

Clouds hung over India Inc in August

By Mail Today Bureau in New Delhi

INDIA'S industrial output remained sluggish for the second month in a row clocking a mere 4.1 per cent growth during August, official figures released on Wednesday showed.

The August figure is a wee bit higher than the 3.8 per cent growth recorded in July (revised upward from 3.3 per cent) but lower than the 4.5 per cent in the corresponding period last year.

The industrial growth rate measured by the index of industrial production (IIP) now works out to 5.6 per cent for April-August, down from 8.7 per cent in the year-ago period.

In August, the manufacturing sector, which constitutes over 75 per cent of the index, grew by 4.5 per cent compared with 4.7 per cent in the same month last year.

India Inc has attributed the slowdown in the industrial growth rate to the tight monetary policy being followed by the Reserve Bank of India (RBI) to control inflation, which remains stubbornly high at over nine per cent.

It now remains to be seen whether the RBI will pause with its rate hike strategy on account of the slowdown in industrial output growth when it reviews its credit policy on October 25.

At 4.1%, industrial output slows down on tight money policy

The RBI has already hiked rates 12 times since March, 2010, to control inflation, which stood at 9.8 per cent in August.

RBI deputy governor Subir Gokarn said the central bank's decision to further hike rates will depend on the inflationary situation.

There was also a 3.4 per cent decline in the mining output in August against a growth of 5.9 per cent in the year-ago month. This could impact the power generation sector in the coming months due to the lower coal output.

Growth in capital goods production slowed to 3.9 per cent in August, in comparison to a growth of 4.7 per cent in the same month of 2010. This reflects a deceleration in the level of investment taking place in the economy, which in turn has an impact on the growth rate in the coming months.

The Federation of Indian Chambers of Commerce and Industry (Ficci) said that investment demand has been affected in the last few months on account of monetary tightening measures.

"We expect the growth in industrial sector and investments to be low in coming months also, as the impact of the rising cost of credit would continue," Ficci said.

During August, 2011, electricity production exhibited a sharp improvement, growing by 9.5 per cent, as against a mere one per cent growth in August, 2010.

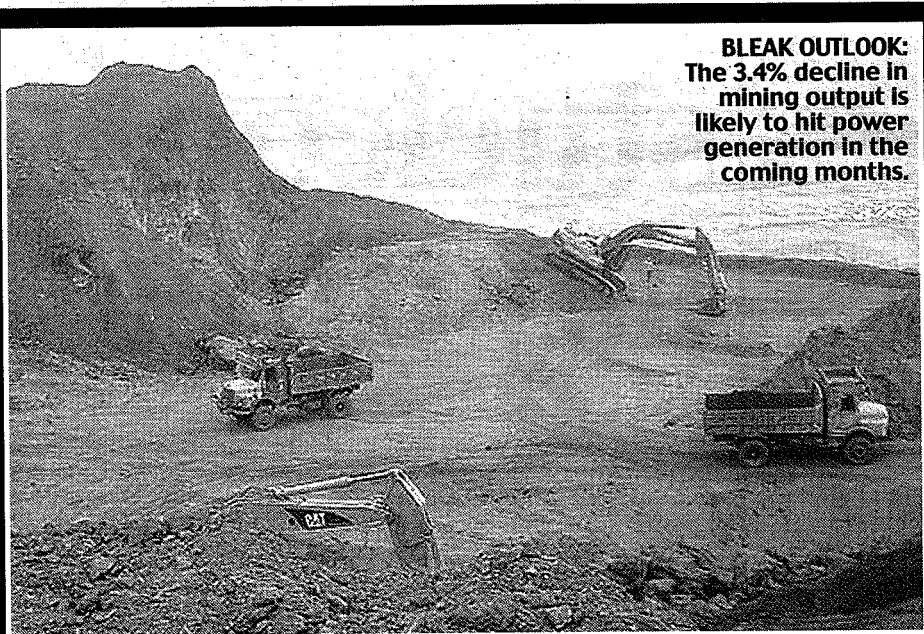
However, the output of consumer durables, such as refrigerators and washing machines,

slowed to 4.6 per cent in August against a growth of 8.1 per cent last year, due to hardening interest rates on consumer loans.

