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GEMCO KATI

HERE IS WHY GOVERNMENT BULLISH ON COUNTRY'S MINING SECTOR

The Minister for Steel and Mines, Narendra Singh Tomar, is bullish in his outlook for the country's steel and mines sector going ahead into 2016.

"India became the third largest steel producer in the world in 2015, relegating the US to the fourth spot. In 2016, we will try to minimise the gap between India and the second largest steel producer, and thus move closer to becoming the second largest steel producer in coming years," Tomar told MAIL TODAY.

"In the mining sector, which was moribund in 2014, we have brought in policy and regulatory changes including MMDR Amendment Act 2015. As a result, mineral production has shown an upward trend in most of the minerals in 2015," he added.

Tomar said that India has emerged as the only country among the major steel producing nations of the world to record a positive trend in steel production and consumption in 2015.

During the first 11 months of 2015, India's steel output recorded a growth of 2.8 per cent compared to the same period of the previous year, while world steel production registered a decrease of 2.8 per cent.

India's steel production capacity has increased by 6 per cent in 2015. And consumption has increased by Govt bullish on country's mining sector around 5 per cent. Public sector enterprises under the Ministry of Steel completed modernisation and expansion projects to enhance their crude steel capacity. Prime Minister Narendra Modi had dedicated two of these projects to the nation, the projects being SAIL's Rourkela Steel Plant in Odisha and IISCO Steel Plant at Burnpur, West Bengal.

These two plants added a steel production capacity of nearly five million tonne to the country.

Listing the government's achievements, Tomar said the MDR Amendment Act, 2015 introduced transparent and competitive e-auctions.

This will lead to higher returns from mineral resources. Around 35 mines/ blocks have been notified for auction in the first phase.

Elaborating on the steps taken to give the states a better deal, the minister said that the Union government has increased the rates of royalty for major minerals and state governments now receive 100 per cent of the royalty.

The Union government has also notified 31 minerals as 'minor' minerals to delegate entire regulation for these minerals to the states. This has increased the number of minerals notified as 'minor' minerals from 24 to 55.

The requirement of approval from the Union government has also been done away with to let the states have a bigger say in their mineral resources, Tomar added

AFTER 40 YEARS, INDIA SET TO RE-OPEN COMMERCIAL COAL MINING TO PRIVATE FIRMS

Government plans to open commercial coal mining to private players for the first time in over four decades and a process has been initiated to identify such mines.

"We are preparing groundwork for commercial mining... We are looking at a few mines and the work has been undertaken to identify mines," Coal Secretary Anil Swarup said.

The ministry is working towards creating a platform (for commercial mining) "in the next 3-4 months", he added.

This would be the first time in over 40 years that the government would throw open the auction to private players.

This follows another decision taken last month to allow the state utilities to commercially mine coal and sell to the private companies.

Swarup had earlier said the auction of coal blocks for commercial mining is likely to happen in the current financial year and the details were being worked out.

The government has set a target to double the coal production to 1.5 billion tonnes by 2020.

MINES MINISTRY SET TO IDENTIFY 50 BLOCKS FOR PRIVATE EXPLORATION

The government is identifying large tracts of land to be given to private companies for detailed exploration of minerals. Mines Secretary Balvinder Kumar told ET that the ministry is in the process of identifying at least 50 potential blocks of 100 sq km and above to be given to companies for bringing private investment in the mineral exploration sector.

The blocks will be given to private firms once the national mineral exploration policy is finalised. The ministry has completed consultation with the stakeholders and is in the process of finalising the policy, he said. The policy aims to boost private investment in mineral exploration by incentivising private firms.

The blocks will be awarded in the three models proposed in the

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national mineral exploration policy for attracting private sector participation in exploration — revenue share from mining lease proceeds for 50 years, JV between private and public sector firms and reimbursement of costs with reasonable profits.

Private sector participation is required in exploration as India has been able to carry out only 10% regional exploration while countries like Australia, which have similar geological endowment, have completed 100% of regional exploration.

The mineral exploration policy aims to replace the earlier method of awarding reconnaissance permits by the government to private firms for preliminary prospecting of a mineral through regional, aerial, geophysical or geochemical surveys and geological mapping.

The method, however, failed given that of the 401 reconnaissance permits issued during the 14-year period since 2001, only about 15 converted to prospecting licences.

The government also plans to tap Rs 450-500 crore revenue in the National Mineral Exploration Trust that seeks to enhance exploration activities. The amended Mines and Mineral Development Act mandates firms to contribute 2% royalty for facilitating exploration.

AUSTMINE SAYS AUSTRALIAN MINING SERVICES COMPANIES HAVE A LOT TO GAIN FROM AN INDIAN FTA, BUT FEARS PROGRESS HAS STALLED

Austmine says the Indian market could be worth billions of dollars to Australian companies providing expertise in areas like underground mining, safety and professional services.

Austmine CEO Christine Gibbs-Stewart said at 25 to 30 per cent, Indian import tariffs on those services were exceptionally high.

Austmine has conducted its own internal research that shows Canadian companies put a zero tariff on the same types of services.

At the conclusion of the recent China Australia Free Trade Agreement (ChAFTA) similar services into that country attract around a 10 per cent tariff.

"And if you look at other markets like South Africa and the US, the tariffs are virtually free," Ms Gibbs-Stewart said.

"So yes, 25 to 30 per cent tariffs in such a highly competitive market are really high, and particularly when we are competing against Chinese-made goods, it makes our equipment and products uncompetitive.

"And countries do their own trade deals as well, so there could be other countries that have a greater advantage than Australia," she said.

