

# भौतिक खपत है देश की प्रगति का सूचक

नई दिल्ली | विशेष संवाददाता

संयुक्त राष्ट्र पर्यावरण कार्यक्रम (यूएनईपी) की एक ताजा रिपोर्ट के अनुसार भारत और चीन की बढ़ती भौतिक खपत से जहां प्रशांत एशिया क्षेत्र में पर्यावरण संबंधी चुनौतियां पैदा हो रही हैं। वहीं खपत का बढ़ना दोनों देशों की बढ़ती आर्थिक ताकत का भी अहसास कराता है।

रिपोर्ट को दएनजीरिसोसंस्टीट्यूट (टेरी) और यूएनईपी ने हाल में एक कार्यक्रम में जारी किया।

रिपोर्ट के अनुसार प्रशांत एशिया में भारत और चीन में खनिज तेल, बायोमॉस, खनिज, धातुओं, औद्योगिक एवं निर्माण सामग्री आदि संसाधनों की खपत तेजी से बढ़ रही है। प्रशांत एशिया में दुनिया की आधी आबादी रहती है जिनमें एक तिहाई हालांकि गरीब है, लेकिन

संसाधनों की खपत दुनिया की साठ फीसदी से भी ज्यादा है और यह तेजी से बढ़ती जा रही है। यदि पिछले तीन दशक के आंकड़ों पर नजर डालें तो यह खपत 10 अरब टन से बढ़कर 32 अरब टन तक पहुंच गई है। 2020 तक विश्व में इन संसाधनों की खपत 140 अरब टन तक पहुंच जाएगी जिसमें प्रशांत एशिया क्षेत्र की हिस्सेदारी करीब 80 अरब टन तक होगी।

## **Goa stops activity at iron ore dumps**

**Panaji:** Tightening the noose on mining lease holders and traders after facing inquiry by the Shah Commission, the Goa state mines and geology department has issued a circular asking them not to carry out any sort of activity at the sites of iron ore dumps.

"It has been brought to the attention of the government by various agencies that there is large scale handling of mining dumps by lease holders or traders without permission, thereby resulting in illegal extraction or non-payment of royalty on such extraction in certain cases," state mines and geology director Arvind Loliengar said in a circular recently.

The circular, forwarded to all mines and concerned authorities, further reads that the government has, therefore, decided not to allow any working, handling or sale at such dumps by the lease holders or traders till a system is put in place by the directorate. **PTI**

### IBM DETECTS ILLEGAL MINING OF MINERALS

MINERALS WORTH ₹226.04 crore were illegally mined in various states across the country last fiscal, according to the findings of the Indian Bureau of Mines (IBM), which monitors and prevents such unlawful activities. In the 2010-11 fiscal year, 14,204 cases of illegal mining of 43.6 lakh tonnes of major minerals, valued at ₹71.52 crore, were detected. In 775 cases, FIRs were lodged with authorities and legal proceedings have been launched in 514 cases. Fines to the tune of ₹122.3 crore were realised from the defaulters, official sources said on Tuesday. In the case of minor minerals, 77,431 cases of illegal mining, totalling 34.427 lakh tonnes worth ₹154.52 crore, were reported in various states. — PTI

## Jindal, govt accuse each other of short sight

BS REPORTER

New Delhi, 27 September

CRITICAL words were exchanged today between Indian steel tycoon Sajjan Jindal of the billionaire Jindal clan and the government over the steel industry's problems from the unprecedented raw material crunch.

Jindal accused the government for following a "skewed" policy of exporting valuable minerals like iron ore in bulk, even as the domestic industry struggles to survive. "At a time when other nations are putting restrictions on export of their resources, does it make sense for India to send our valuable reserves outside in bulk? As a result of this skewed policy, we (industry) end up paying higher price for our own resources," Jindal said during his speech at an event on mineral technologies.

He was also referring to the ongoing policy and legislative changes from the governments of Indonesia and Australia, two of the largest suppliers of iron ore globally, to restrict outbound shipments of minerals by either linking export prices to international benchmarks or levying additional duties on value-added ores.

Union mining secretary S Vijay Kumar, present at the event, fired

back by accusing the domestic industry of not ramping up capacities to utilise the entire domestic produce.

"Large-scale exports of iron ore have taken place owing to the lack of the industry's capacity to absorb production. Exports have not damaged the industry. I do not see this as a failure of the government's policy. It is the failure of the industry to do sintering (value addition)," he said.

Jindal also said the high iron ore prices in Karnataka were a result of the government's "skewed policy" of unchecked exports of minerals. Kumar, however, said a part of the reason for the Karnataka mining mess was the failure of companies to develop a proper understanding of the concept of sustainability. "Corporates think that sustainability merely means ensuring long-term availability of the mineral. They fail to realise that it also includes sustainable environment for locals," he said.

India produces 220 million tonnes of iron ore annually. Of this, 110 mt is consumed within the country, largely by the steel industry. The rest is exported, largely to China. The Sajjan Jindal-led JSW Steel alone accounts for around a fifth of India's total steel production capacity of 65 mt annually.

# BJP Scores a Mining Equalizer in Goa

Congress MLA Narvekar points finger at Chief Minister Digambar Kamat

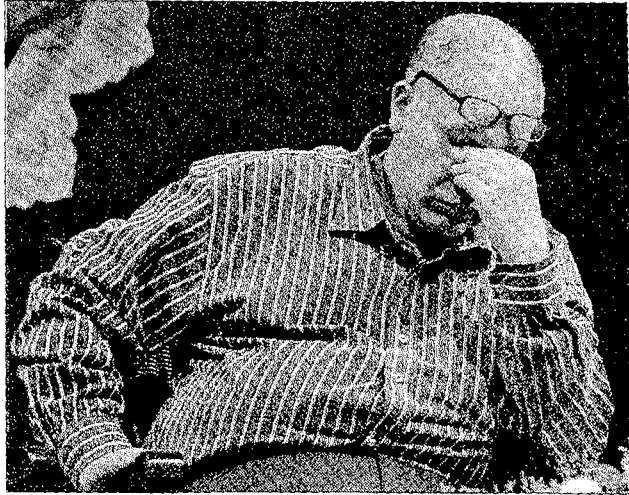
OUR POLITICAL BUREAU  
NEW DELHI

The crisis in the Goa government over illegal mining has deepened after a Congress legislator endorsed PAC's charges against their Chief Minister Digambar Kamat.

