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New Government

New Hopes...

GEMCO KATI

NARENDRA MODI GOVERNMENT PROMISES TO REBOOT INDIA

In its statement of intent, National Democratic Alliance (NDA) government, led by Prime Minister Narendra Modi set itself an ambitious reform agenda which should please investors, yet retained its political message of inclusion.

Ideology of governance

—Sabka saath, Sabka vikas (with every one, development for all)

—Ek Bharat, Shreshta Bharat (One India, Supreme India)

—Minimum government, Maximum governance

—A strong, self reliant and self-confident India

Reviving economy

—Curbing food inflation top most priority. Public Distribution System to be reformed

—Goods and Services Tax to be introduced after concerns of states are addressed

—Foreign Direct Investment (FDI) to be encouraged in sectors that help create jobs

—Silent on FDI in retail

—Labour-intensive manufacturing to be promoted. Employment exchanges to become career centres

'Rurban' initiatives

—Create community assets, improve roads, shelter, power generation and drinking water supply.

—End the rural-urban divide, provide urban amenities to rural areas

—Per drop, More crop: Popularizing micro irrigation

—Launch Pradhan Mantri Krishi Sinchayee Yojana (Prime Minister's farm irrigation scheme) with the motto of Har Khet Ko Paani (water to every field)

Accent on youth and tapping human resource

—Transition from youth development to youth-led development

—An IIT and IIM in every state

—'Har Haath Ko Hunar' (skill in every hand)

—National Education Policy to boost quality, research and innovation in education

Focus on robust infrastructure

—Modernization and revamping of Railways

—A time-bound programme for execution of national highway projects

—Low-cost airports to promote air connectivity to smaller towns

—Modernization of existing ports and development of new world-class ports

New governance paradigm

—Adopt a national land use policy

—E-governance

—Centre and states to function as an organic Team India

—National mission on e-Bhasha (develop digital vernacular content)

Strategic Affairs

—Zero tolerance towards terrorism, extremism, riots and crime

—National Maritime Authority for coastal defence

—Foreign policy to be based on enlightened national interest

—Strengthen ties with all key foreign powers: US, China, Russia, Japan, European Union

GIVING SPECIAL EMPHASIS TO GOVERNANCE- PRIME MINISTER

Prime Minister Narendra Modi on Thursday 29th May unveiled a top 10 priorities' list for the government. The aim is to kick-start economic growth and ensure a smooth decision making process.

The top 10 priorities for Modi, according to Times Now are:

1. Build confidence in bureaucracy

2. Welcome innovative ideas & babus to be given freedom to work

3. Education, Health, Water. Energy & roads will be priority

4. Transparency in the government. E-auction to be promoted

5. System will be placed for inter ministerial issues

6. People oriented system to be in placed in government machinery

7. Addressing concerns relating to economy

8. Infrastructure and investment reforms

9. Implement policy in time bound manner

10. Stability and sustain ability in government policy

GOVT MAY REFORM COAL SECTOR, LET PRIVATE FIRMS INTO MINING

The government could be looking at the long-standing demand from policy planners and economists to reform coal mining by letting in private competition as supply shortage hobbles power sector growth, and formulate a National Energy Policy for an integrated approach for tapping a basket of resources to ensure India's energy security.

"Reforms in the coal sector will be pursued with urgency for attracting private investment in a transparent manner," President Pranab Mukherjee told a joint session of Parliament on Monday as a hint of the government's intent.

At the same time, he clearly stated the government's intent of laying down "clear and transparent policies on allocation of critical natural resources such as coal, minerals and spectrum" to check corruption.

"In the recent past, serious concerns have been expressed regarding use of discretionary powers in allocation of our precious natural resources," the President said in an obvious reference to the 2G spectrum allocation scam and Coalgate -- first reported by TOI on March 22, 2012 -- that rocked the UPA-2 government.

There was no elaboration whether it would be a full-on private entry or a refreshed version of the "captive" mining plan. An mendment to the Coal Mines (Nationalization) Act of 1973 for allowing private entry has been pending since 2000 due to political opposition.

