Geonesis

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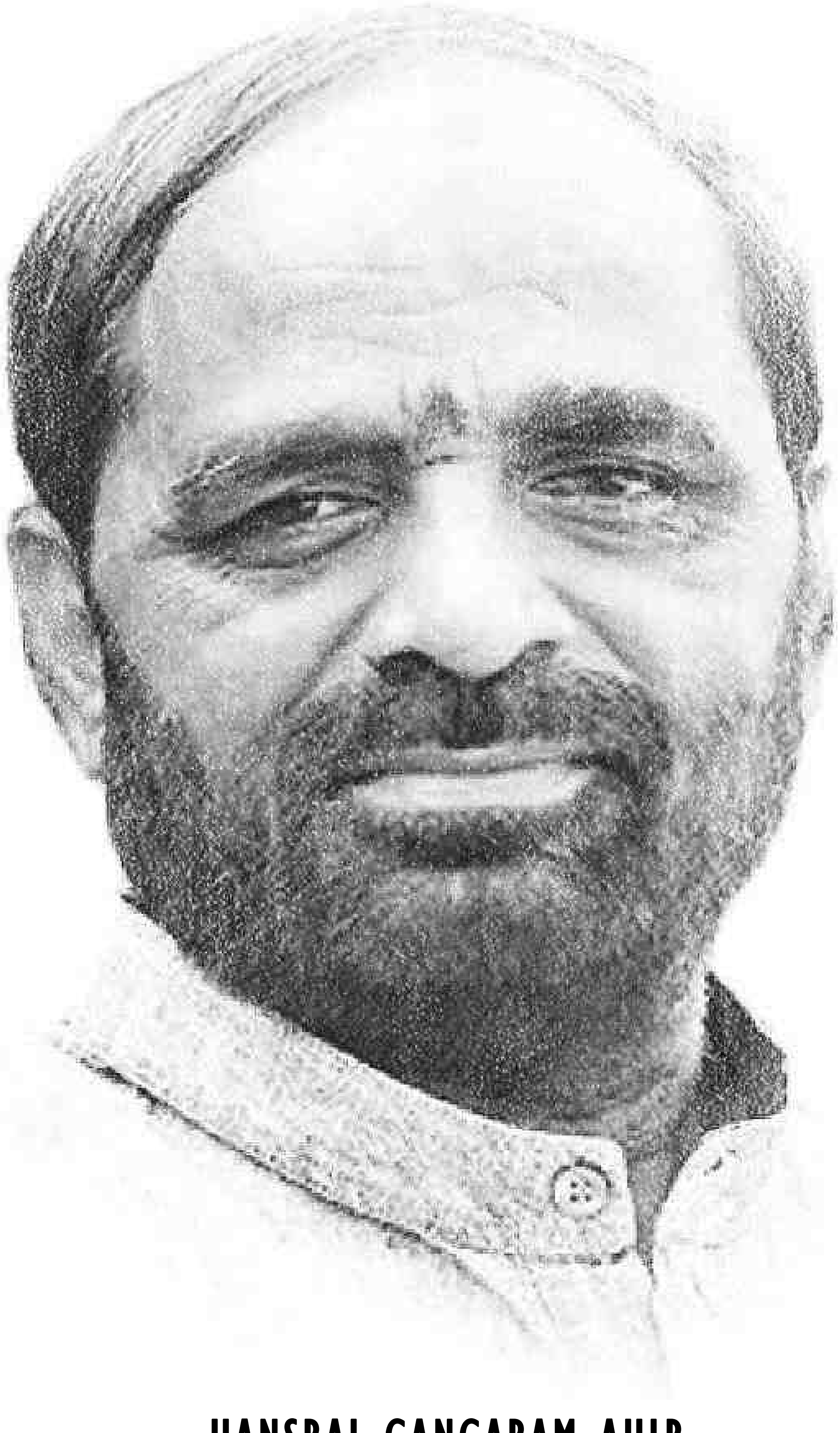
MAKE IN INDIA TUMBLING OVER THE REDTAPE ?

MODI`S DREAM TO BE CAST IN CHINESE STEEL...

Geonesis volume 2- issue 1



HANSRAJ GANGARAM AHIR

Union Minister for Chemical and Fertilizer &

Chairman of standing coal committee

हंसराज गं. अहीर
HANSRAJ GANGARAM AHIR

सत्यमेव जयते

राज्यमंत्री
रसायन एवम् उर्वरक
भारत सरकार
नई दिल्ली - 110 001

MINISTER OF STATE
CHEMICAL & FERTILIZER
GOVERNMENT OF INDIA
NEW DELHI - 110 001

To, 13/12/20140

Shri Jijo George,
Director,
GEMCO Kati Exploration Pvt Ltd,
Plot No. 34, Postal Colony,
Bapat Nagar,
Chandrapur.

I am pleased to know that Geonesis, an Online Mining and Exploration Magazine is going to mark its first anniversary and I extend my best wishes on the occasion and also the anniversary issue being released to mark the event. Mining and Exploration is one of the prominent industries and sectors of the nation and the new technologies, inventions and trends in the field need to be reached to the masses and I am sure that Geonesis, an Online Mining and Exploration Magazine is successful in its motto.

Again, I extend my best wishes on the occasion of the first anniversary of Geonesis, an Online Mining and Exploration Magazine and wish success.

Thanking You !

Yours

Hansraj G Ahir

GEONESIS - GEMCOKATI
Congratulates
Hon M P Shri Hansraj ji Ahir
Minister of State for Chemicals & Fertilizers for his role in High-lighting the Coal Scam and his fight against illegal Mining.

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MODI'S 'MAKE IN INDIA' PUSH TO DEPEND ON CHINESE STEEL

India's steel consumption is expected to grow at its fastest pace in five years next year on Prime Minister Narendra Modi's infrastructure push, but a scarcity of raw materials means it will be at the expense of another key goal - curbing imports.

