Move seen as attempt by the Centre to show it is getting its act together

Illegal mining probe panel to report in 18 months

The Commission of Inquiry appointed by the government will probe the nature and extent of illegal iron ore and manganese ore mining and recommend remedial measures to prevent such activities. The Commission, whose chairperson will be appointed by the Prime Minister soon, is expected to submit its report to the government within 18 months of its first sitting.

While illegal mining gained enormous proportions since mid-2004 following a sharp and continuous rise in global prices of iron ore, the setting up of a Commission now is seen as an attempt by the government to show it is getting its act together.

The terms of reference of the Commission are far reaching.

“It will identify persons, firms, companies and others that are engaged in illegal mining, trade and transportation of iron ore and manganese ore,” said a Mines Ministry official.

It will determine the extent to which the management, regulatory and monitoring systems have failed to deter, prevent detect and punish persons and their unlawful activities. The Commission will also probe tampering of official records, including those relating to land and boundaries (as in Karnataka-Andhra Pradesh border where the mines of Karnataka Tourism and Infrastructure Minister G Janardhana Reddy and his brothers are located).

The government has also tasked the Commission to study the impact of such illegal mining, trade, transportation and exports in terms of destruction of forest wealth, environment, prejudice to the livelihood of tribals and the financial losses to the state and the Central governments. The Commission may also submit interim reports to the Centre and recommend specific steps required to urgently curb illegal mining.

The Mines Ministry initiated discussions on the setting up of a Commission last month following reports of large-scale illegal mining from state governments in Karnataka, Orissa and Jharkhand.

While Karnataka reported huge differences between the quantities of iron ore for which permissions were granted and the quantities of iron ore actually transported, Orissa reported illegal mining of manganese in forest areas by misusing the provision of “deemed extension” provided in the Miner Concession Rules. Jharkhand reported there is a deep-seated nexus between iron ore crusher plant owners, corrupt government officials and middlemen.

"We have been advising state govt to improve regulatory systems. But the improvements have not taken place even though the Central govt has taken proactive steps to ensure that the Railways, Ports and Customs render all possible assistance to check illegal transportation of ore."

— B K Handique, Mines Minister
Minority investors cry foul over Cairn deal

ANG. 17: Minority shareholders in Cairn India and Sesa Goa have got a raw deal in the transactions between Vedanta and the Edinborough-based Cairn. As a part of the $9.6 billion deal, Vedanta will pay Cairn Plc - the UK-based promoter a price of Rs 405 a share while other investors will get Rs 355 a share. The Rs 50 a share difference is the "no-compete fee" being paid to Cairn India's promoters. Investors and analysts feel that the premium is unjustified in this case. Incidentally, stock market regulator Sebi is coming up with new takeover guidelines that don't allow for such payments. "We see absolutely no rationale behind the non-compete agreement as value in Cairns comes from producing field and fields and exploration blocks are being transferred to Vedanta," says BRICS Securities, a Mumbai based brokerage. "This transaction is a live example of why Sebi is considering prohibiting payment of non-compete fees to promoters which results in different benefits to promoters and non-promoters," it adds.

AMBIT brokerage house says that the deal is unfavourable from minority shareholder's point of view because of this differential treatment which has no rationale in a commodity business. "This differential treatment, we reckon, has been the primary reason for the stock's correction by over six per cent in trade on Monday."

Daiwa sees the non-compete fees as a contentious issue, which has effectively lowered the open offer price by 12-13 per cent. "We believe there is likely to be opposition from Indian shareholders to this, especially given that Cairn Plc will continue to hold a stake in Cairn India following this transaction.

Mr Hinesh Doshi of the Investors Grievances Forum says Since Sebi is coming out with new guidelines relating to takeovers where promoters will not be permitted differential treatment, Vedanta and Cairn should not be permitted in the interim to pay this non-compete fee. They are hoping to rush through with this deal to take advantage of the old guidelines. The non-compete fee is not shared with the minority shareholders.
Fitch cuts Vedanta’s credit rating; S&P puts it on watch

S&P’s credit analyst Craig Parker said: “Cairn deal marks Vedanta’s entry into a new business - oil and gas.”

“As a consequence, Vedanta would heavily rely on Cairn’s existing management team to ramp up oil and gas production and make a meaningful contribution to Vedanta’s earnings,” Parker added.

Mining major Vedanta would be buying a majority stake of about 51 to 60 per cent in Cairn India for total consideration of as much as $9.6 billion.

The deal is to be financed mainly through debt. Subject to regulatory approvals, Fitch assumes the deal would be completed during financial year 2011.

Fitch has also downgraded the ratings on Vedanta’s $500 million bond, due in January 2014, as well the $750 million bond, due in July 2018. In addition to placing these bonds on negative rating watch, the rating has been cut to ‘BB’ from ‘BB+’.

“(The action) reflects our view that the proposed acquisition could significantly increase Vedanta’s debt and weaken its financial risk profile to levels below our expectation for the current rating,” S&P Ratings Services, which is part of S&P, said in a separate statement and strategy remain unchanged,” it added.

CAIRN INDIA BOUNCES BACK; RISES NEARLY 2%

The shares of Cairn India on Tuesday bounced back and ended with a gain of about 2 per cent on the BSE a day after its UK parent, Cairn Energy, announced the sale of a 60 per cent stake in its Indian arm to Vedanta Resources.

Cairn India settled at Rs 338.65, up 1.74 per cent on the Bombay Stock Exchange. On Monday, the scrip had plunged 6.36 per cent. Analysts said the stock fell as minority shareholders were only offered Rs 355 per share as against Rs 405 per share held by promoters, which included a Rs 50 per share non-compete fee.
Illegal mining may lead to criminal nexus

Our Bureau
New Delhi, Aug. 17

Large-scale illegal mining in various States may lead to nexus with criminal and anti-national elements in States affected by Left-wing extremism, said the Mines Minister, Mr B.K. Handique, on Tuesday.

Making a statement in Parliament, Mr Handique said illegal mining has grown considerably in recent years and that the Government has set up a Commission of Inquiry to look into it.

The Commission of Inquiry under Section 3 of the Commissions of Inquiry Act, 1952, will primarily inquire into and determine the nature and extent of illegal mining and trade and transportation of iron ore and manganese ore.

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www.businessline.in/webextras
‘Fix responsibility, punish Vedanta accused’

PNS in NEW DELHI

With the four-member NC Saxena committee making recommendations against Vedanta in Odisha, prominent environmentalist and member of Transparency International India, Biswajit Mohanty, has written to the State Chief Minister Naveen Patnaik for fixing of accountability on the officers indicted in the report.

The Saxena committee was set up by the Environment Ministry to examine the proposal of bauxite mining at Niyamgiri and compliance of Forest Rights Act.

“What the State officials were pro-active in enforcing the FRA in other parts of the State, the district officials of Kalahandi and Rayagada sabotaged the rightful claims of the local tribals of Niyamgiri by pleading ignorance which clearly exposes their malafide intent to help the Company easily acquire forest lands bypassing FRA claims,” Mohanty stated in his letter.

Mohanty, who was a part of the two-member committee to look into the jumbo killings in Simlipal set up by Environment Ministry recently, said the Committee has pointed out that Vedanta Company has consistently violated the FCA, FRA, EPA and the Orissa Forest Act in active collusion with the State officials.

In the process, rights of endangered primitive tribal groups Dongria Kondh and Kutia Kondh were being crushed. The state government officials have connived with the company and overlooked its regular and persistent violations of various laws.

He has requested the CM to initiate immediate action to suspend, enquire and punish such officials who are guilty of violation of laws and have connived shamefully to protect the interest of Vedanta instead of the primitive tribal groups.