Production of fast moving consumer goods (FMCG), such as soaps, cosmetics and processed foods, also grew by a mere 2.9 per cent in August.

Growth in overall output of consumer goods also slowed down to 3.7 per cent in August

BLEAK OUTLOOK:
The 3.4% decline in mining output is likely to hit power generation in the coming months.



AILING AUGUST

SECTOR	AUGUST (2011-12)*	AUGUST (2010-11)*
Mining	-3.4	5.9
Manufacturing	4.5	4.7
Electricity	9.5	1.0
Overall	4.1	4.5

* Figures in percentage

The deceleration in industrial growth is now clearly apparent. RBI should pay heed to today's data release and pause its interest rate hikes

— Chandrajit Banerji,
DIRECTOR GENERAL, CII

this year, compared to a growth of 4.6 per cent in August, 2010.

"The deceleration in industrial growth is now clearly apparent, with both consumer and capital goods segments showing sluggish growth. RBI should pay heed to today's data release and pause its interest rate hikes in its forthcoming policy," said Chandrajit Banerji, director general, Confederation of Indian Industry (CII).

स्टरलाइट को निर्देश

नई दिल्ली • सुप्रीम कोर्ट ने स्टरलाइट इंडस्ट्रीज लिमिटेड को निर्देश दिया है कि वह तमिलनाडु के तूतीकोरिन स्थित अपने कॉपर प्लांट की कमियों को दूर करे जो पर्यावरण में प्रदूषण पैदा कर रहा है। न्यायाधीशों आर वी रवींद्रन एवं ए के पटनायक के बेंच ने तमिलनाडु प्रदूषण बोर्ड को निर्देश दिया कि वह कंपनी को दो सप्ताह के भीतर एक निर्देश जारी करे और उसे प्रदूषण रोकने के लिए उपयुक्त कदम उठाने के लिए पर्याप्त समय दे। बेंच ने कहा कि हम तमिलनाडु प्रदूषण बोर्ड को निर्देश देते हैं कि वह एयर (प्रदूषण की रोकथाम एवं नियंत्रण) एक्ट, 1981 एवं वॉटर (प्रदूषण की रोकथाम एवं नियंत्रण) एक्ट, 1974 के तहत अपने अधिकारों का उपयोग करते हुए उपयुक्त कार्रवाई करने के लिए निर्देश जारी करे एवं कदम उठाए। (ब्यूरो/प्रेट्र)

दमोह में दमक सकता है हीरा

■ ऑस्ट्रेलियन कंपनी रियो टिंटो ने किया हटा ब्लॉक के आधा दर्जन गांवों का सर्वे

■ कंपनी पन्ना और छतरपुर में लगा चुकी है हीरा खोजने के लिए प्लांट

भास्कर न्यूज | दमोह

मध्यप्रदेश में पन्ना जिला हीरों के लिए देश में जाना जाता है। ऑस्ट्रेलिया की कंपनी ने जिस उम्मीद के साथ दमोह जिले के गांवों का सर्वे किया है, यदि इसके सकारात्मक परिणाम आएंगे तो दमोह भी हीरे के मामले में अपनी पहचान बना सकता है।

दरअसल! हीरा खोजने की मशहूर ऑस्ट्रेलियन कंपनी रियो टिंटो ने सितंबर में आरपी (रिकोनेसेंस परमिट) के आधार पर हटा ब्लॉक के आधा दर्जन गांवों का सर्वे किया था। कंपनी ने पहली नजर में वहां हीरा मिलने की संभावना

■ पहला चरण पूरा करने के बाद कंपनी की ओर से पीएल लाइसेंस के लिए आवेदन पेश किया गया है। कंपनी का प्रस्ताव शासन को भेजा है अनुमति मिलने के बाद लाइसेंस दिया जाएगा।"