In his triumphant election campaign, Modi criticised the last government for exporting iron ore but importing steel. But his first five months as the prime minister has coincided with a surge in imports of both, denting his high-decibel drive to make India an export powerhouse.

India's steel imports from China, the world's biggest producer of the alloy, doubled in April-September from a year ago though the country has enough capacity to meet its demand.

While India's consumption is expected to rise, China will continue to see a downtrend, likely leading to a flood of cheap steel from China just as Modi pushes ahead with a signature 'Make in India' initiative to boost industry.

Charged by the strongest electoral mandate in three decades, Modi has staked his reputation on making India an export hub, launching his pet campaign with much fanfare in September with a lion as its logo.

Soaring steel imports, however, underscore the challenges Modi faces in realising his dream. Steelmakers, such as JSW, are clamouring for higher import tariffs.

"The 'Make in India' slogan has to be true for steel also," said Ravinder Bhan, deputy general manager of marketing at state-owned Steel Authority of India. "Let steel firms get iron ore and other raw materials. But that's not happening."India, Asia's third-largest economy, has become a major importer of iron ore and coal despite having big reserves of both at home. Once a top exporter, India is now bringing in shiploads of iron ore due to court action against illegal mining that has stifled supply, while coal behemoth Coal India is struggling to boost production.

The shortages mean that India's steel industry is running at 80 percent of capacity. But the World Steel Association expects Modi's pro-business plans - building 100 new 'smart' cities, creating new logistic hubs and residential townships - to spur steel demand that has been weak in recent years.

CHINA IMPORTS JUMP

World Steel expects India's demand to rise 3.4 percent to 76.2 million tonnes in 2014, after growth of 1.8 percent in 2013. Structural reforms and improving confidence will support a further 6 percent growth in 2015, it said.

Indian steelmakers such as JSW, Tata Steel and Jindal Steel and Power Ltd, however, run the risk of being priced out by their Chinese competitors.

"The global market is such that the only thing that you can do is take some protective action to save the (Indian) industry," said A.S. Firoz, chief economist at a Steel Ministry unit. "Otherwise you can't decide what the global prices will be or at what price China will export steel."

A Steel Ministry spokesman said he had no immediate comment on whether authorities would consider raising tariffs, although a government official who spoke on condition of anonymity said the issue was being looked into.

China, the world's largest steel producer, rolls more steel in a month than India, the fourth largest producer, manages in nine months. But a slowdown in China means it is set to end with a surplus of about 100 million tonnes a year.

"MADE OUTSIDE INDIA"

A tonne of reinforcement steel produced in India for use in buildings can cost up to 15,000 rupees ($244) more than that from China, according to Firoz.

Shipments into India jumped 33 percent to 4.19 million tonnes in April-September from a year ago, with imports from China leaping 108 percent to 1.34 million tonnes.

Total steel imports in the fiscal year to next March 31 could nearly double to 9 million tonnes, JSW predicts.

"Through 'Make in India', Modi is saying that India should be the hub for the rest of the world and of course to meet our full demand," said N.C. Mathur, president of the Indian Stainless Steel Development Association.

"Instead something made outside India is coming into the country. That's a big threat. It's a week after week, month after month survival issue.

WITH MINING FIRMS KEEN ON INDIA, GOVT MUST PUSH FDI, SAYS VEDANTA'S ALBANESE

Mining companies in the world are keen on investing in India, but the Government should formulate a comprehensive policy to facilitate FDI in the sector, says Vedanta Resources CEO Tom Albanese.

Albanese, who was here on Thursday to participate in a three-day seminar on the aluminium industry, said in an interview that the call of Prime Minister Narendra Modi for promoting 'Made in India' goods was really encouraging to the investors abroad, but a suitable climate should be created. "In that context, the Government should take a re-look at the various mining proposals made by companies. Value addition should be encouraged and India can become self-sufficient in many metals," he said.

"Prime Minister Modi's initiatives after a decisive mandate have generated tremendous enthusiasm among investors from the US, China, Australia, Canada and other countries."

Albanese said the hue and cry raised over bauxite mining proposals in Andhra Pradesh, Odisha and elsewhere was 'unwarranted', as eco-friendly technologies were available to explore and exploit the reserves in a sustainable manner.

"We want to contribute to the welfare of all stakeholders by providing job opportunities and developing local communities. We have the best technologies available and only the best practices will be followed even in disposal of red mud and reusing it."

By promoting value addition, the Indian aluminium sector, placed fifth in the world, had the potential to grow into a $210-250 billion industry. Dedicated industrial parks for aluminium industries should be developed, the CEO added.

India had 250 billion tonnes of coal reserves and rich bauxite deposits in Odisha and Andhra Pradesh. Indian aluminium industry could prevent drain of foreign exchange if value addition in the sector was promoted in a big way for aerospace, defence, shipping and other sectors, said Albanese.

The per capita aluminium consumption in India is only 1.7-1.8 kg. "India's metal consumption is one-tenth that of China. If metal production and consumption are increased, India has the potential to make substantial strides," he added.

WGC SAYS EASING OF GOLD IMPORT CURBS WILL IMPROVE SUPPLIES, BENEFIT EXPORTERS

With the easing of gold import restrictions, the metal's supply through official channels will improve and benefit genuine exporters and manufacturers of gold jewellery, the World Gold Council said today.

The Government had yesterday scrapped a scheme under which it was mandatory for importers to export 20 per cent of the gold they imported. It was put in place in August 2013 to check high gold imports that had widened the current account deficit.

Welcoming the Government's surprise move, WGC India Managing Director Somasundaram PR said: "The timing of this development though surprising, will definitely boost confidence in general, and in the jewellery industry, in particular.

"The official supply situation must now ease to benefit genuine exporters and manufacturers of gold jewellery."