He further quoted the report stating that the State Government officials have also failed to enforce the Panchayats (Extension to the Scheduled Areas) Act (PESA) though the area is a Schedule V area where PESA is applicable. The local Gram Sabhas have been completely ignored in the land acquisition process by the state government though their approval is mandatory, the letter noted.
Hindustan Copper to revive Hutti Gold’s closed copper mine

Jayanta Mallick
Kolkata, Aug. 17

Hindustan Copper Ltd will revive operation of the closed copper mine of Hutti Gold Mines Ltd (HGML), a Karnataka Government owned company.

Mr Shakeel Ahmed, Chairman and Managing Director of Hindustan Copper, told Business Line that after a joint inspection and technical evaluation by both the companies recently, a formal decision was taken in favour of the proposed revival of the mine located in Chitradurga district of Karnataka.

The non-operational underground copper mine in Chitradurga has an estimated deposit of copper bearing ores of 2.62 million tonnes and the percentage of metal in the ores is significant (1.13 per cent) to warrant viable mining operation. The mine also estimated to have deposits of 2,769 tonnes of recoverable gold.

Hindustan Copper and HGML boards have decided to set up a joint venture for the proposed project. “The technical assessment suggests the resumption of operation at the mine could be commercially viable. A financial due diligence, however, will be done by an independent agency,” Mr Ahmed said.

“Currently modalities of the joint venture are being worked out. It has broadly been agreed upon that Hindustan Copper will get the right to operate the mine and hold majority share in the joint venture,” he explained. HGML’s contribution to the joint venture will be the mine asset and infrastructure. It will not put in any additional cash for revival of the mine. Hindustan Copper will take care of operational investments. It will, however, get the mining and production of metal in concentrate done by a third party through a contract.

The proposed joint venture agreement is slated to be signed within next three to six months, Mr Ahmed said.

The estimated deposit of the mine, which was closed a decade ago, would be re-valued following the United Nations framework classification for mineral reserves and resources norms for appropriate capitalisation of the deposits.

Hindustan Copper will also undertake fresh mine planning and detailed exploration exercises.
People before profits

If there is a single conclusion the Ministry of Environment and Forests can arrive at based on the report of the four-member committee led by Planning Commission member N.C. Saxena on the proposed open cast mining in Orissa’s forested Niyamgiri hills, it is this: drop it. The violation of laws protecting the environment and the rights of tribals to facilitate the project proposed by Vedanta Resources is nothing short of scandalous. It is unconscionable that the Orissa government, in its eagerness to remove all obstacles to mining, has trampled over the rights of primitive tribal groups such as the Dongaria Kondh and Kutia Kondh residing in the areas proposed to be mined. The panel appointed by the Ministry of Environment and Forests makes it clear that due process was not followed to get the consent of the tribals for diversion of forest land. What is particularly egregious is the steamrolling of the people’s opposition, ignoring the protection that Scheduled Tribes enjoy under Schedule V of the Constitution. The provisions of the Forest (Conservation) Act, the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, and the Environment (Protection) Act have been ignored by the district collectors of Rayagada and Kalahandi. The only proper course open to the MoEF, therefore, is to reject the proposal and ask the applicant to go back to the drawing board to explore alternatives.

It is natural that in a populous country such as India, alienation of land is bound to be contentious as people are sought to be displaced in favour of profit-oriented extractive industries with no long-term stakes in the environment. There is also the question of externalities. Perhaps the best-known example in this regard is the loss of ecology and devastating water pollution caused by mining in Kudremukh. The mines here silted dams and affected agriculture in surrounding areas before the activity was ended five years ago. It is welcome that the Saxena Committee has sounded a warning on the ecological fragility of Niyamgiri, and underscored the estimated losses from the proposed project. That includes a staggering 121,337 trees, innumerable ground flora, habitat of elephant and some rare fauna, not to speak of tribal livelihoods. Also, the mountain is sacred to the beleaguered Dongaria Kondh, who have become emblematic of global tribal struggles and even inspired comparisons with the fictional Na’vi people of James Cameron’s Avatar. The MoEF and the Orissa government must now unsparingly investigate the reported violation of Environment Impact Assessment guidelines by Vedanta at its alumina plant and uphold the process of law in Niyamgiri and elsewhere.
Govt raises ethanol price to Rs 27 a litre

OUR SPECIAL CORRESPONDENT

New Delhi, Aug 16: The government today hiked the price of ethanol for blending with petrol to Rs 27 a litre from Rs 21.50, which has peeved not only the oil firms but also the liquor makers and chemical producers.

Potable alcohol makers and the chemical producers—the main users of ethanol—fear a shortage from the diversion of the product for blending.

“The cost of producing ethanol ranges between Rs 6 and Rs 19 over a normal four-year supply cycle. Even at the current price of Rs 21.50 a litre, alcohol suppliers make a reasonable profit of at least 13 per cent even at the highest input prices. The price of Rs 27 a litre is, therefore, unrealistic and will only lead to windfall profits for the sugar industry,” the Indian Chemical Council and the Confederation of Indian Alcoholic Beverages Companies said.

According to a release of the cabinet committee on economic affairs (CCEA), the government plans to initially implement the programme with the interim price of Rs 27 a litre. Thereafter, the pricing will be based on the recommendations of an expert committee.

The oil industry, too, is not happy with the move. Sources in the industry said the interim price was far higher than the current price (shorn off taxes) of petroleum at Rs 20 per litre and imported price of about Rs 21.50.

“The move will only benefit the sugar industry. This will result in an additional outgo of nearly Rs 600 crore to procure around 80 crore litres of ethanol for mixing it with petrol under the government’s 5 per cent ethanol blending programme. Moreover, with the deregulation of petrol prices, it is unjustified for the government to fix the price of ethanol,” the sources added.

Mining panel

The CCEA today also cleared the proposal of setting up a commission to check illegal mining in mineral-rich central and south Indian states. The commission will probe the extent of illegal mining and suggest penalties.

“We will take stringent actions on illegal mining. The National Mining Regulatory Authority is coming up with powers to detect, investigate and prosecute such cases,” mines minister B.K. Handique said in Parliament today.
Panel favours halt to Vedanta project

NEW DELHI, DHNS: In what may jeopardise the UK-based Vedanta group's Rs 8,400-crore bauxite mine in Orissa, a government panel on Monday recommended suspension of the project's environmental clearance till the forest rights of two notified tribes living in that area are settled.

The panel has asked the Union Environment Ministry not to trust the documents submitted by the company and the Orissa government on its face value because of the collusion between the company and state officials. The ministry has been asked to carry out its independent verification of the claims before taking any decision on the proposed mine in the Niyamgiri Hills, said the panel headed by National Advisory Committee member N C Saxena.

The committee, set up in June to probe the allegations of forest rights violation, said mining in the proposed area can deprive two primitive tribal groups—Dongargar Kondh and Kutia Kondh—of their legal rights over the proposed mining site in order to benefit a private company. This in turn may have serious consequences for the security and well being of the entire country, it said.
Vedanta mines under green glare

GS. MUDUR

New Delhi, Aug. 16: The Vedanta venture to extract aluminium in the forested hills of Niyamgiri in Orissa has violated environment and forest laws in collusion with state officials, a government panel has said.

The panel set up by the Union environment and forests ministry to investigate the proposal for bauxite mining in Niyamgiri has said Vedanta has illegally occupied 26 hectares of forest land and is expanding refinery capacity without clearances.

In its report submitted to the ministry today, the panel said state officials produced false certificates in favour of the project.

The proposed mining area in Niyamgiri spread over 7 sqkm falls in a zone that is home to the Dongaria Kondh—a primitive tribe of forest-dwellers.

The four-member panel was asked to examine whether environmental and forest laws were being followed and investigate the likely impact of mining activities on tribes, wildlife and ecology of the area.

Vedanta had signed a deal with the Orissa government in 2003 for construction of an alumina refinery and proposed that it would extract through the Orissa Mining Corporation 3 million tonnes of bauxite per annum from the hilltop for transportation to the refinery at the base of the hill.