दीपमाला तिवारी, जिला खनिज अधिकारी

जताई है। अब दूसरे चरण के सर्वे के लिए कंपनी ने शासन से पीएल (पूर्वक्षण अनुज्ञप्ति) लाइसेंस मांगा है। ऑस्ट्रेलियन कंपनी पन्ना और छतरपुर में हीरा खोजने के लिए प्लांट लगा चुकी है और अब हटा ब्लॉक में हीरा खोजने का काम शुरू किया है। कंपनी के भू-गर्भ शास्त्री श्रीकांत शर्मा ने भास्कर से चर्चा करते हुए बताया कि जमीन में हीरा है या नहीं? इसकी जांच दो तरह से होती है। पहले चरण में हटा ब्लॉक के सिंगपुर, नरखेड़ी, बरी, बोरदा, मलवारा, पटना, सिलापुरी, बर्धा, पाली गांव का सर्वे किया था। वहां कुछ स्थान ऐसे मिले हैं जहां जमीन में हीरे मिल सकते हैं। दूसरे स्तर का सर्वे करना होगा इसके लिए शासन से लाइसेंस मांगा है।

■ **Falling Stockpiles in Asia Lifts Up Copper**

LONDON Copper rose in New York as shrinking Asian inventories of the metal signaled steady demand from the region, which includes top global consumer China. Copper stockpiles in Asia monitored by the London Metal Exchange fell for a 21st session in 22, daily exchange figures showed. Regional inventories dropped for a fourth month in September as orders to draw copper from Asian stocks surged more than 24-fold, according to data compiled by Bloomberg. "Fundamentals are holding firm, with physical premiums high in Asia and demand rising in Japan," Standard Chartered analyst Judy Zhu said in a report on Wednesday. "Producers report strong orders from Asia. China is buying."

Mining Bill needs Refining

Now&Then

JAIDEEP MISHRA

A new draft Bill holds much promise to augment the development delivery mechanism. It is the new mining Bill, 2011, which has specific provisions for earmarking funds for development purposes in the mineral-rich districts that happen to be the regions with high poverty ratios. Revamped mining legislation can boost transparency in the vexed sector that seems much prone to illegality, corruption and extensive fraud. Further, a well-crafted mining law can actually boost value addition downstream in metals, for instance, by incentivising production of high-grade steel provided there is proper valuation of ore.

The point is that proactive legislation would have a huge positive impact on mining, minerals and metals.

And yet, the mining Bill may well defeat the policy purpose should it become law as per its present draft. For, it appears to eschew international scarcity value and cross-border traded prices of ore, so as to determine royalty rates that are deemed adequate and just. Now, for major minerals like iron ore, section 43 does call upon the mining lease holder to 'pay annually to the District Mineral Foundation' an amount equivalent to the royalty paid (to the state government) during the financial year. Note that the second schedule of the draft Bill merely says that royalty on

iron ore would be 10% of sale price on an ad valorem basis. But with no explicit provision for taking into account going export prices to calculate royalty, the actual levies earmarked can well be a fraction of the potential sums envisaged. It is true that since the latter half of 2009, royalty on ferrous ore is supposed to be on an ad valorem basis, but the standard practice seems to be to use local prices, which can quote at a steep discount to the prevailing export price. Such pricing seems widespread: recently, a steel ministry panel specifically recommended that NMDC, the public sector miner, value its ore for local deliveries at the export prices pegged for Japanese and South Korean steel producers, which are revised quarterly. Such valuation for domestic ore is the way ahead to rightly determine scarcity; domestic steel quotes have been linked to internationally-traded prices for two whole decades. And yet, there seems no upfront provision in the draft Bill to peg domestic ore prices to the export rates for working out royalty payment for minerals. It is a glaring anomaly indeed.

The point remains that the-

re are very many policy-induced distortions in the mining sector that need to be promptly removed. The fact of the matter is that until quite recently, the prices of mineral ore were depressed by fiat and royalty was at rock bottom, which remained unrevised for years. In the days of pre-reform, prior to the pathbreaking 1990s, the policy of artificially-depressed ore was put in place in the mistaken belief that it would boost steel output. But with import duties on steel as absurdly high as 200%, the policy outcome was a high-cost economy generally complete with stultified, pricey steel output and poor quality to boot. That was then. Fortunately, after opening and reforms of the early 1990s, duties on steel are down to a nominal 5%, domestic output has gone up sixfold and more, and India seems set to be the second-largest producer of the metal.