The sharp rise in gold imports in recent months was not triggered by changes in demand estimates but was more likely due to expectation of additional curbs, he added.

Asserting that India should move beyond curbs on gold imports, Somasundaram said: "It's time to re-engage all stakeholders to develop a coherent long-term policy on gold that is aligned to the nation's growth objectives. (continued on page 3)...

"It is imperative, that we find ways of mobilising and monetising the household savings embedded in gold stocks through the formal financial sector for the benefit of the economy as a whole."

The discussions must focus on how the industry can contribute to the country's prosperity in the next five years, he added.

WGC maintained that gold demand in India, the world's largest consumer, in 2014 would be in the 850-950 tonnes range, slightly lower than last year.

CANPOTEX SIGNS POTASH DEALS WITH INDIA

Canpotex, the offshore marketing arm of three Saskatchewan potash producers, signed separate multi-year sales agreements in India with Coromandel International Ltd. (CIL) and Tata Chemicals Limited (TCL) that the province says will see millions of tonnes of potash shipped to India.

Canpotex also signed an agreement with those two companies and Indian Potash Limited (IPL) to promote the use of potash in India.

"We look forward to working with our partners to help Indian farmers improve their productivity and feed this dynamic, growing country," said Canpotex president and CEO Steve Dechka in a news release.

Terms of the deal were not released.

Canpotex is owned by Saskatchewan's three major potash producers - Potash Corporation of Saskatchewan, Mosaic Co. and Agrium Inc.

Premier Brad Wall, who is in India on a weeklong trade mission, was on hand to witness the signing the agreements.

"We have a strong commercial relationship that should only get stronger as Indian farmers begin to see the value of potash in a balanced fertilizer application," Wall said. "Potash has helped Saskatchewan farmers become among the most productive farmers in the world and it can do the same for Indian farmers."

Canpotex supplies about 25 per cent of the potash used in India, which is the company's fourth largest offshore market. In April Canpotex signed a deal with government and private sector partners in India to supply one million tonnes of potash at a price of $322 US per tonne.

The trade mission, which ends on Sunday, is intended to promote Saskatchewan's strengths in energy, agriculture and innovation as well as to highlight investment opportunities. The province is the largest exporter to India among the provinces, shipping about $1 billion worth of goods in 2013.

On Friday, Wall is scheduled to meet with the Chief Minister of the State of Punjab and the Chief Minister of the State of Haryana in Chandigar. On Saturday Wall will speak at the opening ceremonies of Agro Tech 2014 in Chandigar, and the opening of the Canadian Pavilion at the agricultural trade show.

INDIA'S URANIUM PACT WITH AUSTRALIA GOING FULL SPEED AHEAD

Kept away from international nuclear trade dialogue for several years for not being a signatory to the nuclear non proliferation treaty, India has finally got the go-ahead from Australia, which is to ship uranium to India.

While the civil nuclear deal would give the Asian nation access to vast resources of raw material, the red carpet is also being rolled out for India's Prime Minister Narendra Modi, who is set to visit Australia from November 16, after the conclusion of the G-20 Summit.

Anil Wadhwa, a government official in the External Affairs Ministry said the two countries would sign four agreements during the visit, whereas the agreement that caters to the export of the yellow cake inked earlier, has seen steady progress.

He added that though India has uranium export deals with 11 countries and imports uranium from Russia, France, and Kazakhstan, India would be the first country to get Australian uranium without being a signatory to the nuclear non proliferation treaty.

For the naysayers, Australia has said that it would ensure adequate safeguards, in the form of bilateral safeguards. Reports indicate that by 2018, exports are set to double to a billion dollars once shipment starts to India.

When Prime Minister Modi visited Japan, the visit did not see the dawn of a civil nuclear pact, though early indications had suggested as much. However, since India has been in negotiations for the sale of uranium with Australia since early 2012, the pact with Australia is seen to help boost India's energy sector.

With uranium mines in Andhra Pradesh and Jharkhand, India still does not have sufficient reserves for its expanded civil nuclear programme. Once exports start, it would ease the supply constraint on uranium, the short supply of which has been

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choking the functioning of the existing network of nuclear reactors across the country.

Analysts have pointed out that for some time now, Australia has been looking to replace China, its main uranium export destination, by ensuring suppplies to India.

Analyst Neelima Patil said trade between India and Australia is currently around $15 billion, while Australia's trade with China is more than $150 billion.

While India would be an additional market for exports, competition for Australia's resources would also push up prices, she said.

Since Australia has the world's largest deposits of uranium, she pointed out that exports to India would give a boost to Australia's mining industry. It would also ensure that Australian mining companies who have been seeking to expand production, would now be able to ink deals with Indian miners.

"Deputy Premier of South Australia John Rau has said as much, while on his visit to Delhi last week, that Australian uranium miners have been waiting for some time to ink joint ventures with India, given the policy changes that have been announced over the past two years," she added.

India's civilian nuclear industry is growing, said Patil, adding that over the next decade, the global demand for nuclear power is set to grow substantialy. With the number of operating plants in India expected to soar from the current 20 to more than 60 over the next decade, Patil added that Austrlian miners have been waiting to cash in on the opportunity.

Australia has about 40% of the world's uranium reserves and exports nearly 7,000 tonnes of yellow cake annually. Though the top trading partner is China, the deal would ensure regular shipments for nuclear energy starved India.

In India, not all uranium deposits explored are mined and processed. As of May 2014, Indian Parliament was informed that the country has around 1,79,329 tonnes of uranium reserves.

Moreover, Indian Rare Earths Limited, a 100% owned Government of India Undertaking, under the administrative control of the Department of Atomic Energy, has three mining and mineral separation plants at Manavalakurichi, Tamil Nadu, Chavara, Kerala, and Odisha for producing atomic minerals from beach sand.

India's Department of Atomic Energy has been importing uranium ore to supply fuel for the country's nuclear reactors. Contractual agreements have been entered into for the supply of nuclear fuel with various countries.