Pending final approval for mining from the environment ministry, the company had built a refinery with a capacity of one million tonnes per annum aluminium and begun refining operations in 2007 with bauxite brought in from other states.

But the panel reported today that the company has begun expanding capacity to six million tonnes per annum without the mandatory environmental clearances.

"This expansion, its extensive scale and advanced nature is in complete violation of the Environment Protection Act and is an expression of the contempt with which this company treats the laws of the land," the panel said.

"If such an expansion is taking place, it would be a most blatant violation of laws," Union environment and forests minister Jalram Ramesh said after receiving a copy of the panel's report in his office today.

A decision on whether to initiate proceedings against or prosecute officials involved in the violations would be taken later, Ramesh said.

Reacting to the development, chief minister Naveen Patnaik said: "Appropriate action will be taken after examining the report." On August 10, the state's high-level clearance authority headed by Naveen had given its nod to the company's proposal to increase its Lanjigarh alumina refinery's production capacity.

Vedanta's Chief Operating Officer Mukesh Kumar said that the company was yet to "go through the report".

With inputs from our Bhubaneswar bureau
Center rules out banning export of iron ore

NEW DELHI: The government Monday ruled out banning export of iron ore from the country.Replying to a supplmentary in the Rajya Sabha, Mines Minister B.K. Handique said export of iron ore was necessary as piling up of the ore might cause environmental hazards. “It is necessary to export iron ore, we lack the technical knowledge to use all of it,” Handique said. Out of a total annual production of 277 million tonnes, 117 million tonnes of iron ore are exported, he said.
Commission to probe mining

Panel headed by retired SC judge to submit report within 18 months

NEW DELHI/BANGALORE:

After persistent demands by the State Congress unit for a CBI probe into the alleged illegal mining in the country, especially Karnataka, the Union Cabinet on Monday settled for a Commission of Inquiry to investigate the national scandal involving, among others, the powerful Bellary Reddy brothers.

Though the terms of reference of the commission are yet to be announced, the probe panel to be headed by a retired Supreme Court judge, will submit its report within 18 months. The Cabinet decision came in the wake of several meetings the Prime Minister's Office held with senior Mines Ministry officials. The panel will be governed by the provisions of the Commissions of Inquiry Act, 1952, under which a probe can be initiated into any “definite matter of public importance.”

Announcing the decision, Union Mines Minister B K Handique said: “The Cabinet on Monday approved a proposal for setting up a commission to check illegal mining in the country, in Karnataka and other mineral producing states.”

The Union Cabinet's decision had an immediate impact on the Karnataka government with Chief Minister B S Yeddyurappa, who has blown hot and cold over the issue of illegal mining and the alleged involvement of the Reddys in it, reiterating that the system of issuing bulk permits for transporting iron ore will be abolished and a new, transparent system will be introduced.

Speaking to reporters after a meeting with the officials of the Mines and Geology and the Forest departments at Vidhana Soudha in Bangalore, Yeddyurappa said it will be made mandatory for every truck that carries iron ore to have a separate permit under the new system. The State recently stopped issuing fresh export permits to curb illegal mining.

Union Mines Ministry officials said “the Centre will soon issue the terms and reference for the Commission to enable its early functioning.” Accordingly, the mines ministry will soon write to the Chief Justice of India and request him to recommend a retired Supreme Court judge to head the panel.

Continued on Page 8
Inquiry into illegal mining

Panel, from Page 1

The panel will not only probe into the illegal mining but also recommend curbing of such operations. Members of the public who possess knowledge about illegal mining will also be able to register their complaints with the commission.

Of late, illegal mining, especially in Karnataka, has turned into a national scandal, amid allegations that lakhs of tonnes of public-owned iron ore have been pilfered and exported out of the country by using questionable papers and clearances, a process that has benefited mining barons like the Reddy brothers who are ministers in the Yeddyurappa Cabinet.

Karnataka, however, is not the only state where allegations of illegal mining operations have emerged. Orissa and Jharkhand are other states from where there have been reports of illegal mining.

Handique has been consistently writing to Yeddyurappa, asking him to hand over investigations to the CBI. The mines minister also informed the Rajya Sabha on Monday that the Centre is preparing a new Mines Act which has a separate section that seeks to put an end to illegal mining.

Once this authority comes into force, the Centre will be able to terminate the leases issued to mine owners found involved in illegal mining in the event of states not acting against them, he said. "Any citizen can become a whistleblower and special courts can also be formed for prosecuting offenders under its provisions," he said.

There is no proposal before the government to impose a ban on export of iron ore. As the iron ore exported from India is low grade, the domestic steel industry does not possess the technology to utilise it. Handique said his ministry will evolve new mechanisms to provide 26 per cent share from mining profits to indigenous inhabitants in states where mines are operated. "The proposed Mines and Minerals Bill, 2010, will ensure that issues relating to ecological balance are also kept in mind. "Tribals will be given a share from mining profits. We have earmarked 26 per cent share from mining profits for them," he said.

DH News Service
Move on mining fails to enthuse State Congress

NEW DELHI: The Union Cabinet's decision to set up an inquiry commission to probe into illegal mining in the country does not seem to have enthused Congress leaders in Karnataka.

"We were expecting some decision from the Centre so that there is expeditious action to deal with the current situation. This commission will take a long time to give its report. The 18 months that is stipulated may linger on if the commission chairman seeks more time," said some leaders, who did not want to be quoted.

The Centre's decision comes at a time when the State Congress was demanding a CBI inquiry into illegal mining.

However, Opposition leader in the Legislative Assembly Siddaramaiah welcomed the Cabinet decision. "We welcome the decision but our demand for the CBI probe will continue," Siddaramaiah and KPCC President R V Deshpande said.

Buoyed by what they termed as "massive success" of padayatra to Bellary, the Congress leaders said they had pressed for a CBI probe when they called on Prime Minister Manmohan Singh earlier to the padayatra.

"We have convinced the Union government that illegal mining is going on in Karnataka. Though the State government has banned export of iron ore, it is still continuing. It is because the ministers are involved in it. Ore is transported to Andhra Pradesh from Karnataka and from there it is exported," they said.

The Congress leaders demanded the prosecution of Minister Bache Gowda, who was allegedly involved in thrashing a businessman for overtaking his car.

Noting that nobody was above law, Siddaramaiah and Motamma said the minister, who was supposed to be a custodian of law, was breaking it. Gowda was acting like a goonda, they added.

DH News Service
AGARWAL FIRM TO PAY $8.5B TO CAIRN FOR BUYING INDIAN SUBSIDIARY

Vedanta acquires Cairn India

DC CORRESPONDENT
MUMBAI

Aug. 16: In one of the largest M&A deals involving an Indian firm, Anil Agarwal’s Vedanta Group will acquire a majority stake in Cairn India for $8.5-9.6 billion. Cairn India is the subsidiary of British oil exploration firm Cairn Energy PLC. Cairn India is the operator of Mangala oil field in Rajasthan — one of the largest oil finds in India. These fields are currently producing 125,000 barrels/day of oil, which could be taken up to 240,000 barrels/day, feels Vedanta.

This deal marks the entry of the Vedanta Group in the petroleum business. So far, the group has a presence in mining and metals production. It represents a big step for Mr Agarwal’s firm, which is listed on the London Stock Exchange, and had a market capitalisation of $8.7 billion. The bulk of the deal — about $6.5 billion — would be funded by debt. The deal will require a number of clearances, including one from the government, the owner of the oil fields.

The petroleum secretary, Mr S. Sundaresan, said that the government will take a view on the deal when it receives the proposal from the company. He said that the decision will be on the basis of a production sharing contract, which also governs the transfer of oil and gas blocks.

