MINT, Delhi
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Not involved in illegal mining, says Adani

Mumbai: Reacting to reports about the Central Empowered Committee’s (CEC’s) recommendation for a probe into the alleged illegal export of seized iron ore from the Belekeri port by shipping operators, including Adani Enterprises, the company said on Sunday that it does not own or operate any iron ore mine in any part of the country, including Karnataka.

The Supreme Court had appointed the Central Empowered Committee to probe into the illegal mining in Karnataka after a Dharwad-based non-governmental organization filed an interlocutory application in January 2012, seeking a CBI investigation into the illegal export of iron ore by four firms, including Adani Enterprises.

“Adani Enterprises did not and does not own or operate any iron ore mine in Karnataka or any other part of the country. It has never undertaken any such mining activity. Hence, company’s involvement in illegal mining does not arise at all,” Adani Group spokesperson said in a statement here on Sunday. PTI
Kashmir’s blue sapphire mines on spy agency’s radar

Sleuths intercept conversations between persons in Pakistan occupied Kashmir and J&K on Padder mines

Tribune, Delhi
Monday, 30th April 2012, Page: 1

An Indian espionage agency keeping tabs on terrorism modules operating from Pakistan is nowadays “eyeing” Kashmir’s world-famous blue sapphire mines. Intercepts of snatches of conversation between unknown persons in Pakistan occupied Kashmir and Jammu and Kashmir about mining operations at Padder sapphire mines in Doda district have put these on the spy agency’s radar.

Sketchy conversations are related to the volume of the sapphire mining business and details of domestic and foreign players in the race to win the “golden opportunity” to mine the expensive gemstones, sources told The Tribune.

“We are making discreet inquiries about the antecedents of Indian and foreign firms that have expressed an interest in mining through a joint venture with the state-owned Jammu and Kashmir Mining Limited (J&KML),” Intelligence sources said.

Information is being gathered to ascertain whether terror groups are trying to tie-up with someone to take a cut in the mega business by promising not to disturb mining activity. In the case of a European firm that on the surface seems to be “owned” by a foreigner of Indian origin, a “discrepancy” in its old and fresh documents has attracted the agency’s attention. “The documents carry different addresses and there are doubts about the firm’s mining experience,” sources said. “We are also keeping an eye on some officials as extraordinary interest taken by this European firm in a senior official’s family function has raised eyebrows,” they added.

The J&KML holds sapphire mine lease over an area of 6.65 sqkm in Padder. The Corporation has suffered losses due to terrorism as it could not exploit the sapphire deposits and also could not fully carry out mining of limestone, gypsum and coal.

At a time when the J&KML is gearing up to earn profit by engaging global mining companies in public-private partnership to revive the sapphire mines, the possibility of “undesirable elements” on both sides of the Line of Control taking interest in it is being described as disturbing.

“It is also possible that terrorist groups do not want the revival of the sapphire mines. Large commercial activity involving heavy security

Continued on page 2
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may interfere with their movement in Padder’s high-

ly rugged terrain, deep gorges, waterfalls and a gla-
cial valley,” sources said.

Due to limited infrastruc-
ture and financial constraints,
the Corporation has being
engaged in manual sapphire
mining on a very small scale
since 1963. But it completely
stopped works in 2005 due to
heavy terrorism activities
in the area. Since then, two
ten-
ders were floated to invite
Indian and foreign companies
with experience in gemstone
mining, but none fructified.
The mine has the possibility of
open cast working with heavy
mechanised machinery.

