



Geonesis

(A GEMCO KATI INITIATIVE)

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MINERS WARNED ABOUT INDONESIA, BRAZIL, INDIA AND SOUTH AFRICA INVESTMENTS

A significant increase in conflict, terrorism and regime instability in the Middle East and North Africa, along with deepened global political violence and resource nationalism, are the main risks mining investors will face in 2014, according to a report published Thursday by UK-based risk consultancy Maplecroft.

In its sixth annual Political Risk Atlas (PRA) the firm tell investors to pay special attention to possible populist moves in Indonesia, Brazil, India and South Africa as national elections in these countries will likely boost resource nationalist rhetoric and policies.

According to Maplecroft close to 10% of the countries studied have shown a significant increase in their risks levels, with

foreign investors facing more political violence, resource nationalism and expropriations.

In the last year alone, says the report, the risk of resource nationalism has increased 15% as a consequence of governments attempts to offset the risk of societal unrest through tax increases, tougher regulations or outright expropriation.

Asia and Africa in the hot seat (continued on page 5)



INDIA'S GSI TO GET MARINE EXPLORATION VESSEL

The Geological Survey of India (GSI) would acquire an ocean-going research vessel from Korea's Hyundai Industries, to be delivered in 2013, the Indian Mines Minister Dinsha Patel said.

"The state-of-the-art vessel will undertake survey and exploration in blue marine waters and it will be a replacement of the ageing RV Samundra Manthan, which was commissioned way back in 1983," Patel said in a statement issued on Monday.



"Procurement of another geotechnical vessel is in progress and response has been received from four shipyards; a final

decision will be taken by the government shortly," he said.

According to the Minister, the modernisation of airborne geophysical surveys, by procuring a heliborne geophysical survey systems for the GSI, would enable the country's premier mineral exploration participants to locate concealed mineral deposits.

This would be done along with the establishment of a comprehensive portal for disseminating metadata from geological mapping and regional exploration.

The Mines Ministry has earmarked an investment of \$1.4-billion between 2012 and 2017 to bridge the technological gap in mineral resources exploration. Of the total investments, \$940-million has been approved for the GSI, \$10-million for mineral sector regulator, the Indian Bureau of Mines, and \$3.6-million for the Mineral Exploration Corporation of India.

In a proposal seeking government investment, GSI had pointed out to the Mines Ministry that low altitude aerogeophysical surveys through fixed wing aircraft were not possible in hilly terrains, and that the exploration organisation did not have the required heliborne geophysical survey capabilities.

ODISHA GOVERNMENT SHOULD PROTECT ALLOCATED COALBLOCKS: NAVEEN JINDAL

JSPL has requested Odisha government to protect coal blocks allocated to industries in the state and said its 6 mtpa steel mill at Angul is all set to be commissioned by January end next year.

"The state government should take steps that none of the coal blocks is deallocated," JSPL chairman Naveen Jindal told reporters after meeting Odisha

Chief Secretary JK Mohapatra last night.

Industries invest in Odisha as it is rich in mineral resources. Therefore, it is responsibility of the state government to facilitate industries so that it earns more revenue and secures employment for its youths, he said.

Asked about its steel mill, he said the progress of JSPL's Angul steel plant is on schedule and it will start production by the end of next month.

The plant's steel smelting shop and power plant have already been



commissioned and the company is optimistic about beginning production in the next 30 days.

To questions about the supply raw materials required for running the plant, Jindal said JSPL would have an agreement with the state-run Odisha Mining Corporation to procure iron ore.

GSI IN TALKS WITH ONGC TO FUND RS 4,500-CR MINERAL EXPLORATION PLAN

Lacking financial muscle of its own, Geological Survey of India (GSI) is in discussions with Oil and Natural Gas Corporation, Oil India, ISRO and AMD (Atomic Minerals Directorate for Exploration and Research) amongst others for a possible partnership to undertake a Rs 4,500-crore project to strengthen exploration of minerals.

The project includes acquisition of an aircraft for conducting a magnet survey. GSI, under ministry of mines, is on a modernization spree and upgrading its technologies to generate mineral data through better latest research methods. As part of modernization efforts, GSI has also recently acquired a ship, Samudra Ratnakar, for about Rs 600 crore for undertaking deep-sea surveys and exploration of mineral assets lying under water. A senior official from mines ministry confirmed the development and said, "We have initiated the discussions, so that all parties who want this technology for their research can share the cost. Since, many ministries are involved in this, it will take some time before a final decision is made." An ONGC official also confirmed that the company was in talks with GSI for part financing the aircraft. Through new aircraft, GSI will be able to look further deep into the structures of earth and assess the concealed mineral deposits. Currently, in India through

available technology, one can only go about few 100 meters deep into earth while in developed countries such as Australia and Canada, they can go kilometers down the earth.

"We are far behind in terms of technology as well budget spent on exploration of minerals," the official added. GSI has been earmarked Rs 2000 crore for the current five year plan, up from Rs 1000 crore in the previous five year plan. The ministry of mines is also close to sign an agreement with Geoscience Australia for training of Indian scientists in their projects. "We will send three geologists from GSI next year for on project training for deep seated minerals. They have agreed to train our people," another official from ministry added.