As a part of the deal, Sterlite Industries, a part of the Vedanta Group, will make an open offer for up to 20 per cent of Cairn India’s shares at a price of Rs 355 per share. Depending upon the results of the open offer, Vedanta will now acquire shares from Cairn PLC, the parent firm. Apart from Rs 355/share, Cairn Energy will also get a non-compete fee of Rs 50/share. The number of Cairn India shares to be acquired shall be reduced below 51% by the number of Cairn India shares validly tendered in the open offer, subject to a maximum reduction of 11%. This means that depending upon the response to the open offer, Vedanta Group will hold a 51-60 per cent stake in Cairn India. The entire amount for the deal - $8.5-9.6 billion - would go to Cairn Energy.

The deal is also a major milestone for Cairn Energy and its CEO Bill Gammell. Cairn had purchased this block in Rajasthan in 2002 for a price of $7.25 million. Cairn PLC will get more than 1,000 times that amount for a partial stake sale in the project. In the company's statement, Mr Gammell has said that the transaction will result in a substantial return of cash to shareholders.
Panel to stop Vedanta mining

DC CORRESPONDENT
BHUJANESWAR

Aug. 16: In a setback to Vedanta Aluminium Ltd, the Central government appointed committee recommended against allowing bauxite mining in the forest land on Niyamgiri hills without the consent of local communities.

The London-based Vedanta was setting up a one-million-tonne refinery at Lanjigarh in Orissa’s Kalahandi district with an investment of Rs 4,500 crore.

A four-member panel of the committee, which visited the project site in July, however, found the violation of the Forest Rights Act and environmental norms by the London-based company. “The refinery project was given clearance under Environment Impact Assessment on the condition that no forest land would be used for the refinery. But now it is established that 26.123 hectares forest land was used in the refinery boundary with active collusion of government officials. Hence, the environment clearance given to the company for setting up the refinery is invalid and be set aside,” the committee said.

“The committee is of the firm view that allowing mining in the proposed mining lease area by depriving two primitive tribal groups — Kutia and Dongria Kondh — of their rights over the proposed mining site in order to benefit a private firm (Vedanta) would shake the faith of tribal people in the laws of the land,” the report added.
Probe into illegal mining, no iron ore export ban

FROM OUR DELHI BUREAU
NEW DELHI

THE Government on Monday ordered a probe into alleged illegal mining in the country, in the wake of outcry over it becoming a roaring business in Karnataka, Andhra Pradesh, Orissa and Jharkhand, but declined to slap a blanket ban on export of iron ore that is at the centre of controversy.

India does not have the technology for processing the iron ore fines (less than 5 mm) that constitutes 70 per cent of the mined stuff in states like Karnataka and so their export will continue till the technology is found as otherwise millions of tonnes of the powder-like ore will pile up. Minister B K Handique told the Rajya Sabha in reply to queries during the Question Hour.

Outside the House, he announced the Cabinet’s decision to set up a Commission to probe the alleged illegal mining of not only iron ore but other ores and give a report to the government within 18 months on how to curb the malpractice. A new Mines Act is also in the making to curb the illegal mining by incorporating very harsh punitive actions, said Handique.

In reply to a question, he said a Group of Ministers (GoM) constituted on June 14, is seized of the draft Mines and Minerals (Development and Regulation) Bill and hence he cannot comment on the impending law.

Handique said the matter is still with the GoM but he can only state that his ministry has recommended that the displaced tribals and other forest dwellers should get 26 per cent share in profit from mining.

Handique said, he has written to Karnataka Chief Minister B S Yeddyurappa four times since November to extend help of the central agencies like CBI to curb the illegal mining. The issue came into focus from reports about the Reddy brothers (Karnataka ministers Janardhan and Karunakar Reddy) allegedly engaged in illegal mining and illegal export of the iron ore.

Though exports fall in the Centre’s responsibilities, Yeddyurappa has already unilaterally banned export of the iron ore from Karnataka, India’s second largest iron ore producer, after finding its demand to the Centre for the same falling on deaf ear. Orissa has been closing down the mines for the last one year to curb the illegal mining. Even the Congress-ruled Goa has threatened to clamp down on exports of any illegally mined iron ore.

Handique said, the Centre is closely watching the Karnataka chief minister’s efforts to get firms to try technology for using iron ore fines in the blast furnace for making steel since after he banned the exports.
PROBE PANEL TO FOCUS ON MINING IN KARNATAKA

Centre to bring law to check illegal mining

DC CORRESPONDENT
NEW DELHI

Aug. 16: Centre on Monday informed Parliament that it is now preparing a full-fledged legislation to give itself greater powers to check illegal mining. However, Centre ruled out banning iron ore export as “piling up of ore might cause environmental hazards.”

Replying to supplementarys in Rajya Sabha, the mines minister, Mr. B.K. Handique, said iron fines account for 70 per cent of export, as the technology to process them is not available in the country.

“If we don’t export, then it will create environmental hazard and seriously impede the mining process. So there is no alternative but to export iron fines,” Mr. Handique said.

The minister assured the House that tribals would be given 26 per cent share from mining profits and full justice would be done to them.

However, the Centre government has ruled out a blanket ban on export of iron ore, citing environmental concerns, if mining activities take place in their area. The minister informed that the government is now preparing a full-fledged legislation to give it greater powers to check illegal mining.

The proposed Mines Minerals (Development and Regulation) Bill, 2010 gives the government the power to investigate and prosecute those involved in illegal mining and the authority to cancel the lease. To keep a check on illegal mining, an authority is being set up to investigate and prosecute those found guilty of indulging in such activities. “We will take stringent and deterrent action on illegal mining and to this effect, the National Mining Regulatory Authority is coming up with powers to detect, investigate and prosecute such cases,” Mr. Handique said.

The minister said once the authority is set up, “any citizen can become a whistleblower and special courts can also be formed for prosecuting offenders under its provisions.”

In a bid to check the menace of illegal mining in the country, the government on Monday cleared a proposal to set up “a commission of enquiry” and asked it to submit report within 18 months from now.

Revealing this, sources in the government said, “The Union Cabinet on Monday approved proposal for setting up a commission of enquiry to look into issues relating to illegal mining in the country. The commission will focus on alleged illegal mining in Karnataka and other mineral producing states.”
Sharma rules out ban on ore export

THE COMMERCE and industry ministry has said on Monday that it is not in favour of restricting iron ore exports even as the ministry of steel and Karnataka government want curbs on the mineral shipments. “If iron ore exports are restricted, it would effect economic activities in remote areas where handling of iron ore is the main employment generating activity,” minister of state for commerce and industry Mr Jyotiraditya Scindia informed the Lok Sabha. Steel ministry and CM of Karnataka Mr B S Yeddyurappa are in favour of discouraging exports of iron ore to appropriate export duty in view of exploitation of mines and illegal mining.
Unaccounted money in real estate, says Govt

Uncarths Rs 786.27 crore in 2009-10, up 43%

NEW DELHI: The income tax department has unearthed Rs 786.27 crore in 2009-10 on account of search and seizure operations.

This marks a sharp 43 per cent jump from Rs 550.23 crore seized in 2008-09. The Parliament was informed on Tuesday that unaccounted money is prevalent in real estate and manufacturing among others.

"Generation and circulation of unaccounted money is found to be prevalent in real estate, manufacturing sector, mining, education, healthcare and various other sectors," said Minister of State for Finance SS Palanimanickam in a written reply to an unstarred question raised in Rajya Sabha on Tuesday.

Through the prudent use of technology, the department has been conducting search and seizure operations.

"The information collected from various sources is also collated electronically to create a 360 degrees profile of the high net-worth assessee so as to detect tax evasion," the Minister added.

The amount of money unearthed stood at Rs 427.82 crore in 2007-08.

The Minister said that at the instance of the Government, the National Institute of Public Finance and Policy (NIPFP) had in 1985 conducted a study "Aspects of black money in India" in which the amount of black of black money in the country in the year 1983-84 was estimated between Rs 31,584 crore and Rs 36,786 crore.