Mining in Padder, at a
height of 4,327 m, poses a
big challenge. Mining is pos-
sible only two months a year
due to extreme climate con-
ditions and inaccessibility.
The sapphire mines
remains almost snowbound,
with perpetual snow-covered
glistening mountains rising
as high as 5,500 m. The area
remains considerably under
the clouds when monsoon
hits the plains. Average tem-
perature during the working
season of July to September
remains around 5°C to 10°C
during the day and almost
minus 1-2°C during night.
In the mines, the temperature
is always minus 2-10°C.
The evaluation of the sapphi-
re deposits is not known.
With help from the National
Remote Sensing Agency at
Hyderabad, the state govern-
ment had got satellite
imagery of the Padder mines
in 2001. It shows the Chenab
river taking its existence
from here, piercing through
the sapphire mine area.
Accessibility to the mining
area is through a fair weath-
er road as well as a bridle
path. From Kishtwar, the 60-
kilometre distance to Atholi is cov-
ered by a fair weather road
and from Atholi to Sun-
cham, a 40-km journey, only
a bridle path runs.
Either Conserve The Forest Or Excavate The Coal

Bharat Jitshu Jhunwala

THE two objectives are mutually contradictory, for unless forest areas lying beneath our forests — to sustain our rate of economic growth, such mining activity will also harm the environment. Cutting of forests will prevent the absorption of carbon dioxide from the atmosphere. Simultaneously, more carbon dioxide will be emitted by burning of the coal. This will accelerate the process of global warming and endanger human civilization.

The challenge before us is to increase the generation of electricity and at the same time conserve the environment. Forests need to be protected; yet we also have to be cut for economic reasons. Protection of forests cannot possibly help improve the standard of living. Equally, cutting the forests will imperil our very existence. Neither is acceptable.

The solution to this enigma may lie in planning forests on the one hand and cutting them off the other. Viewed from this perspective, the problem is not of cutting the forests. It is to leave the land barren after cutting through the jungle. A large stretch of Rajasthan’s desert areas had once forest cover at one point in time, striking feature of Sariska Tiger Reserve is the dense forest.

Like we had the right to cut these forests for effecting economic growth, but we made a mistake in leaving the land barren after the cutting. This approach is self-defeating because the coal, that can be extracted is limited and good times don’t last forever.

A report of The Energy Research Institute (TERI) has recently estimated the total availability of our coal reserves to be sufficient for 180 years. But much of this coal lies deep in the earth’s womb as it were. Commercially viable technology to extract this coal are not presently available. The coal reserves are adequate only for about 40 years. These reserves will be exhausted in 20 years should the pace of mining be doubled.

Ultimately, the capacity of Mother Earth to generate electricity is limited. An unlimited increase in generation and consumption is not possible. We will have to restrict power consumption. The monthly domestic electricity consumption bill of a top industrialist in Mumbai is Rs 70 lakh.

It definitely is not desirable to cut the forests to sustain such conspicuous post-consumption. The government must accede uppermost priority to reduce the consumption of electricity. We must generate more electricity that is genuinely required for productive purposes. Such ostentatious consumption also transfers enormous amounts of carbon to the rich. Agricultural fields of the poor are acquired for mining and for setting up hydro-power projects. They are deprived of minor forest produce. The rise in global temperature affects the poor even more.

The present policy of generating higher levels of electricity is, therefore, disingenuous. It is wasteful, even unjustified.

Yet we have to mine. Apart from coal, we need aluminium, iron, manganese, uranium and other minerals. Cutting forests for such purely developmental needs is not to be decreed. The 146th hymn of the 10th book of the Rig Veda states: ‘Goddess of the wild and forest seems to vanish from sight. And, yogi what seems a dwelling-place appears another there hath filled a tree.’ Lord Krishna and Arjuna most valiantly burnt the Khandava forest, and had opened up the area for human habitation. Therefore, to cut the forests for higher and increased human habitation is okay. The problem lies in leaving the mined areas barren.

A large quantity of coal has been extracted from the forests of South Africa in South Africa. This mining is conducted through the open-cast process. The soil has been removed and dumped alongside the mountain slopes. The coal beneath the soil has been extracted. On the one hand, deep pits have been dug up; on the other, artificial mountains have been erected. Both lie barren. There are cosmetic and superficial plantations around the mountains. There are few bushes. The deep pits are lying entirely barren. The forests have been forested in other countries. It is assumed that the ‘Go’ areas will be cut and left barren forever. The minerals lying below the forests in ‘No Go’ areas will never be extracted. Thus we shall stand doubly deprived. We shall lose the forest cover in the ‘Go’ areas and the minerals in ‘No Go’ areas.