Samudra Ratnakar, which was delivered last month by Hyundai Heavy Industries, South Korea, is equipped with latest technological instruments and GSI has plans to keep about 50 scientists on board for data collection from the deep-sea. The vessel also has the capability to explore and identify the favourable zone of accumulation of Gas Hydrates, which are known to be the future source of hydrocarbon energy.

Till now, GSI has surveyed more than 95% of the 2,012 million sq km Exclusive Economic Zone (EEZ), including about 1,05,000 sq km of territorial waters (TW)

of India. The surveys have been done in the coastal waters of Arabian Sea, Bay of Bengal, Andaman-Nicobar and northern part of Indian Ocean through its fleet of three ships and vessels.

GSI is the principal agency for locating or identification of new mineral deposits in the country with a mandate to explore (through ground, airborne, satellite and marine surveys) and scientifically assesses mineral and energy resources.



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COAL SCAM: CBI QUIZZES ADITYA BIRLA GROUP EXECUTIVES OVER HINDALCO

The CBI has questioned some officials of the Aditya Birla group as part of its investigation into the controversial case lodged by it against leading industrialist Kumar Mangalam Birla over two months ago. Former coal secretary P C Parakh will be summoned next month, a top CBI official said on condition of anonymity. The official said Birla will also be summoned for questioning by the CBI "if the need arises." Rejecting speculation that the CBI would be closing the case following widespread criticism by ministers of the CBI's FIR, the official said "due process" will have to be followed. All those named accused in the matter would be questioned and a conclusion would be reached based on the available evidence.

Birla, Parakh and unidentified officials of Hindalco are mentioned as accused in the FIR which CBI had lodged on October 15. The crux of the FIR is the allegation that an undue favour was extended to Hindalco which was allocated a coal mine that was earlier meant exclusively for Neyveli Lignite, a public sector company. "The company's officials were asked about the circumstances in which Hindalco got the coal mine after being denied it earlier," an official said. An Aditya Birla group spokesperson said the company was "extending full co-operation" to the CBI and termed the ongoing investigation as part of the "the process". Parakh, when contacted by ET, said he had "not yet" received any summons from CBI to

appear for questioning.

Parakh had last month written to the CBI director asking for a copy of all documents that the CBI had based their FIR upon, saying he would need the documents to refresh his memory about the case dating back to 2005.

"I have not heard from the CBI on my letter either," Parakh said. A CBI official clarified to ET that Parakh can get the documents only after charges are filed, if that happens. CBI is supposed to file a status report in the coal scam cases before the Supreme Court on January 9, which is monitoring the coal probe.

At a CBI conference last month, Prime Minister Manmohan Singh and Finance Minister P Chidambaram had strongly critiqued the CBI in light of the Hindalco FIR, saying taking calls on policy was not the CBI's business and said it was not proper to book government officials for corruption without establishing any quid pro quo. CBI had lodged the case under Section 13 (1) (d) of the Prevention of Corruption Act which says granting undue favours is a crime even in the absence of a quid pro quo. A CBI official said the government has brought an amendment bill to parliament to remove the provision, but the bill is yet to be passed. In any event, it cannot apply retrospectively to the Hindalco case.

KOLAR GOLD MAY GET STAKE IN MUMBAI-LISTED MINER

Kolar Gold Ltd, which aims to develop the historic Indian gold fields after which it is named, is considering a complex deal that could give it a slice of an enlarged Mumbai-listed exploration and development company.

The Kolar district, about 100 km (60 miles) from the southern Indian city of Bangalore, has been a gold mining centre for centuries. However, the Kolar mine has been at a standstill for the past decade.

Under a deal between its 30 percent-held Indian partner Geomysore Services India (GMSI) and Mumbai-listed Deccan Gold Mines Ltd, Kolar could end up with a stake in Deccan, which it says would give it access to more projects.

"Should we agree to the share exchange ratio with GMSI and DGM, indirectly that gives us a listing in India," Chief Executive Nick Spencer said.

"India is unfortunately a very, very difficult country to develop gold projects but this would diversify and spread that project risk because it is a larger portfolio," he added.



Colonial-era operations at the Kolar mine were taken over by the Indian state after independence closed in 2001, leaving thousands unemployed, following years of underinvestment and rising costs.

A Supreme Court decision this summer approved plans for global tenders to revive the Kolar mine,

and investors including Kolar Gold are preparing to bid.

Earlier this month the company said it expected the Indian government to finalise details for the tender to run the mine before the end of the year.



Market buzz

The year 2013 turned out to be a great year for the Indian stock market as it has beaten almost all its Asian peers. Metal stocks were the darlings of the recent stock market rally and most of the biggies of the sector have doubled their values within a period of 5-6 months. Companies like TATA steel got the benefit of extremely good European operations and a rise in dollar in their favor, thus we could see an uptick in stock price from Rs.200 to 400+ levels within 5 months. JSW steel was another stock which had a dream run in the past 5 months by giving 100% return to the investors. SAIL, Ashapura mines, Hindustan Zinc and NMDC are some of the other out performers from metals and explorations space.

