Govt re-think over profit sharing by mining companies

NEW DELHI: The Centre is likely to drop its proposal to make it mandatory for mining firms or lease owners to share 26 per cent in their net profit with the local population, apparently under pressure from the mining lobby.

Strong opposition from industry and the difficulty in assessing profits from mining operations has forced the government to reconsider this issue. Mines ministry sources told Deccan Herald. The ministry is now considering an increase in royalty from the mining companies.

Under the earlier proposal, mining companies had to contribute 26 per cent of their net profit to a development fund to be utilised for the welfare activities of the people displaced by mining. The ministry expected to rake in Rs 18,000 crore annually under the fund which would also douse opposition to mining activity, especially in tribal dominated areas.

However, mining circles including state-run firms have lobbied to dilute this, calling it impractical. Both CII and FICCI have said that 26 per cent profit-sharing would make mining business unviable.

DH News Service
SC committee hints at mining ban in Bellary

Law of land doesn’t appear to apply here, says member

Shamsheer Yousef

SANDUR/HOSPET: The Supreme Court’s Central Empowered Committee (CEC), which has been constituted to look into illegal mining on Karnataka-Andhra Pradesh border, has dropped hints that it is in favour of imposing a ban on mining in the entire Bellary district.

After two days of public hearing and field visit to Bellary, the five member team, led by Chairperson P V Jayakrishnan and Member Secretary M K Jiwrajka, threw several hints that the CEC was actively considering to recommend banning all mining activity in Bellary district.

During a visit to Bharata Rayan Harivu (BRH) and adjacent mines in Sandur taluk, Jiwrajka found several irregularities such as shifting of lease boundaries, illegal mining in forest areas, and filling up of illegally mined ore pits. While inspecting a case of illegal mining outside the lease area of S B Minerals, he remarked, “The law of the land does not appear to apply to Bellary”.

Later in the afternoon, during a public hearing, the CEC repeatedly hinted to petitioners that they were in favour of a mining ban. The CEC also took note that there were several questionable land transactions in Bellary owing to the mining boom. In the case of Kesari Prasad Yadav, a farmer from UP, who has purchased land at Ramgad, and was alleged to have mined without a lease, the CEC questioned the source of Yadav’s funds.

The land in question was purchased from Good Shepherd convent at Rs 1.60 crore, while Yadav’s income was shown to be less than Rs 2 lakh per annum. Jiwrajka sarcastically asked which bank, or which government scheme, spared the money to allow Yadav to purchase this property.

Farical moment

At one point, in what was probably the most farical moment of the day, a representative of the Bellary Catholic Diocese replied with discomfort at a CEC proposal to declare forest land as revenue land without permission to mine. “We want the land for mining purpose also”, said the Church representative. At this suggestion, the entire committee along with the district officials burst out laughing.

And perhaps sensing that the end was near, the last visitor to the CEC was BJP MLA and mining baron Anand Singh.

Singh, whose mine was inspected earlier in the day by the committee, requested the CEC to allow the continuation of mining for the “development of Bellary”. The CEC has been directed by the Supreme Court to submit a report on illegal mining in Karnataka following a writ petition filed by Samaj Parivartana Samudaya.

DH News Service

Related report on Page 5
Silver Output Push to Lift Revenue Contributions

CRYSTAL BARRETT
ET INTELLIGENCE GROUP

Silver prices have doubled in the past 12 months, closely on the heels of the boom in commodity prices. A direct but not so obvious beneficiary of the bullishness in the silver counter is country’s largest zinc producer Hindustan Zinc.

The company’s zinc mines are rich in silver and therefore it produces zinc as a by-product while purifying zinc. It plans to expand zinc mining capacities in the next two years. This would also result in higher silver production at a time when the pricing scenario for the white precious metal is bullish. LME silver has soared at a faster pace from year-ago levels, buoyed by strong investment demand. Investors have turned to the precious metal in light of the prolonged economic recovery in the West and recent geopolitical tensions in the Arab world. Also, the industrial demand for silver has been steadily rising, given its electrical and thermal conductivity and ability to endure extreme temperature ranges.

For Hindustan Zinc, cost of silver production is negligible since it is recovered in the stripping process to purify zinc. The company has lead-zinc rich mines at Rampura Agucha, Sindesar Khurd, Rajpura Dariba and Zawar, with a total production capacity of 964,000 tonne per year.

During the first three quarter of FY11, the company was operating at 63% of its total capacity, 3% higher than the same period the previous year. An appreciation in LME zinc lead and silver prices resulted in 17% year-on-year rise in the company’s net sales. However, higher stripping costs negatively impacted margins.

The company plans to increase its annual silver production capacity to 500 tonne in the next two years, from the current 140 tonne. Silver currently contributes 6.7% to the company’s operating profit. This will be enabled through the 1.5 million tonne per annum capacity expansion at its Sindesar Khurd mine, which is rich in silver content. After the expansion, the contribution of silver in the total revenue will increase up to 16%.

The company’s valuation has closely tracked its improved financial performance in the past two quarters. At ₹136.8, the company’s stock trades at a trailing 12-month price-earnings ratio of 13, which is closer to its year-high P/E of 15.

crystal.barretto@timesgroup.com
New IIP Soon As CSO Fixes Trial Run Flaws, Seeks CoS Nod For Final Draft

New index likely to be out by mid-June and would give growth figures for April

The government is all set to roll out the new index of industrial production (IIP) as agencies involved in its preparation have removed the glitches that cropped up during its trial runs. The IIP measures growth in factory output, mining and electricity generation.

The Central Statistics Office (CSO), which is responsible for coordination of statistical activities in the country, has given its recommendations on the new IIP to a committee of secretaries, a senior official in the ministry of statistics and programme implementation said.

