Jindal Steel’s $2.1-bn project gets Bolivian boot

Largest overseas steel project by Indian company ends; it is scanning contracts worth $583 million

After months of bickering and verbal volleys, the $2.1-billion (TL1.650 crore) Bolivian project of Jindal Steel and Power Ltd (JSPL), the most ambitious overseas steel project of an Indian company, is now officially stalled, thanks to differences between the Bolivian government led by leftist President Evo Morales and the Naveen Jindal-promoted steel maker.

Confirming the development, Sushil Maroo, deputy managing director and director (finance), JSPL, told Business Standard that the company did not want to talk about future viability of the project any more. A JSPL team, posted in the project site in the Latin American country, is in the process of coming back to India, said company officials aware of the development.

“We are not getting gas supplies required for the project and the Bolivian government is encashing the guarantees we gave for the project. If there is no gas, how can we start the project? Hence, it is stalled right now,” said Maroo, adding: “We can’t do anything about it.”

JSPL and the Bolivian government are locked in a court battle in the International Court of Justice over encashing of the $8 million corporate guarantee furnished by the company. The project for the last two years has been engulfed in controversy.

In 2007, JSPL and the Bolivian government had signed a contract whereby the company was to invest $2.1 billion in developing half of the 40-billion-tonne iron ore reserves in El Muton. This is one of the largest iron ore mines in the world and JSPL had edged out the top steelmakers in the world to secure the contract. Other projects in the contract included a 1.7-million-tonne per annum (mtpa) steel plant, a 6-mtpa sponge iron plant, a 10-mtpa iron ore pellet plant and a 450-Mw power plant.

In March, this newspaper had reported the company had asked a couple of months’ time from its investors for an update on the project’s future. The Bolivian government had scheduled an audit on the project in May.

The stock market and investors, however, see this as a boon. According to Ritesh Shah, metals and mining analyst with Espiritu Santo Securities, the investors have already factored in the cancellation of the project. “The company has invested around $150 million in the project which is not huge considering the total size of $2.1 billion. There will be no price impact on the stock, but a sentimental impact will be a definite,” Shah said.

The stock price of JSPL closed at Rs454.15 today, down by half a percentage point against the BSE Sensex that rose 1.33% per cent on Monday.

Ravindra Deshpande, metals analyst at Elara Securities (India), said: “Such huge projects are not counted when valuing a company till the time cash-flows start trickling in as the future of such projects is largely uncertain. Even this project was in clouds for the past two years. Hence, we don’t see any negative impact on the financials of the company.”

But the project was a jewel for JSPL. The largest mining concession ever granted by the Bolivian government could have given JSPL a foothold in the fast-growing Latin American steel market.

The company, apart from mining 20 million tonnes of ore, had the go-ahead to export half of it. And given the volatile iron ore prices, the battle between steel and mining companies to secure any possible raw material source, this resource was a major boost to JSPL’s raw material security.

The company had also signed contracts worth $583 million with various companies, including Midrex for a 2.5-million-tonne steel mill, for the project. “We are reviewing the situation and the contracts. It would be difficult to comment on the same at the moment,” said Maroo, while explaining the impact.

The cracks between the two parties emerged as early as 2010 when the Bolivian government threatened to cancel the contract if the Indian company did not adhere to the signed investment schedule. According to the pact, JSPL was supposed to invest $300 million for first five years and $200 million for the next three years.

However, due to the economic uncertainties surrounding the global investment cycle at the time, JSPL asked for renegotiation of the investment schedule which was shot down by the government of President Morales.

JSPL is not the only Indian steel company that has suffered in the foreign acquisitions. Essar Steel’s Zimbabwe buy of Zimbabwe Iron and Steel Co (Zisco), too, ran into rough weather and the planned acquisition of Zisco’s iron ore mining company is also under clouds. Zisco, now Essar Steel Zimbabwe, has a 4 million-tonne steel plant and multi-billion tonnes of iron ore reserves under Buchwa Iron Mining Co — now NewZim Minerals Pvt Ltd.
OMC tops profit-making state PSUs

Orissa Mining Corporation topped the list of 10 most profit-making state-level public enterprises during 2007-08, while Delhi Jal Board was the biggest loss-making firm during the period, according to a government survey. Orissa Mining Corporation earned net profit of ₹1,015 crore during 2007-08, while Delhi Jal Board registered a loss of ₹1,567 crore during the period.