Metal Sector: Performance and outlook for 2014

The sector was the leader of the recent bull market rally and the out performance is likely to continue in the coming year too after minor profit taking. Stocks like JSW have increased its crude steel production in 2013 and an amalgamation with Ispat happened in the same year. The synergy would turn out to be good in the coming years as it would help in multiplying the production capacity by many times. As the commodity cycle is turning up we could see better pricing for their products and there by ensuring sound financial position for the company. On the other hand TATA steel had an extremely good year with the European market operations and they could improve they got a better EBITDA. Both these stocks are a little expensive at the current juncture and it is wise to go for iron and exploration space rather than metals as all metal stocks has already done with their up move.

Outlook for 2014

All metal stocks are looking quite expensive at the current juncture due to the good run up within a short span of time. 440-450 can be a supply zone for TATA steel and the level has proved to be a resistance zone in the previous year too. Thus it would be a good time for investors to get rid of the stock and wait for a better opportunity to reenter at lower levels. JSW steel and SAIL have given more than 100% return during last 6 months and there is no need to run behind these champs for more returns. Allow these stocks to settle down and reenter at lower levels.

Steel Sponge Iron - Performance and outlook for 2014

The sector has been an underperformer in the year 2013. Jindal steel was the only out performer in the sector with a return of more than 30%. India which stands as the world's largest producer of sponge iron could boast about 330 companies which produce sponge iron but the underperformance of the sector is a matter of concern as all the related sectors have outperformed nifty by a huge margin.

Jindal steel and Monnet Ispat remain top picks from the sector with target price of 320 and 200 respectively. It is wise to focus more on this sector than steel as the sector is yet to outperform all other ones in the coming year.

Adhunik Metalic is the investment pick from this sector with a time horizon of 5-8 years. The stock is expected to give 200% return within a period of 4-5 years. 25-35 would be a good range for accumulating this stock for a longer term. Some major portfolio buying has happened from institutional investors and huge delivery quantity in NSE reveals that fact.

Sector - Mining and minerals

The relatively underperformed sector in the bull market, Coal India - the market leader captures the top spot in terms of returns. The stock made a low close to 235 but bounced back sharply to 290 levels within 3 months and it shows the demand from retail and from the institutional investors. NMDC another PSU biggie in the same sector has given a decent performance compared to its peers. MOIL has been consistent since its IPO but failed to give impressive returns to investors. The sector could not attract much portfolio buying due to the various policy road blocks and government regulations.

Outlook for 2014

Apart from Coal India traders don't seem to be much interested in this sector. Coal India is a buy on dips stock and any correction close to 250-260 zone could attract lot of retail buying and the zone can be considered as an accumulation zone. Good dividend policy by the company makes it a darling to investors from a longer term horizon. NMDC is a value buy close to 110-120 zones for long term investors as the stock could give consistent return in a longer term horizon. Ashapura Mines - One of the unnoticed names in the sector where we could see some huge accumulation happening in a range of 50-55. Volday International sold around 78 lakh shares of the same (9.5% stake) and Meryl Lynch bought close to 11 lakh shares in a range of 55-57. The stake acquired by institutional investors is taken on a positive note and the stock is likely to touch Rs.80 within a year's time.

Currency moves and impact on metals sector

In 2013 we could see an uptick in USD/INR and it touched a life time high of 69 levels in the month of August. Base metals like nickel, copper, lead and zinc also rallied along with dollar and this increased the import cost of many metal companies and we could



see the negative impact on metal stocks in the month of July - August. We don't expect dollar to cross the level of 65 on the upside and it would be difficult to see below 59 in the near future. Thus 59 - 65 can be the broader range for the currency in 2014. A downtick in USD is a big positive factor for metal companies as it would reduce the import cost of raw materials.

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ASIA AND AFRICA IN THE HOT SEAT

(Continued from page 1) Maplecroft's Political Risk Atlas 2014 also reveals that social unrest is likely to increase in politically unstable nations, such as Bangladesh, Belarus, China, Kazakhstan, Saudi Arabia and Vietnam. Following the Arab Awakening, the study reveals that Syria became the country to fall the most in the firm's risk index, dropping from 44th place in 2010 to the 2nd position in the 2014 ranking, above only Somalia.

For the first time, Egypt is categorized as "extremely risky," falling from the 27th spot in 2013 to the 15th this year. The country's drop in ranking comes as a result of the post-coup violence and increased terrorist activity in the Sinai Peninsula, where attacks went up from 20 incidents of terrorism in 2011-2012, compared to 105 incidents in the period 2012-2013.

Mali (22nd compared to 40th in 2013), and Mozambique (63rd compared with 79th) also experienced significant increases in risk, primarily driven by a dramatic rise in political violence. Maplecroft's report includes 52 indices developed to enable companies and investors monitor the key political issues and trends affecting the business environment of 197 countries.