A PAC report, which is yet to be tabled in the state assembly, has indicted the Chief Minister and some of his colleagues in the illegal mining scam. The PAC has claimed that the scam has cost up to ₹10,000 crore to the state exchequer.

The charges found an echo within Congress with MLA Dayanand Narvekar alleging that the illegal mining scam was on for the last 10 years and those running the mining department had allowed the system to collapse. Kamat holds the mining portfolio in the state. The expose has come at an inopportune time for Congress, which has been highlighting BJP leaders in the mining scam in neighbouring Karnataka.

However, central Congress leaders alleged that the report



FEELING THE HEAT: Digambar Kamat - File photo

prepared by BJP's Manohar Parikkar was a motivated document. Congress officially refused to react on the leaked contents of the PAC report, saying that it would respond only after the report is tabled in the state assembly on October 5. Party leaders sensed a pattern in the leakage of the 2G report at the

**Central Cong leaders allege that report prepared by Parikkar was a motivated document**

Centre and leakage of the Goa PAC report on illegal mining. The aim, they said, was clearly to destabilise the Kamat government. A senior Congress leader also pointed out that this was in anticipation of the findings of the CBI probe into the Bellary mining

scam, the trail of which could lead to some senior BJP leaders. As for allegations that Digambar Kamat's vested interests in mining led him to hold the mines portfolio for 11 years in a row, the leader recalled that Kamat was also the mines minister in the Parikkar government during his stint in BJP.

Senior leader Jagmeet Singh Brar, who reached Goa to assess the political fallout of the PAC report, will meet the CM, besides senior Congress leaders of the state and even representatives of allies such as MGP and NCP, over the next couple of days to comprehend the issue in detail and assess its political fallout. He is expected to submit a report to Congress President Sonia Gandhi on Friday.

Senior leaders pointed out that even though the PAC report indicts Kamat and points out irregularities in issue of mining licences, any action against the CM may not happen until the findings of the Centre-appointed MB Shah Commission are out.

## Goa circular: Stop work at iron ore dumps

Press Trust of India  
Panaji, Sept 27

Tightening the noose on mining lease holders and traders after facing inquiry by the Shah Commission, the Goa State Mines and Geology Department has issued a circular asking them not to carry out any sort of activity at the sites of iron ore dumps.

"It has been brought to the attention of the Government by various agencies that there is large-scale handling of mining dumps by lease holders or traders without permission, thereby resulting in illegal extraction or non-payment of royalty on such extraction in certain cases," the Mines and Geology Director, Mr Arvind Loliengar, said in a circular issued recently.

The circular, forwarded to all the mines and concerned authorities, further reads that the Government has, therefore, decided not to allow any working, handling or sale at such dumps by the lease holders or traders till a system is put in place by the directorate.

### ALLEGATIONS

The notice came in the background of a slew of allegations against Goa

government over illegal mining.

The State Mines and Geology Department was caught on the wrong foot recently when it could not produce details about the existing mining dumps in the state sought by the Shah Commission probing into the illegal mining trade.

The illegality in the iron ore export is measured depending upon the amount of ore extracted and exported.

### FIRMS DENY VIOLATION

The mining firms have been claiming that they have not violated the maximum permissible limit of extraction and the quantum of ore they have exported is from the dumps lying at their sites.

According to a mines official, in order to have exact idea regarding the quantum of ore lying at the mining sites, the State Government has now decided to register each and every mound.

The Digambar Kamat Government stopped short of imposing green cess on the dumps in the budget for 2009-10 but the mining lobby exerted pressure to roll back the cess even before its implementation.

## Rescue plan hopes for Euro zone boost metals

Reuters

London, Sept. 27

Copper rebounded on Tuesday from a 14-month low hit in the previous session on renewed expectations that European policymakers will act to contain a regional debt crisis. Benchmark copper on the London Metal Exchange (LME) rose by more than 3 per cent to trade at \$7,539 a tonne in LME official rings after having tumbled on Monday on recession fears.

Tin prices were also given a boost by the decision by smelters in Indonesia's main tin-producing region of Bangka island to impose a full export ban on tin ingot from Oct. 1 until global prices recover. Three-month tin

jumped 6 per cent, while tin premiums for delivery to Europe from the Kuala Lumpur market leapt to \$1,180. Lead, which jumped 5 per cent, traded at \$1,982 in rings.

Zinc was untraded in rings but bid at \$1,934. Aluminium traded \$2,231. Nickel traded at \$18,750. Tin was untraded in rings but bid at \$21,695.



# JSW Steel may shut Bellary plant on iron ore supply woes

Our Bureau

New Delhi, Sept. 27

JSW Steel Ltd said on Tuesday that it might have to shut down its Vijayanagar Plant in Bellary if the disruption of iron ore supplies continues in Karnataka.