IS REPORTER
GoM to discuss on Mahan, Chhatrasal

The Group of Ministers on coal may discuss this week the conditional clearance recommended by an environment ministry’s expert committee to the Mahan and Chhatrasal mines in Madhya Pradesh. The GoM in March asked the ministry to constitute an expert committee to assess the environmental impact due to mining in these two blocks and give its report.
Ministerial panel may give green clearance to Mahan, Chhatrasal coal blocks

ANIMESH SINGH in NEW DELHI

In what could be a big relief to major players like Essar Power, Hindalco and Reliance Power, there is a likelihood that a ministerial panel may give green signal to these entities for mining of Mahan coal block (belonging to Essar and Hindalco) and Chhatrasal block (belonging to Reliance Power), though with riders.

The Group of Ministers (GoM) headed by Finance Minister Pranab Mukherjee, which is scheduled to meet on May 30, is expected to decide the fate of the two blocks, which have been hanging fire since quite long. The panel had referred the matter related to their green clearance to a sub-committee during its last meeting held on March 1 this year.

According to sources close to the development, the sub-committee, which had been given a mandate to submit its report within 10 days, is learnt to have, among other things, suggested that if the entities want to mine these blocks, then they would have to modify the mining plan by excluding around 100 hectares of good quality forest area from the mining lease.

Apart from this, the sub-committee is said to have suggested that the companies would have to compensate for the loss of good quality forests, and would have to do compulsory afforestation in the mining area. Also, according to sources, the companies would have to shell out funds for restoring degraded forests.

Another suggestion by the sub-committee is for setting up a joint task force consisting of forest department officials from states like Madhya Pradesh, Chhattisgarh and Uttar Pradesh, for regular monitoring of the condition of the catchment area of Rihand dam, constructed on Rihand river, whose waters are essential for Mahan block, which is situated in Singrauli district of Madhya Pradesh.

Also, the companies would have to spend 5 per cent of their estimated project outlay for corporation social responsibility activities. In addition to this, they would be allowed to continue with their mining activities in the two blocks, if their efforts of rehabilitating people in the already mined areas is found to be satisfactory.

Mahan, which has reserves of 150 million tonnes of coal, has been awaiting green signal from the Environment Ministry since more than a year and due to the delay in its clearance, the future of the upcoming power plants of Essar Power and Hindalco Industries (a subsidiary of Aditya Birla Group) has been shrouded in uncertainty.

The coal block situated in Singrauli (Madhya Pradesh) belongs to Mahan Coal Ltd, a 50-50 joint venture formed between Hindalco (a unit of Kumarmangalam Birla-led Aditya Birla Group) and Essar Power (Raia’s enterprise) to mine the coal block, which was to fuel the proposed plants of the two companies.

While Essar Power has plans to start a 1,000 MW power project in Madhya Pradesh, Hindalco proposes to set up a 750 MW captive power plant. Both the plants were to start production from last year, but the inordinate delay in clearance of the block has messed up their plans.

The Chhatrasal block, situated in Sidhi (Madhya Pradesh) belongs to Anil Ambani-led Reliance Power and if cleared, would prove useful for its Sasan ultra mega power project.
NMDC Q4 Net down 21.74 % to ₹1,642.28 cr

PNS NEW DELHI

State owned NMDC, the country largest iron ore producer on Monday reported a decline of 21.74 per cent decline in net profit to ₹1,642.28 crore for the quarter ended March 31, 2012, largely due to lower realisations on sale of iron ore.

Net sales of the company were down 45.35 per cent to ₹2,593.65 crore during the quarter vis-a-vis ₹3,766.75 crore in Q4 of FY’11, it said in a filing to the BSE. Besides, the company also incurred a loss of ₹ 51.30 crore during the quarter on impairment of windmills in Karnataka, which are pending recommissioning, it said.
NMDC Q4 net down 21.74%

MUMBAI, PTI: NMDC has reported a decline of 21.74 per cent in net profit to Rs 1,642.28 crore for the quarter ended March 31, 2012, largely due to lower realisations on sale of iron ore.

The largest domestic iron ore miner had reported a net profit of Rs 2,096.62 crore in the same quarter of 2010-11.

Net sales of the company were down 45.35 per cent to Rs 2,593.65 crore during the quarter vis-a-vis Rs 3,769.75 crore in Q4 of FY'11, it said.
Illegal mining is bleeding Rajasthan

Nothing reflects the clout of the mining mafia more than the abrupt transfers of officers who challenged them. Bharatpur SP Vikas Kumar, who had led a massive crackdown on a cluster of illegal mines in Kaman in March, finds himself transferred two months later. Similarly, at least three senior forest officials in Alwar district were transferred for taking on the mafia.