COAL INDIA MAY GO FOR PUBLIC-PRIVATE PARTNERSHIP MODEL TO PRODUCE GAS FROM COAL BED

Coal India is likely to adopt the public-private partnership (PPP) model to harness the coalbed methane (CBM) opportunity from its existing mines.

"Coal India is unlikely to invest in developing CBM – rather we will appoint an operator for the same on turnkey basis who will bring in resource and technology," sources close to the development told PTI

"We propose to select the operator who will share maximum revenue with us, no matter if it is a private entity or PSU," they said

Sources said Coal India had no restriction in inducting a CBM private operator and the tender inviting expression of interest was expected by March, 2014

Earlier this month, the Cabinet Committee on Economic Affairs (CCEA), headed by Prime Minister Manmohan Singh, allowed Coal India, the world's largest coal miner, to explore and produce CBM in its existing mines.

CIL had shortlisted five blocks in Jharkhand with estimated CBM reserves of about 1 Tcf for exploration in the first stage, they added.

Extracting methane gas ahead of coal mining from seams would allow CIL help unlock very significant quantities of coal reserves in Jharkhand and West Bengal

CBM extraction would help CIL unlock nearly 100 million tonne of medium grade coking coal and about 1 Tcf of gas.

CIL holds at least 20 per cent of the estimated 60 billion tonne of coal resources in India. It has several coal mines in eight states, which were estimated to have CBM reserves of 3.5-4 trillion cubic feet (Tcf).

Many were gaseous and unsafe mines, where mining of coal was possible only after the extraction of CBM. Since 2001, 33 CBM blocks were awarded in four auction rounds. Besides, two CBM blocks were awarded to Oil and Natural Gas (ONGC) and one to Great Eastern Energy Co. Ltd were awarded on a nomination basis.



JINDAL SEEKS PROTECTION OF INDUSTRIES' COAL BLOCKS

After deallocation of several coal blocks, Chairman of Jindal Steel and Power Limited (JSPL) Naveen Jindal has requested the State Government to protect coal blocks allocated to industries in the State.

"The State Government should take steps so that none of the coal blocks is deallocated," Jindal told reporters after meeting Chief Secretary JK Mohapatra here. Industries invest in the State as it is rich in mineral resources. Therefore, it is the responsibility of the Government to facilitate industries so that it earns more revenue and secures employment for its youths, he said.

Asked about its Angul steel project with a production capacity of six million tonnes per annum, the Congress MP said the progress of the project is on schedule and it will start produc-

tion by the end of January next year.

The steel smelting shop and power plant have already been commissioned and the company is optimistic about beginning production in next 30 days, he said.

Responding to questions about the supply of raw materials required for the steel plant, Jindal said JSPL would have an agreement with the State-run Odisha Mining Corporation to procure iron ore. The Ministry of Coal deallocated coal blocks allocated to JSPL in Jharkhand and Madhya Pradesh last week for delay in its development.

The Ministry has also sought explanation from two firms - NTPC and Orissa Power Generation Corporation - for slow progress of coal blocks failing which appropriate action would be taken.

ABHIJEET GROUP IS NOW RS12K CR BAD DEBT FOR BANKS

The once highflying Abhijeet Group is turning into one of the worst bad loan cases for the banking sector. This business conglomerate owes some Rs12,000 crore to around 10 banks, but is making interest payments of hardly Rs150 crore a month.

Even as a debt recast proposal by the company is under consideration, a PSU bank has already tagged two Abhijeet Group loan accounts as non-performing assets (NPA). An internal

note circulated by one of the lending banks also says that the loans and interest may not be repaid if the promoters do not bring in more funds.

However, Abhijeet Group chairman Manoj Jayaswal maintains that once a corporate debt restructuring (CDR) is under consideration the account cannot be tagged NPA. He also said they are planning to bring a strategic investor to bail out the company from the crisis.

CBI FILES PRELIMINARY ENQUIRY AGAINST VEDANTA CHIEF ANIL AGARWAL

The Central Bureau of Investigation (CBI) has registered a so-called preliminary enquiry against Vedanta Resources Plc chairman Anil Agarwal and others in a case related to suspected irregularities in the divestment of a stake in Hindustan Zinc Ltd more than a decade ago.

The preliminary enquiry has also been initiated against "unknown officials", a spokesperson for CBI said on Monday, declining to give further details.

Mint couldn't immediately ascertain whether the suspects include officials from the disinvestment and the mines ministries at the time of the sale of a 26% stake owned by the government in the company to Sterlite India, now a part of Vedanta, for Rs.445 crore.

"We will not like to speak on the CBI inquiry. However, we would like to say that today Hindustan Zinc is the world's largest integrated zinc producer. Since disinvestment, it has grown more than fivefold," a spokesperson for Vedanta said in an emailed statement.

"At the time of disinvestment, the company's reserves and resources were 143.7 million tonnes (mt), which have been increased through rigorous exploration to 348 mt. Since disinvestment

company has successfully executed four phases of expansion plans with an investment of Rs.12,000 crore," the statement said.