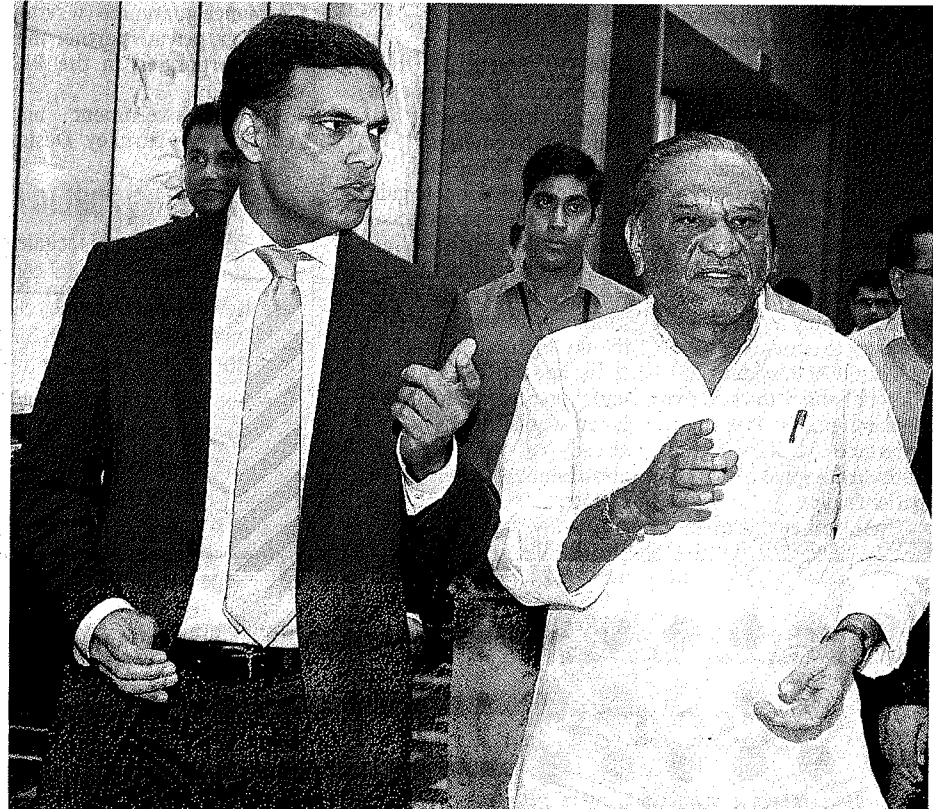
"We are operating at a minimum level of 30 per cent. If the situation continues, we may have to shut the plant," Mr Sajjan Jindal, Vice-Chairman, JSW Steel, said. He was speaking to reporters on the sidelines of the Assocham conference on 'Technology infusion and sustainability issues' in mining sector.

## SUPPLY DISRUPTION

JSW Steel operates a 10 million tonnes per annum capacity steel plant at Bellary. In July, the company had commissioned its fourth furnace of 3.2 mtpa. The iron ore supplies to the Vijaynagar plant have been disrupted since July after the Supreme Court imposed a ban on iron ore mining and transportation in Bellary on environmental grounds.

The Court had subsequently directed state-run NMDC to supply one million tonnes of iron ore per month to the industry in the region, which hasn't been fulfilled by the mining giant. The court had also ordered release of 1.5 million tonnes of iron ore from the stockpile through e-auction.

"The industry cannot run



The Minister for Mines, Mr Dinsha J. Patel (right), and the JSW Steel Vice-Chairman, Mr Sajjan Jindal, at the national conference on mining in the Capital on Tuesday. – Ramesh Sharma

on auction-based supply of iron ore. It has to run on continuous and regular supplies. No industry in the world runs on auction-based supplies," Mr Jindal said.

Shares of JSW Steel ended 1.29 per cent lower on the BSE at Rs 610.50 on Tuesday. The disruption in supplies will

force the company to reset its production target for the current fiscal, Mr Jindal said without elaborating.

JSW Steel is currently forced to operate its plant by procuring iron ore from States such as Orissa, Chattisgarh and Jharkhand, which has increased its operational costs.

In the meanwhile, the Steel Secretary, Mr P.K. Misra, said the steel industry in Karnataka has been asked to present facts on the fallout of the mining ban in Bellary over the next few days. "Once we get the facts from the steel industry, we will place it before the Court," Mr Misra said.



# JSW may shut Vijaynagar plant on iron ore crisis

fe Bureau

**New Delhi, Sept 27:** A day after announcing 70% cut in Vijaynagar plant production, country's largest private sector steel maker JSW Steel said that it may completely suspend steel making at the Karnataka plant if iron ore crisis continued in the state.

Company vice-chairman and managing director Sajjan Jindal said that inventory level of iron ore at its Vijaynagar plant had plummeted at an all-time low level forcing JSW to cut production to 3 million tonne annually. "If the situation continues, we may shut down the entire unit," Jindal told reporters on the sidelines of an at an ASSOCHAM conference.

The company, which runs a 10 million tonne unit in the state, is facing iron ore shortage for the past two months after the Supreme Court banned mining in three Karnataka districts to curb illegal mining.

Though the court had allowed NMDC to e-auction iron ore, the supply is not sufficient for steel makers in the region. The 1 million tonne production allowed by NMDC from its mines in Karnataka is also not sufficient to meet the needs of steel sector in the state.

JSW's annual iron ore requirement to run its Vijaynagar plant at full capacity is about 16 million tonne. The company is transporting iron ore from states like Orissa to operate 30% of its capacity. But the ore is expensive as the company is paying ₹1,800 per tonne for transportation.

Jindal said the supply from NMDC has also stooped. "Nowhere in the world steel industry runs on auctioned iron ore. There has to be a continuous supply. We can not get all the ore from other states because of logistics cost," he added.

As far as interim measures are concerned, there are none in sight. The mining and steel ministries prefer to maintain a distance as the matter is pending at the Supreme Court.

"We can not do anything. If they (SC) ask for reports or data, we give it to them," Vijay Kumar, secretary, mining said. Even steel secretary PK Mishra echoed similar views and said that there was nothing that the steel ministry could assure to the private firms with.

The steel ministry, however, is in the process of preparing a report on the state of Karnataka steel producers, which would be given to the Supreme Court.

Jindal said the shut down, if it happens, would also trigger a price hike as demand will be more than production.

"It will definitely have an impact on the prices. We may need to import steel to meet the domestic demand," he said.

Steel experts felt that low growth demand for steel in the domestic market may

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**Sajjan Jindal,**  
vice-chairman & MD, JSW Steel



not trigger a price rise immediately after a cut in JSW output. The net production of finished steel grew 9.9% during April-August, while the consumption grew only by 1.3%.

Experts said though steel prices are going to firm up, it would be mainly due to increase in the demand.

A few steel consuming industries, however, indicated that they were bracing up for a ₹1,000-1,500 per tonne increase in steel price next month as imports would not be economical to meet domestic shortages with continued rupee depreciation. The price differential on account of rupee devaluation between Indian and imported benchmark hot rolled coil prices have widened to about ₹3,700 per tonne.

# Finmin to monitor large core projects

New Delhi, Sept 27: Responding to India Inc's concerns about the impact of poor infrastructure on growth, the Finance Ministry today decided to monitor progress of 10-15 large projects in the public sector.