"At present, there is no proposal to make any fresh assessment of the extent of unaccounted income/wealth in the country," Palanimanickam added.

PNS
BJP, Govt play blame game over illegal mining

Large-scale illegal mining in States, especially Karnataka, came up for discussion in Lok Sabha with the Opposition BJP and the Government blaming each other for the depleting natural resources of the country.

Acknowledging "large-scale" illegal mining, the Government on Tuesday said this could lead to a nexus between criminal and anti-national elements, especially in Naxal-affected areas. Making a statement on illegal mining in the Lok Sabha, Minister of State for Mines BK Handique said a Commission of Inquiry has been set up to look into the extent of illegal mining. The commission, which would present its report within 18 months, would identify persons or firms responsible and ascertain if there had been any tampering of official records, relating to land and boundaries.

The panel would enquire into and determine the nature and extent of illegal mining and trade and transportation of iron and manganese ores, he maintained.

The BJP attacked the Government holding it responsible for the increase in illegal mining incidence. BJP MP Ananth Kumar said, "If you want to stop illegal mining of iron ore, you have to ban its export."

Kumar held the Centre responsible for illegal mining. Defending the BJP Government in Karnataka, which has been in the eye of storm over alleged involvement of its two Ministers in Bellary illegal mining, Kumar said, "The State Government does only clerical work. The sanction is given by Indian Bureau of Mines under Mines Ministry of the Centre. They give a mining plan saying how much and where mining can be done."

RS clears Mines and Minerals Bill

The Rajya Sabha on Tuesday unanimously passed the Mines and Minerals (Development and Regulation) Amendment Bill 2008 with Coal Minister Sriprakash Jaiswal assuring the Elders that the public sector will continue to get top priority.

He said the Government had no intention to privatise coal mining and PSUs and state governments would be allotted coal blocks for mining through a separate channel. However, private companies would have to bid for the blocks and all the money generated through the auction would go into the kitty of the States concerned, the Minister said. The Bill allows the Government to auction coal blocks to private players for mining for captive use including power plants and iron ore and steel companies. The coal mines were nationalised in 1973 and private players were allowed re-entry in 1993 in a limited manner.
AMBIT RESEARCH

Nalco (Hold)

CMP: Rs 420
Target: Rs 445

Net sales and operating income came in at Rs1308.1 crore, 9 per cent below our expectation of Rs1431.6 crore (consensus at Rs 1432.3 crore).

This is a 40 pc per cent year-on-year growth, led by higher realisations, but 20 per cent drop on a QoQ basis.

EBITDA was Rs 393.8 crore compared with our estimate of Rs 478.4 crore while reported net profit came in at Rs 284.1 crore.

The weak bottom line was despite the high level of non-operating income in the quarter (Rs 89.7 crore, compared with the Rs 60-65 crore levels we have seen in the past two quarters), and the low tax rate (27.5 per cent, which is lower than the FY10 annual tax rate of 30.3 per cent).

We remain positive on the aluminium price trajectory based on improving demand-supply balance and reducing LME inventory overhang, and as with other aluminium companies, the company has increased our FY12E average LME price assumption to $2,500/tonne.
Surat traders form firm to buy diamonds directly

Surat, Aug. 17: To cut out the role of the middlemen, Surat diamond traders have decided to take raw material procurement in their own hands by setting up a company with a start-up fund of Rs 1,000 crore.

The proposed firm, Surat Diamond Sourcing (SDS), is likely to have an initial corpus of over Rs 1,000 crore, and will procure diamond roughs, the raw material for the cutting and polishing industry, directly from mines overseas, a top body of the traders said on Tuesday.

"The proposed company is likely to have a corpus of over Rs 1,000 crore with contributions of Rs 1.8 crore each from nearly 500 members, who shall be the founder shareholders, and another 1,000 members who will pay Rs 5.4 lakh each," Surat Diamond Association president, Mr Rohit Mehta, said.

The company, he said, will directly bid for the procurement of rough diamonds from mining countries such as Canada, Russia and Africa. — PTI
Surat diamond traders mull new firm for direct purchases

MADHUSUDAN SAHOO
MUMBAI, AUGUST 17

INDIAN diamond traders are joining hands to challenge the monopoly of global diamond suppliers like De Beers. In a bid to augment profits and avoid the role of the middleman in the diamond business, diamonds traders in and around Surat — the hub of the diamond business in India — have decided to set up a new company, namely Surat Diamond Sourcing (SDS) for the direct purchase of diamonds.

Trade sources said that they would make raw material procurement on their own by floating a new company with a start-up fund of Rs 1,000 crore. “Due to the presence of middlemen, units have to pay higher prices, resulting in reduction in profits,” Buesstar Diamond chairman Asit Mehta said. “Half of the roughs procured by the company will be reserved for shareholders,” Mehta added.

The proposal to float the company comes at a time when the diamond industry is facing problems in procurement. Big diamond suppliers like De Beers, Alrosa, Rio Tinto and BHP Billiton are among the major mining companies which supply the bulk of rough diamonds to the sector.

“The company would procure rough diamonds, the raw material for the cutting and polishing industry, directly from mines overseas,” said Surat Diamond Association (SDA) president Rohit Mehta. The company would directly bid for procurement of rough diamonds from mining countries such as Canada and Russia, as well as African nations, and will sell it through a tender system to units here, he added.

“Despite being a hub of diamond polishing and cutting, we have to rely on Antwerp (Belgium) and Dubai for getting rough. In the majority of cases, traders are being cheated by brokers while there is always a shortage of rough in the global markets,” Mehta pointed out.

Rajesh Mehta, chairman of Bangalore-based Rajesh Exports Ltd, said, “I have no idea about the proposed company. As far as diamond supplies are concerned, the major mining companies like De Beers, Alrosa, Rio Tinto and BHP Billiton account for around 70-80 per cent of the world’s rough supplies. De Beers alone does 45-50 per cent.”

“SDS is likely to be listed on the stock exchanges in the next two-three years. The new company will soon be incorporated under the Companies Act and registered with the Registrar of Companies (ROC). The shareholders will be issued shares of Rs 10 each,” informed Rohit Mehta.

“The founder-shareholders will have voting rights while those paying Rs 54 lakh will enjoy all the benefits of being a shareholder except voting rights,” he added.

In the second half of fiscal 2009-10, India’s gems and jewellery exports increased by 46 per cent over the corresponding period of the previous year, backed by buoyant demand and restocking by retailers. Gems and jewellery exports exceeded $28 billion in 2009-10, up from $24.4 billion in 2008-09.
Mining trouble
Vedanta’s land troubles are just the beginning

GETTING the government’s approval for its $9.6 billion acquisition of the majority share in Cairn India could well turn out to be the least of the UK-based Vedanta Resources Plc’s problems. For, two years after the Supreme Court allowed Vedanta to mine bauxite at Niyamgiri forest to feed its alumina plant at Lanjigarh, an expert panel of the ministry of environment and forests (MoEF) has recommended the company not be allowed to mine since this will deprive tribal communities their rights and because, the panel says, Vedanta has violated the forests act in collusion with state government officials. The ball now lies in MoEF minister Jairam Ramesh’s court and he is on record saying he was surprised that the company expanded its refinery capacity without clearance.