Last week, an illegal mine collapsed near Bhiwadi in Alwar district, leaving about 10 labourers trapped under the debris. In another incident, three policemen were injured during a run-in with about 100 illegal miners in Nakholi area on Saturday.

Even the licensed mines are guilty of conducting illegal operations. A division bench comprising Rajasthan chief justice Arun Kumar Mishra and Justice Kailash Chandra Joshi took serious note of the activities of marble miners in Makrana, where they even dug up the Jodhpur-Jaipur railway track. The judges said, “If you are not stopped, you would dig up even the High Court.”

The bench also ordered a CBI probe against the mining officials posted in the area. In October 2010, the then IG Intelligence T. Guite, in his report to the chief minister, had revealed the nexus between the mining mafia and state officials. The report, a copy of which is with Mail Today, said, “To facilitate illegal mining and transportation (of stone) in Alwar district, the officials take bandh (a fixed amount) every month from the mining mafia.” Guite was transferred from the intelligence wing a month later. What Guite didn't mention was the involvement of local politicians.

It surfaced recently that Kaman MLA Zahida Khan and her husband Jaees Khan, the head of Kaman Panchayat Samiti, took up the “high-handedness” of Kumar with the chief minister Ashok Gehlot in a call.

In December 2011, the Central Empowered Committee (CEC) that advises the Supreme Court on matters related to forest conservation conducted an investigation on illegal mining in Alwar. The report said, “The area under illegal mining has increased substantially in 2010 as compared to 2005.”

A ccording to this definition, the hills start 100 metres above the ground level. This means that the ground up to 100m level is not part of the Aravallis and hence can be leased for mining. The Geological Survey of India (GSI), however, published this unscientific definition and advised the government “to include the slope of the hills above ground level as part of the Aravallis”. But, the state government continues to propagate that its definition of the hills has GSI’s approval and got this piece of falsehood published in local newspapers.

Unfortunately, it seems that mining continues to flourish in the Aravalli region despite the ban. Illegally mined sand and grit caters to the booming construction industry in the national capital region.
Neyveli Lignite Q4 net up 3.2%  
It reported a 3.2 per cent growth in net profit for the quarter ended March 31, at ₹605.2 crore, compared to ₹586.5 crore, a year ago. Total income rose to ₹1,509.9 crore from ₹1,218 crore, an increase of about 23 per cent.  BS Reporter
Asian Age, Delhi
Tuesday, 29th May 2012, Page: 17

Posco to swap iron ore locally

South Korean steel major Posco India seems to have agreed to the conditions of the Orissa government for setting up its proposed 12-million-tonne steel mega project near Paradip in Jagatsinghpur district of Orissa.

According to the sources in the state government, the company will not be swapping the low-grade iron ore with foreign countries like Brazil (for import of high-grade ore) but will carry out the process within India.

“As per the new arrangement, the company has agreed not to swap the low-grade iron ore with foreign countries to get high-grade ore to feed its plant. Instead, it will swap the low-grade ore to be extracted from its “yet-to-be-obtained” captive mines in Sundergarh district within India with the help of the state-owned Odisha Mining Corporations (OMC),” the sources informed on Monday.

As per the earlier understanding, the Orissa government had agreed to allow Posco India to swap nearly six million tonnes of iron ore with foreign countries, including Brazil, to avail high-grade ore. However, there were strong protests from political circles on this issue.

The opposition parties alleged that Posco India wanted to drain away the iron ore resource of the country by this “fraudulent” arrangement. They even blamed the ruling Biju Janata Dal (BJD) that it was trying to show undue favour by allowing the swapping and insisted for quashing this clause from the memorandum of understanding (MoU) signed with the company.

State industry minister Raghunath Mohanty, under mounting pressure from political parties, had asked Posco India to reconsider the swapping issue.

“Besides dropping the issue of foreign swapping of iron ore, Posco India has agreed to carry out the process within India and has consented to give priority to recruit local youth at the plant. The Orissa government, Posco India and its parent organization, Posco, would sign a tripartite agreement on the new arrangement,” sources said.

Posco India had signed a new memorandum of understanding (MoU) with the Orissa government on June 22, 2005, to set up a 12-MTPA steel project in Orissa with an investment of `52,000 crore, the highest ever foreign direct investment (FDI) in the country.
NMDC logs 21.74% decline in Q4 net profit to ₹1642 cr

Mumbai, May 28: State-owned NMDC on Monday reported a decline of 21.74 per cent in net profit to ₹1,642.28 crore for the quarter ended March 31, 2012, largely due to lower realisations on sale of iron ore.