"The projects are yet to be identified, but it is important that infrastructure develops at a faster pace and we will be closely monitoring 10-15 large projects," a senior official in the Ministry said.

The Finance Ministry's decision to monitor progress of large projects, which may include Dedicated Freight Corridor, was taken ahead of a meeting of Secretaries of 11 important ministries like civil aviation, coal and mines, commerce and industry, communication and IT, agriculture and environment and forest.

Captains of industry, in their interaction with Finance Minister Pranab Mukherjee on August 1, had demanded close monitoring of large infrastructure sector projects being undertaken by the public sector.

Today's meeting, which was chaired by Economic Affairs Secretary R Gopalan, also decided to hold road shows abroad to portray India as an attractive investment destination.

"When interest rates are near zero in (developed) countries, we should try our best to attract funds," the official added.

Ministry officials also deliberated on the steps required to make the corporate bond market

**CAPTAINS OF INDUSTRY, IN THEIR INTERACTION WITH FINANCE MINISTER PRANAB MUKHERJEE ON AUGUST 1, HAD DEMANDED CLOSE MONITORING OF LARGE INFRASTRUCTURE SECTOR PROJECTS BEING UNDERTAKEN BY THE PUBLIC SECTOR**

more vibrant.

As various steps taken by the government failed to increase liquidity in the sector, strengthening of the corporate bond market could go a long way in financing infrastructure development in the country, the official said.

Tomorrow's inter-ministerial meeting would review the progress of different ministries on the suggestions made by corporate India.

"It is a pre-cursor to the meeting which would be taken by the Finance Minister in the second week of October where he would take stock of the progress," the official said.

Besides other things, Indian industry had given suggestions to Mukherjee on the steps needed to improve infrastructure and corporate bond market. Poor infrastructure is seen as a major bottleneck to sustain high level of economic growth. *PTI*

# Coal, oil to help Mercator sail as ships turn dead weight

**Saket Sundria** @ MUMBAI

With the volatile freight market making survival difficult, Mercator Lines no longer wants to bet all its cards on plain vanilla shipping.

The company is diversifying into trading and mining of coal, hydrocarbon exploration and wants to provide integrated logistics solutions to its clients as well.

"As of today, I would like to say that Mercator is no longer only a shipping company," managing director Atul J Agarwal said. "In fact, its interests are greater in non-shipping assets than in shipping."

The company has made significant inroads into coal mining, which now accounts for over 50% of its revenues. It

has also strengthened its dredging business, converted a large crude tanker into a floating production unit and acquired hydrocarbon blocks too.

"Last year, I had said very clearly that the contribution from coal will be at least 60% and shipping revenues will be less than a third," Agarwal said. "So, shipping revenues for the first quarter of the current year were only 32%. 60% (of revenue) came from coal, 4% from dredgers and 4% from offshore."

Agarwal said the decision to diversify was taken during the boom period in shipping between 2006 and 2008.

"That is when we took a conscious decision that shipping being a cyclical industry good times will not last," Agarwal said.

The decision, it could be said in hind-

sight, was just in the nick of time. Following a historic high in mid-2008, the shipping industry crashed to never-seen-before lows in less than six months. It continues to be in doldrums.

"In terms of investment, yes, shipping still continues to be the biggest and largest and it will remain like that for some time to come, because shipping is basically capital intensive," he said. "But in the near term, we intend to invest more money elsewhere—in mines..., even in oil blocks...we also want to expand further in the FPSO (floating production and storage) business."

Mercator though does not plan to reduce its shipping operations, at least in the foreseeable future, but is not looking to expanding its fleet either. NewsWire18

# NMDC Finds More Reserves, to Raise Production by 20%

CR SUKUMAR  
HYDERABAD

In a significant relief to the Indian Steel makers currently reeling under severe raw material shortages, India's largest iron ore producer National Mineral Development Corporation (NMDC) will step up production by at least 20% this fiscal on the back of fresh iron ore reserves that pushed total reserves up by around 50%.

The iron ore shortages have of late forced several Indian steel makers scale down their operations.

NMDC sells over 85% of iron ore produced to the domestic players such as Rashtriya Ispat Nigam, JSW Steel, Essar, Ispat, Kudremukh Iron Ore and Welspun Maxsteel.

NMDC has two large reserves of high grade iron ore at its existing mines at Bailadila in Chhattisgarh and Donimalai in Karnataka. The company had proven reserves of 1,455 million tonnes of iron ore in April last year, producing 25 million tonnes of iron ore last year, where Bailadila accounted for 19.5 million tonnes and Donimalai some 5.5 million tonnes.

Through continuous exploration measures, NMDC has found that its iron ore reserves have increased to 1,565 million tonnes by March this year and 2,176 million tonnes now based on the exploration results.

"The finding of fresh iron ore reserves will be a major relief to the Indian steel industry, which is worried that the high quality ore reserves are getting exhausted," NMDC chairman and managing director Rana Som told ET.

NMDC, which till recently viewed that its mineral reserves at Donimalai iron ore mine were getting exhausted, had in

## Big Breather

Fresh iron ore reserves have pushed total reserves up of NMDC by around 50%

► **Lately, the iron ore shortages** have forced several Indian steel makers to scale down their operations

► **NMDC sells over 85% of the iron ore** produced to domestic players such as Rashtriya Ispat Nigam, JSW Steel, Essar, Ispat, Kudremukh Iron Ore and Welspun Maxsteel

► **Co's Donimalai mine** has additional mineral resources of 20 MT

► **Geological studies** indicated additional reserves of 111 MT of iron ore reserves in Bailadila sector

► **The daily average iron ore production** in the Bellary-Hospet region consisting of both Donimalai and Kumaraswamy mines has reached around 30,000 tonne a day



**The finding of fresh iron ore reserves will be a major relief to the Indian steel industry, which is worried that high quality ore reserves are getting exhausted**

**RANA SOM**  
NMDC Chairman and  
Managing Director

fact planned to begin operations at the new mine — Kumaraswamy iron ore mine using the existing mining infrastructure of Donimalai.

However, the Karnataka High Court had restrained the production at Kumaraswamy iron ore mine.