"A decision is expected soon," he said, adding "The new index should be out by the second week of June where we would get new growth figures from April onwards."

The new index will have a base year of 2004-05 against 1993-94 for the current one.

The CSO has agreed to include the unorganised sector in the new index, as suggested by a panel headed by Planning Commission member Saumitra Chaudhuri.

This is expected to make the index capture factory output better and address criticism that the current index was underestimating production.

"The high volatility in the index of industrial production, or IIP, over the past two months raises some doubts about how effectively the index reflects the underlying momentum in the industrial sector;" the Reserve Bank of India had said in September last year after big savings in IIP growth one month to next.

The government had said that the volatility was not because of the quality of data rather because of the way the index has been constructed.

A substantial manufacturing happens in the unorganised sector, which the IIP does not capture. "We have included the unorganised sector by giving it weight at the 2 digit NIC (national income classification) level," the official said.

The Planning Commission had set up a working group to prescribe changes to the new index, which had shown high volatility during trial runs. Some ministries had also raised concern with the representation given to their sectors.

This group had suggested higher weights for the unorganised sector and deletion of some items. "The new series would adequately address the issue of under-estimation of item groups having large presence of unregistered sector in the production activity," the working group had said in its report.

Since monthly data would not be available from the unorganised sector, observations would be calculated by applying specific proportions to the sector data.

The medium and small manufacturing enterprises ministry is trying to evolve a system, which could provide regular data for the index. But that could take some time as it requires a mechanism that could procure data regularly and also ensure its integrity. The new IIP series would be the last in the series of major statistics that would be updated to the common base of 2004-05. Earlier the gross domestic product, measuring income, and the wholesale price index, measuring inflation, were converted to the new base.
Copper Falls as Carmakers Mull Halt to Production

LONDON Copper fell the most in almost two weeks in New York on concern Japanese carmakers may have to suspend production at plants in China, potentially curbing demand for industrial metals. Japanese carmakers’ Chinese joint ventures face a rising possibility of output suspensions as parts suppliers such as Renesas Electronics are hampered by this month’s earthquake, said Nomura International Hong Kong. Copper also dropped as Morgan Stanley said swelling inventories of metal may reflect a lack of buying by China, the world’s biggest consumer. Copper for May delivery slid as much as 2% on the Comex in New York and was down 7.35 cents, or 1.7%, at $4,345.5 a pound by 8:25 am local time. Prices are down 2.3% in the first quarter. Copper for three-month delivery dropped 1.4% to $9,548 a metric tonne on the London Metal Exchange. A car can contain as much as 28 kilograms (62) of copper, the Copper Development Association’s website shows. The average vehicle in North America uses 340 of aluminum, according to Aluminum Association.
Gold Declines For Third Day on Rally to Record Price

LONDON Gold declined for a third day in New York as some investors sold the metal after its rally to a record and on signs the US economy is improving. Silver, platinum and palladium also fell. The US economy grew at a 2.1% annual rate in the fourth quarter, revised up from a 2.8% estimate issued last month, data showed March 25. A Federal Reserve official said the central bank may scale back its monetary stimulus. Gold futures reached a record $1,448.60 an ounce on March 24 as fighting in Libya, the Japanese nuclear crisis and concerns about European debt boosted demand for a protection of wealth. Gold futures for June delivery fell $12.30, or 0.9%, to $1,415.30 an ounce on the Comex in New York. Prices are down 0.4% after gaining the previous nine quarters. The metal for immediate delivery in London was 1.1% lower at $1,413.49. Bullion declined to $1,420 an ounce in the morning "fixing" in London, used by some mining companies to sell output, from $1,436 at the afternoon fixing on March 25.
Move expected to induce high-tech exploration firms to work seriously on the country's rich deposits

Mineral hunt: flow-through shares to lure cos

KG NARENDRANATH & HIMANI KAUSHIK
NEW DELHI, MARCH 28

aking a cue from Canada, Australia and the US, which have successfully used tax policy to attract investors into the risky business of mineral exploration, the government is considering introducing the facility of flow-through shares and resultant tax benefits exclusively for the exploration and mining sector.

The move is expected to induce high-tech exploration firms, especially those which focus on exploration rather than mining, to work seriously on the country's largely unknown but presumably rich deposits of base metals and diamonds.

Under the proposal, an exploration firm wanting to exit by transferring its licence and data to a mining company will be entitled to issue shares equivalent in value to its expenditure to the latter. The buyer, in turn, can claim a one-time tax benefit on the full value of the shares. That is, it gets to claim the full amount invested against its income. (Transfer of licence is proposed to be allowed as part of the relevant Bill on mining policy being vetted by a group of ministers.)

Flow-through shares would come handy for investors in both exploration and mining. For the exploration firm, a profitable sale of its licence and data would become easier and for investors in the mining sector, the net cost of the buy would be a fraction of the actual value of the shares.

For example, if the exploration firm issues shares worth Rs 100, and the statutory tax rate for the investor is 30 per cent, the net cost of the investment for the latter would only be Rs 70. So the proposal amounts to extending the extant tax breaks for exploration to the mining sector.

S Vijay Kumar, secretary, ministry of mines, told FE, "In many countries, you can set off exploration expenditure against subsequent income from mining. But it is not adequate in a situation where the company doing exploration sells the data to another company which does mining."

"The buyer will not be able to take advantage of the exploration expenditure as it was made by the other company. Therefore, we have to build a new incentive, and hence the concept of flow-through shares," said Kumar. He added that the details of the proposal are being finalised by the ministry of mines and these would be sent to the finance ministry for approval.

Currently, there is a near-abundance of exploration firms in India, especially those with the specialised technologies to hunt for rare materials like diamonds, copper, zinc, uranium, etc., which tend to occur at greater depths. As a result, India's mining industry is largely confined to exploitation of so-called surficial (occurring on or near the earth's surface) deposits of iron ore, bauxite, etc.