The correct approach is to reforest the ‘Go’ areas, allow biodiversity to spread from the ‘Go’ to ‘No Go’ areas, and then open up the present ‘No Go’ areas in a well planned manner for mining. Such an approach will provide us with coal and minerals as well.

The universe is in constant motion. True ‘development’ comes about when we increase the motion in the universe. Regression happens when we prevent motion. Cutting forests for human use increases the motion if the land is replanted, more forests are grown, more timber is made available and also minerals lying below the forests are extracted. The minerals are lying in a dormant state below the earth. Mining and processing and the manufacture of steel out of them increases motion in the universe. But this increase in motion suffers a setback if the forests are not replanted.

Mining companies should be required to formulate effective programmes of reforestation. This involves laying the topsoil on the barren areas, using fertilizers and even watering the saplings that are planted. A law should be enacted to make it mandatory for the companies to reforest the lands already mined by them. Licences should be granted only after satisfactory progress is made in terms of reforestation.

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Large tracts of forests were cut in the industrial area of Ruhp in Germany. These abandoned mines have today become lush forests supporting biodiversity. Similarly, extensive logging was undertaken in the northern areas of New Zealand. An estimated 60,000 hectares of such deforested lands now support the legendary Kauri forests. There are as many as 20 species of trees over a hectare. During a visit to the National Environment Engineering Research Institute, Nagpur, this writer was shown photographs of ‘re-grown forests’. However, this has been restricted to experimental plots only. But these experiments demonstrate that reforestation is possible.

An excellent effort has been initiated in the Congo. The authorities found that it takes 42 years for a forest to regenerate. They divided the forests into blocks. One block will be felled over the next 42 years. This block will then be closed for regeneration and another block is subjected to felling. Biodiversity will gradually spread to these regenerated forests. In this way mining will be carried out and forests also protected.

Our government should reconsider its approach of marking the forests in categories such as ‘Go’ and ‘No Go’ areas. Such division is arbitrary when we prevent motion. Cutting forests for human use increases the motion if the land is replanted, more forests are grown, more timber is made available and also minerals lying below the forests are extracted. The minerals are lying in a dormant state below the earth. Mining and processing and the manufacture of steel out of them increases motion in the universe. But this increase in motion suffers a setback if the forests are not replanted.

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The writer is former Professor of Economics, Indian Institute of Management, Bangalore.
Sesa Goa, J’khand govt may sign MoU on 1.5 mt steel plant

Vedanta Group company Sesa Goa expects to sign a memorandum of understanding with the Jharkhand government for a 1.5-mt steel plant in the state, a company official said.
Centre, Orissa in turf war over ore royalty rates

<table>
<thead>
<tr>
<th>TYPE OF ORE</th>
<th>ROYALTY AS PER RULES*</th>
<th>ORISSA ROYALTY*</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUMPS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>58.4 Fe to below 60 Fe</td>
<td>353</td>
<td>522</td>
</tr>
<tr>
<td>60-62 Fe</td>
<td>379</td>
<td>522</td>
</tr>
<tr>
<td>FINES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55-58 Fe</td>
<td>104</td>
<td>522</td>
</tr>
<tr>
<td>58-60 Fe</td>
<td>138</td>
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</tr>
<tr>
<td>60-62 Fe</td>
<td>196</td>
<td>522</td>
</tr>
<tr>
<td>62-65 Fe</td>
<td>240</td>
<td>522</td>
</tr>
</tbody>
</table>

* Rs/Tonne

Source: IBM

The Centre and Orissa government find themselves on a war footing as the Centre holds the state responsible for stepping on its toes by determining royalty rates of iron ore.