Benefiting the mining firm, it is found that the Donimalai iron ore mine has additional mineral resources of 20 million tonnes. "This will help us to extend the life of Donimalai iron ore mine by at least 3-4 years more," said Rana Som.

In an added advantage to NMDC, the

Supreme Court has recently lifted the ban on production at Kumaraswamy iron ore mine and allowed annual production of up to 12 million tonnes from Bellary region of Karnataka. As a result, NMDC now has two operating mines in the Bellary-Hospet region as against one earlier.

The daily average iron ore production in the Bellary-Hospet region consisting of both Donimalai and Kumaraswamy mines has reached around 30,000 tonnes a day now from around 20,000 tonnes a day before the court order.



# Iron Ore Shortage Brings JSW Ops on Verge of Shutdown

Mining ban in K'taka hits co hard; move may push up prices of steel



## OUR BUREAU

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JSW Steel, India's largest steelmaker, on Tuesday came precariously close to a complete shutdown of its manufacturing operations in Karnataka, when it shuttered two of its four blast furnaces due to an acute shortage of iron ore.

The move could sharply push up the prices of steel which, in turn, will make most consumer goods costly as the metal is widely used in most products.

The Mumbai-based JSW, which has an annual capacity to make about 10 million tonnes of steel, has been facing raw material shortages ever since the Supreme Court suspended mining activity in Karnataka, following the discovery of illegal mining in the districts of Bellary, Chitradurga and Tumkur. "It is not a shutdown as of now, but we can't rule out that possibility," said a JSW Steel spokesperson.

The company also couldn't access adequate ore despite a court-directed auction of seized minerals due to high prices and low availability. On September 26, the Supreme Court also directed state-run miner NMDC to sell its ore to JSW through an auction, replacing the earlier contract method.

"The company may fall short of its annual production target and may have to revise it depending on the duration of the ban," said vice-chairman Sajjan Jindal, adding that the plant is currently running at 30% of its capacity, which is about 3 million tonnes. Company officials say that while JSW has initiated negotiations with miners in Orissa to buy iron ore, the supplies will take time. The move will also be costly for JSW as the company will have to bear freight cost of about ₹2,200 a tonne,

## MOLTEN TROUBLE

which would raise the total cost of the ore at JSW's Vijayanagar facility to about ₹5,500 a tonne. JSW used to earlier buy ore from NMDC through contracts at ₹3,500 a tonne. Shares of JSW fell 1.3% to ₹610 on the BSE on Tuesday. The closure of operations at JSW will also push up prices of the ore.

Already, iron ore prices have increased by ₹600-700 a tonne, post the suspension of mining in Karnataka. This will push up prices of finished steel as well.

But users of steel are worried about getting supplies on time. "While there seems to be no problems now, if the production cuts continue for some more time, then we will

be delayed in meeting our customer requirements," said Soli Mullan, head of steel procurement (consumer products) with Godrej & Boyce.

"Hopefully the cutbacks should ease by Diwali," he added. Godrej buys about 1,000 to 1,200 tonnes from JSW Steel every month, including different grades of cold rolled and galvanising. The purchase contracts have quarterly pricing regimes. More than 70 sponge iron units in Bellary have shut shop already, leaving around 200,000 people jobless.

Meanwhile, the steel ministry said it was awaiting a report from steelmakers in Karnataka on the reduction in production or the number of units that had shut down since the ban on mining in Karnataka. Steel secretary PK Misra said the e-auction of existing iron ore stocks had to stabilise.

# JSW STEEL LIKELY TO SHUT VIJAYNAGAR PLANT

BS REPORTER  
New Delhi, 27 September

**S**ajjan Jindal-led JSW Steel, India's third-largest steel maker, today threatened to trigger a price spiral following a crunch in iron ore supply which might force it to shut its showcase 10-million tonne per annum Vijaynagar plant in the Bellary district in Karnataka.

The plant, which accounts for over 70 per cent of JSW Steel's installed steel-making capacity, is running at 30 per cent capacity since NMDC cut long-term supplies to the plant following a Supreme Court order last week. Only one of the six blast furnaces at the plant is operational. "If the current situation continues, we may have to shut down the plant which is already running at its minimum technical capacity of 30 per cent," Jindal told media persons. Asked about the extent of impact on the margins of the ₹25,000 crore company, he said, "The question now is not of margin. It is now a question of survival."

The steel tycoon said raw material crunch would have wide impact



The question now is not of margin. It is now a question of survival. The plant is already running at its minimum technical capacity

**SAJJAN JINDAL**  
MD, JSW Steel

on prices and demand of steel. "Steel prices are likely to go up quite a bit because the largest steel plant is going to shut down. These increased prices will further have an impact on inflation. Steel imports will also have to take place to meet domestic requirement."

The Supreme Court had, in July, imposed a blanket ban on mining in the main iron ore producing district of Bellary following reports of large scale illegal mining and environmental violations. The ban was later extended to two more dis-

tricts — Tumkur and Chitradurga — bringing production of the mineral to a grinding halt.

As a relief measure, however, the apex court had last month allowed state-owned miner NMDC Ltd to mine one million tonnes of iron ore every month. It had also ordered liquidating 25 MT iron ore stocks in the region through auctioning. Following the order, the miner had cut existing long-term supplies.

Jindal was also not happy with the court's relief measures arguing that they are not adequate.



# JSW'S PROSPECTS TURN BLEAKER

Insufficient iron-ore supplies and the resulting decline in steel output have led analysts to cut their earnings estimates for the company

UJJVAL JAUHARI

**J**SW Steel's problems have only grown bigger with the disruption in iron-ore supplies hurting steel output at its 10 million tonne per annum (mtpa) plant in Karnataka. Since this plant accounts for about 70 per cent of JSW's capacity, its steel production is estimated to decline, unless the situation changes for the better. These events have led analysts, most of whom were already neutral to bearish, to cut their volume and earnings estimates for the company. They have also lowered their price targets for the stock, which fell 1.54 per cent to ₹609.10 on Tuesday. For instance, Nirmal Bang's analysts, who maintain their 'sell' rating on the stock, have cut their price target to ₹514 from ₹570 earlier.