"For instance, India is looking at a free trade agreement with the EU and some of our most significant competitors in equipment supply come out of EU countries."

Professional services and specialist equipment supply top Austmine wish list

Ms Gibbs-Stewart said the Australian mining, equipment and services sector was poised to take advantage of India's rapid development.

"We've had a number of Indian delegations in Australia in the last couple of months," she said.

"They've been looking for goods and services to improve what they do in mining.

"Currently, most Indian mining is open-cut and they're really looking to start underground operations, and Australia has significant expertise in underground mining.

"Other things like mine planning and management, which would include professional expertise, but it would also include things like software, is something Indians are looking for.

"Also clean coal technology, knowledge and transport improvement, and the big one is mine safety."

Bilateral movement of professionals necessary

Ms Gibbs-Stewart said Austmine was also calling for a different approach to workforce management.

"We would really welcome changes that would facilitate professionals into the market," she said.

"Certainly a relaxing on visa requirements and also mutual recognition of professional qualifications."

These are both issues that caused unrest during the agreement of ChAFTA, but after minor changes it was passed by the Senate.

Ms Gibbs-Stewart believes it should be expected that Free Trade Agreement (FTA) negotiations are bilateral, and Australia in turn should expect to make changes to its laws around Indian mining professionals.

"You can't expect to do an FTA with a country and it to be only one way.

"And I also think there are probably services that Indian companies could offer that would aid in the bilateral trade."

Trans Pacific Partnership example on state owned enterprises

Investment in Australia by state owned enterprises (SOEs), corporations that are wholly, or partially owned by Government, were a cause for concern during negotiations over the ChAFTA and they attract different investment criteria than SOEs from, for example, Korea.

Ms Gibbs-Stewart said the recently concluded Trans Pacific Partnership (TPP) offered a better example of how to deal with state owned enterprises.

"While there are private owned mining companies in India, the majority of them are SOEs.

"In the TPP, the provision is that state owned enterprises need to

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relax their local content requirements and look further afield than just local companies.

"It also opens up transparency in areas like the tendering process and that's what we would hope, that there would be more transparency and ease around dealing with SOEs."

Trade deal timeline pushed out

In December of 2014, then Prime Minister Tony Abbott spoke of hopes for an FTA with India within 12 months and appeared to have Indian Prime Minister Narendra Modi onside.

Then just three months ago Federal Trade Minister Andrew Robb said the Federal Government was 'working hard towards finalising negotiations by the end of 2015'.

Since then, there has been very little said about negotiations either way.

ABC Rural contacted Minister Robb with a number of questions relating to the status of the agreement and received a written reply that pushes out that date at least another 12 months.

"Momentum towards concluding a Comprehensive Economic Cooperation Agreement (CECA) with India has been building in recent months, as negotiations continue," the statement read.

"Significant progress has been made to date, as both countries strive to achieve a high quality agreement that will promote increased trade in goods and services, as well as increased investment flows between our two countries.

"Deepening our economic relationship with India is a key priority for the Government; an agreement remains within reach and Minister Robb is committed to pursuing its conclusion this year."

Christine Gibbbs-Stewart, of Austmine, wants faster action.

"The government does consult with us about what we would like to see in an FTA and we do have an opportunity to (provide) input.

"But these are all quickly moving beasts and a lot of things are done behind closed doors.

"All we can do is hope it happens soon and works out in the end."

KOLHAPUR EARNS RS 101CR AS ROYALTY FROM MINING

The district has earned Rs 101.5 crore as royalty from mining since 2006-07, as per the data from the district mining office, Kolhapur.

The district mining office issues permissions for mining and accepts royalty. Kolhapur, especially Chandgad, Bhudargad, Radhanagari and Shahuwadi tehsils, are known for mining activities, mainly bauxite mining.

The district portal of Kolhapur says the probable reserves of aluminous laterite are of the order of 2.1 crore tonnes, out of which about 10% can be considered to be good quality ore.

The first mining activity in Kolhapur was started in 1968 by Kolkata-based Indian Aluminium Company, which later became Hindalco. Mining in the district started to gain momentum 30 years ago.

In the early days, most of the mining activity in the district was restricted to Shahuwadi tehsil, where 10 major mining activities were taking place. During that period, environmental awareness was poor and disturbance to wildlife was not a crucial aspect of state's policy-making. There were allegedly several violations against the mining companies, such as rampant cutting of trees, no use of water to settle the dust, no replantation of trees, among others.

Sangli and Satara districts also have good reserves of bauxite in the Western Ghats. Some companies have initiated mining activities in those districts. However, most of the mines were closed by 2005 due to completion of excavation.

MINING OPERATIONS IN DIGITAL INDIA — MOBILE APP FOR COAL MINING DISPATCH OPS

At a time when Coal India is targetting a production of one billion tonnes, its subsidiary Mahanadi Coalfields Ltd (MCL) has launched a mobile app for live monitoring of field operations.

MCL Chairman and Managing Director A K Jha launched the mobile application at a special function, a company release said today.

Jha also congratulated the workers for the company becoming the largest coal producer in the country.

Introduced as a vigilance initiative in MCL, the mobile app enables distant monitoring of coal mining and dispatch operations, it said.

The arm targets 150 million tonnes coal production and dispatch during the current financial year and has already dispatched over 100 MT of the dry fuel, which includes power generation plants in various states.

The subsidiary has been given the responsibility of producing 25

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per cent of Coal India's 2020 target of producing one billion tonnes to meet the growing needs.

MCL, a diversifying energy giant of Coal India, under its sustainable development programme is going to setup a 2×800 MW super critical thermal plant in Sundergarh district in Odisha and has entered into the field of power transmission with a JV with OPTCL.