Countries like Canada, Australia, the US, Russia, Mexico, Peru and Chile account for the bulk of the world's exploration expenditure not only because they are minerals-rich but also due to right policies (see table). While over $2 billion was invested in Canada for mineral exploration in 2010, the corresponding figure for India was less than $1 million.

At present, India's mineral policy virtually does not allow exploration to be a standalone profitable business. The exploration licence, even if it finds a potentially commercially recoverable deposit, will have to freshly seek a mining licence and wait for the income streams from the mining activity to gain in strength to recover the costs.

While the proposed change in the policy - through the Mines & Minerals (Development & Regulation) Bill - would allow exploration companies to transfer (sell) the licence, the ministry of mines feels that that alone won't suffice to generate investor interest. There is a need for additional fiscal support, it reckons.

Puneet Goel, a director at KPMG, said, "The system of flow-through shares has been successful in many countries. But for it to work, it is important to develop the entire ecosystem for investors to actively participate. Proper regulation is also required so that the facility is not misused to save tax on the sly."

Tax benefits from flow-through shares are available to investors in the Canadian exploration and mining industry. Australia has a modified system. Chile undertook a major mining reform some 10 years ago and the country is now one of the most attractive mining destinations.

"India probably has some of the best diamond deposits in the world. Incentives for exploration would help the country to find more diamonds. Thanks to the right policies, Canada has emerged as the second largest producer of diamonds. It was virtually nowhere just five years ago," Kumar said.
MARBLE UNITS HAVE A ROUGH RIDE

Shortage of raw material and restrictive Exim policy hampers the growth of granite and marble processing units

MAHESH KULKARNI
Bangalore

India’s granite and marble processing units are grappling with a severe shortage of raw material — dimensional marble blocks. To overcome this, the industry is seeking a change in the Exim policy, to enable imports of rough dimensional blocks of marble without restrictions.

Under Chapter 25 of the Exim policy, the import of marble blocks is not allowed and this restriction has put marble processing units, which are mainly in the small and medium category, in trouble. The insufficient domestic availability of marble blocks has forced these units to rely on marble imported by selected licence holders.

However, under Chapter 68 of the Exim Policy, the import of finished goods is permitted with a floor price of $450 ($20,180). “Using this clause, Chinese producers are dumping finished marble products in India, causing huge losses to the domestic industry,” J B Surana, president of the All India Granite & Stone Association (AIGSA), said.

He said the restrictive policy benefited China rather than units in India. The maximum number of licence quota is awarded by the ministry of commerce and the director general of foreign trade (DGFT) to a “strong lobby” of marble quarry owners and industry from Rajasthan, he said. “Even in Rajasthan, only 162 of the 3,000 units enjoy the licence quota system,” he added.

Currently, the demand for natural stone (including granite and marble) in India is one million tonnes, but only 300,000 tonnes are available from domestic sources. The shortfall is met through the import of finished blocks from China and vitrified tiles and artificial stones from other sources.

“The restrictive policy adopted by the commerce ministry benefits only 162 units that are allowed to import marble blocks. These units trade their licences illegally in the black market at $10,000 per tonne. There is a strong lobby of selected licence holders who impress upon the ministry the need to restrict the imports of rough marble blocks,” Surana said.

At present, India imports around 300 containers of finished marble from China. This marble is sold for $300-500 per sq ft.

“Our demand is to free the import of dimensional blocks to help the growth of the industry and meet the shortage of raw material faced by around 1,800 processing units. By restricting the import of dimensional blocks the government of India has enabled China to make India a dumping ground for its finished goods,” Surana said.

The AIGSA, Surana said, had urged the ministry of finance to incorporate in the Union Budget an extension of the 100 per cent export-oriented unit scheme and increase the Central Excise limit from 15 crore to 75 crore for small scale industries. “Both our requests have not been considered,” he said.

“If we are allowed to import under the open general licence (OGL), we can reduce prices by half, and also generate huge employment and earn foreign exchange by exporting to world markets,” he added.

The export of natural stone, including granite, is currently estimated at 6,000 crores and growing at 15 per cent annually. The total size of the domestic trade is estimated at $15,000 crore.

If the government does not free up imports, Indian processing units will have to buy rough dimensional blocks from other countries, process them in India and import the finished goods, and also export to the rest of the world from China.

“In this way, China will become the major beneficiary of government’s wrong policy structure,” said S Krishna Prasad, general secretary of AIGSA.

Due to the low cost of transportation by ship, Chinese stone processing units are taking away more than 40 per cent of Indian rough blocks to their country and giving tough competition to the Indian industry. “If we have to compete with Italy and China, we have to bring about drastic changes in our policy with immediate effect,” he added.
A STRATEGY BORN OUT OF SERENDIPITY

Delay in environmental clearances and increasing dependence on imported coal trigger a new strategic coal-securing policy

SUKHERA PAL SINGH
New Delhi, 28 March

India Inc seems to have hit a upon a new strategic coal policy—not with a carefully thought out strategy but as the result of a few fortuitous developments. Thanks to delay in environmental clearances blocking the development of coal blocks, some energy sector companies have amassed huge coal assets abroad. Rapidly rising imports, coupled with ill-exploration of domestic reserves, is helping the country save its own reserves for future use and, in the mean time, making optimum utilisation of import opportunities.

"Our imports are rising at an unprecedented rate," the director of a leading power company that has been a regular importer of coal said. "In the last few years, we have observed a significant increase in the amount of coal being imported." He added that the country's energy sector, which has long been dependent on imported coal, has been forced to look for alternative sources of energy.