## HOPES RISE...

After the Supreme Court imposed a blanket ban on iron-ore mining in Karnataka, in early August, it had allowed NMDC (the only miner allowed to mine iron-ore in Karnataka) to mine and supply one mt of iron-ore a month.

Providing further relief to steel players, on September 2nd, Supreme Court allowed for e-auction of 25 mt (14 mt low-grade and 11 mt high-grade) iron-ore inventory available in Karnataka. This translated into availability of 1.5 mt of iron-ore per month (50,000 tonnes a day) for steel manufacturers.

The order had made JSW's management confident of garnering adequate iron ore to run its plants at 80 per cent capacity utilisation, for which it would require 45,000-50,000 tonnes a day of high grade iron ore or 60,000 tonnes a day of lower

grade iron-ore.

It was estimated that JSW will get 10,000-15,000 mt a day from NMDC, to slowly increase to 15,000-20,000 a day after capacity ramp-up. Further, 20,000 tonnes a day was being sourced from mines in Chhattisgarh, Jharkhand and Orissa, though transportation costs were higher. Analysts had anticipated that procurements through e-auction would help resolve the iron ore availability issue for JSW, and Prabhudas Lilladher analysts had then observed that the order would enable JSW to operate the plant at 80 per cent utilisation.

## ...ONLY TO FADE

However, JSW has not received any meaningful supplies from NMDC. From the first e-auction done from existing inventories of iron-ore in the State, JSW is still to receive its share of the raw material due to procedural delays.

JSW's statement on September 26th says "The Honourable Apex Court's directive on 5th August 2011 to supply one mt per month to steel industry by NMDC even after a lapse of 50 days is yet to be fulfilled. The release of 1.5 mt per month out of stock piles through e-auction has also not given any relief."

MSFL's analyst in a report observes that the Supreme Court's earlier decision of e-auctioning of 1.5 mt iron ore per month seems to have turned into a white elephant since the ore auctioned on September 14th (total sale of 396,000 tonnes, of which 110,000 tonnes is JSW's share) is yet to reach the industry due to many procedural delays.

Reports also indicate the

e-auction price of low-grade fines had been priced at ₹21,000 a tonne, against the market price of ₹12,000 a tonne leading to 31 per cent of e-auction volumes being not taken by any steel player. For JSW, the supplies of iron-ore from other states has also been disrupted due to floods observe Nirmal Bang's analysts.

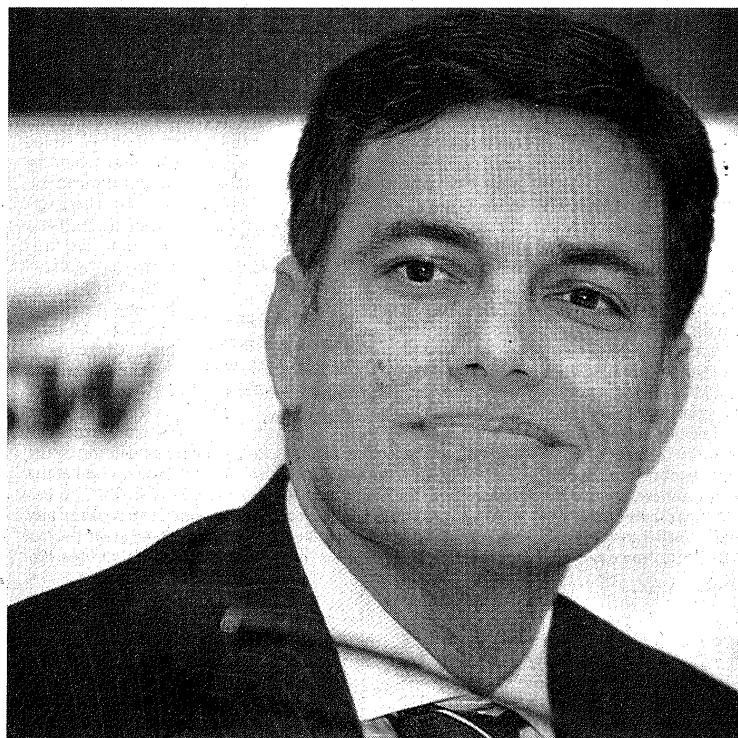
## IMPACT

This has forced JSW to reduce capacity utilisation of its 10 mtpa Vijaynagar steel plant in Karnataka to a mere 30 per cent, the minimal level required to keep the plant running. Its other one mtpa plant at Salem is also likely to face difficulty, as it is dependent on iron ore supplies from Karnataka.

The crisis on iron ore mining in Karnataka is unlikely to end soon. Analysts at MSFL also believe the illegal mining crisis seen in Karnataka may spill over to other iron ore supplying states, impacting availability.

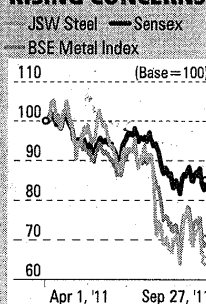
## ESTIMATES CUT

The reduction in capacity utilisation has put JSW's earnings to risk, and analysts are downgrading the stock. Analysts at MSFL have cut volume estimates by 21.4 per cent and 14.4 per cent to 6 mt and 7.71 mt in FY12 and FY13, respectively. Analysts at Nirmal Bang add that "assuming 30 per cent capacity utilisation for rest of FY12 and 70 per cent utilisation in FY13, JSW may report loss of ₹201 crore in FY12 and net profit estimates could reduce by 27 per cent in FY13." However, for now, they have considered 30 per cent utilisation in October, 50 per cent in the rest of the December 2011 quarter, 70 per cent in



Sajjan Jindal, vice chairman & MD, JSW Steel Ltd

## RIISING CONCERNS



## VOLUME CONCERNS

	New Assumptions		Change (%)	
	FY12	FY13	FY12	FY13
<b>OPERATIONAL DETAILS</b>				
Crude steel production (mt)	6.5	8.8	-9.3	-4.8
Steel volume (mt)	6.8	9.2	-8.8	-4.6
Realisation (₹/tonne)	41,427	37,999	2.5	1.5
Cost (₹/tonne)	34,851	30,545	2.3	1.1
Ebitda(₹/tonne)	6,576	7,455	3.6	3.3
<b>FINANCIALS (₹ crore)</b>				
Net sales	30,721	38,944	-6.0	-2.8
Ebitda	4,860	7,466	-5.1	-1.3
PAT	884	2,611	-16.7	-2.6

All figures are estimates mt is million tonnes  
Change is compared to the earlier estimates of the research house  
Source: Nirmal Bang Institutional Equities Research

the March 2012 quarter and 80 per cent in FY13, in their estimates.

