Nigamanand not killed, CBI closes case

New Delhi: The Central Bureau of Investigation (CBI) has ruled out any criminal conspiracy in the death of Swami Nigamanand (36) during his hunger strike in Haridwar against illegal mining in the Ganga riverbed. The agency filed a closure report on the case in a special court on Wednesday.

The viscera analysis report from the Central Forensic Science Laboratory had ruled out poisoning of the Swami, who died on June 13 at a Dehradun hospital after a two-month protest.

It was alleged in the police complaint that the see of Haridwar-based Matai Sadan Ashram was poisoned on April 30 during his treatment at the Haridwar District Hospital by the then chief medical superintendent in collusion with a stone-crusher firm.

Nigamanand, who was fasting against the orders of Uttarakhand high court for nearly two months, was admitted at Haridwar District Hospital and was later transferred to the Himalayan Institute Hospital, Dehradun.

The CBI took over the case on August 18 and carried out the probe, during which it interrogated all suspects, including the hospital staff, their contacts and also carried out viscera analysis.

The agency took the opinion of doctors at the All India Institute of Medical Sciences and came to the conclusion that there was no conspiracy to kill the Swami. “The chemical analysis of the viscera did not detect any poison including organo phosphorous poison,” CBI spokesperson Dharini Mishra said.
Afghan signs major oil deal with China

MIRWAIS HAROONI
KABUL, DEC. 28

Afghanistan signed a deal with China National Petroleum Corp (CNPC) on Wednesday for the development of oil blocks in the Amu Darya basin, a project expected to earn the war-torn state billions of dollars over two decades. The deal covering drilling and a refinery in the northern provinces of Sar-e Pul and Faryab is the first international oil production agreement entered into by the Afghan government for several decades. "In 30 days from how they (CNPC) will shift their experts and equipment to the site," mining minister Wahidullah Shahrani told a news conference. "The practical work will start in October 2012." The contract is valid for 25 years.

It marks the second major deal for China in Afghanistan after Metallurgical Corp of China signed a contract in 2008 to develop the huge Aynak copper mine south of Kabul, which is due to start producing by the end of 2014. State-owned CNPC and joint venture partner Watan Group, a diversified Afghan company, will explore for oil in three fields in the basin — Kashkari, Bazarkhani and Zamarud - which are estimated to hold around 87 million barrels of oil. For now, CNPC has only rough estimates of how much it is likely to invest in the project, said Lu Gong Xun, president of CNPC’s international branch. "We can only give you a rough number for initial investment. Based on my experience it should be around... Minimum of $400 million," he said.

Under the contract, CNPC will agree to pay a 15 percent royalty on oil, a 20 percent corporate tax and give up to 70 percent of its profit from the project to the Afghan government. CNPC will also pay rent for land used for its operations.

"If the oil price stays at around $100 dollars over the next 23 years and if oil found in those fields is 87 million barrels, we estimate that our income from this project will be at least $7 billion," the Afghan mining minister said.

Indian and Chinese bidders have been front-runners for deals to develop Afghanistan’s vast mineral deposits, which are valued at up to $3 trillion, worrying Western firms that have hesitated to invest there due to security concerns. The mines minister said information on bidding rounds for oil blocks in the northern Balkh province will be released at the end of February and for western Herat province by mid-2012.

— Reuters
Copper to rebound in second half of 2012

DILIP KUMAR JHA
Mumbai, 27 December

Copper may see a turnaround and test $10,000 a tonne once again in the second half of 2012 on supply concerns and indications of improvement in the world economic scenario. The red metal, regarded as an indicator of economic growth, remained volatile in 2011. After hitting an all-time high of $10,900 a tonne supported by supply-side worries, the price slipped to a low of $6,635 a tonne on account of global economic concerns and its impact on consumption growth of industrial metals.

The world production of refined copper increased 3.1 per cent in 2010, but tightness in the global concentrate market due to lower ore grades and ageing mines capped production increases. The production growth is expected to be slower than the estimated rise in consumption on account of intensified labour disputes in the world’s largest copper mines in Chile, Indonesia and Peru.

Leading global advisory firm Economists Intelligent Unit (EIU) estimates copper supply to moderate to 2.3 per cent in 2011, due to increasing risk associated with supply of concentrates, smelters and refineries. Gradually, global copper smelters have grown dependence on scrap as the raw material.