Developing Coal India Ltd's mines in joint venture with private players or allowing captive miners to sell surplus production have been on the UPA-2's table and may be picked up by the Narendra Modi government. Alternatively, it may push for the amendment now that it has a clear majority in Lok Sabha.

The National Energy Policy could take off on the forgotten Integrated Energy Policy of 2008 penned by a panel under Kirit S Parikh. Since then, every energy ministry has formulated its own "vision" and the idea could be to weave them together onto a single canvas.

There are two areas the government hopes to use the 'Gujarat model' outlined in the BJP manifesto - widening use of green energy sources and establishing a gas grid.

Under Modi's chief ministership, Gujarat has established a leadership role in both areas. Gujarat announced a solar energy policy a year before UPA-2 launched the National Solar Mission in 2010 and was the first state to lay an extensive gas pipeline network. The National Solar Mission would be expanded, the president said. State-run gas utility GAIL is already working on a blueprint for a national gas grid and government support will certainly be welcome.

MODI EXPLORING BREAKUP OF COAL INDIA, OPENING UP SECTOR — SOURCES

Prime Minister-elect Narendra Modi is exploring breaking up state behemoth Coal India Ltd(COAL.NS) and opening up the sector to foreign investment to boost output and cut imports, said two sources with knowledge of the matter.

Red tape, strikes, protests against land acquisition and delays in obtaining environmental approvals have kept coal output far below demand, making India the world's No.3 importer even though it sits on the fifth-largest reserves.

Modi wants to fix the coal sector quickly to ensure unbroken electricity supply across the country, as in his home state of Gujarat where manufacturing has flourished. Coal generates more than half of India's power and is the cheapest form of energy.

Any reform will begin with Coal India, as it accounts for 80 percent of India's total coal output, said a source at Modi's Bharatiya Janata Party (BJP). The world's largest coal mining company has failed to meet its output targets for years.

"The story is about Coal India, whose productivity as we all know has been poor," said the source, a member of the BJP's economic policy team.

"What we have in mind is bringing changes inside-out in the company within a stipulated time period."

There is a possibility of converting various units of Coal India into independent companies, and making respective state governments equity holders to help speed up land acquisition and other such processes, a top Coal India official said.

Credit Suisse analysts Neelkanth Mishra and Ravi Shankar wrote in a May 19 note that disappointing domestic coal output is one of the main reasons for the slowdown in India's investment cycle. Raising coal volumes is likely to be a top priority for the new government, they added.

"The only meaningful solution, though much harder to implement, is to either break Coal India up, and divide ownership of its subsidiaries among the states where they operate, or in some way introduce an incentive structure so that the respective state governments participate in the growth of coal mining in their states," they wrote.

MYOPIC COAL MINING POLICY PUSHES INDIA TOWARDS DARKNESS

India has the fourth largest coal reserves in the world.

Yet, today, its thermal power plants, which account for 55 per cent of the country's electricity generation capacity, are starved of coal. This situation has not come about overnight.

The chickens hatched by Indira Gandhi's populist measure of nationalising coal mines between 1971 and 1973 are now coming home to roost. That legislation killed a dynamic and competitive private sector mining industry and replaced it by a lumbering monopolistic public sector behemoth, Coal India Ltd.(CIL), which has utterly failed to increase its output in step with the growing demand for coal due to expansion of power generation capacity.

Almost every year, CIL's performance has fallen short of targets and this deficiency has been more acute in the last few years. Its capacity utilisation decreased to 90 per cent in 2009-10 from 94 per cent in the previous year. Ironically, the present Union minister for coal, from the Congress Party, has acknowledged publicly that Coal India was enmeshed in sloth, inefficiency and corruption.

Thanks to Coal India's indifferent performance, the import of thermal coal has been steadily rising and will reach 54 million tonnes this fiscal. This is despite the fact that the addition to generating capacity during the current Plan period (2007-2012) will be only 52,063 mw capacity against a scaled-down target of 62,374 mw, according to a report from the Central Electricity Authority.

The price of imported coal is two to three times that of indigenous coal. With power tariff pegged to price of local coal, who is going to subsidise the additional cost of power generation using imported coal? Last financial year, the net losses of the distribution firms touched Rs 40,000 crores; this year the losses are expected to double.