While the MoEF’s final decision is expected later this month, land acquisition, especially for mining, has become a serious problem for India Inc. According to a study by the Centre for Science and Environment for six industry groups—steel, aluminium, cement, fertilisers, paper and power—the total land that industry will need in the next two decades will be more than the land it has acquired in the last six decades. These six industries have acquired 0.7 million hectares of land so far for their investments, but will need around 1 million hectares for their proposed investments by 2030. Getting this land, as the Uttar Pradesh farmers’ agitation over land acquisition for the Yamuna Expressway shows, is going to be a tough one. The more important issue is where this land is located. Dantewada that accounts for 69% of Chhattisgarh’s iron ore production, has a forest cover of 62% and a tribal population of 78%. How Indian industry is going to acquire this land is anybody’s guess. Some, like Sajjan Jindal, have managed the process well, but a host of projects such as Posco’s are stumbling over this hurdle. To some extent, this is what the proposed Bill giving 26% rights to tribals is trying to address, but reportedly corporate India is opposed to this. Unless it is able to find a way to deal with the rights of local people, it is unlikely Indian industry is going to be able to go ahead with its major projects. A third of its proposed investments, just to cite one number, are in districts affected by Naxalism. Expect more reports of the Vedanta-kind to come up in the months to come.
Govt admits illegal mining

AGE CORRESPONDENT
NEW DELHI

Aug. 17: The government on Tuesday conceded that "large-scale" illegal mining is taking place in various states. It also said that this could lead to a nexus between criminal and anti-national elements, especially in Naxal-affected areas.

In a written statement in the Lok Sabha, mines minister B.K. Handique said a commission of inquiry has been set up to look into the extent of illegal mining. He further informed the House that the commission has been tasked to present its report within 18 months, in which it would identify persons or firms responsible and ascertain if there had been any tampering of official records relating to land and boundaries.

"Due to a combination of reasons in the recent years, the incidence of illegal mining has grown considerably. This problem is acquiring organised dimensions and may lead to a nexus with criminal and anti-national elements in some of the states, including those affected by Left-wing extremism," Mr Handique said. Several reports "clearly point" to the fact that mining, raising, transportation and export of iron ore and manganese ore illegally or without lawful authority in various states are taking place on a large scale, the minister added.

Due to rise in demand for iron ore, he said mining activity has increased manifold, particularly in the states of Orissa, Jharkhand, Andhra Pradesh, Karnataka and Goa.

Moreover, later in the day while participating in a short duration discussion in the Lok Sabha over the issue of "illegal mining" in Karnataka, the BJP rejected the demand for a CBI inquiry into it and the JD(S) termed the commission of inquiry "just an eyewash".

Participating in the discussion BJP leader from Karnataka Ananth Kumar said, "We can't allow that (CBI investigation)... We are ready for any other investigation."
Orissa seeks Posco clarification to renew MoU

State govt wants clarification on issues relating to mines, land use and job opportunities

Dilip Bisoi

Bhubaneswar, Aug 17: It's been 50 days that the Orissa government MoU with Posco India has lapsed, and government sources told *FE* it has sought clarification on 11 issues from the steel giant before it renews the MoU.

Sources in the government told *FE*, "We have asked clarification on 11 points for the renewal of the MoU." State-owned IPICOL had recommended the state government to renew Posco's MoU for two years, instead of five years, that the steel major had sought. However, the steel and mines department of the state government has asked clarification on issues relating to mines, land use and employment opportunities.

Orissa steel and mines minister Raghunath Mohanty said: "We are examining the MoU and a decision will be taken very soon."

However, government sources said it would take some more time to renew the MoU for the 12 million tonne plant planned at Jagatsinghpur district.

The state government, which has come out with a new policy on employment in the MoU projects, is insisting that the new Posco MoU should commit to the new employment policy.

The state government has made it mandatory for MoU projects to reserve 80% jobs in the unskilled and semi-skilled category, up to 60% in skilled category, and 30% for the supervisory and managerial cadre, for locals.

According to sources, Posco-India does not agree to this new clause in the MoU on the ground that this policy has no constitutional validity and it will not stand the scrutiny of law.

The Orissa government had signed an MoU with Posco India on June 22, 2006 to set up a steel plant with an investment of Rs 51,000 crore, billed as the largest foreign direct investment.

Meanwhile, the state government has announced that it had acquired 1,004 acres of land in four villages of Gada Kujanga gram panchayat for Posco-India's project.

"The government has taken possession of over 1,000 acres of land including forest land, revenue land and about 52 betel vines. However, no land has been handed over to Posco so far. Mohapatra said a joint task force will be set up to protect the land acquired so far to avoid a Kalinganagar type situation."

The Jagatsinghpur district administration has submitted its report in response to the allegation of violation of Forest Rights Act in Posco's proposed project site. The report has been sent to the state forest and environment department.

Following the direction of the ministry of environment and forest, the district administration has stopped work such as survey and land acquisition in the proposed site.
Govt wants captive ore mines spun off

Move to help transparent pricing of iron ore, assess competitiveness of steel making

Rishi Raj & Nistula Hebbar

New Delhi, Aug 17: The country’s top three integrated steel manufacturers, SAIL, JSW Steel and Tata Steel would soon have to hive off their captive iron ore mines into separate entities. This is because to arrive at the true pricing of iron ore and estimate the relative competitiveness of steel mills correctly, the government is working on a proposal whereby all steel companies would have to hive off their captive iron ore mines, if any, into separate companies.

Iron ore is a key raw material in steel-making since 1.5 tonne of the material is used to make one tonne of steel. The country’s largest steel manufacturer, the state-owned Steel Authority of India (SAIL) and the third largest Tata Steel meet their ore requirements through captive mines while the second largest, JSW Steel meets around 10% of its requirement through captive mines.

According to the proposal, which is at the preliminary stages, even if the companies hive off their iron ore mines into separate entities, they would be assured of raw material supply. “Currently, fresh mining leases are given for a period 10 years; we plan to increase it to 30 years,” said an official.

“However, the companies would have to disclose the price at which they sell iron ore to their steel manufacturing units. They would be free to export but if they sell to any other player in the domestic market, it has to be at the same price at which they are supplying to their units,” the official added.

As of now, pricing of steel is not transparent for companies with captive mines. While those without captive resources are left to the vagaries of the market as iron ore prices are quite volatile, market prices of steel are similar for all manufacturers, which gives an edge to captive mine owners. Regulations allow captive miners to export iron ore after meeting their domestic requirements. Mining leases given to foreign players like Posco and ArcelorMittal — who are planning manufacturing units in India — prohibit them from exporting ore to foreign manufacturing bases.

When contacted, an official of a steel company told FE that such a move would take away the competitiveness of the units.

The proposal comes at a time when the government is facing demands from steel manufacturers to ban ore exports so that natural reserves are conserved and domestic players get the first right of usage. Standalone miners are opposed to such demands. According to them, the majority of exports are low-grade fines, which has little offtake in India thanks to lack of sintering and pelletisation facilities. If fines are not exported, it could lead to environmental problems, they say. Even then, to discourage exports, the government levies an export tax of 10% on high-grade ores, which are called lumps and 5% on fines.

Around half of the iron ore mined in the country is exported. In 2009-10, India produced 226 million tonne iron ore, of which about 117 million tonne were exported. However, steel exports the same year stood at around 4.2 million tonne and imports at 6.7 million tonne.
Orissa protests Saxena report on Vedanta

Bhubaneswar, Aug 17: The Orissa government on Tuesday lodged its protest against the Saxena Committee report on Vedanta issue.

In a letter to the Union ministry of environment and forest, the state government asserted that Orissa ranks second among states in the implementation of forest laws and rules. It also said the state government is implementing all the directives of the Supreme Court on mining of bauxite from the Niyamgiri mines for Vedanta Aluminium at Lanjigarh in Kalahandi district.

The principal secretary, state forest and environment department, Upendra Behera, has written the letter to the ministry stating that the state should be given an opportunity to defend its stand before the MoEF takes any action on the report.
Gold may gain on signs of slowing economic recovery

LONDON: Gold, which reached a six-week high in New York on Tuesday, may gain as signs of a slowing economic recovery and a weaker dollar increase demand for the metal as a protection of wealth. German investor confidence dropped more than forecast to a 16-month low in August, the ZEW Center for European Economic Research said on Tuesday. The dollar fell against the euro for a second day. Gold usually moves inversely to the greenback. “Gold continues to benefit from improving investment demand,” Andrey Keyuchenkov, an analyst at VTB Capital in London, said in a report. “Fears over the global economic recovery are helping to support the metal, he said.”
Copper climbs to 1-week high on weakening dollar

NEW YORK: Copper climbed to the highest price in a week after a drop in the dollar boosted demand from buyers seeking alternative assets. The greenback fell for a second day, losing as much as 0.6% against a basket of six currencies.