To reduce its carbon imprints, the company has also set up a 2 MW solar power plant as a pilot project at its headquarters, officials said.

INDIAN COAL BARONS' $10 BILLION GLOBAL MINE INVESTMENTS MAY FLOUNDER

About $10 billion worth of investments made by Indian coal barons, including billionaire Anil Ambani, Gautam Adani, L. Madhusudhan Rao, GVK Reddy and G. M. Rao, in buying mines overseas may go down the drain due to declining global prices of the commodity and a surge in domestic output.

Most of these billion-dollar coal mine acquisitions were made between 2008 and 2012 to fuel their power plants in India at a time when the price of coal was at its peak. Since the international prices of coal have declined by almost half to $45 a tonne many of these coal mines have become economically unviable, forcing the coal barons to monetise their coal assets. India's coal imports may be negligible by 2023 as Coal India, the world's largest coal producer, is set to double its coal production to one billion tonnes by 2020.

The coal barons are now forced to focus on coal mining business in India to support the government's initiative of "Make in India."

"The government wants to obliterate thermal coal imports by 2017 by doubling production of Coal India, which already has an 80 per cent market share, by FY2020," Bloomberg New Energy Finance analysts Ashish Sethia and Richard Hobbs wrote in a report titled 'India's thermal coal imports live to die another day.'

"That may be too good to be true and in theory it can cease thermal coal imports in the year FY23 although some imports may continue at coastal power plants," they wrote. A fall in international coal prices and delays in developing the mines have already raised questions on the attractiveness of India's overseas coal gambit, Mr. Sethia said.

"Don't be surprised if you see the coal-heavy companies putting more eggs in the renewables basket," he said.

Reliance Group chairman Anil Ambani has already decided to sell three of his coal mines in Indonesia spread across 40,000 hectares sell three of his coal mines in Indonesia spread across 40,000 hectares with reserves of two billion metric tonnes. His company, Reliance Power, bought the mines in 2008 and the company had plans to invest another $500 million in developing the coal reserves.

"India has ambitious plans of doubling its coal production," Mr. Ambani said, addressing shareholders. "We have also decided to exit the coal business in Indonesia and we hope to complete this transaction in the course of this year," he said. Gautam Adani-led Adani Group acquired Linc Energy's Queensland coal tenements in a deal valued at $2.72 billion and agreed to pay another $2 billion in cash for the Abbot Point terminal near Bowen to secure coal delivery. The company plans to invest another $10 billion in developing port, rail, mine and allied infrastructure in the controversial project, being opposed by environmentalists. The viability of the projects are now being questioned with Australian thermal coal prices dipping to an eight-year low and India pushing for solar, wind power and domestic coal. The company is looking at selling a stake in the ambitious project to raise funds to finance the integrated development of the project as most of global banks opted out from funding the project on environmental concerns. "We are not looking to sell a stake in our coal mine at this point of time," an official at Adani Group said, citing low prices as a factor.

Debt-laden GVK Group, GMR Group and Lanco Group are also in talks to sell stakes in their overseas coal mines to raise funds. E-mails sent to Reliance Group, Lanco Group, GMR Group weren't immediately answered.

"Except for Adani Group, no one is pursuing their overseas mines as all of them were meant for captive use for power plants in India," S P Tulsian, an investment advisor, told The Hindu. "Adani Group saw it from commercial mining purpose. If they don't see coal demand in India, they may sell it to other countries."

Happy New Year 2016

ILLEGAL MINING: I-T REOPENS 30 COMPANIES' ASSESSMENT

The income-tax (I-T) department has reopened the assessment of 30 mining companies involved in illegal mining pointed out in the Shah Commission report on Goa illegal mining to recover Rs 1,700 crore loss to the state exchequer.

An I-T official told TOI that they had completed the assessment of these companies, but now they have reopened the assessment of all the companies mentioned in the Shah Commission report.

The department obtained iron ore export and extraction figures from Indian Bureau of Mines (IBM), directorate of mines and geology (DMG), captain of ports (CoP), Mormugao Port Trust (MPT) and the Goa Mineral Ore Exporters Association (GMOEA), the main trading body of mine owners and after tallying the data with the assessment, they arrived at the 1,700 crore loss figure, the official said.

"We found that mining companies have escaped paying royalty, no income-tax was paid on the profits and custom duty was also suppressed," the official said.

The income-tax department has collected documents of last ten years from IBM, MPT, DMG, GMOEA and customs to quantify the amount of ore illegally exported from the state.

The documents are related to royalty challan, export figures, extraction figures and other documents related to mining.

"We have found that over 3.65 crore tonne illegal ore was exported from the state," an IT official said.

As the mines department was not cooperating with the I-T department, I-T sleuths have conducted search in mines department and seized the documents, the official added.

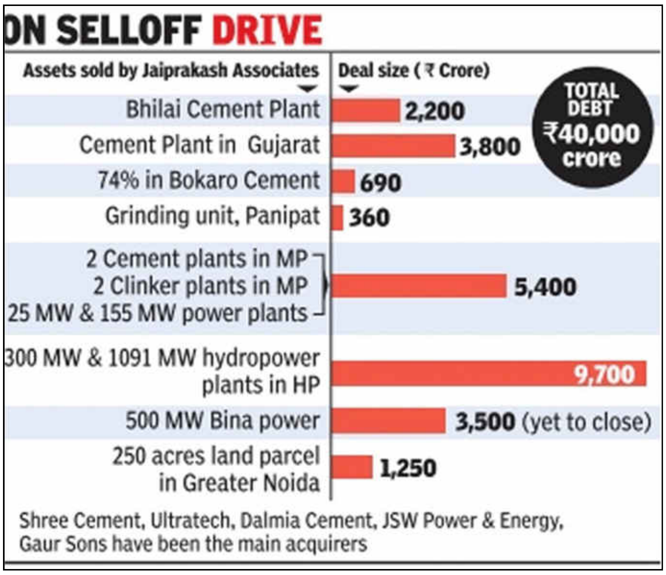
Some of the mining companies have also approached the high court of Bombay at Goa to challenge the notices issued by the I-T department. The official said that the department has appointed special public prosecutor to defend the case in high court.

