the WGSA should function in a networked fashion with six constituent State Western Ghats Ecology Authorities, appointed jointly by the State Governments and the Central Ministry of Environment and Forests,” it has proposed.

The panel was asked to assess the current status of ecology of the Ghats region, demarcate areas within the region that were to be notified as ecologically sensitive ones and make recommendations for the conservation, protection and rejuvenation of the entire area. The suggestions for the formation of the WGSA were also among its mandate.

It was subsequently asked to study the entire stretch of Ratnagiri and Sindhudurg districts, including the coastal region and to specifically examine the Gundia and Athirappilly hydroelectric projects. The views of the panel regarding the moratorium on new mining licences in Goa were also sought by the Ministry.
Value of Mineral Output Dips to ₹14,555 Cr in Oct

NEW DELHI A decline in production of coal and iron ore resulted in a reduction in the value of India's mineral output in October this year to ₹14,555 crore from ₹14,572 crore a year ago. "The total value of mineral production (excluding atomic and minor minerals) in the country during October, 2011, was ₹14,555 crore," according to data released by the mines ministry. Crude petroleum was the biggest contributor to the overall value of mineral production during the month, at ₹5,806 crore, compared to ₹5,427 crore in the same month last year. Natural gas, lignite and limestone also showed improved performance during the month vis-a-vis the year-ago period. Coal and iron ore contributed ₹3,784 crore and ₹2,321 crore, respectively, to the total value of mineral production during the month under review, as against ₹4,051 crore and ₹2,602 crore in the corresponding period a year ago. While coal production fell to 400 lakh tonnes from 439 lakh tonnes a year ago, iron ore output stood at 105 lakh tonnes, as against 152 lakh tonnes during the year-ago period.
Orissa puts mines survey, demarcation on fast-track

DEBabrata Mohanty
BHUBANESWAR, DEC 26

The Orissa government is moving fast to complete the survey and demarcate all iron and manganese ore mines through Differential Global Positioning System, thus preventing future encroachments.

The move comes following a request by the Justice M B Shah Commission of Enquiry to the state government to complete the survey and demarcation work within a month’s time and submit a report to the commission.

The panel, which is looking into illegal mining of iron and manganese ore, had visited ore-rich Keonjhar district earlier this month and remarked that the scam would not have been possible without the connivance of bureaucrats.

Encroachment by leaseholders is one of the main features of Orissa mining scam that has rocked the state since 2009. The Orissa High Court which was hearing a slew of petitions demanding a CBI probe into the mining scam, reserved its judgment in April this year.
अक्टूबर में खनिज उत्पादन 10.54 प्रतिशत बढ़ा

नई दिल्ली। इस वर्ष अक्टूबर में देश में प्रमुख खनिज पदार्थों के उत्पादन में सितंबर 2011 की तुलना में 10.54 प्रतिशत की वृद्धि दर की गई है। आधिकारिक जानकारी के मुताबिक अगस्त-सितंबर 2010 की तुलना में इस वर्ष अक्टूबर में खनिज उत्पादन में 7.19 प्रतिशत की वृद्धि आई। अक्टूबर में परमाणु और अन्य खनिज पदार्थों की छींडन कुल 14,555 करोड़ रुपए के खनिज पदार्थों का उत्पादन हुआ जिसमें पेट्रोलियम क्षेत्र भी हिस्सेदार है।