The disinvestment in Hindustan Zinc took place in 2002, when the Bharatiya Janata Party-led National Democratic Alliance government was in power in New Delhi.

Notices will soon be sent to Agarwal and officials of the ministries of disinvestment and mines to join the probe along with records of the stake sale, PTI cited CBI officials, whom it didn't name, as saying.

A statement issued by the then ministry of disinvestment at the time of the disinvestment had justified the stake sale, saying there had been a spurt in the share price of Hindustan Zinc following the successful disinvestment of several other state-owned companies, including Videsh Sanchar Nigam Ltd to the Tata group.

A second CBI spokesperson said that the preliminary enquiry was registered against Agarwal and other officials "almost a month ago".

Preliminary enquiries are registered by CBI in cases where it doesn't have suffi-

cient evidence for registering a so-called regular case, or RC. A preliminary enquiry is usually converted into an RC after sufficient evidence is gathered, or closed if no evidence is found.

The Vedanta Group also acquired a majority stake in Bharat Aluminium Co. Ltd at the same time.

The deal has been controversial for two reasons. One, the government has dragged its feet over the sale of its residual stake in the company to Vedanta. Two, the valuation of Hindustan Zinc has come under a cloud following allegations that the government's valuer ignored some of the assets (mines) of the firm.

Subsequent to the 26% stake sale in 2002, the government in 2003 sold an additional 18.92% of Hindustan Zinc to Sterlite for Rs.323.88 crore. Sterlite acquired another 20% through an open offer to public shareholders. The government continues to hold a 29.5% stake in Hindustan Zinc.

Sterlite Industries merged with Sesa Goa, also a part of Vedanta, earlier this year.

GUPTA GROUP SEEKS DEBT RECAST FROM BANKS

Gupta Energy which is facing financial trouble has sought a debt recast from its lenders. The company which has set up a 120MW power plant near Ghuggus owes over Rs 200 crore to a consortium of various banks led by Axis Bank.

The corporate debt restructuring (CDR) proposal was admitted by the consortium earlier this month. This is the first stage after which the final plan will be approved. According to sources among the lenders, Gupta Energy has sought

two years moratorium in repaying the loan, apart from seven years extension in the tenure. A CDR is sought when there are apprehensions of future revenues being hit. However, at the same time the company has not asked for any additional funding under the CDR, the source said

Apart from it, another group company Gupta Global which owns a now closed coal washery is planning to come up with a CDR proposal too. A flash report

which is the initial document will be soon submitted to the bankers, said a source. This company's debt to the consortium stands at Rs 376 crore.

Sources in the banking sector say that other Nagpur-based corporates are facing tough times in repaying the loans too. However, on the brighter side none of the Gupta Group's loans for which a CDR has been sought have turned NPA.

(Continued on page 9)

NO MOVE ON GOLD IMPORT RESTRICTIONS, BUT INDIA MULLS MINING REVIVAL

Apart from the famed Kolar Gold Fields, there are about 40 mines where prospecting has been done, and 16 other gold mines that could be developed

Though the Reserve Bank of India has said the country is ready for the US Federal Reserve's tapering, and has pegged the current account deficit (CAD) at below 3% for this fiscal, in its eighth Financial Stability Report released on Monday afternoon, Finance Minister P Chidambaram insisted on making a case for continuing the restriction on gold imports a few hours later, just in case hopes were raised that the low CAD could bring down gold import curbs. Chidambaram also suggested that attempts should be made to discover more gold in the country, rather than rely on expensive imports.

At a seminar by the Institute of Chartered Accountants of India, Gadkari pointed out that as many as 16 gold mines could be developed within the country, which could lead to a major saving on imports.

Stating that a majority of the gold mines were in Karnataka, Gadkari said that though the area has deposits of copper, tungsten and silver along with gold, India did not have the technology to extract the precious metal. He added that there were some prospective reserves in Vidarbha, Maharashtra

Chidambaram, too, made a mention of the closed mines. He said the Mines Ministry should sell the closed mines, since many people around the world have met him and asked for the mines, to extract gold.

Notwithstanding the likelihood of CAD narrowing to less than \$50 billion, the finance minister termed restraining gold imports the correct move.



The Indian authorities have acted on multiple fronts, other than curbing gold imports. They have opened currency swap windows to get fresh dollar flows, and increased money market rates to reduce speculation. All of these have resulted in CAD sliding to 1.2% of the GDP in Q2, and exchange reserves rallying for six weeks till mid December at over \$295 billion, as of last week.

The biggest leveller, of course, has been a drastic fall in gold imports and the \$34 billion that RBI could gross by way of the two dollar swap windows.

The central bank has said the delay in the tapering of the \$85 billion a month bond buyback programme by the US Fed has given India time to replenish its forex reserves and rein in the high CAD. CAD had shot up to an all time high of 4.8% last year on account of a heavy trade deficit and higher gold imports.