However, there is no parallel reform of mining and mineral pricing, and it is unfortunate that the draft mining Bill prefers not to link domestic ore prices to export prices. For globally-traded commodities, such pricing surely ought to be standard policy. Our

ore output can but be a fraction of global output, and it is sensible to determine domestic scarcity value by taking into account market-determined export prices. With sound pricing of domestic ore, up to 20% of mineral value can be set aside as royalty, including for targeted social development and economic uplift. As for coal and lignite, where high ash content and other rigidities limit valuation, apart from royalty, such levies as cess, surface rent and other charges can be clubbed together so that such imposts add up to 20% of turnover, the same for other minerals. It would be far more transparent than the 26% profit share mandated for development purposes in coal mining; profits, after all, can be so structured as to accrue to special purpose vehicles and the like.

It is notable that the draft Bill envisages a nominal central 'duty of excise' on ore output, as per section 44. A central levy would mean keeping better tab on ore output, and the indirect tax can well be set-off against duties payable downstream in the production value chain and input credit availed. Additionally, to remove continuing distortions, captive mining ought to be subject to royalty, central excise, etc, complete with funds earmarked for development purposes. Actually, as captive mining can be inherently uneconomic and sub-scale from a national perspective, there is solid rationale for doing away with such mining norms once greenfield steel producers lacking access to infrastructure have fully depreciated plants.

The Centre's move to revamp the 50-year-old mining law is long overdue; pricing is key

Genuine reform would require linking domestic ore prices to going export rates

The provision of central excise duty on ore would keep better tab on output



BHP Billiton approves \$1.2 bn to start giant mine

BHP Billiton on Wednesday approved \$1.2 billion in pre-commitment capital to start expansion work on its Olympic Dam copper and uranium mine, which analysts estimate could nearly cost 30 times that much to develop fully. The funds will be used to buy trucks, build worker housing and for other items requiring lengthy lead times, it said. BHP said it will not make a final decision to go ahead until mid-2012, after it weighs up the 150 environmental conditions imposed on the project by the national and South Australia state governments this week.

Goa's mining lobby flexes muscle

**Barge owners,
truck operators
threaten action**

MAYABHUSHAN ■ PANAJI

In a show of strength, barge owners numbering nearly 50 lined up their ore-carrying barges in the channel of the River Mandovi here, in protest against any impending action against the mining industry in the wake of the illegal mining racket that has come into the public domain.

In a connected development, an association of truck owners involved in ferrying ore from the mines to the barge

loading point held a massive public meeting, attended by nearly 6,000 truck owners, demanding that the Government should not stop legal mining in its bid to cleanse itself of illegal mining.

Goa Barge Owners Association (GBOA) chief Atul Jadhav said the blockade would be day-long. "Our livelihood is based on the mining industry. Any move by the Government to stop mining would be disastrous," Jadhav whose GBOA represents nearly 500 barges which ferry iron ore from mining jetties to the Mormugao port trust (MPT) for exports, said.

The stir, which had the large barges blocking the river's

navigation channel, affected the movement of fishing trawlers and casino feeder boats which ply in the Mandovi River.

The truck owners in their turn vowed to block and choke the capital city's road with nearly 2,000 trucks if the Government did not accede to their demand.

Goa has been rocked by the illegal mining scandal which the Opposition has pegged at ₹25,000 crore.

"The line dividing legal and illegal mining is thin. The mining lobby is now flexing its muscle to ensure that Government dithers from setting up a probe," a mining company official said.

Sterlite allocates funds to address 'deficiencies'

CEO 'quite hopeful' of making rectifications by end of 2012

Suresh P. Iyengar

Mumbai, Oct. 12

Sterlite Industries expressed confidence that it will overcome the deficiencies listed out in the Supreme Court judgment.