Imports have been rising due to a number of factors, including an increase in demand, a decrease in domestic production, and a lack of adequate reserves at home. The situation has been exacerbated by the delay in obtaining environmental clearances for new coal projects, which has slowed down the development of new coal blocks. As a result, companies have been forced to turn to imports to meet their energy needs.

"We have been进口 coal to meet our needs," said another company official. "The delay in obtaining clearances has forced us to look for alternative sources of energy." He added that the company had been forced to import coal from other countries to meet its energy needs.

The situation has been further compounded by the increase in the cost of imported coal, which has put a strain on the company's finances. "The increase in the cost of imported coal has put a strain on our budget," said the official. "We are looking for ways to reduce our dependence on imported coal and diversify our energy sources." He added that the company was exploring alternative sources of energy to reduce its dependence on imported coal.

The situation has also led to a rise in the cost of electricity for consumers, as companies have been forced to pass on the increased costs to their customers. "The increase in the cost of coal has led to an increase in the cost of electricity for consumers," said the official. "We are pas...
## PRICE CARD

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<th>As on Mar 28</th>
<th>International</th>
<th>Domestic</th>
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<tr>
<td>Cotton</td>
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Conversion rates:  
1) 1 ounce = 31.1032316 gm  
2) 1 US dollar = 64.84  

*As on March 28, 1900 hrs IST  

Note:  
1) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.  
2) International crude oil is Brent crude and domestic crude oil is Indian basket.  
3) International natural gas is NYMEX month future & domestic natural gas is MCX near month future.  
4) International wheat, white sugar & coffee robusta are LIFFE future prices of near month contract.  
5) International maize is MAOF nearest month future, rubber is Tokyo-TORCOM nearest month future and palm oil is Malaysia FOB spot price.  
6) Domestic wheat & maize are NCDEX future prices of nearest month contract, palm oil & rubber are NCDEX spot prices.  
7) Domestic coffee is Karnataka robusta and sugar is M30 Mumbai local spot price.  
8) International cotton is Cotton Noka NYBOT nearest month future & domestic cotton is NCDEX spot prices.  
9) International metals, Indian basket crude, Malaysia palm oil, wheat LIFFE and coffee Karnataka robusta pertain to previous day's prices.

Source: Bloomberg  
Compiled by BS Research Bureau
मंहगी चांदी ने बिगाड़ा गणित आभूषण निर्यातकों का

चांदी के बाजार भाव के आधार पर मूँग तत्व हो रहा है आयुक्तों का
अर्थशास्त्र शिखर

चांदी के मूँग लगाने रिकॉर्ड करते हैं जो है। मंहगी होती चांदी के चामले आयुक्तों निर्यातक करोड़ की तरह बन्दरगाह को मुंज़बूर हो रहे हैं। कुल 60 सौ सदस्य निर्यातक सहूल पर के लिए राहुल ही अनुमोदित मूँग पर चांदी के आयुक्तों का निर्यात किया है। लेकिन अब ये निर्यात ऐसे अनुमोदनों से बचने की
कोशिश कर रहे हैं। सलामत अनुमोदन पर निर्यात करने वाले निर्यातकों को नुकसान
होना का अभिलाषा रहा रहा है। इसी कारण से वे सलामत अनुमोदन तक भी बचने के

फेडरेशन और राजस्थान वर्षों के अनुसार राजस्थान का कहाना है कि राजस्थान
से सलामत केवल 700 करोड़ रुपये
मूँग के चांदी के आयुक्त, कार्यकारी
और विनिर्माण का निर्यात होता है। पिछले
साल तक चांदी में अनुमोदन 10-15
लाख हैं उज़ा-शाखा होता था। ऐसे
में निर्यात वहें सबसे मूँग से सलामत के
लिए, निर्माण मूँग पर निर्माण का
अनुमोदन कर देते थे। इससे वर्ष तक
में मात्र रुपए के निर्माण आदेश मिल
जाते हैं। लेकिन के वर्ष 2010-11 में
चांदी को प्रभावित नहीं कर सकते निर्माण
को फेल कर दिया गया है। इसका नुकसान
निर्यातकों को उड़ान पहल रहा है। ऐसे
में नए आदेश लेने के समय निर्माण सलामत
अनुमोदन का बनाए लगा आदेश के
लिए मूँग पहल रहे हैं।

फेडरेशन और राजस्थान वर्षों के
अनुसार राजस्थान के अनुसार राजस्थान के
अपने अनुमोदन आदेशों के अनुसार
चांदी की मीटिंग में शामिल रही थी
भारतीय संगठन भी ठंडा पड़ा है। वर्ष 2008 बी से पूरे देश
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हुआ था। वर्ष 2009 में वह फटकर 1000 टन व व 2010 में 1200
टन रह गया है। कीमतों में शामिल से
अधिक इसके चलते निर्यातक भी
सबसे अनुमोदित मूँग के बनाए रखा
उत्पादन करने पर वास्तविक बाजार मूँग के
आधार पर कर रहे है।

पहले सलामत, समाई और निर्माण
आदेश पर सबसे अधिक होता है। इसके
चांदी को कम किया ये निर्यात आदेश के
लिए एक वर्ष तक करने के बाद तीसरे पर
उत्पाद लागू करना होती थी। दो-तीन-
मास की दूरी में नक्सल निर्यातक
के हिस्से आता था।

जिला माउण्ट के संबंधी रामकृष्ण
मुख्य ने बताया कि चांदी की कीमत
बढ़कर दोगुने होने से ऐसे निर्माण आदेशों
को संयुक्त रूप से कम किया है। निर्माण आदेश
के अनुमोदन पर कम करने वाले
निर्यातकों की इस सलामत नुकसान
उड़ान पता है। इसके चलते अभी ऐसे अनुमोदनों
शामिल करने वाले निर्यात
के बाद होते हैं। वे बाजार मूँग पर
चांदी की समस्याओं का निर्माण कर
रहे हैं।
Gold demand surges

MUMBAI, MARCH 28

Gold traders are gearing up to meet rising demand for the metal, following a good winter harvest and the beginning of the new wedding season. Jewellers at Mumbai’s Zaveri Bazaar, the nerve centre of the trade in the country, said gold demand was expected to be higher this year, despite soaring bullion prices. “There is no sign of demand for gold jewellery slowing down. Though prices are high, people’s income has also increased,” says Vasanthbhai Jhaveri, a gold jeweller.