Shah Commission report had pegged losses to the state exchequer due to illegal mining at Rs 35,000 crore.

A number of agencies are investigating the illegal mining in the state. The State government has constituted a special investigation team (SIT) to investigate illegal miming. Enforcement directorate is also probing the money laundering angle in the illegal mining cases. Mining in Goa had come to a halt in September 2012, after the Shah Commission report was tabled in Parliament.

JAIPRAKASH TO SELL JAYPEE BHILAI PLANT STAKE TO SHREE CEMENT

In an attempt to service its Rs 40,000-crore debt, engineering and cement manufacturer Jaiprakash Associates (JAL) has signed an agreement with Shree Cement to divest its stake in the 2.1-million tonne Bhilai Jaypee Cement for an enterprise (BJCL) value of Rs 2,100-2,200 crore.



Jaiprakash Associate is finding it difficult to service its debt due to various reasons, including a slowdown in the economy and some of its projects falling on the revenue front. In 2014, JAL had signed an MoU to sell the plant to Shree Cement but the deal did not materialize.

A senior banker said JAL has agreed to divest its 74% stake in the joint venture with SAIL as financial pres sure has increased.

Jaypee Cement has loans of Rs 600 crore and is expected to realize a net value of around Rs 1,600 crore, after adjusting the debt. Of this, JAL is expected to net around Rs 1,200 crore, which will be used for paring its loans from banks. BJCL reported a 12% drop in revenue at Rs 615 crore and a loss of Rs 20 crore in 2014-15. Shree Cement has refused to comment on the deal. Sources, however, said Shree Cement has shown interest in buying SAIL's 26% stake in the company .

Shree Cement has a capacity of 23.6 million tonne.BJCL has a cement manufacturing plant at Satna in Madhya Pradesh and a split grinding unit at Bhilai in Chattisgarh. JAL has already sold a large number of assets to reduce its debt burden and get back into shape.

TRIBALS RALLY AGAINST BAUXITE MINING PROPOSAL AT SERUBANHA

2,000 tribals brought out a rally at Potangi on Saturday to demonstrate against the bauxite mining proposal by Nalco at Serubandha hill in the disrict.

The demonstrators, under the banner of Serubandha Surakhya Samiti, vowed "not to give an inch" of the hill for mining purposes.

About 6,000 people living in at least 44 villages under six panchayats will lose their means of living if mining at Serubandha is done. The place has innumerable sources of water. Mining activities will have a massive adverse impact on the tribals," said Bhagaban Golari, presient of the Samiti.

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"We will step up our agitation if the government does not care to understand our concerns and problems," he added. Sources said the state government has planned to lease out 1,700 hectares of Serubandha hill with an estimated deposit of 69.03 tonnes of bauxite.

"The government has given Panchpatmali hills, adjacent to Serubandha, to Nalco on an 80-year lease. There is absolutely no justification to lease out Serubandha now. If that happens, tribals' economy will suffer. Cultivation and minor forest produce, which the tribals survive on, will take a beating," Golari said.

The agitators submitted a memorandum to the local tehasildar.

The memorandum will be forwarded to the authorities for necessary action, said Saroj Kumar Biswal, tehasildar, Pottangi.

Traders shut down shops and markets at Pottangi on Saturday to express solidarity with the tribals.

Officials said Serubandha hill is approximately 30 km southeast of Nalco's refinery at Damanjodi and 50 km south-east of Nalco's operational mine in the district at Panchpatmali, the worlds largest single site bauxite deposit (310 million tonnes) in the world.

WHY MINING INDUSTRY MAY FACE 'TOUGH' 2016 EVEN AS AUCTIONS PICK PACE?

India's multi-billion dollar mining industry faces a "tough" 2016 ahead amid weak global markets, even as the government plans to fast-track auctions and check illegal mining with satellite-based surveillance.

A number of policy measures are in works to revive the sector that saw earnings take a beating due to softening prices and subdued demand, but experts do not see any imminent revival without a global commodity market recovery.

The major steps taken by the government in 2015 to revive the industry included passage of the Mines and Minerals (Development & Regulation) Act and initiating the process for starting auction of mines bearing minerals such as iron ore, bauxite and limestone.

The government also notified National Mineral Exploration Trust (NMET) to encourage mineral exploration and followed up on various rules and guidelines that can help in improving the the ease of doing business for miners.

But, 2015 would still be remembered as a "depressed and distressed" year for the industry, when it saw earnings dive south on account of excess production and subdued demand, which led to prices of some commodities, like that of iron ore hit the ten-year low levels.

Besides, the spectre of demand slowdown in China, the world's biggest metal consumer, led to the markets across the world including India getting flooded with cheap imports of steel, aluminium and other finished products -- a development that has adversely impacted the domestic mining industry.

Summing up the sentiments, Mines Secretary Balvinder Kumar told PTI: "Mines industry is passing through a distressed and depressed phase. Supply is outstripping the demand. 2016 will be a tough year for the industry as indicators on the global level are also not very encouraging." He further said that 2015 has been a challenging year for the industry and the market sentiment was also low, both in India and globally.