For the record, the global production of copper scrap has increased sharply and second-

DECLINING TRENDS

F$/tonne

9,756

9,600

7,500

5,000

401, 4, '11

301, 23, '11

ary refined copper production is growing at a faster pace than primary production. Data from the International Copper Study Group indicate that global secondary production rose by 18.3 per cent year-on-year in 2010.

Concerns over the supply front in the case of copper remain. This factor, coupled with an improving economic scenario in the US, will be supportive for copper prices after the second quarter of 2012. China is expected to loosen its monetary policy in the coming year. The return of credit in the market will also help support demand from the end of fabricators. But until then, one cannot ignore developments on the euro zone front, which have been a major influence to prices in 2011, notes Angel Brooking. "Any further negativity with respect to the same can act as a deterrent to upside in prices in the next three-four months," points out Naveen Mathur, its associate director. Globally, copper consumption growth slowed to 2.8 per cent in 2011 as a result of weak demand in the EU and the US. Coupled with this is the impact of monetary policy tightening in China -- the country that accounts for 47 per cent of world copper consumption. High borrowing costs in China led to a slowdown in manufacturing and construction activities. Lack of access to credit had a major impact on copper fabricators, as they struggled to finance working inventories. Since the start of the third quarter this year, there has been an improvement in Chinese demand, but this does not indicate real consumption, as it is backed by restocking at lower price levels.

Fabricators in China continue to rely on hand-to-mouth strategies in the current market scenario, as borrowing costs have become a big concern. But a bounce-back in world copper consumption growth by 3.2 per cent is expected in 2012 on account of expected loose monetary policy in China and the restocking cycle, said Mathur.

"Copper prices plunged after rising in the first quarter of the year as the metal soared to its lifetime high. Sell-off was however seen in second half of the year due to subdued global demand on the back of sovereign debt crisis in Europe. Moving forward in 2012, Chinese demand remains the biggest concern as Chinese smelters are currently worried about power shortages that could hurt production."
Coal Ministry Meet to Take Stock of Mines Development

NEW DELHI The coal ministry will hold a meeting with coal block holders next month to take stock of the progress in development of mines allocated for captive use. "A meeting with the allocatees of the coal/lignite blocks has been fixed under the chairmanship of additional secretary (coal) Zohra Chatterji on January 11 and January 12," a ministry source said. "The purpose of the meeting is to seek feedback for expeditious development in both the captive coal mining block and end use project," the source added. Cracking down on firms sitting idle on coal blocks allocated to them for captive use, the Coal Ministry took back 14 coal blocks and one lignite block allotted to six PSUs, including NTPC, and three private firms in May.
Six Sectors to Lose Infra Status in Three Years

New infrastructure list of 25 sectors includes 12 core sectors and 10 sectors important for growth

Core Benefits: Losers & Gainers

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*Infrastructure status entry only for capital stock. Similar status also for common infrastructure of industrial parks and tourist facilities.

VIKAS DHOOT
NEW DELHI

B usinesses in six sectors, including oil refinery and production, mobile telephony, hotel and mining, will no longer get the benefits of ‘infrastructure’ status as the government has decided to exclude them from its new uniform list of core sectors.

Such firms will no longer enjoy advantages such as cheaper lending from banks on a priority basis, easier norms for external commercial borrowings, and tax concessions that are granted to infrastructure sectors.

The finance ministry, after a meeting with financial sector regulators on Tuesday, decided on a three-year sunset clause for these sectors, which also include ships, aircraft, rolling stocks and road-based public transport clubs together, and agriculture marketing.

“The department of economic affairs (DEA) has not accepted the inclusion of these six sectors as infrastructure as they do not meet all the characteristics prescribed by the National Statistical Commission,” a senior finance ministry official said, adding, “The three-year sunset period, which all regulators have agreed to, would help them unwind their current investment positions without an immediate adverse shock.”

The new ‘uniform’ list of 25 key infrastructure sectors, finalised by a committee of secretaries under cabinet secretary Ajit Seth, includes 12 core sectors and 10 sectors that are significant for economic growth. Three other sectors—cold chains, oil and gas storage facilities, and storm water drainage systems—were added to the list after inter-ministerial consultations.

“The DEA stressed that the list of 25 infrastructure businesses would serve as a guide to foreign investors and nudge all agencies and financers to support these sectors,” said a senior government official at the secretariat’s final meeting.

The decision, expected to be ratified soon, comes over four years after the Deepak Parekh Committee on infrastructure financing urged the government to harmonise the different definitions for infrastructure used by multiple regulators and agencies to ease funding constraints. Finance Minister Pranab Mukherjee had promised to streamline the definition of ‘infrastructure’ for all purposes in this year’s Budget.