The largest domestic iron ore miner had logged a net profit of ₹2,996.62 crore in the same quarter of 2011-12. For the fiscal 2012, the company clocked a growth of 11.79 per cent in net profit at ₹7,265.39 crore, compared to a net profit of ₹6,499.22 crore in FY11, largely due to higher production of iron ore.

In last fiscal, the Hyderabad-based mining firm produced 27.26 million tonnes of iron ore, a growth of 7 per cent over the previous year's 25.16 million tonnes (MT). For the ongoing fiscal, the company is targeting to produce about 30 MT iron ore and has kept a capex of ₹4,400 crore.

The company also said its Board has recommended a dividend of 450 per cent or ₹4.50 per share on ₹1 a share each.

— PTI
NMDC Q4 net down 21.74%

Mumbai, May 28: State-owned NMDC on Monday reported a decline of 21.74% in net profit to ₹1,642.28 crore for the quarter ended March 31, 2012, largely due to lower realisations on sale of iron ore.

The largest domestic iron ore miner had reported a net profit of ₹2,089.62 crore in the same quarter of 2011-12.

Net sales of the company were down 45.35% to ₹2,593.65 crore during the quarter vis-a-vis ₹3,769.75 crore in Q4 of FY11, it said in a filing to the BSE. The company also incurred a loss of ₹51.30 crore during the quarter on impairment of windmills in Karnataka, which are pending recommissioning, it said.

For 2011-12 fiscal, the company reported a growth of 11.79% in net profit at ₹7,265.59 crore, compared to a net profit of ₹6,499.22 crore in FY11, largely due to higher production of iron ore.

Net sales of the company was marginally lower by about 1% to ₹11,261.89 crore in FY12 against ₹11,369.31 crore in 2010-11. In last fiscal, the Hyderabad-based mining firm produced 27.26 million tonne of iron ore, a growth of 7% over the previous year’s 25.16 million tonne.
Copper extends gains

Reuters

London, May 28

Copper extended gains on Monday on hopes of more stimulus from China, and after Greek conservative parties topped opinion polls, helping calm fears over contagion should Athens default on its debt and leave the euro.

Three-month copper on the London Metal Exchange rose 1.02 per cent to trade at $7,717 a tonne in official midday rings from $7,630 on Friday, with volumes expected to remain light given public holidays in Europe and the US.

Tin traded up 0.73 per cent to $19,895 a tonne from $19,750, while zinc, used in galvanising, was last bid down at $1,905 from $1,908.50. Lead traded down at $1,945 versus $1,950, aluminium was last bid up at $2,021 from $2,013.50, while stainless-steel ingredient nickel traded up at $17,080 from $17,050.
S.K. Srivastava to take charge as Coal Secretary from June 1

New Delhi, May 28:

Mr. S.K. Srivastava, currently Special Secretary at Ministry of Mines, would take over as Secretary Coal from June 1. Mr. Srivastava would succeed Mr. Alok Perti, who retires on May 31. Mr. Perti would continue as advisor to the Ministry. – Our Bureau
## Production of Iron Ore

(in Thousand Tonnes)

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*Explanatory Notes:
- Data Source: Ministry of Steel
- PTI Graphics*
Lower realisations hit NMDC Q4 profit

MUMBAI: NMDC, on Monday, reported a decline of 21.74 per cent in net profit to Rs.1,642.28 crore for the fourth quarter ended March 31, 2012, largely due to lower realisations on sale of iron ore. It had reported a net profit of Rs.2,098.62 crore in the same quarter in 2010-11.

Net sales were down 45.35 per cent at Rs.2,593.65 vis-a-vis Rs.3,769.75 crore, it said in a filing to the BSE.

Besides, the company incurred a loss of Rs.51.30 crore during the quarter on impairment of windmills in Karnataka, which were pending re-commissioning, it said.

For 2011-12 fiscal, the company reported a growth of 11.79 per cent in net profit at Rs.7,265.39 crore against Rs.6,499.22 crore in the previous year, largely due to higher production of iron ore.

Net sales were marginally lower by about 1 per cent at Rs.11,261.89 crore against Rs.11,369.31 crore. The company produced 27.26 million tonnes of iron ore, a growth of 7 per cent over the previous year’s 25.16 million tonnes.