Ravindra Deshpande at Elara Capital in his report notes, "We continue to be bearish on JSW Steel despite steep correction in the (stock) price because of low-

er volume growth, higher iron ore costs and higher interest expenses (higher debt burden on balance sheet post acquisition of Ispat).  
Bikash Bhalotia at PINC

Research says more clarity will appear after the next e-auction in a few days. He also added that, gradually parity in e-auction and market prices may also come.

## **SONIA SEEKS REPORT ON GOA MINING**

**AGE CORRESPONDENT**  
PANAJI, SEPT. 27

Congress president Sonia Gandhi has asked for a detailed report on the alleged illegal iron ore mining scam in Goa that has the local Congress government on the back-foot.

With Assembly election in the state around six months away and the mining scam shaping up to be a major poll issue, Mrs Gandhi asked Goa Congress in-charge Jagmeet Singh Brar for a report. Mr Brar told newsmen that he would look into the political aspects of the issue as the legalities were being probed by the Justice Shah Commission.

By political aspects, he meant the role of chief minister Digambar Kamat who, as mines minister, has been accused of shielding the guilty parties who have been mining ore without valid licences and also illegally mining from non-designated areas.

The state BJP on Tuesday asked for Mr Kamat's removal alleging that he had a huge role to play in the ₹10,000-crore scam.

## लौह अयस्क की किल्लत से कर्नाटक संयंत्र बंद कर सकती है जेएसडब्ल्यू

नई दिल्ली, 27 सितंबर (भाषा)। सज्जन जिंदल की अगुआई वाली जेएसडब्ल्यू स्टील ने मंगलवार को कहा कि लौह अयस्क की किल्लत की वजह से उसे कर्नाटक में सालाना एक करोड़ टन की क्षमता वाला विजयनगर संयंत्र बंद करना पड़ सकता है।

यहां खनन पर एसोचैम के एक सम्मेलन के दौरान जेएसडब्ल्यू स्टील के वाइस चेयरमैन और प्रबंध निदेशक सज्जन जिंदल ने संवाददाताओं को बताया- हमें विजयनगर संयंत्र बंद करना पड़ सकता है। अगर स्थिति नहीं सुधरती तो इसकी पूरी संभावना है।

उन्होंने कहा कि इस समय संयंत्र अपनी क्षमता का 30 फीसद उपयोग कर रहा है और कंपनी के पास लौह अयस्क का स्टॉक नहीं बचा है। जिंदल ने कहा- हमारे पास लौह अयस्क का स्टॉक नहीं है। हम 30 फीसद क्षमता पर इकाई को चला रहे हैं और यहां-वहां- छत्तीसगढ़ और ओडिशा से लौह अयस्क खरीद रहे हैं जो जरूरत से ज्यादा महंगा पड़ रहा है।

शुक्रवार को एनएमडीसी से लौह अयस्क की आपूर्ति घटने के बाद शनिवार को जेएसडब्ल्यू स्टील ने कर्नाटक इकाई का उत्पादन 70 प्रतिशत तक घटा दिया था।

कर्नाटक में लौह अयस्क की भारी किल्लत को दुर्भाग्यपूर्ण बताते हुए जिंदल ने कहा कि इसका इस्पात उद्योग पर विध्वंसकारी प्रभाव पड़ रहा है। उन्होंने कहा- जो हुआ है वह काफी दुर्भाग्यपूर्ण है क्योंकि संपूर्ण उद्योग इससे प्रभावित हुआ है। आपको पता है कि बिना किसी गलती के उद्योग भुगत रहा है। जेएसडब्ल्यू की इकाई में उत्पादन घटने से इस्पात की कीमतें बढ़ने की संभावना है।

उन्होंने कहा- इस्पात की कीमतें बढ़ने की संभावना है क्योंकि देश का सबसे बड़ा संयंत्र बंद हो रहा है, इसका मुद्रास्फीति पर असर होगा और घरेलू जरूरतों को पूरा करने के लिए इस्पात का आयात जारी रखना पड़ेगा। जिंदल ने कहा कि कंपनी चालू वित्त वर्ष के लिए 90 लाख टन का इस्पात उत्पादन का लक्ष्य घटाने की भी संभावना तलाश रही है।

## गोवा से कर्नाटक के अयस्क निर्यात की जांच हो: हेगड़े

पणजी, 27 सितंबर (भाषा)। कर्नाटक के पूर्व लोकायुक्त संतोष हेगड़े ने गोवा सरकार से यह जांच करने को कहा है कि पड़ोसी राज्य से गोवा के बंदरगाहों के जरिए अवैध अयस्क निर्यात के लिए कौन जिम्मेदार था। हेगड़े ने कहा कि दक्षिणी गोवा स्थित बंदरगाह 'मर्मुगाओ पोर्ट ट्रस्ट' (एमपीटी) के जरिए लगभग 45 लाख टन अयस्क निर्यात किया गया।

उन्होंने आरोप लगाया कि अयस्क जिसे स्थानीय इकाइयों में इस्तेमाल का बहाना कर लाया जा रहा था, उसे बंदरगाह के जरिए अवैध रूप से निर्यात किया गया। हेगड़े के अनुसार यह स्थानीय लोगों की मिलीभगत के

बिना संभव नहीं हो सकता।

उन्होंने कहा 'यह अनजाने में नहीं हो सकता। यह स्थानीय लोगों की मिलीभगत से हुआ है। यह जांच गोवा सरकार को करनी है कि ये लोग कौन थे, जिन्होंने अयस्क निर्यात होने दिया।' हेगड़े ने कहा कि अवैध गतिविधियों में शामिल गोवा के अधिकारियों के बारे में कर्नाटक लोकायुक्त के पास कोई सूचना नहीं है।