Copper prices also gained on Tuesday as inventories monitored by the London Metal Exchange sank to the lowest level since November 13. Before Tuesday, the metal lost 1.4% this year on signs of a slowing global economy. "Copper is moving on the dollar," said Frank McAnney, the head dealer at Integrated Brokerage Services in Chicago. "Industrial metals are getting some stabilisation on the fact that demand still looks like it didn't fall off the face of the earth." Copper futures for December delivery added 5.5 cents, or 1.7%, to $3.3935 a pound at 9:16 am on the Comex in New York.
Diamond merchants to float co
1500 Joining Hands For Sourcing Roughs Globally To Tackle Shortage, Competition

Melvyn Thomas | TNN

Surat: The Amul model of cooperatives has worked wonders for the country's milk industry. Now, the same model promises to take the Indian diamond industry to the next level.

Faced with shortage of roughs and growing competition from China, Indian diamondaires are coming together to form a company to source raw material. After brainstorming over the last weekend, it has been decided that about 1,500 small, medium and large diamond merchants will float a company called Surat Diamond Sourcing (India) Ltd (SDSL) which will directly source roughs from mining companies across the globe and sell it to its members - all equal stakeholders through a tender system.

Already, about 60 to 70% of the rough diamonds mined across the world come to Surat. The move could raise the market share and also eliminate brokers, thus reducing costs.

To be formed under Companies Act by September-end, SDSL will set up liaison offices in key mining countries like Australia, Canada, South Africa, Botswana, Namibia, Tanzania and Zimbabwe to facilitate direct sourcing of roughs.

The company will have an initial capital of Rs 1,000 crore. For membership, large manufacturers and rough dealers will contribute Rs 1.08 crore each. Over 1,000 small and medium manufacturers will contribute Rs 54 lakh each. Though SDSL can sell diamonds to any company in the world, registered members in Surat and other parts of India will get preference. While 200 diamond manufacturers have already become members, the process of raising money from another 1,300 members will be completed over the next few weeks.

"The new company will follow the 'Amul' pattern. We want to begin our operations with the direct sourcing of rough diamonds from Zimbabwe. The Zimbabwe government has a stockpile of $2 billion worth of rough diamonds and we want to purchase it all," said Ashit Mehta, founder member of SDSL and chairman of Blue Star, a leading diamond company.

"SDSL intends to compete with other players by becoming a sightholder or a client of big mining companies like De Beers, Alrosa, Rio Tinto and BHP Billiton. With a strength like this, we can buy any amount of rough put up for sale," said Parag Shah, managing director of K Girdharlal.

According to Chandrakant Sanghavi, chairman of Sanghavi Exports, almost all DTC sightholders are keen to join the new company.
Vedanta qualifies for Cairn
But Should Scoot From Niyamgiri

There is little sense in a reported move by the government to withhold approval for Vedanta’s acquisition of oil and gas specialist Cairn India on the ground of lack of experience. Sir Frederick Upcott, chief commissioner of the Great Indian Peninsular Railway was so scornful of Jamsetji Tata’s lack of experience that he promised to eat every pound of steel that Tata produced. Would the honourable minister for petroleum care to offer to drink every barrel of crude that Cairn India produces under inexperienced Vedanta’s ownership? At the same time, it makes eminent sense for the government to accept the advice of an expert panel headed by NC Saxena to deny Vedanta permission to mine bauxite from the Niyamgiri hills in Kalahandi, Orissa. Niyamgiri is considered sacred by the Dongria Kondhs, the region’s autochthons. Besides, there are extensive bauxite deposits available in the region, in adjoining districts and elsewhere in Orissa. So to insist on intensive mining on Niyamgiri would be socio-culturally retrograde, and wholly alienate the communities in the region. The idea that industrialisation must necessarily bulldoze and erase cultural traditions does not wash. Besides, as the NC Saxena expert committee has found, mining of Niyamgiri would be at the cost of huge environmental damage and the deposits are, in any case, not very extensive. It would thus be more worthwhile to source bauxite from beyond the Niyamgiri hills.

Bauxite is plentiful in Orissa. For instance, the Panchpatmala deposit in adjoining Koraput district is said to be the largest single deposit globally. Further, there are other proven deposits in Rayagada and Sundargarh districts; and it is entirely possible that with prospecting, bauxite deposits would be found beyond Niyamgiri in Kalahandi itself. By accepting the expert panel’s recommendation, the government would set down two ground rules. One, the ‘in-principle’ clearance on whose basis Vedanta has already built structures in the forest area, violating all norms, is a nonsensical practice that has to be abandoned. Two, India needs holistic socio-economic development, not just creation of any kind of economic activity.
Surat diamond units form co to tap mines directly

Move To Minimise Antwerp’s Role, Challenge Biggies Like De Beers, Rio Tinto

Parag Dave

The $65,000-crore Surat diamond industry that cuts and polishes 9 out of 11 diamonds in the world is finally getting financial muscle.

Some 500 units, out of the 4,500 operating in the country’s diamond city, have decided to form a company to source rough stones directly from the mines in Africa, Russia, Canada and Australia. Starting with an initial capital of $1,000 crore, the newly-formed company, Surat Diamond Sourcing India Ltd (SDSIL), would challenge the might of global rough stone suppliers, De Beers, Alrosa and Rio Tinto.

Hitherto, individual diamond units would source roughs from the global sourcing companies through an auction process. Now, armed with the capital, SDSIL could go for bulk buying and enjoy 5-10% discounted rates.

The vice-president of Southern Gujarat Chamber of Commerce & Industry (SGCCI), Rohit Mehta told ET that SDSIL would source roughs from all over the world and sell them at an auction in Surat. Thus, the members would be saved the hassle of going to Antwerp (Belgium), the world’s hub for sourcing rough stones.

“We will sell the rough diamonds in the open market and whatever profit earned, will go to the shareholders,” say Mehta who is associated with the newly-formed company likely to get operational within 2-3 months. Big diamond companies like Blue Star, Venus Jewels and Lakshmi Diamonds are involved in the venture.

Till now, the units always suffered whenever there would be a shortage in supply of rough diamonds or rise in the rough prices. Now, according to Mehta, “SDSIL would sell diamonds at the highest price and offer the benefit to the shareholders”.

The industry and especially small players face shortage of rough diamonds at regular intervals. A quota will now be reserved for the members. “We have decided to keep a portion reserved for the members so that they can have assured roughs supply,” said Mr Mehta.

President of Gem & Jewellery Export Promotion Council (G JEPC) Vasant Mehta told ET: “The huge buying power will enable Surat units ink long-term agreement with mine-holders for continuously supply. Also, they will not have to go to Antwerp for buying rough diamonds. This will ensure direct collaboration between Surat and the diamond mines.”

GJEPC’s former president Sanjay Kothari says the move would certainly benefit the unit-owners. “But, to run a company with so many people is challenging,” Mr Kothari said adding that a similar exercise was undertaken by Mumbai-based companies four years back with 60 members.

The diamond industry suffered the most during the 18-month downturn as demand from the West came to a standstill. Now, with economy improving, the prices are on the rise and have reached the 2007 pre-recession period.

SDSIL, which plans to get listed later, will offer membership for Rs 54 lakh and voting rights for Rs 1.08 crore.

Chandubhai Shetha who runs a small diamond unit in Surat, however, feels that the proposed company will not help small time players. “At Rs 1.08 crore membership fees, only the big players can become part of the company. The smaller players will still be left out,” he said.