Capex

For the current financial year, the company is target-
GoM to Discuss Mahan, Chhatrasal Mines This Week

NEW DELHI: The group of ministers on coal may discuss this week the conditional clearance recommended by an expert committee to Mahan and Chhatrasal mines in Madhya Pradesh. The GoM in March had asked the ministry of environment and forests (MoEF) to constitute an expert committee to assess the environmental impact due to mining in these two blocks and submit its report. The Mahan coal block was jointly allocated to Essar and Hindalco, the Aditya Birla Group's flagship company, for thermal power plant in April 2006, while the Chhatrasal block was given to Anil Dhirubhai Ambani Group firm Reliance Power to feed its 4,000-MW ultra-mega power project at Sasan, in Madhya Pradesh in October 2006.
Posco’s Paradip Plant to Come Up At a High Cost

Steel maker to swap low-grade iron ore from captive mines within India via Orissa Mining Corp

NAGESHWAR PATNAIK
UBANESWAR

Posco, the South Korean steel giant, has agreed to a fresh set of terms and conditions stipulated by the Odisha government to kick off its much-delayed 12-million tonne mega steel project near Paradip in Odisha.

Reviving the MoU for a project announced in 2005 was possible after Posco, in a significant shift, softened its stand on swapping low-grade iron ore with some foreign countries such as Brazil for import of high-grade ore. In another concession, the South Korean steel maker agreed to implement the policy of the state government regarding employment of domicile in the proposed plant.

“As per the new arrangement, the company has agreed to swap low-grade iron ore from its ‘yet-to-be-obtained’ captive mines within country through the state-run Orissa Mining Corporation (OMC). Besides, it has consented to give priority in recruitment to local youth in various posts,” a senior official engaged in negotiation process with Posco India team told ET on Monday.

Clearing Hurdles

The Odisha government, Posco India & its parent organisation Posco, would sign a tripartite agreement on the new arrangement very soon. Posco has also agreed to implement the policy on employment of domicile in the proposed plant.

However, the progress in the MoU is just one of the many hurdles before the steel maker.

Sources further added that the Odisha government, Posco India and its parent organisation Posco, would sign a tripartite agreement on the new arrangement very soon. Posco was not available for an immediate comment. The official negotiators representing the Odisha state had made it clear to the Posco team that the steel project could not be thrust upon the locals.

“We have asked them to earmark at least ₹100 crore for local area development. We want to earn the confidence of the people by developing infrastructure in the project-affected villages, provide piped water supply and create livelihood opportunities to end the six-year long confrontation,” the official said.

However, the progress in the MoU is just one of the many hurdles before the steel maker. The green tribunal has set aside the conditional forest clearance granted to Posco in 2011. The company has tweaked its project by deciding to make do with a 8-million tonne capacity plant, instead of 12 million, that it has originally decided by resolving to setting up infrastructure on land that is not disputed.

The allocation of mines to Posco has been challenged in the courts. The hearing will resume after the court reconvenes after the summer vacation.

Last week the state-run Industrial Infrastructure Development Corporation (IDCO) chairman PK Jena visited the project area and interacted with villagers likely to be displaced or partially affected.

“We are reworking on the entry road to the project keeping opposition from a miniscule section of villagers. We want to carry the villagers with us by bringing substantial benefits to them even before the project is launched. Posco also has given its nod to a pro-people strategy,” Jena said.

On June 22, 2005, Posco India had signed a new memorandum of understanding (MoU) with the Odisha government to set up a 12-MTPA steel project in Odisha with an investment of ₹52,000 crore, the highest ever foreign direct investment (FDI) in the country.

However, the project’s first phase, which was scheduled to be commissioned in 2011, failed to take off because of protests by the local people against land acquisition. As per the project report of the company, Posco India requires 4,064 acres of land for its integrated green-field steel project.
मॉबल की दो परियोजना मंजूर

नई दिल्ली में मॉबल और का खरीद करने वाली देश की नाम से बन कंपनी मॉबल इंडिया के बोर्ड ने 25 मई को तीन अपनी बैठक में इसकी दो परियोजनाओं को मंजूरी दी है।

इसके तहत, कंपनी की माया प्रदेश के पश्चिमी भाग में स्थित खंडन की उड़ान खम्मा की दोगुना कर आठ लाख टन तक पर ले जाया जाएगा। मॉबल भारत में इसकी खम्मा की चार 4.50 लाख टन कर है। उड़ान खम्मा में बढ़ती हुई की यह कम लिंग के बढ़कर 2015-16 से चुकू ले जाय आएगा। इसके अलावा, कंपनी के बोर्ड ने फिल्म खंडन की एक परियोजना को भी मंजूरी दी है। महाराष्ट्र में स्थित इस परियोजना के 2015-16 तक पूरा हो जाने की उम्मीद है।