Acknowledging complaints from steel producers that the state is executing a royalty regime which is in contravention to the Mineral Concession Rules (MCR), the mines ministry has demanded an immediate clarification from the state and directed it to expressly abolish the system.

In a recent meeting of a high-level coordination-cum-empowered committee, mines secretary Vishwapati Trivedi observed that his ministry has been receiving complaints from producers and stakeholders that since September 2010 the Orissa government from is charging a flat royalty amount for all categories of iron ore as against the prevalent system of 10 per cent ad valorem royalty. The steel ministry has been pressing hard for the withdrawal of this mechanism.

“Secretary Mines directed that the Orissa government should stop operations of the circular and immediately send a clarification in the matter to the ministry,” says the minutes of the meeting.

The flat royalty amount is calculated at the rate of 10 per cent corresponding to the maximum value of the highest quality of iron ore lumps. This amounts to imposing a royalty at the highest possible rate.

Justifiying the move, the state has argued that screening and crushing of lumps into various sizes produces ore fines, which have lesser value than lumps and causes loss to the exchequer.

As per the rates of the Indian Bureau of Mines, royalty for the fines (58-60 Fe) should be charged at Rs 138 per tonne. Since the state is charging royalty on the sale value of the highest grade of lump ore, the royalty rate currently is Rs 522 a tonne. “The Orissa government has used a loophole in the MCR wherein there is no definition of lump and fine ores. Hence, it has assumed that the entire production from the mine is in the lump form,” ministry sources reasoned.

“The purported logic of the Patnaik government on loss to exchequer is inherently flawed as fines are generated in the process of extraction of ore lumps and it need not be necessarily generated from screening and crushing,” industry body Ficci said in a representation to Trivedi on April 24.

Orissa accounts for 40 per cent of the country’s total iron ore production and most of it is high-grade ore from districts like Sundargarh and Keonjhar.
Rich Karnataka iron mines find market at home

Firms converting low quality resources into usable ore

JHARNA MAZUMDAR
Mumbai

LOW GRADE iron ore in the mineral-rich mines of Bellary and Goa are discovering a new market at home, after their exports were forced to a halt by court directed ban and imposition of export levy.

Till only a year ago, much of the ore was fuelling China's manufacturing growth because of huge demand for raw materials by its giant steel plants that could process low-grade fines, and the absence of similar technology in India. Last year, the Supreme Court banned iron ore mining in three districts of Karnataka citing environmental concerns. Later, it allowed state-run NMDC to mine up to one million tonnes from its captive mines, while retaining the ban on private miners.

Now, the domestic market may be witnessing a healthy demand with major steel makers Steel Authority of India (SAIL), Essar Steel and JSW Steel commissioning beneficiation plants to convert low-quality resources into usable ore that can be smelted in blast furnaces.

"Total iron ore fines produced from our mines are consumed in the manufacture of sinter. We have initiated the process of development of beneficiation plant in our operating mines and new mines. We are also establishing pellet plant at mines and steel plant locations," said SAIL chairman C S Verma.

SAIL forecasts its iron ore requirement to increase to about 38-39 million tonnes in the next three years from 22 million tonnes at present. "We intend to set up pelletisation plants of about 10 million tonnes capacity during the next five years," Verma said.
NMDC looks to spot opportunities in local market

The low-grade ore with 56-58 per cent iron content is processed and ground to remove impurities and then converted into sinter or pellets that are used in blast furnaces to make steel. Iron ore miners such as Sesa Goa, India's largest ore exporter, have been crying hoarse over the imposition of export duty on low grade fines as they claimed that there was no domestic demand for such fines, and so, the ore was being exported to China and elsewhere.

Mining major NMDC wants to locate opportunities in the local market for its ore that was until now dumped over ground if not exported. An NMDC official said, "Low grade iron ore prices have declined by $30 per tonne globally. Also, exports are becoming less attractive with the increase in customs duty to 30 per cent. The dynamics are changing with growing domestic demand for low-grade iron ore. So, mining companies are focusing more on the domestic market."