Official data indicates that with Areva, France, a one time supply of 300 MT of natural uranium ore concentrate was inked to be supplied during 2008-09 and 2009-10, while with JSC Tvel Corporation, Russia, a agreement to supply 2,000 MT of natural uranium oxide pellets was inked, to be shipped in quantities of 200-400 MT annually.

Another agreement was inked with the same company, for the one-time supply of 58 MT enriched uranium di-oxide pellets, which was received during 2009-10.

With NAC KazatomProm, Kazakhstan, 2,100 MT of natural uranium ore concentrate was inked to be supplied in quantities of 300-400 MT annually during 2009-2014.

With NMMC Uzbekistan, 2,000 MT of uranium in the form of uranium ore concentrate was inked for supply during 2014-2018.

Manish Panchal, another analyst with an international think tank said that India had also set up a company to acquire uranium mines abroad, in order to ensure the supply of fuel for its growing nuclear power programme.

A joint venture company between the Nuclear Power Corporation of India Limited and Uranium Corporation of India Limited has been recommended by The Atomic Energy Commission, to explore the possibility of acquiring uranium assets abroad.

"It is this new company that could seal some initial deals with Australian miners, that would allow for the export of natural uranium concentrates to Nuclear Power Corporation of India," he said.

He added that there were other "political" considerations too. A smooth nuclear deal would ensure high level maritime security between the two nations, given that India and Australia are the biggest powers in the Indian Ocean.

Smooth relations between the two countries would deepen trade, security, and educational ties. He added that it would lead to more policy clarity in India, deeper liberalisation and deregulation.

GEMFIELDS TO ENTER INTO MINING OF STONES IN INDIA

London-headquartered Gemfields, a multi-national firm specialising in colour gemstones mining and marketing, plans to acquire colour gemstone mines in Odisha and Jharkhand, and participate in the exploration of the Kashmir sapphiremines in Jammu & Kashmir.

"For the past four months, a business-friendly wave has flown in India, whereby the new government has been initiating positive changes in the mining sector. Hopes have been revived for the mineral exploration sector in India. We are waiting for re-allocation of coal and iron ore mines, which will set the road map for the mining sector in India. Once the mining allocation dust settles down, we will begin talks with the respective state governments for colour gemstone mining leases," said Dev Shetty, chief operating officer.

According to the Geological Survey of India, total diamond resources in India are estimated at 3.31 million carat, and total reserves at 1.2 million carats. Total deposits of colour gemstones, however, are yet to be ascertained, for which Shetty called for authentic data from the government.

"While no confirmed data are available from the government, we await a favourable mining policy to take a final decision on investments and the potential of colour gemstones mining in India. We acquired a ruby mine in Mozambique about two years ago and have already conducted one auction, which fetched us $34 million. So, our cost of acquisition, exploration, operation and all others recovered from just one auction. We are looking for somewhat similar opportunity in India," said Shetty.

He says Jammu & Kashmir's sapphire mines currently produce negligible quantity. Similarly, the ruby mine in Odisha produces an insufficient quantity to make the operation viable. Hence, once the government puts a favourable policy in place, Gemfields will consider acquisition of the mines. Gemfields currently conducts emerald auction of colour gemstones in India. Once planned to include in Jaipur (India) as one of the auction circuit venue, the world's largest processing hub of emeralds handling around 90 per of the global production, the company suspended its plan on a request from the government of Zambia, where large mines exist. The Zambian government urged to conduct the auction locally. Therefore, all mined emeralds auctions are currently being centralised in Zambia. Three successful auctions were conducted in Zambia the past one year with participation from India. The first ruby auction was held in June 2014 in Singapore, where Gemfields plans to conduct its future auctions.

"We will continue to support the colour gemstone sector through various marketing initiatives and see if there is an opportunity to launch a colour gemstone brand / collection," said Rupak Sen, regional marketing director (Asia).

Data compiled by the Gems and Jewellery Export Promotion Council showed India's import of gemstones has almost doubled to $317.4 million between April and September 2014, compared with $175.23 million in the corresponding period last year.

INDIA'S LARGEST TRADE FAIR ON MINING

The Confederation of Indian Industry is organising the 12th International Mining and Machinery Exhibition (IMME) — the largest trade fair dedicated to the mining industry in India — at Salt Lake, Kolkata, West Bengal, during December 3-6, 2014.

The Indian mining sector plays a pivotal role in India's infrastructure and economy. Globally, India ranks second in chromite, third in coal, lignite and bauxite, fourth in iron ore and fifth in manganese. The future of the mining sector lies in laying emphasis on scientific mining so that state-of-the-art technology is used for exploration, efficiencies are realised, and clean technologies and safe mining practices are adopted with adequate supporting infrastructure.

"MMDR Act amendment Bill will be brought in the forthcoming session of Parliament. Detailed Guidelines for mineral concessions will also be issued soon in the coming weeks." This was stated by the Union Minister for Steel, Mines, Labour & Employment, Shri NS Tomar today, in his inaugural address at the Mining & Exploration Convention & Trade Show in Bangalore. Geologists, mining engineers, policy-makers, investors, technology providers and industrialists from India and abroad are taking part in this 3day programme.

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"Our government is working to totally transform the image of the mining sector in India. We have a three-pronged approach, foster transparency, simplification and development, so that all processes are simpler and faster, and every person can get his work done without any prejudice," Minister for Steel and Mines N.S. Tomar said recently.

The minister said that the central government was trying to expedite the pending mining clearances. "We have also asked the state governments to speed up the clearances. The government is trying to encourage use of latest technology in the field of

TVSITOR PROFILE
Mine owners Procurement and vendor departments Managers, architects and engineers Consultants, financiers, contractors and builders Cement manufacturers Construction material suppliers Construction houses Steel and aluminium industry Safety institutes Stone mine and quarry owners Chambers of Commerce Trading and marketing companies Power generation and distributors transporters Automation Ministry and geological institutes mining, especially underground mining, to minimise the impact on environment and for faster development of the sector," Tomar noted.