Gold prices are hovering a shade below Rs 21,000 per ten gram as global investors fret over the impact of rising oil prices on the economy, according to analysts. Data from the Bombay Bullion Association (BBA) shows India’s gold imports are likely to exceed 800 metric tonnes this year.

Estimates for gold imported in 2010 is around 750-800 MT, according to the BBA. Rough data available indicates that there has been no slow down in demand for gold during January and February. According to the World Gold Council which has data till the third quarter of 2010, India imported 624 MT during this period as against 559 MT during the whole of 2009.

With gold showing no signs of easing, those in the market to buy gold are taking the plunge, say jewellers. India is the world’s biggest consumer of gold. Much of the gold bought by Indians is imported as the country’s production is negligible.
‘Gujarat coral reefs a virtual gold mine’

Indo-Asian News Service
Gandhinagar, March 30

Every sq km of Gujarat’s coral reefs in the Gulf of Kutch is helping the State generate or notionally gain Rs 79.5 lakh annually in various sectors, including fisheries and tourism.

This has been revealed in a study commissioned by the State on economic valuation of coral reefs spread over nearly 250 sq km in the gulf, Mr E Balaguruswamy, Principal Chief Conservator of Forests and member-secretary of the Gujarat Ecology Commission, told IANS.

The entire three-dimensional, shallow water structures in the Gulf of Kutch are estimated to have an economic value of around Rs 220 crore every year, the study said.

Considered a cradle of evolution, coral reefs provide habitat for commercially valuable fish, harbour vast biodiversity with unknown potential uses, provide varied and high value benefits but continue to be threatened by human activities.

The study was ordered because the coral reef ecosystem, like many other ecosystems, is severely threatened all over the world.
Copper at 2-week low

Bloomberg
March 28

Copper fell the most in almost two weeks in New York. COMEX copper for May delivery was down at $4.3455 a pound by 8:25 a.m. local time.

Copper for three-month delivery dropped 1.4 per cent to $9,548 a tonne on the London Metal Exchange.
CEC stumbles on a mine of violations

Examines allegations of encroachments by three mining firms

SANDUR/HOSPET: The Central Empowered Committee of the Supreme Court came across several violations during the second day of its field visit in Bellary.

On Sunday, the CEC visited the Bharatrayana Harivu (BRH) mines of Ramgad Mines and Minerals Ltd (RMML), and examined allegations of encroachment by three adjacent mines — SB Minerals, Trident Minerals and Veyal Limited.

During the inspection, RMML said a joint survey conducted by Mines and Forest department in July 2010 had attempted to legalise the encroachments of the three firms by shifting the boundaries by 180 metres.

CEC Member Secretary M K Jiwrajka said the joint survey appeared faulty, and asked Additional Principal Chief Conservator of Forests (Vigilance) Dipak Sarmah to study satellite imageries prepared by the Lokayukta in 2007 and determine the exact lease boundaries.

During the inspection, officials also raised the issue that several maps submitted under the Forest Conservation Act and the Mines and Minerals (Development and Regulation) Act did not have any reference maps, thus making the fixing of lease boundaries extremely difficult.

The CEC also visited Laxminarayana Mines, which is in the same block, and questioned officials of the firm on filling a pit that was illegally mined.

In 2008, the Lokayukta had found that the firm had carried out mining outside its lease area and had subsequently filled the mining pit with waste dump.

Jiwrajka questioned the firm’s official as to how it could fill the pit when the land was surrendered and also apply for a mining lease for the area.

The CEC then proceeded to visit S B Mines and Minerals, and noticed that it had not set aside the mandatory safety zone of 7.5 metres on the common boundary. The Committee also noticed that illegal mining was being carried out in the adjacent forest area.

Later in the day, the CEC invited the public to make representations to the committee. The CEC will now head back to Bangalore for a meeting with the chief secretary and other officials, before heading to New Delhi.

DH News Service
NGO submits note to CEC

BANGALORE: The members of Karnataka Parisara Samrakshana Samiti, Hospet, on Sunday submitted its report-cum-memorandum to the members of the Central Empowered Committee (CEC) appointed by the Supreme Court, who are on a field visit to the mining areas in Ramagad and Hospet.

Samiti president S Srinivas Reddy had alleged that officers did not allow the Samiti members from meeting the CEC members on Saturday, even while they allowed representatives of certain mining companies were able to interact with the CEC members.

Reddy said in its memorandum, the Samiti explained how various mining companies have been polluting rivers in Hospet and thus causing serious damage to the Tunga Bhadra dam.

"The CEC members gave us a patient hearing and assured us that they will go through the memorandum", he said.

DH News Service
NMDC may delay revision in ore prices

NEW DELHI, PT: NMDC is likely to delay revision in iron ore prices for the April-June quarter by 15 days to mid-April as long-term contracts with Japanese steel mills have not been renewed yet, an official said.

Earlier, the company used to revise the iron ore prices at the beginning of a particular quarter. It had raised the prices by about 5.22 per cent in January for the last quarter of this fiscal.
Now, flow-through shares to lure cos into mineral hunt

KG Narendranath & Himani Kaushik
New Delhi, Mar 28

Taking a cue from Canada, Australia and the US, which have successfully used tax policy to attract investors into the risky business of mineral exploration, the government is considering introducing the facility of flow-through shares and resultant tax benefits exclusively for the exploration and mining sector.