In the third week of December, the US Fed announced that it would cut back bond buying by \$10 billion a month to \$75 billion from January, on the back of improvement in the world's biggest economy

JP ASSOCIATES, JP POWER GAINS ON FOREST CLEARANCE FOR COAL MINES IN MP

Shares of Jaiprakash Associates and Jaiprakash Power Ventures are trading higher by more than 2% each on the BSE after getting final forest clearance for coal block in Madhya Pradesh (MP).

"The Government of India, Ministry of Environment and Forest (MoEF) has accorded the second stage (final) forest clearance in respect of the Amelia (North) coal block in Sidhi district of Madhya Pradesh for diversion of 728.750 hectares of forest land for coal mining," Jaiprakash Associates said in a statement.

Jaiprakash Associates had entered into a joint venture agreement with Madhya Pradesh State Mining Corporation for the said coal block.

"For this purpose, a Special Purpose Vehicle (SPV), namely, Madhya Pradesh Jaypee Minerals Limited had been incorporated who had appointed Jaiprakash Associates as mine developer cum operator for the said mines the produce whereof is committed to be supplied to Jaypee Nigrie Super Thermal Power Project being implemented by Jaiprakash Power Ventures Limited," the company said.

Among the individual stocks, Jaiprakash Power Ventures has rallied 9% to Rs 42.90 on back of two-fold surge in trading volumes. A combined 2.9 million shares have already changed hands on the counter so far.

SELECTION OF CONSULTANT TO MODERNISE CIL MINES UNDER WAY

The Coal Ministry today said the Coal Ministry is evaluating bids for selection of a consultant for modernisation of the state-owned Coal India (CIL) mines. "In order to infuse world class technology & modernise CIL, (it) has been decided to appoint a consultant of International standings for the modernisation of its mines,"

according to an official statement, adding that process for evaluating the bids are under way. An expression of interest (EoI) was earlier floated for inviting proposals from international consultancy firms for technology development and modernisation of mines of CIL. Also read: No going back on gas price hikes;

notification soon: Moily The consultant would assess the requirements of technology and infrastructure development for mine planning and design and construction with regard to projected coal production plans for 12th, 13th and 14th Five Year Plans, the Coal Ministry had earlier said. The Ministry further said in the statement that Mine-Developer-Operator mode of operation



to enhance the production capacities of mines of Coal India has been initiated in seven projects of the PSU firm. In order to overcome the problem of slow coal evacuation from its three major coalfields -- North Karanpura-Auranga of CCL, Mand Raigarh-Korba of SECL and Ib Valley of MCL, CIL

has planned an investment of Rs 7045 crore in three major railway infrastructure facilities namely Tori-Shivpur (Kathotia), Mand-Raigarh- Korba & Gopalpur- Manoharpur in these coalfields, respectively which is under various stages of implementation. "These rail links together shall stretch to about 435 KMs,

are expected to handle 150 million tonnes (MT) by the end of 12th Plan period," it said. CIL, the ministry said, has identified 126 new projects to take up with an estimated capacity of 438.04 MT during the 12th Plan period. Out of these 60 projects are likely to contribute about 88 MT during the terminal year of 12th Plan i.e 2016-17.

GUPTA GROUP SEEKS DEBT RECAST FROM BANKS

(Continued....) Gupta Coal another group company has a much higher loan of Rs 1,000 crore that it owes to a group of public sector banks such as Bank of India and Punjab National Bank.

But there are no hassles in this case with the company having recorded a profit. This is a coal trading company.

INDIAN STEEL CONSORTIUM SHARPLY CUTS AFGHAN ORE PLANT PLANS

A Steel Authority of India-led consortium has scaled down its plans for a \$10.8-billion steel and iron ore project in Afghanistan because of a lack of funds, slashing proposed steel capacity and investment by 80 per cent.

The consortium had to renegotiate the terms of the deal with Afghanistan after the Finance Ministry refused to bank-roll the project without a detailed study about its commercial viability. The SAIL-led group was to set up a 6 million-tonne-per-year (MTPA) plant tied to three iron ore mining blocks in Afghanistan.

Now, the proposal is to build a 1.2-MTPA steel plant and develop the blocks at a cost of Rs. 13,057 crore, the Steel Ministry said in its year-end report released on Tuesday.

"The consortium is in the process of negotiating with the Afghan Ministry of Mines and Petroleum for signing the revised

mining contract accordingly," the ministry said.

An Afghan Ministry of Mines and Petroleum spokesman did not immediately comment.

SAIL, along with partners NMDC Ltd, Rashtriya Ispat Nigam Ltd, JSW Steel Ltd, Jindal Steel & Power Ltd and Monnet Ispat & Energy Ltd, won a bid in late 2011 to explore the three iron ore blocks with reserves of 1.28 billion tonnes of ore.

If a final deal is sealed, the consortium expects to produce 2.5 million tonnes of iron ore per year from the blocks in the Hajigak deposit. It is located in mountainous Bamiyan, where Afghanistan's famous ancient Buddha statues once stood in the cliffs before their destruction by the Taliban.

Indian steel companies have had to slow their expansion plans at home as legal and bureaucratic delays in starting or expanding mines have delayed supply of iron ore and coal.