Mines were closed due to after-effects of various judicial pronouncements such as the Shah Commission report on illegal mining, he added. "But, if you look at the government's efforts, we have tried to restore confidence of the mining industry and the biggest step is passage of the MMDR Act in March. Other initiatives like the NMET, District Mineral Foundation (DMF) and rules and guidelines regarding mineral concessions and others will play a major role in increasing ease of doing business," Kumar noted.

The Ministry expects that the first phase of mines auction will be over by March 2016,, Kumar said while adding that the government expects to auction 65-70 mines. "States have put 31 blocks to go for auction in the current auction. By month-end, we expect 18-19 more to come and in the next 1-2 months another 16 are expected. So by end of this fiscal 65-70 mining blocks can be auctioned," he said.

Another major initiative include checking illegal mining in the country is a partnership with Indian Space Research Organisation (ISRO) for satellite surveillance of mineral blocks. Consultancy major EY's National Leader (Metals and Mining) Anjani Kumar Agrawal said some of the positives for the sector in 2016

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could include commercial mining for private players, states permitting commercial mining activity and increased bidding for coal, iron ore and other minerals.

However, margin squeeze due to weak international commodity price crashing and over ambitious auction bids, like those witnessed in coal auctions, may lead to stranded assets could hurt the sector in the new year, he added.

According to global giant Moody's also, the metals and mining sector is likely to continue to face challenges in 2016. Due to weaker growth expectations for 2016, softening demand and continued uncertainty surrounding metal demand in China, Moody's expects the metal prices to remain under pressure with a deeper and longer base metals downturn.

New regulations like the Coal Mines (Special Provisions) Act and the MMDR Act are huge positives and the coal auctions being conducted and other minerals getting ready for auction are other key highlights for the sector, Agrawal said.

He further said that the Coal Mines and the MMDR Acts are expected to provide an impetus to the mining activities in India and the sector is expected to see significant activity -- like increased grant of mining leases, participation of commercial miners, etc -- in the future.

"However, the intensity of players while participating in mineral auctions is dependent on a host of factors which are in turn tied to various state policies and individual end use product/metal characteristics," he said.

Indian mining industry is starting to experience phenomenal changes driven by regulations and auction framework introduced for granting mining concessions to enhance transparency, he added. Under the revenue sharing model, the states have the opportunity to be a collaborative partner. There are some strategic imperatives that still need to be addressed for achieving success and overall sustainable growth, he said.

The market for minerals will move in tandem with the demand for finished products. As there is an interplay of global and local demand supply factors, domestic demand will be a key driver for the minerals, Agrawal explained.

"As mining is a long term activity and takes time to fructify, expecting new regulations to immediately rejuvenate the sector will be misplaced optimism. However the new acts definitely go a long way to untangle and bring in transparency in the sector," he said on the market outlook for 2016.

AP MINING CORP AWAITS GOVT'S APPROVAL FOR BAUXITE MINING

Girija Shankar, chairman and secretary of the Andhra Pradesh Mining Development Corporation (APMDC), on Wednesday said the mineral development corporation is waiting for a policy direction to take up bauxite mining and identify agencies for its sale. He was speaking to the media on the sidelines of a networking conclave with domestic mineral-based industries ahead of a partnership summit scheduled to happen in Visakhapantam from January 10 to 12.

According to Girjia Shankar, the memorandum of agreement (MoU) the government has entered into with UAE-based Anrak Aluminium Private Limited for establishing an aluminium refinery and smelter plant in Visakhapatnam stood cancelled with the scrapping of a relevant GO issued in 2008 by the present government.

The APMDC, he said, would identify a fresh agency for sale of bauxite mined by the corporation soon after receipt of fresh guidelines from the state government. Hinting that the mining could commence soon, Girija Shankar said the decks have been cleared for allotment of forest lands and for environmental clearance for bauxite mining in the four blocks of Jerrila in the Eastern Ghats in Visakhapatnam Agency to the corporation with the approval of the union ministry of Environment and Forests (MoEF) in 2008 itself. The state government issued a GO recently in favour of allotting the forest area in these blocks for mining, he added.

Bauxite mining deposits in the state have been identified to be around 700 million tons, out of which 570 million tons are in Visakhapatnam and East Godavari districts in 25 pockets covering an area of about 4,775 hectares, according to a backgrounder circulated at the conclave. These deposits are divided into two groups-Chintapalli and Araku.The Araku and Sapparla group of deposits have 240 million tons of Bauxite reserves.

'TAX ON MINING WILL MAKE INDIAN ORES LESS COMPETITIVE'

The steel industry would like to forget 2015 in a hurry and gear for another challenging year ahead. Though raw material cost is coming down, steel prices are falling even faster triggered largely by cheaper imports. Profitability of steel companies has come under pressure with demand still languishing. Planned investments in infrastructure are delayed for various reasons. In this backdrop, TV Narendran, Managing Director, Tata Steel (India and South-East Asia), shared with BusinessLinehis views on the year ahead. Excerpts:

How do you see 2016 shaping up for the steel industry?

The focus for 2016 should be to ensure a level playing field for the domestic industry, which is currently skewed towards imports. India needs to make sure there is fair play so that domestic competitiveness is not eroded. The steel industry needs to be nurtured by improving cost factors in logistics, regulatory and capital. India should assess the pros and cons of bilateral and multilateral trade agreements to strengthen domestic industries.

The Centre has made some changes in regulatory regime to make it more predictive and stable but more needs to done to ensure ease of doing business. Rules should be made simple and easy to implement at the State level.

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Will the local levy and royalty make mining inefficient?