The move is expected to induce high-tech exploration firms, especially those which focus on exploration rather than mining, to work seriously on the country's largely unknown but presumably rich deposits of base metals and diamonds.

Under the proposal, an exploration firm wanting to exit by transferring its licence and data to a mining company will be entitled to issue shares equivalent in value to its expenditure to the latter. The buyer, in turn, can claim a one-time tax benefit on the full value of the shares. That is, it gets to claim the full amount invested against its income. (Transfer of licence is proposed to be allowed as part of the relevant Bill on mining policy being vetted by a group of ministers.)

Flow-through shares would come in handy for investors in both exploration and mining. For the exploration firm, a profitable sale of its licence and data would become easier and for investors in the mining firm, the net cost of the buy would be a fraction of the actual value of the shares. For example, if the exploration firm issues shares worth ₹100, and the statutory tax rate for the investor is 30%, the net cost of the investment for the latter would only be ₹70. So the proposal amounts to extending the extant tax breaks for exploration to the mining sector.

S Vijay Kumar, secretary, ministry of mines, told FE: "In many countries, you can set off exploration expenditure against subsequent income from mining. But it is not adequate in a situation where the company doing exploration sells the data to another company which does mining."

Continued on Page 2
Now, flow-through shares to lure cos into mineral hunt

“The buyer will not be able to take advantage of the exploration expenditure as it was made by the other company. Therefore, we have to build a new incentive, and hence the concept of flow-through shares,” said Kumar. He added that the details of the proposal are being finalised by the ministry of mines and these would be sent to the finance ministry for approval.

Currently, there is a near-absence of exploration firms in India, especially those with the specialised technologies to hunt for rare materials like diamonds, copper, zinc, uranium, etc., which tend to occur at greater depths. As a result, India’s mining industry is largely confined to exploitation of so-called surficial (occurring on or near the earth’s surface) deposits of iron ore, bauxite, etc.

Countries like Canada, Australia, the US, Russia, Mexico, Peru and Chile account for the bulk of the world’s exploration expenditure not only because they are minerals-rich but also due to right policies (see table). While over $2 billion was invested in Canada for mineral exploration in 2010, the corresponding figure for India was less than $2 million. At present, India’s mineral policy virtually does not allow exploration to be a standalone profitable business. The exploration licensee, even if it finds a potentially commercially recoverable deposit, will have to freshly seek a mining licence and wait for the income streams from the mining activity to gain in strength to recover the costs.

While the proposed change in the policy – through the Mines & Minerals (Development & Regulation) Bill – would allow exploration companies to transfer (sell) the licence, the ministry of mines feels that that alone won’t suffice to generate investor interest. There is a need for additional fiscal support, it reckons.

Puneet Goel, a director at KPMG, said, "The system of flow-through shares has been successful in many countries. But for it to work, it is important to develop the entire ecosystem for investors to actively participate. Proper regulation is also required so that the facility is not misused to save tax on the sly.”

Tax benefits from flow-through shares are available to investors in the Canadian exploration and mining industries. Australia has a modified system. Chile undertook a major mining reform some 10 years ago and the country is now one of the most attractive mining destinations. “India probably has some of the best diamond deposits in the world. Incentives for exploration would help the country to find more diamonds,” Kumar said.
Rio Tinto garners only 39.66% in Riversdale bid

■ Co was eyeing a more than 50% stake in the Australian coal producer

Rio Tinto, which has been eyeing a more than 50% stake in Australia’s coal producer, Riversdale Mining, could garner only 39.66% even as the period for its increased offer to shareholders came to an end on Monday.

Riversdale, in its filing to the Australian Stock Exchange early morning Monday, informed that Rio Tinto has received interest and acceptance equal to 39.66% of Riversdale.

Rio Tinto had hoped to secure interest above 50%, and raised its offer price to A$16.50 a share from A$16. The revised deal has expired at the end of the day Monday, after which the shares will revert to A$16 until the bid closes on April 6.

Riversdale’s two largest shareholders, Tata Steel and CSN from Brazil, together hold 47% of the voting rights and have been reluctant to give up their shareholding in Riversdale to Rio.

Both steelmakers appear to be more interested in protecting their access to future production from Riversdale’s big Zambeze project in Mozambique than in making a profit by selling into the bid.

Last week Koushik Chatterjee, group CFO, Tata Steel reportedly said, “In the fitness of things and in the regulatory environment that governs the transaction, let us see as to how it pans out over the next few weeks or maybe till what time the Rio offer gets extended.”

Rio has extended its offer period four times since it was first made in December last year.

RIVERSDALE’S TWO LARGEST SHAREHOLDERS TATA STEEL AND CSN APPEAR TO BE MORE INTERESTED IN PROTECTING THEIR ACCESS TO FUTURE PRODUCTION FROM RIVERSDALE’S BIG ZAMBEZE PROJECT IN MOZAMBIQUE THAN IN MAKING A PROFIT

Making its point strongly, Rio Tinto Energy chief executive Doug Ritchie in a statement on March 10 had said, “The choice for Riversdale shareholders is clear — accept the offer or risk seeing their share price return to pre-bid levels. There is no reason to delay acceptance.”

Reports suggest that there had been speculation that Tata would be part of a consortium to make a rival bid for Riversdale, or that CSN would make its move, but neither has confirmed any such intention.
Racing for energy security

Falling behind because of delayed decisions

It is difficult to envisage business rivals to bid jointly for any projects but the huge rise in energy prices has apparently brought together three Indian companies to bid for stakes in two coal mines in Australia. The bid comes after they realised none of them on their own could hope to make the purchase. The race for energy security in the globe is now so intense that valuations are racing to unprecedented heights. For steel and power companies, the advantage of setting up short-term contracts for raw materials, especially coal, has all but disappeared after international mining companies cartelised prices, so bidding for coal blocks makes enormous sense.