The government is also according priority to proper assessment and exploration of available mineral resources, so that public, private, domestic and foreign institutions could contribute to the development and progress of the sector.

Meanwhile, India was estimated to have spent $14 billion on coal imports last fiscal year and that figure is likely to rise to $25 billion by 2016-17. This EXHIBITOR PROFILE Technology service providers Law, assessment and consultants Trading companies Education institutions Mining rights traders Association and non-government organisation Exploration companies Mining and smelting companies Equipment manufacturers and suppliers Government agencies Banks, stock exchanges, insurance and investment companies combined with factors like the widening current account deficit, depreciation of the Indian rupee, and need for enhancing infrastructure for bringing back growth in the economy has made sure that the government has introduced a slew of measures to facilitate and enhance mining in India. These are: Easing environmental clearance norms for expanding coal mines to help the crippling fuel scarcity in the power sector.

MANY TAKERS FOR NTPC'S COAL BLOCK TENDER

At least a dozen mining companies have evinced interest in developing and operating state-owned NTPC Ltd's $5.5 billion Pakri-Barwadih captive coal block in Jharkhand—a project that's vital for the fuel security of India's largest power producer. Adani Mining Pvt. Ltd , Reliance Infrastructure Ltd, Essel Mining and Industries Ltd, AMR India Ltd, EMTA Group, BGR Mining and Infra Pvt. Ltd, and Larsen and Toubro Ltd (L&T) are among the companies that are interested in bidding for the contract, people familiar with the development said. The value of the contract for developing and operating the mine, which was spared by the Supreme Court in its September order that cancelled the allocation of more than 200 coal blocks between 1993 and 2010, is around Rs.23,000 crore—making it the largest such contract in India. A pre-bid conference was called earlier this week by NTPC, India's single largest coal consumer, which was attended by 11 firms. A senior NTPC executive, who spoke on condition of anonymity, confirmed that the above-mentioned companies were among those that had shown interest in bidding for the contract. Bids for the contract are expected to be opened later this month. NTPC, which requires 166.7 million tonnes (mt) of coal a year to operate its power projects, called for international competitive bids after it cancelled a contract earlier awarded to Thiess Minecs India Pvt. Ltd, a joint venture between Australia-based Thiess Pty. Ltd and Kolkata-based Minecs Finvest Pvt. Ltd.

NTPC said it had decided to terminate the contract on 13 May after Thiess Minecs failed to make any progress in developing the mine. The issue is in arbitration. NTPC had earlier planned to start mining from the block, awarded in October 2004, by end-2007. The utility has spent Rs.1,082 crore on the project. Queries emailed to an NTPC spokesperson on Thursday remained unanswered as of press time on Friday. The "key to future growth of the company lies in forward and backward integration to sustain its position as biggest generator in the country along with steady capacity addition", Arup Roy Choudhury, chairman and managing director of NTPC, said in a separate statement on Friday on the 39th raising day of the utility. "Coal mining and distribution of power shall meet the fuel requirement and help in sale of power in coming years," he said. A person who attended the pre-bid conference noted that it is the first coal mine developer and operator (MDO) contract after the September Supreme Court judgement, which held that the process of allocation of mines for captive use by industries was flawed. The proposed auction of coal blocks by the government has set the stage for commercial coal mining in the country. The Pakri-Barwadih coalfield has exploitable reserves of 503.39 mt and its development is key to the future fuel security of NTPC. "Pakri-Barwadih has been a case in the making for contract mining business model, and its success depends upon allocation of risks between the MDO and

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NTPC, which for issues such as land acquisition has been challenging," said Dipesh Dipu, an expert on the power sector and associate professor at Administrative Staff College of India in Hyderabad. "The success of the project is critical for the company for its fuel security and for the contract mining industry that has struggled to find a model that will work efficiently in India," Dipu said. NTPC and Yogendra Saw, former agriculture minister in the Jharkhand government, faced off over the utility's inability to mine coal from the block, which is a part of Saw's Barkagaon constituency in Jharkhand. NTPC has alleged that Saw was responsible for the illegal extraction and sale of coal from the Pakri-Barwadih block. Saw has denied the allegations. An Adani Group spokesperson declined to comment. Bikash Mukherjee, chief executive officer of Kolkata-based EMTA Group, confirmed the company's interest in the MDO contract. "We are basically a mining firm and would definitely go for the mining contract," he said.

Queries emailed to spokespersons of Reliance Infrastructure, Essel Mining and Industries, AMR India, BGR Mining, and L&T remained unanswered. The contract comes at a time when the production of coal has been unable to match growing demand for fuel in a country where the power sector consumes nearly 78% of the domestic output of the mineral. While India's power generation capacity grew by 60% over the last five years, coal production only grew by around 6%. The country mined 532 mt of coal in 2009-10, 533 mt in 2010-11 and 540 mt in 2011-12. Production was 557 mt in 2012-13 and 564 mt in 2013-14. "NTPC is keen to look at inorganic growth opportunities and has appointed external consultants to review fuel supply agreements, power purchase agreements, land acquisition, environment clearances and others factors of shortlisted power assets for acquisition. The company is also keen on acquisition of coal assets within and outside India," UBS Global Equity Research said in a 3 November report

MODI'S MADE-IN-INDIA PUSH TO TAKE ON CHINA FACES RED TAPE

Prime MinisterNarendra Modi is seeking to turn India into a global manufacturing hub by curbing red tape. Tell that to Tata Steel Ltd. (TATA), which closed one of its largest iron-ore mines in September over permit delays.