Commodity prices globally have come down drastically. Mining jurisdictions across the globe are re-working royalty regimes to make them more competitive. Since raw materials are at the first stage of the value chain it makes more sense to lower the mining levies and taxes in India. The increased tax burden such as hike in royalty rates last year and new DMF (district mineral fund) would make Indian ores less competitive compared to commodities traded across the globe.

Will the planned minimum import price solve the industry's problems?

Different countries have imposed safeguard measures due to surging imports. The Indian government has also taken cognisance of the situation and has introduced measures to curb imports. But the effect of these measures so far has not been significant.

The deluge of imports continues to increase. India needs strict watch at the entry level along with tariff and non-tariff measures. Steel prices in India have dropped 40 per cent in the last 18 months wherein, globally it was down by about 30 per cent. One of the biggest challenges for the industry was dumping by steel- surplus countries such as China, Japan and Korea. It was further aggravated by weak Chinese currency which was devalued twice.

How is the new plant at Kalinganagar ramping up?

The largest single-location greenfield steel project in the country was dedicated to Odisha on November 18. The commissioning of the coke oven, hot strip mill and sinter plant have started. Tata Steel has a long-term view on India's steel sector growth. The company has been contributing to the industrial growth of Eastern India for over 100 years and our Odisha project was conceived on similar lines.

Have you tied up iron ore and raw material required for the plant?

Iron ore for the plant will be primarily sourced from the domestic markets. For coking coal and fluxes, it would be mix of domestic and imported sources.

Will the new plant be able to compete with cheap imports?

Steel import was up almost 60 per cent so far in the current financial year. The sharp increase in imports and predatory pricing have impacted the profitability of Indian steel companies. Investment in infrastructure is expected to drive steel demand to 87.6 million tonnes (mt) in 2016 from 81.5 mt in 2015. We are confident of selling incremental volumes from Kalinganagar plant. Moreover, the product range from the new plant is wider and thicker compared to Jamshedpur unit. Though we are comfortable on selling the additional volumes, some help from government is needed to improve the cost of doing business and check dumping of steel in India.

Can Kalinganagar make up for the trouble in Europe and other markets?

The Odisha project is not to be linked to Europe or any other country. Indian and European steel industry have different dimensions in terms of demand and supply.

In Europe, steel demand is 20-25 per cent below the 2007 levels. While the demand is up by 3.2 per cent in the first eight months of 2015, the imports have increased by 16 per cent, leaving the domestic producers vulnerable.

Moreover, Europe's concerns are amplified by high cost of energy, regulatory and compliance which could add up to 28-35 per cent of EBITDA. In India, there is incredible growth opportunity with low per capita consumption of steel and the Centre's Make in India initiative. Infrastructure assets such as roads, railways, ports and airports account for 65 per cent of the steel consumption in India leaving tremendous room for growth.

INDIA'S JSPL TO RESUME MINING AT AUSTRALIAN COAL MINES: CEO

India's Jindal Steel and Power (JSPL) will resume mining coal from two of its stalled projects in Australia as it expects to get regulatory clearances from Canberra soon, its chief executive said.

JSPL holds majority stakes in Wollongong Coal Ltd (WLC) which used to operate Russell Vale Colliery and Wongawilli Colliery in the Southern Coalfields Region of New South Wales.

WCL had to suspend operations at its Russell Vale Colliery in September because of regulatory issues. Wongawilli Colliery was shut for maintenance in August but it now needs government approvals to restart mining.

"Once we get these necessary clearances, we aim to start mining at Wongawilli by end-March and at Russell Vale by June," Ravi Uppal told Reuters in an interview.

The mining and environmental clearances are likely to come soon, Uppal said.

JSPL bought majority stakes in WCL in 2013 to mine coal, mostly for its operations in India.

Russell Vale Colliery and Wongawilli Colliery have a combined reserve of 500 million tonnes and WCL initially expects to mine a million and a half tonnes from each one of them per year, Uppal said.

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Separately, Uppal said India's steel demand is expected to grow at 8-10 percent a year from the next fiscal year beginning in April due to industrial expansion and spending on infrastructure.

Steel demand in India is currently growing at 4 percent a year, according to government and industry estimates.

New Delhi would have to curb cheaper steel imports to boost local demand, he said.

India this month slapped import duties for five years on some stainless steel imports from China, theEuropean Union and the United States to protect local industry.

MAJOR POLICY DECISIONS RELATED TO STEEL & MINES SECTOR IN ODISHA ACCORDED IN-PRINCIPLE APPROVALS

Minister of Steel & Mines Narendra Singh Tomar, who is on a 2-day visit to Odisha met State Chief Minister, Naveen Patnaik on Thursday and raised issues related to development of steel and mines sector in the state. Apart from taking several important decisions during the meeting, Patnaik also sought for Centre's assistance in setting up of Aluminium Park in the state.

The Chief Minister responded positively and assured all possible help and speedy action and alsp0 took some important decisions to boost the sector.

In-principle approvals have been given for allocation of Potangi mines to NALCO.

“This is critical for expansion of Damanjori Unit capacity by 1 million tonne, at an investment of around Rs. 6000 crore,” the Ministry of Steel & Mines said in a statement.

In-principle approval has also been accorded for giving PL for Thakurani mines block-A to SAIL and resolution of Bolani mines and Barsua mines issue.

“Concrete action to be taken in a month or two,” the Ministry said.

The government also decided expediting setting up of District Mineral Foundations in different districts, in addition to the 12 districts where DMF has been set up already.

“Efforts will be made to set up DMF in remaining districts and amending the DMF rules, within this month,” said the Ministry adding that full support would be extended for MECL in facilitating G-2 level exploration of mine blocks.