The 12 sectors identified as core infrastructure sectors include power transmission and distribution, roads and bridges, ports, railway tracks, inland waterways, metro rail systems, and pipelines for water supply, sewerage, oil and gas.

Ten sectors that don’t meet all the characteristics laid out to define ‘infrastructure’, have also been included in the uniform list for their overall significance in economic growth. These include airports, fixed line telecom, power generation, common infrastructure of special economic zones (SEZs), industrial parks and tourist facilities, hospitals and capital investments in fertilisers.

At the meeting, the government told the Reserve Bank of India, stock market regulator Sebi and insurance watchdog IRDA to identify sectors that they treat as infrastructure but are not part of the new uniform list. Such sectors should be given a three-year window before withdrawing any benefits that accrue from the infrastructure status.

For instance, Sebi considers ships and aircraft to be infrastructure, but they are not part of the proposed uniform list. Similarly, IRDA considers all investments in telecom services and industrial parks or SEZs as infrastructure investments.

Mukherjee had proposed infrastructure sub-sector treatment for cold chains and fertiliser production in the Budget. But the urban development ministry has questioned the inclusion of fertilisers in the infrastructure sectors list as it did not meet the specified criteria.

“The ministry had called for a rethink on dropping sectors such as road-based transport and rolling stock, since urban public transport is vital for economic development,” an official said.

The urban development ministry pointed out “if a definition for infrastructure is being evolved on certain principles, then sectors such as fertilisers should not be incorporated.”
Govt to ask Sterlite for formal plan for buying 49% residual stake in Balco

Move in response to Vedanta Group Chairman's letter to PM

Shishir Sinha
New Delhi, Dec 28

The Government will shortly write to Sterlite, a Vedanta Group company, asking it to submit a formal plan to buy the remaining Government stake in Balco. The Government went for a strategic sale of Balco's equity to Sterlite in 2001.

A person familiar with the development told Business Line: "An Empowered Group of Ministers, in its meeting on November 30, discussed various options in response to the Vedanta Group's Chairman, Mr Anil Agarwal's, letter to the Prime Minister on July 4. It was decided to respond by asking for a formal proposal." Sterlite holds 51 per cent in Balco while the remaining 49 per cent is with the Government.

This move is being initiated at a time when the Government is finding it hard to realise the targeted Rs 40,000 crore from disinvestment of state-owned enterprises. Although no timeline or further course of action has been finalised for the sale of the residual stake in Balco, once Sterlite gives the proposal, there should not be any problem in selling the stake, the source clarified.

A leading financial consultancy firm made a presentation to the EGoM on disinvestment, giving various price scenarios for selling the remaining stock. The EGoM did take cognisance of those, but instead of accepting any of the scenarios, decided to wait for Sterlite's proposal, the source added.

The Government, as part of its disinvestment programme, sold 51 per cent of its equity in Balco for Rs 551.50 crore. Since Balco is not listed on any stock exchange, it would not be possible to give the valuation and the amount likely to be realised. But the Government can hope for a few thousand crore from the sale of the remaining 49 per cent stake. Since the strategic sale 10 years ago, the company's worth has gone up many times, the source added.

In January 2011, an arbitration panel had allowed the Government to sell its residual 49 per cent stake in Bharat Aluminium Company (Balco) as it deems fit. The panel had struck down Sterlite Industries' call option to acquire the balance 49 per cent stake as invalid. A call option is an agreement that gives the buyer a right to buy some part of an asset at a specified price within a specified time frame. The original deal gave Sterlite a call option to acquire the balance stake within three years.

When Sterlite decided to exercise the call option, differences emerged over valuation of the stake and the dispute went into arbitration.

The issue of the Balco stake sale was discussed along with that of Hindustan Zinc, sources close to the development informed. However, there is not much complexity involved in selling the residual stake of the Government, they said.
After a year in the smelter, where are industrial metals headed?

Adarsh Gopalakrishnan
BL Research Bureau

Producers of industrial metals started 2011 on an upbeat note, but the optimism fizzled out mid-year.

Copper producers expected rates to buoyant as supply and demand were fairly tight. Iron ore miners were upbeat as steel producers were on a comeback trail. Aluminium and zinc makers were in a cautious albeit jolly mood when it came to volumes and prices. But it all went awry.