India's largest maker of the alloy isn't alone.Steel Authority of India Ltd. (SAIL) shut one of its top-yielding quarries the same month pending renewal of its lease. JSW Steel Ltd. (JSTL)'s plan to start mining in eastern Jharkhand state has been hampered by a probe begun last month into mine allocations.

Modi is set to trumpet his "Make in India" initiative at the Group of 20 summit in Australia this week as he vies with China to woo manufacturers. The mine closures show lingering bureaucratic obstacles to his push, stemming from court rulings and officials in India's 29 states that lie beyond Modi's direct control. India slid two places to 142nd out of 189 economies in the World Bank's latest ease of doing business rankings.

"There are things beyond the government's control," said Taimur Baig, chief economist at Deutsche Bank AG in Singapore. "If a court makes a pronouncement there is nothing really that the executive can do. For better or for worse, India has many more layers of checks and balances."

Steel Authority of India's shares fell 0.5 percent to 82.60 rupees at the close in Mumbai. JSW Steel rose 1.2 percent to 1,246.70 rupees, while Tata Steel gained 2 percent to 480.30 rupees. Steel Authority is up 14 percent this year, JSW Steel 23 percent and Tata Steel 13 percent, less than the benchmark S&P BSE Sensex (SENSEX)'s 32 percent increase.

Abundant Supplies

Modi introduced the "Make in India" drive in September to lure investment and revive economic growth after sweeping to office in a landslide victory in May. His government aims to boost manufacturing's share of India's $1.9 trillion gross domestic product to 25 percent from about 15 percent currently.

The government needs abundant iron ore supplies as it vies with nations such as Thailand and Indonesia to become a production hub. The ore is used to make steel, which in turn is used to manufacture everything from cars to railway lines.

Yet judicial mining bans over environmental and regulatory lapses led to a drop in iron ore production in four of the past five years. That's stoked local prices even as global rates fell, and some buyers are turning to imports.

Spot prices of iron ore in Odisha, the biggest producing state, have gained 31 percent in the past year to 3,200 rupees ($52) a ton, said Gunjan Aggarwal, an analyst at commodities consulting firmCRU Group. Prices at China's Qingdao port have slid 44 percent to less than $76 a ton as of yesterday.

Local Purchases

Tata Steel said it's coping with shortages through local purchases and imports of the material.

"There are challenges in procurement due to logistics constraints and hence we are facing difficulty in operations," spokesman Chanakya Chaudhary said in an e-mailed reply to questions.

Steel rebar from China at Indian ports cost 37,000 rupees a metric ton in October, compared with Steel Authority of India's price of 44,000 rupees, the company's data show.

"Steel is the most crucial element," said Surinder Kapur, chairman at New Delhi-based automobile-parts maker Sona Koyo Steering Systems Ltd. "Steel plants running at lower capacity run contrary to the prime minister's vision."

Modi's changes since taking power include faster environmental approvals for major investment projects, more market-based energy pricing, fewer foreign-investment curbs and steps toward ending the state's grip on commercial coal mining.

Hurdles Continue

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He expanded his cabinet two days ago as he seeks faster decisionmaking to speed up growth in Asia's third-largest economy. His administration has vowed to press ahead with amending land, labor and investment laws to make business easier.

At the same time, regulatory hurdles continue to constrain iron ore production. CRU estimates iron ore imports may surge to 15 million tons in the year ending March 31 compared with the prior 12-month period.

Tata Steel is set for record iron ore imports this year. JSW Steel has scaled up its target for overseas purchases to as much as 900,000 tons a month, from an earlier plan of 500,000 tons, Group Chief Financial Officer Seshagiri Rao said Oct. 21.

"We are being squeezed," said Jayant Acharya, marketing director for JSW Steel. "While international iron ore prices are at a five-year low, our own domestic prices are going in an opposite direction."

About 20 percent of India's steel capacity isn't being used, the Steel Ministry's Economic Research Unit estimates.

"That's not a good sign for any investor," said A.S. Firoz, the chief economist at the unit. "We have to fix the raw materials issue and take care of infrastructure for smoother movement of raw materials and finished products."

COAL SETBACK: JSW STEEL PUTS $5.7-BN BENGAL PLANT ON HOLD

The Supreme Court decision to scrap coal extraction permits has started telling on the country's industrial plans. After Naveen Jindal controlled Jindal Steel & Power shelved its Odisha unit plans last month, it was brother Sajjan Jindal's turn to announce on Tuesday (2 December) that JSW Steel Ltd has "put on hold" plans to build a steel plant in eastern India due to uncertainty in sourcing key raw materials such as iron ore and coal.

The nation's third-largest steelmaker had planned to build a 10 million tonnes a year steel plant in West Bengal state at an investment of Rs 35,000 crore ($5.66 billion).

Jindal Steel and Power Ltd, last month had decided to shelve a $10 billion coal-to-diesel project in Odisha after the court decision to scrap coalfields.

Jindal Steel's 1.5 billion tonne coalfield in Odisha was among 214 cancelled by the Supreme Court in September, when it ruled the practice of selective allocation was illegal and arbitrary. With nine coalfields taken back, the company has been worst hit by the tougher-than-expected verdict.

Naveen Jindal, the chairman of the company and youngest son of its founder, O.P. Jindal, said it seemed the government was not keen to support his plan of converting low-quality coal to 80,000 barrels per day of diesel. India is a big importer of crude oil that is refined to make diesel and petrol.

On Tuesday, JSW Steel also cited the Supreme Court verdict in September that scrapped most coal extraction permits granted to companies over the last two decades, after ruling the allocation process as arbitrary and illegal.

"Besides iron ore linkage for this project, the recent cancellation of coal mining concessions has added further uncertainty," JSW said in a stock exchange filing.

JSW, controlled by billionaire Sajjan Jindal, has been eyeing up supply of raw materials and even steelmaking capacity outside India, securing mining assets in Chile, Mozambique and the United States. It is also close to buying some steel mills owned by Italy's Lucchini and considering buying the privately owned Ilva steel plant, also in Italy.