The government also considered of making royalty of iron ore lumps and fines different in line with the practice in other states for revival of steel and mining sector. At present lumps and fines are being charged same royalty rates in Odisha.

Discussions were held on expediting renewal of ML of mines, which are pending owing to different reasons. Only 80 out of 400 major mineral mines in Odisha are operational at present.

Odisha CM Patnaik sought support from centre on approval of GOI under Section-6 (1) for grant of mineral concessions for 3000 hectares Karlapet Bauxite deposit in Kalahandi district. State government had reserved the deposit for Odisha Mining Corporation under Section-17 A. The proposal is to grant ML for 1848 hectares and PL for 1157 hectares.

He also sought Centre’s help in setting up of Aluminium Park by NALCO in Odisha. Tomar assured of all possible help in these areas.

LAFARGE PLANS TO EXIT INDIA OPERATIONS

Lafarge India has submitted a revised proposal to theCompetition Commission of India (CCI) to sell its entire 11-million tonne (mt) asset in India. This decision comes after the company’s plan to sell its 5.15-mt cement capacity in Chhattisgarh and Jharkhand to Birla Corporation for Rs 5,000 crore ran into trouble. Investment bankers said the M P Birla Group company was facing challenges in securing limestone mining rights for the two units.

France-based Lafarge and Swiss cement giant Holcim announced a global merger in April 2014 to create the world’s largest cement company. This raised eyebrows of anti-trust watchdogs in several countries.

In India, Holcim, through its control of Ambuja Cement and ACC, has 60 mt of capacity. Lafarge, on the other hand, has a

capacity of 11 mt in India, of which 7.8 mt (70 per cent) is in Chhattisgarh, Jharkhand and West Bengal. Holcim’s ACC and Ambuja have capacities of 6.1 mt and 4.6 mt, respectively, in India’s eastern region. A simple merger would have led to a capacity of 18.5 mt in the eastern states for Holcim-Lafarge, which would have been more than 40 per cent of the estimated 46 mt of total capacity in the region. This led to a scrutiny by the CCI.

The CCI had asked Lafarge India to sell its 5.15 mt capacity in eastern India by December 31 to complete its global merger.

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In August 2015, Birla Corp had agreed to buy the proposed assets along with brands Concreto and PSC and mineral rights over adequate reserves of limestone. The deal was conditional on Birla Corp being able to secure mining rights that Lafarge had.

"Lafarge India has sought an extension of its deadline from the CCI to complete its divestment," said an investment banker familiar with the development. "Lafarge India has now put the entire company on the block, as the sale of the entire company will include transfer of mining rights."

A Lafarge India spokesperson said: "We do not wish to comment." Birla Corp didn't respond to queries by Business Standard.

Birla Corp is also in the race to acquire Reliance Infrastructure's 5.6 mt capacity, which has been put on the block. The M P Birla Group company is competing with JSW Cement to buy this capacity, which is valued around Rs 5,000 crore. "For Birla Corp it does not make sense to buy Lafarge assets without mining rights, so they have backed out," said another banker familiar with the deal. "They are now actively scouting for other assets in the market," he said.

Bankers say there will be a new bidding for Lafarge India, which will be valued at Rs 11,000 crore.

SEVERING TIES

- Lafarge entered India in 1999 with acquisition of Tata Steel's cement unit
- Followed with purchase of Raymond Cement facility in 2001
- Lafarge has a total capacity of 11 mn tonne per annum
- Plants in Chhattisgarh, Jharkhand, Rajasthan, Haryana and West Bengal
- CCI asked Lafarge India to sell its 5.15 mn tonne capacity in eastern India
- Lafarge put Chhattisgarh and Jharkhand plants on the block

GOVERNMENT REMOVES 5% EXPORT DUTY ON IRON ORE PELLETS

The government has removed the 5% export duty on iron ore pellets as it meets yet another demand of steel and mining sector companies reeling under low demand and weak prices. It follows a series of strong measures announced by the NDA government since September 2015 to protect the iron & steel industry from rising imports including safeguard duty, hike in customs duty and imposition of stringent quality norms on imported steel. The step is expected to benefit pellet makers, which includes top miners, as well as leading steel players. The 5% export duty on iron ore pellets was imposed in 2014.

"The Central Government being satisfied that it is necessary in public interest so to do, hereby makes following further amendments in the notification of the Government of India Ministry of Finance (Department of Revenue) No. 27/2011- Customs, dated the 1st March, 2011," the Central Board for Excise and Customs (CBEC) said in a notification. In the said notification, in the Table, against serial number 23 (Iron Ore Pellets), in column (4), for the entry "5 per cent", the entry "Nil" shall be substituted, it added.

More than half of installed domestic pellet making capacity of 90 million tonne is lying unutilized due to poor offtake. Reeling under low demand and low capacity utilisation, pellet manufacturers, in particular, have been insisting on removal of export duty and revision in distance based charges, while looking for ways find a market in exports. PMAI which represents the industry interests have been arguing that the needs to distinguish between a mined product like calibrated lump ore/lumpsand pellets, which is a manufactured product and attracts excise duty.

Reacting to Tuesday's move, Deepak Bhatnagar, Secretary General, Pellet Manufacturers' Association of India said: "Industry has been pursuing the withdrawal of the export since 2014 when it was levied. This levy has irreparably hurt the pellet industry dropping the capacity utilisation to an abysmal level of 35%. Pellet prices have dropped from US$ 130 per tonne when the export duty was levied (Jan'14) to US$ 59 per tonne CFR now, making even exports non-viable. While industry lost a golden opportunity to export, the country lost an opportunity to earn foreign exchange."