The S&P TSX global mining index was down 26 per cent in 2011. Prices of most ferrous and non-ferrous goods ended south of where they started. We take a look at the major industrial metals and how they fared.

COPPER
Global copper prices have corrected close to 22 per cent this year on the London Metal Exchange. After tight supplies (dwindling grade of ore, production outages and limited new mines) which drove prices to record-lights in 2010, uncertain global economic conditions pushed copper prices lower this year. The International Copper Study Group estimates that demand and supply of refined copper remained matched through 2011; a situation expected to continue into 2012 given regular disruptions to supply in 2011 and lacklustre pace of mine additions. Global copper consumption growth also moderated from 7 per cent in 2010 to 1.5 per cent in 2011.

MANGANESE
Manganese prices have softened by over 40 per cent so far this year, making it the worst performing metal of the year. A glut of supply from South Africa and Indonesia had put tremendous pressure on global prices in 2011. India's largest manganese producer MOIL was reported to be seeking a hike in import duties on manganese to find support for domestic manganese prices. With prices fast approaching levels where mines across China and South Africa are pushed into red, mine shut-downs and deferred investments could be on the cards. This could eventually provide support to prices.

IRON ORE
Iron ore prices witnessed a crash of 22 per cent, much of it coming in the latter part of the year, as the European crisis threatened to push steelmakers in the continent into a long period of anemic growth. China's on-today-off tomorrow raw material demand did not help the cause of iron ore prices either. A ban on exports and crack-down on illegal mining domestically crimped iron ore output sharply. This led to higher iron ore prices domestically. With a fairly consolidated supplier base, iron ore is likely to remain a more stable asset among industrial metals.

ZINC AND LEAD
Zinc and lead are expected to turn in consumption growth rates of two and six per cent respectively in 2011. Their prices took a beating of over 24 per cent each. Sodated global steel demand played spoil sport with zinc while dodgy auto sales hit lead demand. Both metals saw supply exceed demand due to high refining capacity coming on stream. However the International Lead and Zinc Study Group expect sodated capacity additions in 2012. This may help narrow the surpluses. Reports indicate that large swathes of Chinese zinc producers are now making losses.

ALUMINIUM
Contrary to all expectations, aluminium was the best performing industrial metal of 2011 having shed just over 19 per cent through 2011. This is due to a seven per cent increase in demand for aluminium this year. However, aluminium prices have been among the most sedate performers over the last two years and the drop has left Chinese producers gasping and European smelters slipping slowly into the red in terms of profits. Here again, an excess of smelter capacity, zigzagging demand and fairly sizable global inventory pile, may cap gains.

THEMES FOR 2012
What's in store for 2012? Aluminium, zinc, lead and manganese producers are in need of a good old fashioned shoot-out where high-cost producers may need to idle capacity or modernise plants, either may take some time. Question is will this be enforced by plunging prices or greater producer discipline? Iron ore on the other hand is a fairly consolidated business with the top three producers (BHP Billiton, Rio Tinto and Vale) endowed with cash, large reserves and pricing power. A quality ore deficient China, too, should hold up demand and prices for iron ore. Similarly, copper processors hold the upper hand given the lack of quality capacity additions over the last few years. They remain firmly in the driver's seat on prices.
Fuel woes hit power sector

Deepening fuel crisis on account of uncertainty in the availability of coal and natural gas, coupled with escalating prices, is the major hurdle to capacity addition in the power sector.

A A Khan

Conventional generation capacity addition of 12,160 MW during 2010-11, even though short of the 21,441 MW target, is the highest recorded for any year so far. The contribution by the private sector has increased significantly from 8.66 per cent of the total installed capacity in March 2003 to 23 per cent in July 2011. The momentum gained in attracting investment for capacity addition, however, is experiencing rough weather on the fuel front.

POWER FOR ALL

Deepening fuel crisis, on account of uncertainty in the availability of domestic coal, imported coal and natural gas, coupled with escalating prices, is currently the major hurdle in capacity addition in the power sector. It is not appropriately restructured without further loss of time, the country’s economic growth will be put in jeopardy and the Government vision of “Power For All by 2022” will remain a distant dream, even by the end of the 12th Plan (2012-2017).

Attracted by the lucrative merchant power opportunities, most independent power producers (IPPs) have acquired a certain degree of exposure to merchant power generation.