In a similar push abroad, Jindal Steel and Power, controlled by Sajjan's brother Naveen Jindal, has already bought coal mines in South Africa, Mozambique and Australia. It has also been looking for iron ore mines in Africa, its executives have said.

GOVERNMENT TO AUCTION 70 DISCOVERED HYDROCARBON BLOCKS

In an attempt to rekindle waning interest in India's hydrocarbon sector, the government plans to auction around 70 blocks owned by public sector explorers such as Oil and Natural Gas Corp. Ltd (ONGC) and Oil India Ltd (OIL).

These so-called marginal fields were awarded to the state-owned firms on a nomination basis but remained undeveloped because they lie in tough terrain or had low reserves. They are currently being identified by the firms. "The petroleum ministry has asked ONGC and OIL to draw up a list of the blocks," said a person aware of the development, requesting anonymity.

Sixty of these blocks belong to ONGC and the rest to OIL. The planned auction, reported by Mint on 14 August, comes at a time when the National Democratic Alliance (NDA) government is also working on offering exploration blocks under the tenth round of the New Exploration Licensing Policy (Nelp).

The government is also debating the incentive regime for hydrocarbon exploration, swinging between two contentious options—the existing cost-recovery model and the alternative revenue-sharing model. Petroleum minister Dharmendra Pradhan confirmed the government plan, first proposed by the oil ministry in 2009.

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"We have asked Oil India and ONGC and a consultancy to evolve a transparent practice for bidding out these blocks," he said in an interview. "No one should allege tomorrow that we picked and chose (their allocation). It should be investment-friendly, have a profit-making agenda... Through transparent bid mechanism, ownership will be provided to the company providing technology. It should have an incentive to make investments."

India approved Nelp in 1997—it took effect in January 1999—to boost hydrocarbon exploration. Under Nelp, the government allocates rights to explore hydrocarbon blocks through a bidding process and has done so in nine phases so far for 360 blocks, involving an investment of around $21.3 billion. "Nelp-10 is for the new areas. These are for those blocks where discoveries have been made. For a company the size of ONGC, it is not viable. A small company may find it viable," Pradhan added.

While the government has revised the current price of natural gas to $5.6 per million British thermal unit (mmBtu) from $4.2 mmBtu, investor interest in the Indian hydrocarbon sector is dipping, with around 70% of basins remaining largely under-explored. The response to Nelp, too, has been tepid. A senior ONGC executive requesting anonymity confirmed the development and said, "These are small discoveries and the process of identification of the blocks to be auctioned is on."

A senior executive at OIL who also didn't want to be identified said, "We may be surrendering some blocks."

The government's plan to kick-start hydrocarbon exploration stems from broader concerns that India's energy import bill of around $150 billion is expected to balloon to $300 billion by 2030. State-run oil marketing firms bore an under-recovery of Rs.1.4 trillion last fiscal as they sold fuel below cost of production. The 2014-15 budget estimated India's subsidy bill at Rs.2.6 trillion, or 2.03% of gross domestic product, with oil subsidies amounting to Rs.63,500 crore. The under-recoveries for the first quarter of fiscal 2015 has been Rs.51,110 crore. Analysts welcomed the auction plan. "In the mid-1990s, the government got a resounding response to its bids for development of medium- and small-sized fields—and got the investment and attention of international explorers. Now, to kick-start the investment cycle once again, the government should actively consider placing the blocks lying undeveloped for collaborative development," said Gokul Chaudhri, a partner at BMR Advisors, a consulting firm. "You would not want just the larger companies for operating over here. You would want all kinds of players to make the industry really active enough. It has to become a much more broader industry, a much more deeper industry," said Vikash Kumar Jain, an investment analyst at investment and brokerage firm CLSA India Ltd. "You can't have a very selective environment for only very large companies in the deep water areas," Jain added

COAL INDIA TO START MINING IN MOZAMBIQUE

Coal India will soon start mining in Mozambique, which, along with the projects of the Adani group in Australia and Sanjiv Goanka in South Africa, will increase supplies of the dry fuel in India where a shortage at present is crippling power production.

All of these projects are set to start supplying coal to India within the next three-four years. If the plans of the government and private domestic producers are carried out as planned, supplies of coal from local mines and produced by Indian companies abroad and shipped to India are likely to be more than what the country requires.

"If all clearances are in place, five years is more than enough time to start production at a coal mine. Going by that calculation, if private coal producers can adhere to their production schedules, the imported coal could turn out to be in excess of requirement," an analyst with a ratings firm said.

"The final phase of exploration for Coal India's A1 and A2 mining blocks at Tete Province in Mozambique is complete. Coal sampling is in progress. Geological report and detailed project report will be prepared. We hope to start mining within six months to a year," a senior Coal India official told ET.

CIL floated a venture, Coal India Africana, in Mozambique after it acquired coal blocks in the African nation's north western Tete province. It won a five-year licence for exploration and development of two blocks in August 2009.

GOING, GOING... GAME-CHANGER?

Much excitement has been generated around the impending auctions of 204 coal mines, which could, some reports suggest, take place before the end of December this year. The big question is whether, 40 years after coal mining was nationalised, India will see a reordering of the coal industrywith pure-play global mining majors like BHP Billiton and Rio Tinto perhaps making their debut and competing with possible domestic entrants like Reliance Power, Indiabulls,Lanco and Jindal Steel & Power in this critical natural resources industry.

How radically the industry changes, however, depends on how the government goes about designing the auction in terms of setting the reserve price and other technical parameters.

First, a clarification. It is not as though all 204 mines, which had previously been allotted to various companies by successive governments since 1993 and which the Supreme Court has cancelled, are being thrown wide open to bidders in a big-bang privatisation drive that will finally challenge the domination of state-owned Coal India.