Closer home, an indication of how close the race has become in the energy sector is evident in the number of bids received on Monday for the 33 oil and gas blocks, the petroleum ministry had put up for exploration as part of the ninth New Exploration Licensing Policy (NELP). The bids have come through despite the government having withdrawn the seven-year income-tax holiday for earnings from the production of oil from the NELP blocks. The initial protests from companies have all died out as they scurry instead for pole position.

The rising interest is also powered by the game-changing alliances in the global mineral sweepstakes. Rio Tinto, for instance, hopes to buy a majority share in the Australian coal producer, Riversdale Mining, although it has run into short-term problems as its revised offer price had not attracted enough shares till Monday. A large percentage of the chase is fuelled by the rising demand for energy from India and China to meet their growth needs. But while companies like PetroChina have sewn up a large supply chain, the record of the Indian companies so far has been patchy. The latest report of the CAG on ONGC Videsh, India’s flagship vehicle for buying hydrocarbon assets abroad, shows that in the past six years the company has made profits mainly due to the rise in the price of crude. Of the 36 assets acquired at a cost of ₹6,206.83 crore, OVL has achieved success in only five projects, of which only one has reached production stage. But the solutions suggested by the report to develop a policy on investment opportunities and guidelines on joint ventures will only cripple the efforts further. If the CAG wanted proof, it is available in the record of Coal Videsh, where the five sponsor public sector companies delayed a decision for so long they could not even put in an initial bid for Riversdale. Nearly two years after its formation, Coal Videsh has not even a single asset it can show for its labour.
Probe against Yeddyurappa can begin, says Lokayukta

Bangalore, Mar 28: Lokayukta Police on Monday said it could commence its probe straightaway into a private complaint against chief minister BS Yeddyurappa and his family members for their alleged involvement in land and illegal mining scams.

"According to our chief of legal cell whose views had been sought for filing an FIR in this case, there is no need to file an FIR at all. Investigation in this case can commence straightway", Additional director general of police (ADGP) Rupak Kumar Dutta said.

On March 25, the Lokayukta police were served orders by the Special Court directing it to complete the enquiry into one of the five complaints lodged before it by two city-based advocates against Yeddyurappa and his family members and submit its report on the issue by May 4 in reply to the court's order.

NO NEED TO FILE AN FIR...INVESTIGATION INTO YEDDYURAPPA AND HIS FAMILY MEMBERS FOR ALLEGED INVOLVEMENT IN LAND & ILLEGAL MINING SCAMS CAN COMMENCE STRAIGHTAWAY, SAID ADGP RUPAK KUMAR DUTTA

Lokayukta police had said that they would seek legal opinion before deciding the future course of action.

Legal experts had said Lokayukta police was likely to register a “technical FIR” for their records before the probe.

Advocates Sirajin Basha and KN Balaraj have filed five complaints against Yeddyurappa and his family members in connection with the allegations after receiving Governor HR Bhardwaj’s sanction for prosecution of the chief minister.

The first complaint alleged three charges - denotification of agricultural land in a layout, its sale to Yeddyurappa’s son BY Vijayendra and his son-in-law Soham and subsequent sale to a private mining firm.

The second complaint related to “illegal sale” of another piece of land in the same layout to a private developer of which Yeddyurappa’s two sons and son-in-law are directors and third to “illegal amalgamation” of road land and 10 sites in the layout. PTT
Gold declines on investor selling

Bloomberg March 28

Gold declined for a third day in New York as some investors sold the metal after its rally to a record and on signs the US economy is improving. Silver, platinum and palladium also fell.

Gold futures for June delivery fell $12.30, or 0.9 per cent, to $1,415.30 an ounce at 8:43 a.m. on the COMEX in New York. Prices are down 0.4 per cent this quarter after gaining the previous nine quarters. The metal for immediate delivery in London was 1.1 per cent lower at $1,413.49.

Bullion declined to $1,420 an ounce in the morning fixing in London, used by some mining companies to sell output, from $1,436 at the afternoon fixing on March 25.

Silver for May delivery in New York fell 1.2 per cent to $36.60 an ounce. It reached $38.18 on March 24, the highest level since February 1980, the year futures reached a record $50.35.

Prices are up 18 per cent this year; heading for a ninth straight quarterly advance, the best run of gains since at least 1975.

Palladium for June delivery was down 1.4 per cent at $740.25 an ounce, taking its quarterly loss to 7.8 per cent. Platinum for July delivery declined 1 per cent to $1,731.40 an ounce. Prices are down 2.6 per cent this quarter.

Bullion rates

Mumbai: Silver spot (999 fineness): Rs 55,820; standard gold (99.5 Purity): Rs 20,695; Pure gold (99.9 purity): Rs 20,795.
A Chennai housewife forecasts gold price for major producer

GETS IT RIGHT 80% OF THE TIME; INDIANS MAKE WISE DECISION ON BULLION: ANGLOGOLD ASHANTI CEO

T. E. Raja Simhan
Chennai, March 28

A Chennai resident, Mrs Srinivasan, gives the forecast on gold price to Anglogold Ashanti, world's third largest gold producing company. She is the mother of Mr Srinivasan Venkatatrishnan, Chief Financial Officer of Anglogold Ashanti.

"She has been the one who has it right over 80 percent of the time. She seems to have got an intuitive feel of the price," says Mr Mark Cutifani, CEO of the company.

Every week Mr Venkatatrishnan, who is based in Johannesburg, speaks to his mother living in Chennai for the forecast. Indian families understand issues such as land/gold prices and inflation intuitively, and make wise decisions on when to and when not to buy. "Our conversations are very much around what Mrs Srinivasan sees in the market that many of the global experts do not on gold pricing," says Mr Cutifani.