The acute shortage and rising prices of fuel (both domestic coal and natural gas) have depressed the plant load factor (PLF) and margins, besides degrading investment returns for the power sector. Intransigence of the possibility of funding becoming a self-performing asset (SPA). Financial institutions and lenders have tightened the conditions for sanctioning new loans and further disbursement against sanctioned debts.

REVISING TARGETS

The IPPs are revisiting their business models by factoring in the risk of declining profitability and uncertainties of fuel availability leading to diminishing enthusiasm to establish new merchant power plants. The fuel factors have affected more than 40,000 MW operating and upcoming capacity. Under these circumstances, the possibility of achieving the 12th Plan target of 100,000 MW appears bleak. The Ministry of Power is understood to have already revised the target to 75,538 MW.

Coal will continue to be the dominant fuel for the power sector.

Coal will continue to be the dominant fuel for the power sector. Natural gas has only supported about 18,000 MW of power generation. Drop in gas availability in the KG-D-6 block from 60 MMSCMD to 45 MMSCMD has created a crisis for operating the existing gas-based power stations and those under construction.

Diversions of gas supply from non-core sectors to the priority sectors of fertilisers and power will only help gas-based power plants to operate at around 50-60 per cent PLF.

The balance requirement is, however, to be supplemented by blending with the costlier RLNG (regasified liquified natural gas). The deficit and high price could be mitigated somewhat by pooling indigenously produced gas with RLNG, by the state-owned Gas Authority of India Ltd (GAIL) and supplying to power plants at an average price rate.

During 2010-11, CIL could produce 431.32 million tonnes against a target of 460.5 million tonnes. Topping the endemic delays in environmental and forest clearances, the Ministry of Environment and Forests (MoEF) had classified mines falling in forest zone into GO/NO-GO zones, not sustainable by law, and has since been scrapped. A case-to-case review has resulted in clearances of about 10,000 MW of capacity, but significant capacity is still stranded.

CIL has scaled down its production target for 2011-12 to 452 million tonnes from 480 million tonnes. The deficit in coal supply during 2011-12 is estimated to be 142 million tonnes increasing to 300 million tonnes by 2017. Domestic coal production is to be accelerated to keep pace with the demand of the power sector. It requires aggressive action to develop abandoned mines and open the coal mining sector for private investment for underground mining.

BIDDING GUIDELINES

Standard bidding documents for power projects do not make provision to pass the increased fuel cost to buyers. As per the bidding guidelines, the levied tariff comprises fixed and escalable components and only the latter is allowed to pass through to the extent indicated by the bidders.

Undoubtedly, it has been compounded by the irrational behaviour of the bidders to quote extremely aggressive tariffs along with non-escalable fuel charges, thus exposing them to legal and commercial risks.

To address this issue, it may be necessary to consider a mechanism by which increase in fuel cost is also recovered additionally from the procurer of electricity. Considering that adequate availability of fuel at a reasonable price is the pre-requisite to spur capacity addition in the power sector, establishment of Independent Coal Regulatory Authority and constitution of Appellate Tribunal for Coal must be expedited, besides completion of competitive bidding for allotment of captive coal block by December 2011. Also, Coal India needs to take the aggressive lead in acquiring overseas coal mine assets or entering into long-term contracts to import coal.

Imported coal is to be blended with domestic coal and sold to power generation consumers at average prices against the long-term contracts. CIL must take action to develop underground and abandoned mines to augment domestic coal production capacity.

A sensible balance between energy environmental security is to be maintained by constituting a Standing Inter-Ministerial Committee of MoP, MoC, MoC (E) to act as a single window for according clearances for power projects and associated coal mines.

Another area to concentrate on will be rationalisation of coal sources linkages to generation plants, to optimise coal transit time and costs of transportation, besides strengthening and expanding the transportation infrastructure of roads, railways and ports.

(The author is a former CMD, Power Phased Corporation)
Copper slips as Euro Zone debt fears resurface

Reuters
London, Dec. 28

Copper slipped on Wednesday in thin trade as worries about the Euro Zone debt crisis resurfaced ahead of a debt auction in Italy and as concerns over an economic slowdown in top metals consumer China clouded metals demand growth prospects.

Benchmark copper on the London Metal Exchange lost more than one per cent to trade at $7,530 a tonne in official rings from a close at $7,650 a tonne on Friday. Aluminium traded at $1,996 in rings from $2,016. Tin, untraded in rings, was bid at $19,145 from a last bid of $19,295, while zinc traded at $1,825.50 in rings.

Battery material lead changed hands at $1,980 from $2,020 and nickel at $18,410 from $18,505.