The bigger players, though, are excited and claim they would eventually address the concerns. “DTC sight-holders too have to get rough supply from open market. A single company cannot reach the direct sources, but an umbrella company can do so. We will come out with an IPO of the proposed company in next 2-3 years and at that time, we will ensure that even diamond workers are part of the company,” said Govind Dholakia, chairman of Shree Ram-Krishna Exports.
It may be end of road for Vedanta’s project

Nitin Sethi | TNN

New Delhi: The odds are now stacked against Vedanta’s bauxite mining in the Niyamgiri hills with UPA government building a watertight legal case against the aluminium giant in the lead up to the decision it is to take next week on the fate of the $1.7 billion project in Orissa.

The step-by-step build-up to pulling the plug on the controversial bauxite mining venture will reach its penultimate phase on Friday when the Forest Advisory Committee under the environment ministry is to take a call on the N C Saxena report recommending a ban on Vedanta’s operations.

The FAC is unlikely to go against the grain of Saxena committee’s report which is seen as well-argued. Importantly, one of the members of the FAC, Ahilia Beviskar, also happens to be on the Saxena panel.

The FAC’s recommendation would then allow the environment ministry (read: Jairam Ramesh) to take a final call on aluminium czar Anil Agarwal’s ambitious project in Orissa. Indications are that Ramesh, but for a political intervention, will reject the proposal for a clearance to state-owned Orissa Mining Corporation to dig out bauxite for the Vedanta aluminium refinery project. In fact, the findings are such that they may even lead the minister to block construction of the refinery.

It is a huge turnaround for the Union government itself on the case. As the Saxena report pointed out, the central government had earlier looked the other way when infringements were reported to it.

TOI had also reported how the Wildlife Institute of India, an autonomous research institute under MoEF, had altered its report on impact of the project on wildlife in Vedanta’s favour.

Then, the Supreme Court, in a rather unique order, asked one subsidiary (Sterlite Industries Limited) of the same parent company (Vedanta Resources) to go ahead with mining when the other subsidiary (Vedanta Alumina Limited) was under a cloud. A unique, unprecedented order allowed SEZ to set up a special purpose vehicle with Orissa Mining Corporation to do a Corporate Social Responsibility venture of rehab in the region and go ahead with the mining.

Indications of a shift in UPA’s stance first came after Rahul Gandhi visited the site in March 2006 and criticized the mining operations.
Decision on Vedanta in a week

Our Political Bureau
NEW DELHI

The environment ministry is likely to take a decision on the fate of Vedanta's mining project in Orissa in a week. The NC Saxena panel, appointed by the ministry, had on Monday recommended that the company not be allowed to mine in the Niyamgiri hills.

The Forest Advisory Committee will be meeting on August 20 to consider recommendations of the expert panel. The FAC will be submitting its recommendations to environment minister Jairam Ramesh, after which a final decision will be taken. "After FAC makes its observations, I will take a decision in totality, taking into account the various laws, economic consideration. Only then will final clearance be given to the mining project," Mr Ramesh said.

The Saxena panel had found serious violations in the provisions of environmental clearance and the Environment Protection Act by Vedanta. One such violation related to the unauthorised expansion of capacity from 1 million tonne a year to 6 million tonne.

The expansion had no environment clearance and Vedanta is said to have ignored repeated notices sent by the Orissa Pollution Control Board to stop work. The minister has said that he would look into the reported violations, and requisite action would follow. "I am surprised to know that the refinery has expanded its capacity six-fold. If this is indeed the case, as pointed out by the report, then it is a most blatant and serious violation of environment laws. It will be looked into," the minister said.

While the ministry seems to be convinced that bauxite mining in Niyamgiri hills should be blocked, a different yardstick may be applied while assessing Vedanta's refinery. There is a view that since the refinery is already functional and the expansion work nearly complete, the company should be let off after being slapped a fine. "It would be a tragedy if someone can just violate the laws and a window is still available to them to pay a penalty and get away with it. But I am not pre-judging this case," Mr Ramesh said.
Demand prospects drive up copper

Reuters

London, Aug. 17

Expectations of strong physical demand and a weaker dollar drove copper to a one-week high on Tuesday, despite growing doubts about economic growth prospects in the US, the world’s largest economy.

Focus was also on premiums for aluminium for nearby delivery due to tight supplies and dominant holdings of warrants on stocks of the metal in London Metal Exchange warehouses and cash contracts.

Benchmark copper on the LME was trading at $7,343 a tonne at 11:12 GMT from $7,250 a tonne at the close on Monday.

Aluminium was at $2,138 a tonne from $2,118 on Monday, zinc at $2,117 from $2,073.

Lead was at $2,135 from $2,095, tin at $21,500 from $21,100 and nickel at $21,940 from $21,550.
Aluminium market tight despite excess supply

Reports show one player holding 30-40% warrants on stocks

Reuter
London, Aug. 17

Worries about tight aluminium supplies lie behind the emergence of a premium for cash material on the London Metal Exchange, even though the market overall is flooded with excess material, traders said.

PREMIUM, DISCOUNT

Prices for the August contract, effectively the cash contract, on Monday were $12 a tonne above those for the September contract, known as the backwardation or premium. That compared with around $10 on Friday and with discounts of around $9 a tonne in June. Traders said the backwardation, despite oversupply, has fuelled speculation that an entity or entities are trying to boost prices.

2 SIGNIFICANT HOLDERS

LME market reports showed that as of the close of business on Thursday of last week, one player controlled 30-40 per cent of warrants on LME aluminium stocks and cash contracts. Another LME report showed that as of Thursday there were two significant long position holders and five short position holders for this coming Wednesday.

The LME has the power to step in and force longs to lend by imposing its "lending guidelines", which are aimed at ensuring orderly markets. Under these guidelines, if an LME member or client holds 50 per cent or more of the warrants or cash today/cash positions, it should be prepared to lend at a premium that is no more than half a per cent of the cash price for a day. The LME declined to comment on whether lending guidance had been invoked on aluminium contracts.

BUOYANT THAN THOUGHT

Analysts noted that the physical aluminium market has been more buoyant than expected during what is normally a low season for demand. Analysts noted that the physical aluminium market has been more buoyant than expected during what is normally a low season for demand. Part of the reason behind the tight market and premium could be financing deals, which have tied up about 70 per cent of LME aluminium stocks. Plans to launch physically-backed aluminium exchange traded products are also expected to take material out of the market. The premium for dutypaid aluminium in Rotterdam has risen from $10 a tonne in the first quarter of 2009 to about $170 a tonne this month.
States may get say in grant of coal mines

Mines and minerals Act may let them choose second-highest bidder over the highest

Neeraj Thakur NEW DELHI

With coal-bearing states like Chhattisgarh, Jharkhand and Orissa seeking a say in allocation of coal mines to companies, a group of ministers is considering giving them some discretionary powers in the competitive coal bidding process.

The draft Mines and Minerals Development and Regulation Act 2010 is likely to give state governments the power to choose one company over the other on the basis of proximity of the project to the mine allocating state.

“The state governments will be able to give preference to the second-highest bidder over the highest bidder if that company has plans to set up a plant in the state where the mine is located while the highest bidder plans to set up its plant outside that state. However, the state can give preference to such a company over the highest bidder only if the second highest bid is lagging behind by 5%,” a senior coal ministry official said.

“This is being considered to promote the interest of the states where the mine is located,” the official added.

The competitive bidding system would replace the existing process of allocating coal blocks through an inter-ministerial screening committee.

The process of mine allocation has faced a lot of criticism in the past, with a lot of companies not developing coal blocks for years. The coal ministry has stopped allocating coal mines and will start fresh allocation only when the competitive bidding procedure is in place. The government has allotted approximately 210 blocks to different companies, of which only 24 blocks have started coal production. The coal ministry is always put to blame for its method of allocation of captive coal blocks as developers are not putting serious effort on starting mining.