उन्होंने कहा कि अवैध निर्यात इस बात का सबूत है कि 62 से 64 डिग्री लौह तत्व वाले अयस्क को गोवा बंदरगाह से निर्यात किया गया। कर्नाटक में लौह अयस्क के अवैध खनन पर रिपोर्ट तैयार करने वाली समिति का नेतृत्व

कर चुके हेगड़े ने कहा कि 'गोवा में इतने उच्च मानक का अयस्क नहीं है। इसलिए सवाल उठता है कि अयस्क कहां से आया और हम कहते हैं कि यह कर्नाटक से आया।'

हेगड़े ने अवैध खनन गतिविधियों पर अपनी रिपोर्ट में कर्नाटक के तत्कालीन मुख्यमंत्री बीएस येदियुरप्पा और अन्य का नाम लिया था। उन्होंने कहा कि गोवा के लिए अवैध गतिविधियों की जांच करना मुश्किल नहीं है, क्योंकि सीमापार से अयस्क लाते समय उचित परमिट जारी किए जाते हैं। अयस्क की हरेक खेप एक खास पहचान के साथ लाई जाती है।

## Steel Min gets to work on 100-day agenda

ENS ECONOMIC BUREAU  
NEW DELHI, SEPTEMBER 27

THE Steel Ministry has its agenda book full: speeding the execution of ongoing projects, firming agreements with NMDC for acquisition in overseas mineral assets and a greater focus on R&D.

The 100-day agenda, unveiled by steel minister Beni Prasad Verma on Tuesday, emphasises that his ministry would expedite finalisation of R&D mechanism for the Indian iron and steel industry, which would be monitored by a Project Review Committee to be set up soon. It has set a target for SAIL to achieve a capital expenditure target of Rs 2,000 crore dur-

ing the period for its ongoing Rs 70,000 crore expansion and modernisation exercise.

The agenda also mandates SAIL to ink a JV agreement with Rajasthan State Mines and Minerals Development Corporation for jointly developing a manganese ore deposit in the state's Banswara district. It has asked mineral giant NMDC to finalise the same-purchase agreement for acquiring shares in overseas mines in 100 days.

While the policy stresses on expediting completion of the major expansion exercises by the ministry's PSUs, yet it offers no blueprint on ensuring more investments in the steel sector.



# Essar official in Orissa too faces arrest

Supriya Sharma | TNN

**Raipur:** After arresting a general manager of the Essar group for paying protection money to Maoists, police are now zeroing in on the company's deputy manager C Srinivas. Dantewada police chief Ankit Garg said he was dispatching a team to Chitrakonda, in neighbouring Orissa's Malkangiri district, which like Dantewada is a Naxal stronghold, to arrest him.

Essar has denied the charges. "Such baseless allegations are being made to hurt the image and reputation of the group, which is a law abiding corporate."

The Essar case came to light with the arrest of B K Lala, a building contractor of the company, from a weekly village bazaar on September 9. Police claims he confessed to carrying Rs 15 lakh on behalf of Essar for the Maoists to be delivered through an alleged Naxal associate Lingaram Kodopi.

Authorities have since then served notices to Essar and Jai Johar, a Jagdalpur based non-profit organization that carries out CSR activities funded by the company. The co-managers of Jai Johar, brothers Pawan and Narendra Dubey, went into hiding as soon as the notice was served. "The fact that they are unwilling to be questioned and are absconding only reinforces our suspicions," said Garg.

Investigators claim the income of both Pawan Dubey and B K Lala has risen "exponentially" in the past year, a period that coincides with Essar's attempts to repair its pipeline damaged by Maoists in May 2009. The police believe both men were mediators, carrying Essar funds to the Maoists to buy peace. "We have hard evidence corroborating what Lala has told us," said Garg.

Essar does not mine iron ore in Dantewada but source



The Essar case came to light with the arrest of a building contractor, B K Lala, who confessed to carrying Rs 15 lakh on behalf of Essar for the Maoists

es it from the waste dumps of government mining firm NMDC, mixes it with water and transports the slurry to Visakhapatnam through a 267km pipeline running through Maoist territory in Chhattisgarh and Orissa.

In a background note, the company claimed its pipeline and plant had been damaged at least 15 times ever since they turned operational in October 2005. The note also pointed out that, "Industries in the area do not have access to any security cover". It is widely believed that any group engaging in any economic activity in Dantewada — be it collection of beedi leaves or road construction or mining — pays protection money to Maoists.

Speculation of the Essar group striking deals with the Maoists got a boost after a leaked Wikileaks cable, dated January 11, 2010, sent by the US Consulate at Mumbai, quoted an unnamed Essar representative as stating that the company "pays the Maoists 'a significant amount' not to harm or interfere with their operations." The company denied the allegations.



# SAIL Scouts for a Foreign Co to Operate Chiria Mines

RAKHI MAZUMDAR

KOLKATA

Steel Authority of India (SAIL) is scouting for a foreign company to operate its mines at Chiria, estimated to contain the world's second-largest iron ore reserves.

This is the first time that the country's largest steel maker is looking to outsource its mining operations, prompted by the growing realisation that mining activities invariably have environmental implications and are best left to specialists who can handle compliance issues better.

SAIL, which has appointed Nagpur-based consultant aX-YKno to prepare the tender document, aims to mine some

7 million tonne of iron ore from its four leases at Chiria, which will account for half of the ₹10,200-crore investment lined up for new mines in the east.

**This is the first time that the country's largest steel maker is looking to outsource its mining operations**

"We would like to choose a global partner to be able to bring in best available technology and mining practices at Chiria," said SN

Singh, director in-charge of SAIL's raw materials division and CEO of Rourkela Steel Plant. "This is the first time we will be trying out such a process within SAIL."

SAIL has already appointed Hatch Associates of Australia to prepare a detailed project report for Chiria. It will submit its report next month. The first phase of development at Chiria, where four out of SAIL's eight mining leases have been renewed, is likely to take four to five years. "In case, we cannot attract the right kind of mining partner at Chiria, we would take up the job departmentally," Singh said.

Depending on the DPR, SAIL will decide whether or not to set up a pellet plant or beneficiation unit.

Incidentally, SAIL is setting up beneficiation unit and pellet plants at Bolani and Gua mines.