SUPREME COURT PERMITS VEDANTA'S SESA GOA TO RESUME MINING IN KARNATAKA

The Supreme Court has permitted Vedanta group company Sesa Goa to resume iron ore mining at Chitradurg in Karnataka but capped production from the mine at about 40% of its annual capacity.

Clearance to Sesa Goa, now called Sesa Sterlite, was given by the court's Monitoring Committee on Friday, more than eight months after the court cleared mining operations for 'A' and 'B' category mines in the state. Mining operations in Karnataka were banned in July 2011 following allegations of illegal mining. "With this, the company has received all necessary approvals from the state government of Karnataka to resume its operations at the Narrain mine in Chitradurg," a senior Sesa Goa executive said.

"We hope to be able to produce nearly 1.5 mt (million tonnes) of iron ore in the January-March 2014 period and make up for lost time." Sesa Goa's Narrain mine at Chitradurg can yield about 6 million tonnes of iron ore every year.

However, the court has restricted its annual output to 2.4 million tonnes. While the company can restart iron ore production at the mine, it will not be able to sell the output as the court clearance has been issued in the name of Sesa Goa. The company was renamed Sesa Sterlite after the ban was imposed. "It will be able to undertake sale of ore only after the change in name of the company is approved," a top executive said. Also, as per the court directive, the ore produced will have to be sold through the e-auction process

COAL INDIA EYES MINE ACQUISITIONS IN INDONESIA

Pursuing its overseas expansion strategy, state-owned Coal India Ltd (CIL) is actively looking at as many as five proposals for acquisition of mines in Indonesia. CIL's overseas plans come at a time when the company is facing flak for acute shortages of coal, which is hurting country's key sectors including power and fertiliser. Analysis: Why investing in PSUs is a good idea "Coal India is examining four to five proposals and they all are in Indonesia," according to Coal Ministry sources. The sources, however, refused to give a timeline as to when they are likely to be finalised. Coal India in September had said that it invited an expression of interest inviting global companies to offer overseas assets. "In pursuant to the Government of India's guidelines to acquire raw material assets abroad, a notice inviting proposal offering overseas coal assets to CIL was floated... A number of proposals has been received and are being evaluated," the company had said. Coal Minister Sriprakash Jaiswal earlier

said that acquisition of coal mines overseas should be done in an aggressive manner to meet the country's energy requirements. In order to tide over the fossil fuel shortages, the government is also proposing to import coal. Meanwhile, CIL has already finalised bids for further drilling its twin mines in Mozambique. Two coal blocks - A1 and A2 - at Motaize, in Tete Province of Mozambique, are spread over 200 sq km. CIL has proposed a capital outlay of Rs 25,400 crore in the 12th Five Year Plan, plus an ad-hoc provision of Rs 35,000 crore to acquire coal assets abroad and develop the acquired coal blocks in Mozambique, according to the coal PSU. The capital expenditure for current fiscal has been envisaged at Rs 5,000 crore, along with additional ad-hoc provision of Rs 4,000 crore to acquire coal assets abroad and develop coal blocks in Mozambique, it said. The demand-supply gap of coal was 135 million tonne (MT) last fiscal and may widen 185.5 million tonnes in 2016-17.

NARENDRA KOTHARI APPOINTED CMD OF NMDC

Narendra Kothari, currently CEO of SAIL's Burnpur plant, will take over as the new Chairman and Managing Director of State-run iron ore producer NMDC, which has been running without a full-time head for the last two years.

"We have chosen Kothari as the next regular CMD of NMDC," Steel Minister Beni Prasad Verma told PTI today.

NMDC, the country's largest iron ore miner, has been without a full-time Chairman after the retirement of its earlier regular head Rana Som on December 31, 2011.

The Public Enterprises Selection Board (PESB) had in July 2011 suggested the name of M. S. Rana, CMD, Security Printing and Minting Corporation of India, for the post.



Incumbent Som retired from NMDC on December 31, 2011, after attaining the age of superannuation.

But, the Steel Ministry was not in concurrence with the PESB's recommendation and instead gave company's Technical Director N. K. Nanda additional charge.

Following some issues that cropped up, SAIL Chief C. S. Verma was given the additional task and he continues at the helm of affairs of the country's top iron ore producer.

Later, a panel headed by Planning Commission Member Arun Maira, recommended two candidates for the top job — Narendra Kothari and T. K. Lahiry, CMD of Bharat Coking Coal Ltd in May.

CCI WIELDS CARROT AND STICK; IMPOSES FINES WORTH RS 2,000 CR COAL INDIA LTD

NEW DELHI: Seeking to ensure fair play, Competition Commission this year slapped penalties, slammed cartels and nudged entities to be competitive in their trade practices, including in cases involving Jet Airways, state-run Coal India and cricketing body BCCI.

The Competition Commission of India (CCI), also the youngest regulator in the country, slapped penalties worth nearly Rs 2,000 crore on erring entities during 2013, with maximum of Rs 1,773 crore on state-run miner Coal India.