Mr P. Ramnath, Chief Executive Officer, Sterlite Copper, said the company has proactively started implementing some of the recommendations in the Supreme Court ruling.

"The company has allocated additional funds to further fulfil the deficiency as mentioned in the order. We are quite hopeful that all the deficiency pointed out by the Supreme Court would be rectified by the end of the next year," he added.

Pronouncing its order on a Special Leave Petition, the Supreme Court on Tuesday pointed out the nine areas of deficiencies listed out by the Tamil Nadu Pollution Control Board (TNPCB). While posting the next hearing for the first week of January, the Court directed the TNPCB to suggest within two weeks a deadline for the company to rectify the shortcomings.

The Supreme Court was hearing a petition filed by Sterlite against the Madras High Court order delivered in September last year to shut down its copper smelter plant at Tuticorin for not complying with environmental norms. The apex court had allowed the company to oper-

ate through its interim order.

The Supreme Court has also ordered the company to conduct camps once every six months to monitor the health of people living in the nearby villages.

In order to further control pollution around the plant, the company recently placed

orders for fugitive gas desulphurisation equipment with an US company. It expects the project to be completed by the middle of next year.

Sterlite, which produces four lakh tonnes of copper at its Tuticorin plant in Tamil Nadu, has a green belt on over 13 hectares. Even while the

case was being heard by the Supreme Court, it covered another six hectares. "We are in the process of getting allotment for 4-5 hectares from SIPCOT (State Industries Promotion Corporation of Tamil Nadu) for additional plantation," said Mr Ramnath.

Govt asks frauds probe office to begin prosecution against Sesa Goa

Press Trust of India

New Delhi, Oct. 12

The Corporate Affairs Ministry is understood to have ordered prosecution against mines major Sesa Goa on eight grounds, including over and under-invoicing of exports and imports of over Rs 1,000 crore.

Proceedings will be initiated on eight grounds in an economic offences court in Goa, sources said.

"We have asked the Serious Frauds Investigation Office

(SFIO) to begin prosecution against the company. We have accepted eight of the nine grounds that SFIO had recommended prosecution on," a senior MCA official told PTI.

After an investigation, spanning almost two years, the SFIO has found that iron ore exporter Sesa Goa has over-invoiced import receipts of coking coal by Rs 14.6 crore and also sale of iron ore by Rs 42.51 crore, while under-invoicing exports by Rs 1,002 crore.

Re-stocking by China supports copper

Reuters

London, Oct. 12

Copper prices rose on Wednesday, helped by a drop in the dollar and signs of restocking in China, but growing concerns about the debt crisis in Europe and its implications for economic growth kept investors cautious.

Benchmark copper on the London Metal Exchange (LME) was \$7,430 in official rings, up from Tuesday's close of \$7,290 a tonne. Helping lift prices was the dollar, which fell against the euro and a basket of currencies.

CRISIS CAUTION

Underlying caution about the euro zone debt crisis prevented further gains for the metal

ahead of the European Union's bank recapitalisation plan due later on Wednesday, designed to cushion the impact of a possible Greek default on the region's banks.

Aluminium, untraded in rings, was bid at \$2,239 from Tuesday's close of \$2,230 a tonne.

Lead was \$2,016 in rings, from Tuesday's close of \$1,985. Data showed lead stocks in LME-registered warehouses rose by 1,175 tonnes to a record high of 386,850 tonnes.

Zinc, untraded in rings, was bid at \$1,952 from \$1,912 a tonne, and tin, also untraded, was bid at \$22,400 from a close of \$22,425. Nickel was \$19,050 in rings from \$18,875 a tonne.