The decline in global prices and higher customs duty have reduced net realisations per tonne from such low iron content ore to Rs 500 per tonne now, against Rs 1,500 per tonne earlier, he said.

By using beneficiated iron ore fines, steel makers may be able to reduce production costs by around Rs 400-500 per tonne. NMDC is in the process of setting up two beneficiation plants, totalling 3.5 million tonnes capacity, by 2013-14.

On its part, the government wants the indigenous steel industry to set up facilities to beneficiate or pelletise iron ore and use it locally for value-added production, rather than export as raw material. The Union government has reduced customs duty on equipment for ore beneficiation and pelletisation plants in the 2012-13 budget, following which, a number of steel manufacturers are advancing their plans to set up such facilities.

"Our decision is influenced by techno economic benefit. At the present market price, it is desirable to beneficiate low-grade iron ore for use in sinter fines and use whatever remains for pelletisation. Sinter and pellets are 'prepared burden'. They improve productivity of blast furnaces and also help reduce consumption of coke," Verma said.

The country's largest steel company will use 'prepared burden' as 10 per cent of its blast furnace feed.

R K Sharma, president of Federation of Indian Mineral Industries (Fimi), said, "Companies like JSW are using low grade fines in Karnataka as high grade iron ore is unavailable. Companies without captive mines are mostly using low grade ore as it is more cost effective and easily available."

At present, JSW Steel has beneficiation capacity for 28 million tonnes per annum for low-grade ore. The group's chief executive officer Vinod Noval said, "Low-grade iron ore is easily available and is more cost-effective."

Rutila family-controlled Essar Steel plans to scale up its beneficiation facilities, as it hopes to become the second-largest iron ore pellet producer in the world after Vale of Brazil and Cliffs of North America. By next March, Essar plans to have 20 million tonnes of pellet capacity operational.

Dilip Oommen, managing director and CEO of Essar Steel, said, "Phase II of the Orissa plant will be ready by the end of this financial year to manufacture six million tonnes of pellets per annum." The company needs around 15 mtpa of iron ore pellets for its steel-making facilities at Hazira in Gujarat.

Essar Steel does not have captive iron ore mines, so its ability easily source available low-grade ore allows it to convert a cheaper resource into steel used in construction and automobiles.

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Sesa Goa set to sign MoU for Jharkhand plant

Press Trust of India
New Delhi

VEDANTA group company Sesa Goa expects to sign soon a memorandum of understanding (MoU) with the Jharkhand government for a 1.5-million-tonne steel plant in the state, a company official has said.

"We are hopeful to sign the memorandum of understanding (MoU) soon with the state government. We will acquire 700-800 acres of land for the project through private process," Sesa Goa’s MD PK Mukherjee told PTI.

He refused to comment on the proposed investment in the project, saying it will be finalised after acquisition of land and signing of the MoU.

"Once we will get the land, we will go to the state government for mining lease and other linkages but it will take some time," Mukherjee further said.
‘No one to keep eye on Aravali’

Dipak Kumar Dash

New Delhi: Miners once again want to resume small-scale mining in the Aravali region in the garb of ‘rehabilitation’ of deep pits.

Shooting down the proposal, IBM has recommended that the waste generated during formation of benches be used for backfilling of shallow dry barren pits, followed by plantation. According to sources in Haryana government, huge mining material can be generated while creating benches.

As per the plan, 14 wet pits and most of the 17 dry pits would be rehabilitated. In all these cases, benches would be made since these pits have steep slopes. Flowering and fruit-bearing shrubs and trees would be planted for stabilization of the rocks.

Though the miners and the Haryana mining department agreed recently on the size of benches to be created (936 metres) at a meeting held with the Union ministry of environment and forest (MoEF), questions are being raised on who would monitor the rehabilitation.