India's competition watchdog has fined Coal India Ltd (CIL) and three of its subsidiaries a combined Rs.1,773 crore for misusing their position as monopoly suppliers of coal to fix prices and supply poor-quality coal, and do so on conditions that favoured them over the buyers.

The specific charges against Coal India, the first state-run company to be fined by the Competition Commission of India (CCI), were: supplying low-quality coal at high prices; retaining the right to unilaterally terminate contracts with buyers; not providing a fair dispute redressal mechanism; and preferring other state-owned companies over private buyers of coal.

The antitrust regulator also fined Coal India units Mahanadi Coalfields Ltd, Western Coalfields Ltd and South Eastern Coalfields Ltd.

Coal India said it will comment after seeing the order. "Once we go through the order, the management will decide on the further course of action," a senior company official said on condition of anonymity.

The company has the right to appeal against the order with the Competition Appellate Tribunal.

The case against Coal India, the world's largest coal miner, was registered by the Maharashtra State Power Generation Co. Ltd and Gujarat State Electricity Corp. Ltd, the spokesperson said.

"It is the first time the CCI has penalized a public sector company. Through its order, the CCI has rejected the contention that just because a company is a government entity it does not have commercial interests," said M.M. Sharma, a New Delhi-based competition law expert with Vaish Associates. "It shows that the CCI is finally focusing on the aspect of competitive neutrality."

The 101-page order was put up on the CCI website on Tuesday evening. The penalty has been calculated at 3% of Coal India's average revenue in 2009-10, 2010-11 and 2011-12, which was Rs.52,252.09 crore, Rs.55,101.42 crore and Rs.69,952.33 crore respectively.

"CCI held that CIL through its subsidiaries operates independently of market forces and enjoys undisputed dominance in the relevant market of production and supply of non-coking coal in India," the competition watchdog said.

Coal India and its units were also found to have breached provisions of the Competition Act by imposing unfair or discriminatory conditions in fuel supply agreements (FSAs) with power producers for supply of non-coking coal, the order said.

The commission ordered Coal India and its units to "cease and desist" from such practices and modify clauses in the FSAs that relate to sampling and testing procedure and charging buyers transportation and other expenses for supply of ungraded coal, among others.

"Further, for effecting these modifications in the agreements, CIL was ordered to consult all the stakeholders. CIL was also directed to ensure parity between old and

new power producers as well as between private and PSU (public sector unit) power producers, as far as practicable," CCI said.

This is not the only case against Coal India that the regulator is investigating. In 2012, there were at least five complaints against the company in three cases, in which

CCI had conducted investigations. No decision has been taken on these by the commission. In July 2012, CCI had ordered a probe against three CIL units – Eastern Coalfields Ltd, Bharat Coking Coal Ltd and Mahanadi Coalfields.

A CCI spokesperson said the outcome of the other cases will not be affected by Tuesday's order.

Dipesh Dipu, an energy analyst and a partner at Jenissi Management Consultants, said that since Coal India operates in a regulated sector, and is state-controlled, the company can't be blamed for its pricing mechanism. "Coal India marks its prices on a cost-plus basis. The only other alternative is market-based pricing which would make coal costlier," he said.

In its order the commission regulator has said that it "is not oblivious of the regulated environment in which CIL operates".

(Continued on page 12)



Competition Commission of India

(continued.....)

“The Commission opined that notwithstanding the overarching policy and regulatory environment, CIL has sufficient flexibility and functional independence in carrying out its commercial and contractual affairs. Such factors, however, were not found to detract from CIL and its subsidiaries operating independently of market forces and enjoying undisputed dominance in the relevant market,” the order said.

Dipu said that the order could have a two-pronged impact.

“It could mean that CIL’s subsidiaries would be individually listed on the stock exchanges. This would help make the operations of their boards transparent,” he said.

“The order could also mean that the government may be forced to amend the coal nationalization Act,” Dipu said. The Coal Mines (Nationalisation) Act, 1973, which governs the mining and trade of coal in the country, had nationalized all the private collieries in the country.

A senior CCI official however disputed this and said that the coal nationalization act was “only a policy decision by the government” and that “signing of the FSAs had nothing to do with it.” The official didn’t want to be named.

The company presently has seven coal-producing subsidiaries. These include: Bharat Coking Coal, Central Coalfields Ltd, Eastern Coalfields Ltd, Mahanadi Coalfields, Northern Coalfields Ltd, South Eastern Coalfields and Western Coalfields Ltd. It also has an international venture, Coal India Africana Limitada, which is not producing coal as yet. The Central Mine Planning and Design Institute Ltd at Ranchi in Jharkhand also comes under the company.

On 13 November the company had said that it had signed fuel-supply pacts for power generation to the tune of 70,400 mega watts (MW), out of the 78,000MW it is mandated to. The company also said its profit after tax for the fiscal second quarter ended 30 September fell marginally to Rs.3,052 crore from Rs.3,067 crore in the corresponding period last year. Revenue for the quarter increased to Rs.15,411 crore from Rs.14,572 crore.



(A GEMCO KATI INITIATIVE)

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