Terming the imposition of 5% export duty on pellets in January 2014 as a "retrograde" step, PMAI urged the government to take immediate remedial measures by removal of distance based charges (DBC) for movement of pellets as well as changing the classification for movement to class 140 which is applicable for manufactured, and finished products like cement. "Right now, the classification is that of iron ore, which is not correct as pellets are a finished product," it said in a statement.

Incidentally, in September 2015 the Railways had slashed DBC on movement of iron ore for exports for the first time in three years to a flat rate of Rs 300 to revive exports. The move was part of the Railways Dynamic Freight Pricing Policy that calibrates market price of commodities to the railway freight rates. Following this, in October 2015, the government reduced duty on export of iron by MMTC (only NMDC origin) to Japan and South Korea under the Long Term Agreement (LTA), from 30% to 10%, up to and inclusive of March 31, 2018.

NAVEEN URGES CENTRE TO CONSIDER KARLAPAT MINE IN FAVOUR OF OMC

The state government requested the Centre to consider state PSU Odisha Mining Corporations (OMC) application for Karlapat bauxite mine.

The demand was raised by chief minister Naveen Patnaik during his meeting with Union steel and mines minister Narendra Singh Tomar at the state secretariat on Thursday.

Naveen said OMC has already applied for mining lease (ML) on 1848 hectares and prospecting license (PL) on 1157 hectares over Karlapat bauxite reserve which has 153 million tonne of proven reserve and 54 million tonne probable reserve.

"OMC aims to start mining activities over the reserve from December 2016 after obtaining ML. It will help to sort out the raw material crisis of Vedantas one million tonne per annum Lanjigarh refinery," he said.

Naveen also informed that the state government has already put three mines (one iron ore and two limestone mines) for online auction. The mining auction process has already started in the state on December 23.

Naveen requested the Union minister to advise central PSUs like National Aluminium Company (Nalco), Steel Authority of India Limited and Mahanadi Coalfields Limited to spend more fund for development under corporate social responsibility.

"We have discussed the formation of district mineral foundation (DMF) meant for socio-economic development of mineral bearing districts of the state. The chief minister has informed that they have already constituted the DMF in 12 districts," Tomar told reporters after the meeting.

He also said the state government has assured to recommend the Centre for PL of a bauxite reserve for Navratna PSU Nalco.

Earlier, Tomar inaugurated the new building of Indian Bureau of Mines (IBM), the mining regulator of the country.

Union mines secretary Balvinder Kumar, who also accompanied Tomar said IBM would soon sign an agreement with the Indian Space Research Organization to track illegal mining across the country.

INDIA TURNS TOWARDS LATIN AMERICA TO MEET GOLD DEMAND

India has turned towards Latin America and Caribbean countries to bring in unrefined gold to meet its needs.

There has been an increase in buying doré bars from countries like Ecuador, Peru, Bolivia, Guyana, Colombia, Honduras and Nicaragua in the last two years as the gold importers are capitalising on the differential in import duties to bring the yellow metal into the country cheaply.

Confirming this trend in gold import, a senior MMTC official while explaining the process said, “Several refiners have been importing gold doré bar, and refining in India at new facilities dedicated to the refining of doré – a semi-pure alloy of gold and silver.”

“Refined gold is subject to 10% import duty in India as opposed to 8% on gold doré, and the refining just costs approximate $1-2. So, the gold importer is not only saving on import duty, by refining it here in India and reselling —they are fulfilling Prime minister Narendra Modi’s Make In India initiative.”

Refining doré bars is one means of keeping costs low, of maintaining production while scrap supplies are low and of building up stocks of refined metal to satisfy demand that has built up in the interim.

While Peru, world’s sixth top gold producer, is about to increase its shipments of the precious metal to India and is likely to exceed $270 million, other small countries in the LatAm region are excited with this new trend of export of doré bars to India.

Recommending reforms in the Indian mining laws, Amit Tripathi, principal consultant of US-based Geoexploration LLC, told FE, “countries like Guyana, Peru have tremendous opportunities for gold mining, with Colombia, Nicaragua, Mexico close behind. Ecuador, Nicaragua and Mexico are eons ahead in terms of attracting risk capital.”

However, “No Indian company is mining in Nicaragua although the country has great potential and highly underexplored. And Ecuador which is very rich in gold and copper has some really great opportunities and a lot of good quality geological data.”

Speaking to FE, ahead of the first meeting of Joint Economic and Trade Committee (JETCO), scheduled for next month in New Delhi, Mentor Villagomez, ambassador of Ecuador in India, said, “For the first time the Central Bank of Ecuador shows export of gold to India for 2015. As India is an interesting market for our exportable offer, there could be discussion about the dore bars next month. Also, we will talk about seeking Indian investors in the mining sector.”

Peru started exporting gold to India only in 2012, but the gold imports from that country, seem to have increased within short span of time. In fact, to meet the rising demand of gold in India, three Indian investors have decided to invest in gold mines in Peru.

Outgoing ambassador of Bolivia Jorge Cardenas Robles says, “In fact, in 2015 Bolivia exported dore bars to India for $ 157 million. Though the numbers may not seem big, this is something new that has started between the two countries and encouraged by this Indian delegation of gold miners is expected to visit Bolivia soon.”

India has refining capacity of an estimated 800 tonne per year. In May 2014, MMTC-PAMP became India’s first LBMA-accredited refiner, primarily refining gold-based doré. In its 2014 trends report, the World Gold Council claimed that India was the largest consumer of gold in the world at 842.7 tonne for the yea

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