“Who will ensure that the expensive mined material is not transported out of the lease area? What is the need of creating benches in most of the dry pits? These have been stabilized and plants have come up,” said a government official who did not wish to be named.
Aravali rehab proposal ruse to restart mining?

Dibak Kumar Deka | DN

New Delhi: Miners who ravaged the Aravallis in Faridabad district till May 2009 want to resume small-scale mining in the garb of “rehabilitation” of deep pits. In a submission to the government, their constituents have proposed to create “benches” around the pits to facilitate afforestation – and sell the mining material generated in the process.

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The Indian Bureau of Mines, a statutory body under the ministry of mines, in its November 2011 report mentions that consultants engaged by the miners for rehabilitation of the pits have proposed that the waste material generated in creation of benches and trenches could be “utilized in construction activities as construction material”.

“Benches” are flat niches created on steep slopes (of the pit) where trees can be planted.
Metal prices hold key to Sterlite’s fiscal 2013 outlook

Price realizations played a key part in ensuring that Sterlite Industries (India) Ltd did well in the March quarter, compared with the December quarter. The metal firm’s sales rose by only 5% sequentially to ₹10,763 crore, but operating profit rose 16.1% to ₹2,705 crore and operating margin improved 208 basis points (bps). One basis point is one-hundredth of a percentage point.

Its merger with Sesa Goa Ltd will be closely watched, especially as the merged entity will contain all of Vedanta Aluminium Ltd, the group’s new aluminium venture whose project has been delayed and is running up losses. In the quarter, Sterlite suffered a charge due to a litigation it lost, which was offset in part by foreign exchange-related gains. The net result was a 15.1% quarter-on-quarter (q-o-q) increase in profit before tax—aft er exceptional items—to ₹2,473 crore.

Among its various segments, the Indian zinc business’ performance is known to investors from the results of Hindustan Zinc Ltd. This business is expected to see only a slight increase in production in fiscal 2013, but expects to benefit from lower coal prices and higher price realizations.

Sterlite’s global zinc business saw its earnings before interest, taxes, depreciation and amortization (Ebitda) rise 8% sequentially, primarily due to better realizations, despite the cost of production being higher. This business is expected to underperform in fiscal 2013 as production is expected to fall 10-12%. Ebitda is an approximate measure of a firm’s operating cash flow based on its income statement.

The copper business saw a slight weakening in treatment and refining charges (TC/Rc), to 15.2 cents per pound, compared with 15.9 cents in the December quarter. That is a concern, as most of Sterlite’s copper output is through the custom smelting route, where it purchases copper concentrate for processing, and its profits depend mainly on TC/Rc. Its cost of production increased significantly due to higher energy costs and lower by-product realizations. That affected profit margin on a sequential basis. The start of a captive power plant should help lower energy costs, once it stabilizes. Its aluminium business (under Bharat Aluminium Co. Ltd, or Balco) did well mainly because of better realizations, as output was stagnant q-o-q. A new smelter is expected to go on stream in the December quarter, and a 300 megawatts (MW) power plant will start operations in the June quarter.

Vedanta Aluminium saw its sales increase 15.1% sequentially, while its Ebitda doubled. It incurred a net loss of ₹542 crore, compared with a net loss of ₹933 crore in the December quarter. Its power business saw both revenue and profit improve due to better power output, lower costs, and firm realizations.

Sterlite’s performance was affected by an increase in its cost of production, primarily due to rising energy prices. A fall in energy costs could be a positive trigger, but a more important one is how prices on the London Metal Exchange (LME) behave. Fears of slower economic growth in China, a major consumer of metals, has dampened the outlook for commodity prices. If these fears are borne out, and LME prices turn weaker, it will affect Sterlite’s performance in fiscal 2013. Another event that can affect valuations is the completion of the Sesa merger, which will add iron ore and oil to the portfolio and increase exposure to Vedanta Aluminium.

RAVI ANANTHANARAYANAN