Goa mine workers seek protection

Panaji, Oct. 12

In a show of strength, thousands of people dependent on the mining industry in Goa on Wednesday converged here at a ground demanding protection to their trade from the State Government. Around 15 different organisations representing truck owners, mining machinery owners, contractors and allied industry fear that the tirade against illegal mining would devastate legal mining trade, which has been going on since half a century in the State. Around 15,000 people gathered at the Campal ground and sought an assurance from the State Government on protection of their business. The Leader of the Opposition, Mr Manohar Parrikar, who penned the report on illegal mining, also supported the demand. - PTI

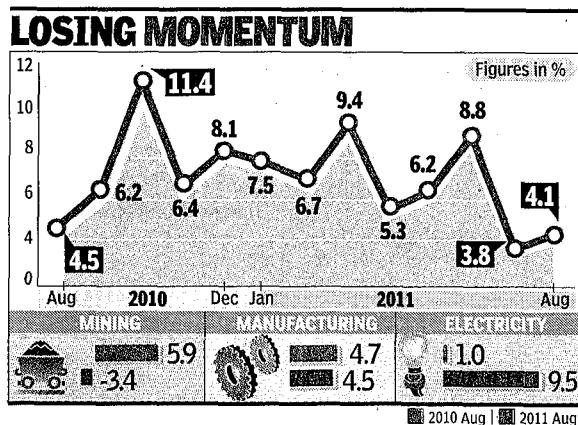
Manufacturing Sector Growth Remains Sluggish, Mining Also Hit Industrial output slows down to 4.1%

TIMES NEWS NETWORK

New Delhi: The country's industrial output rose below expectations in August as growth in the key manufacturing sector remained sluggish and the mining sector declined due to policy delays, while increase in interest rates hurt expansion.

Data released by the Central Statistics Office (CSO) on Wednesday showed industrial output in August rose 4.1% compared to 4.5% in the same year-ago period. The CSO revised upwards the July data to 3.8% from the previous reading of 3.3% and the May number to 6.2% from 5.9%. Industrial output in the April-August period rose 5.6% compared to 8.7% growth in the same year ago period.

Finance minister Pranab Mukherjee said the data was "not encouraging" and it may affect economic growth in the



July-September quarter. GDP growth in the April-June quarter slowed to 7.7%. Economists said the data showed clear signs of a slowdown.

"The August IIP pointed to signs of moderation in the economy with growth at 4.1% against consensus expectations of 4.7%. Intermediate goods and consumer durables

have continued to see weak growth. Seen in conjunction with other indicators like the manufacturing PMI and the trend in excise duty collections, industrial production is clearly slowing," said Indranil Pan, chief economist at Kotak Mahindra Bank.

The manufacturing sector grew 4.5% in August

compared to 4.7% in the same month a year ago while electricity rose 9.5% compared to 1% growth in August 2010. The mining sector posted a disappointing performance and declined by 3.4%.

The capital goods sector, a key gauge of industrial activity, rose 3.9% in August compared to 4.7% in August 2010, while consumer goods grew 3.7% compared to 4.6% in the same year ago period. Consumer durables also remained soft and grew at 4.6% in August, slower than 8.1% in August 2010.

Earlier this month, a survey had showed that the country's manufacturing sector was under stress and that segment of the economy had inched towards contraction in September. The HSBC Purchasing Managers' Index (PMI) — a headline index designed to measure the overall health of the manufacturing

sector — posted 50.4 in September, down from 52.6 in August. The 50-point mark separates contraction from growth.

Industry groups, reeling under the impact of the 12 interest rate increases since March 2010, have called for a halt to rate hikes, saying the industrial slowdown was a serious concern.

"The dismal performance of IIP in August is a matter of great concern to industry. After a remarkable recovery from the global crisis in the last two years, the Indian economy is again facing critical challenges," said CII president B Muthuraman.

"We need to see strong measures from the government to revive investments in large projects which have been stalled due to various bottlenecks. CII also urges the RBI to stop raising interest rates in order to signal its concern on growth," he said.

Goa Mining Lobby Blocks River Traffic

PANAJI Nearly 50 mining barges virtually blockaded the Mandovi river, off Panaji, on Wednesday to protest any impending action against the mining industry. "Our livelihood is based on the mining industry. Any move by the government to stop mining would be disastrous," Atul Jadhav of the Goa Barge Owners Association (GBOA) said. GBOA represents nearly 500 barges that ferry iron ore from mining jetties to the Mormugao Port Trust for export.