Of these 204 mines, 74 are reserved for users in notified categories (power plants, for instance) called the second and third schedules. Mines listed in the second schedule comprise 42 producing blocks. The 32 mines in the third schedule are in various stages of development.

That leaves 130 mines in the first schedule and it is these that the government intends to open to commercial mining. "This will help in bringing in specialist mining companies that have no end-use interest, and will be more efficient than end-use companies that have limited mining expertise," says Kameswara Rao, energy, utilities, and mining leader, PricewaterhouseCoopers.

Also, contrary to common belief, the current National Democratic Alliance government isn't setting a precedent. The United Progressive Alliance had actually started auctioning coal blocks in March this year after rules under an amendment to the Mines and Mineral (Development & Regulation) Act were notified in December 2012. The current Ordinance -called the Coal Mines (Special Provisions) Ordinance - was adopted to deal with the situation arising out of the Supreme Court's order cancelling the coal blocks.

The right price

The March auctions were largely a failure because they involved a high reserve price, and the three mines up for auction had low extractable reserves (see box: No rush here) which made the bids unviable. For the auctions of 204 blocks, signals are that it will follow the same model that was followed for the auction of telecom spectrum, the airwaves that enable wireless communications. But this, too, could be fraught with problems.

"The government needs to appreciate that the auction designed for natural resources is very sensitive to these parameters [price and coal reserves] unlike, say, auctions of spectrum or FM radio bands," says Rao.

Although it is the "first schedule" blocks that are expected to see interest from new participants, it is the 74 mines in the second and third schedules that are likely to go first, owing to the possibility of accessing better and higher coal reserves compared to the ones offered under the earlier round of auctions, predicts Rahul Prithiani, director, CRISIL Research. "For operational and near operational mines, the reserve price will be easier to determine. Most clearances, too, would have been already achieved, so these mines can be auctioned faster," he points out.

Some suggest that companies that have signed supply agreements with Coal India may desist from participating in the auction since an assured linkage is better than the uncertainties linked to mining, an activity typically fraught with controversy in India for reasons ranging from environment laws to rehabilitation norms. But Prithiani makes the point that companies whose mines have been de-allocated (under the Supreme Court order of October) and a large number of companies that cannot access adequate coal from the domestic market are likely to bid. Plus, he adds, a coal mine acquired through an auction will eventually mitigate the perennial risk of fluctuations in coal price, currency and regulations in the exporting countries.

Which raises the key issue of the reserve price and how high the bidding goes. Though the reserve price is likely to be 10 per cent of the value of reserves benchmarked to international coal prices, the auction price has to be lower than imported coal price for it to be attractive. A price higher than imported coal for a grade that is inferior in terms of ash content and calorific (or heating) properties -as most Indian coal often is - may actually deter companies from bidding.

Market depth

The price at which bids are accepted is critical because coal prices in India are still mostly administered by the government. So the question that potential bidders will have is how far the price of coal produced from these mines, which will be determined by the price at which the block is bagged, can be absorbed by the market.Indeed, the issue of administered pricing could well make or break the success of the private sector in coal mining. As Prithiani says, "For successful commercial mining of coal, prices will need to be determined by demand and supply factors.

Still, no one can deny that the upcoming auctions have the

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potential to be a game-changer. The opening up of the sector will help India - which hardly has any pure-play mining company, apart from Coal India - evolve over time either in collaboration or in competition with foreign players.

India has one of the world's largest reserves of coal but it is also one of its most significant consumers. As a result, a large part of its coal requirement is imported. In 2014-15 so far, 49.4 million tonnes of coal has been imported. Decades of a state-owned monopoly selling coal at a fixed price has taken its toll on production. The impending auctions, therefore, could well mark a major step forward. But just as with other resource industries, everything hinges on how efficiently policies and rules are crafted.

Coal auctions: No rush here

In March 2014, the United Progressive Alliance put up three coal blocks in Jharkhand for auction.

The government's auction method envisaged upfront and production-linked payments and benchmarking of coal sale prices. "The methodology provides for auctioning the fully explored coal blocks and also provides for fast-tracking the auction by exploration of regionally explored blocks," the government had said then. It provided for production-linked payment on a rupee-per-tonne basis, plus a basic upfront payment of 10 per cent of the intrinsic value of the block. The response was lacklustre. Of the three blocks, only one attracted interest from two companies. For the other two blocks, there was no response.

ALLOW COMPANIES TO MAKE MONEY IN INDIA — AND REDEPLOY IT THERE: ANIL AGARWAL

The World Economic Forum's India Economic Summit saw finance minister Arun Jaitley discussing ways ahead for revival of India's economy. Anil Agarwal, chairman of Vedanta, spoke with Sanjiv Shankaran about India's natural resource policy:

You talk about unlocking India's resource potential — what does that mean?

Whether America or Europe, all have grown because of their natural resources. In India, we have either not made efforts to develop our natural resources or we've always thought we are an import-based economy — we import 90% oil, 100% gold and 100% copper. Import bill is going to grow.

We have a fear in India of depletion. When we took over Hindustan Zinc, we were told, you have a reserve of five years. We increased production by 10 times — today, we have reserves of 40 years.

We have so much natural resource which requires exploration. We need at least 30 of the world's best companies, as China has . If any large country doesn't meet at least 50% of its energy requirements, it will always remain poor.

Have you found governments open to this?

Yes. I've always said self-disclosure along with penalties instead of clearance is the best policy.

Have an open, transparent policy. Allow companies to come to India and make money. Create an atmosphere where they will redeploy the money in India.

Is there enough trust for self-disclosure?

You have to take a chance. In natural resources, on average, 60% of revenue goes to government. It is the biggest money earner for government which has to keep it transparent. Wherever there has to be exploration, we should be liberal. The biggest thing lacking in India is exploration policy. Thousands of miners should be supported for exploration.

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