On his first visit to India, Mr Cutifani is highly impressed with the knowledge level among Indian consumers. "Indians are very sophisticated. Westerners are realising the need to invest in gold by following the Indians," said the top official of the $4 billion Johannesburg-based company, which produces 4.6 million ounces (an ounce equals 30.103 gm) a year.

Speaking to Business Line at a resort in Mahabalipuram near Chennai last week, Mr Cutifani dealt on issues ranging from gold production to cost pressure and, more importantly, on shortage of gold in the market. "There is tremendous cost pressure in our industry," he says. Excerpts from the interview:

WORLD SHORT OF GOLD

At present, the total gold in circulation, or the total global stock above the ground, is 160,000 tonnes. If the world's economies grow at 3 percent a year, it would mean 3 percent of wealth should be added each year. And that means the industry should produce nearly 4,800 tonnes of gold every year (3 percent of 160,000 tonnes). But the production is not even half of that. "The world is short of gold," he said.

PRICING PRESSURE

The total cost of producing gold today is more than $1,000 an ounce, and that includes exploration, capital development, sustaining capital and other charges. The overall cost is heading towards $1,200 an ounce. But the major problem is the time taken from discovery to producing an ounce of gold is nearly 10 years. The capital commitment is significant and the time involved, putting dollars in the ground and getting the return, is very long.

VALUE DESTROYED

In the last 20 years the gold producing industry has destroyed the value of the precious metal. Only in the last two years has the industry seen positive returns, that is, above the cost of capital. Even today the average returns would not be beyond 10 per cent despite the high gold price. The average production cost is going up by $100 an ounce each year. There are a few factors on why the cost is going up. As there has been no return for the industry, there have been very few new gold discoveries. The cost of discovery per ounce of gold has doubled in the last few years even as miners are mining every year 50 meters deeper, thus adding 3-5 per cent to the cost a year. The quality of the deposits has declined by more than 1.5 per cent a year for the last 20 years. The new mines being developed are located far away, thereby obscuring the logistics cost and the cost of providing support infrastructure such as developing new towns, and so on. Finally, the input inflation is at least four percentage points above the general inflation even as the capital items continue to be exposed to high inflation. So, on a real basis, the gold price is going up 10-12 per cent a year while on a nominal basis it is 15-16 per cent. That's what has happened in the last seven years. The pressure on the industry is 15-15 per cent every year and can only be offset by a company's ability to be innovative in its cost structures.

"We are no different from the Tata's on looking to improve productivity and reduce costs," Mr Cutifani said. The production price of around $1,400 is probably correct and will help the industry get a return on investment of around 10 per cent.

A $100 an ounce increase a year will help sustain that sort of increase but will not encourage crazy amounts into exploration and massive increases in production. So, the cost of $1,450 an ounce and an increase of $100 an ounce every year is probably the right equation.

MAJOR PRODUCERS

Barrick Gold is the top producer with 7 million ounces followed by Newmont Mining Corporation (5 million) and Anglogold (4.6 million).

There could be around 20 substantive producers, around 50 smaller producers and a few individual producers.

DEPOSITS

China does not have big deposits but many smaller ones, and accounts for around 10 per cent of the world's total gold production; Australia accounts for 5 per cent and South Africa, 4 per cent. South America is growing and North America is flat.

You could see lots of action in the Middle East and Asia in the next 10 years.
Orissa to Set up ₹800-Crore SPV for Development in Mining Areas

NAGESHWAR PATNAIK
Bhubaneswar

Shaken by criticism from civil society, opposition parties, non-governmental organisations, the Orissa government has decided to set up a special purpose vehicle (SPV) at an investment of ₹800 crore to oversee peripheral development in mining areas and ensure inclusive growth of mining areas. The much-awaited SPV is likely to come up by end of May this year, according to a senior official. About 50% of the additional Net Project Value (NPV) would be utilised for the SPV. The state has a deposit of ₹1,600 crore in the additional NPV. The decision in this regard was taken at a meeting chaired by chief minister Naveen Patnaik.

The SPV would ensure development of peripheral areas of mines and welfare of local people, mostly tribals. Large tribal populations in Keonjhar, Sundargarh, Koraput, Mayurbhanj, Jajpur and others would be benefited from the proposed SPV, the official said.

The SPV would be set up based on the Society Registration Act. A governing body and an executive committee would be formed for proper functioning of the SPV. The official said that individuals from both government and private sector would be part of the executive committee.

The SPV will be responsible for chalking out small development projects that will pave the way for livelihood and welfare of tribal people. Keeping the impact on environment, displacement and loss of livelihood, the government has decided that the SPV would be mandated with working out strategies for health as well as sanitation improvement in tribal areas.
कमोडिटी वायदा कारोबार वहंचा नई ऊँचाई पर

सर्जन, भावत तथा उर्जा उपादानों का व्यवहार करने के साथ-साथ देश के लिए वाणिज्य बाजार में कारोबार का आकार धीरज से बढ़ रहा है। वाणिज्य बाजार आयोग (एपएस) के अनुसार सबसे बड़ा तंदूर कारोबार का आकार 73.50 लाख करोड़ रुपए रहा है। इसके अतिरिक्त उत्पादन की तरह, चांदी, भावत और उनके तेल के वाणिज्य कारोबार से उत्पन्न रहा है। आयोग के अनुसार भारत के वाणिज्य व्यवस्था में सबसे बड़ा कारोबार 51 प्रतिशत बढ़कर 16.84 लाख करोड़ रुपए में 25.50 लाख करोड़ रुपए हो गया। इसी तरह उर्जा उपादानों का कारोबार 46 प्रतिशत बढ़कर 18.25 लाख करोड़ रुपए हो गया।