Part of these losses are due to persisting Transmission and Distribution inefficiencies which include line losses in distribution to the far flung rural sector and outright theft in the urban areas, which involves the collusion of employees.

Political pressure

A substantial portion of the financial losses of the distribution companies can be attributed to political pressure on the state regulators not to increase tariffs to compensate for rising fuel prices. Banks are now baulking at providing more loans to the power sector since their dues from power companies threaten to become NPAs (non-performing assets.)
In 1993, an amendment to the 1973 Coal Mines (Nationalisation) Act permitted entry of the private sector in mining coal for captive consumption in power plants. But, land acquisition problems and environmental clearance barriers have inordinately delayed the opening up of most of the proposed private mines.

To bypass the hurdles of opening up mines in India, private Indian power utilities got the bright idea of investing in coal mines abroad in countries like Indonesia and Australia in order to source high quality thermal coal. Based on obtaining this foreign high quality coal at a price of around $35 per tonne, they assumed a generation costs of just Rs 1.5 to 2.5 per kwhr in their proposed high capacity, modern generation plants.

Unfortunately for their plans, the exporting countries have seen fit to cash in on the growing global demand for coal.

New legislation

The Indonesian government has recently passed legislation that forces coal export prices to be linked to international prices, which are now hovering around $ 130 per tonne. This has totally upset all the cost calculations of the new generation companies and now they have to put their projects on hold till they have renegotiated rates with the distribution companies.

As for the future, with no one wanting a power station located in his backyard (consider the protests at Jaitapur, Kudankulam, Mangalore, Srikakulam etc.) the proposal to add 1,00,000 megawatts of capacity in the 12th Plan period (2012 – 2017) seems to be a pipedream.

So, what is the answer? Something along these lines:
* Regulators need to bite the bullet and sanction tariff increases.

* Distribution companies must come down heavily on theft in cooperation with local governments.

* Encourage stand alone, grid-free, micro-power generation using renewable energy sources and distribution utilities catering to limited local demand in rural areas, thereby releasing main distribution companies from rural demand which leads to heavy line losses.

* Rework tariffs with the independent power producers who are dependent on imported coal.

* Work out modalities to enable quicker implementation of private mines based on the new land acquisition rules.

* Reform CIL to make it leaner, cleaner (in terms of corruption) and more productive. Persons within the organisation can offer innumerable suggestions in this regard but the political will is needed.

* Divert investment in bulk power generation to exploiting solar energy, in places like Rajasthan.

But, if things are allowed to continue as they are, it is back to the kerosene lamp and hand 'punkahs' for all of us.

A QUICK GREEN NOD: MODI GOVT TO OKAY PROJECTS WORTH RS 80,000 CR

In its early days, the Narendra Modi-led NDA government has already started making headway into matters stalled for long during the UPA regime. Minister of State (Independent charge) for Environment Prakash Javadekar on Thursday promised "fast clearance" for Rs 80,000 crore worth of projects. These comprise 28 projects, including SAIL and Rashtriya Ispat Nigam in the public sector, and those of Essel Mining and Grasim in the private.

Javadekar also said the government would give full consideration to ecology conservation while approving the aforementioned projects. Additionally, the projects will now be "cleared without their having to travel to the Cabinet Committee on Investment set up by the previous UPA government to fast-track project clearances," said the Indian Express report. Earlier, under the UPA government, the projects had been stuck at the approval stage, at the Centre as well as the state government levels. Jairam Ramesh, environment minister with the UPA government, had earlier in 2010 made it difficult for big projects to get any kind of clearances from his department.

Meanwhile, Jual Oram, the tribal affairs minister, has said that he will not approve the Posco mining project in his constituency. He was quoted in an Economic Times report stating that "he will oppose South Korean steel maker Posco's mining project in his Lok Sabha constituency Sundargarh." The mining lease is essential for this Rs. 51,000 crore project to go through. The Posco project is a Rs. 52,000 crore steel project in Odisha. For its go-ahead, the project requires a steel mining license. Posco has been waiting for close to 8 years to obtain this license, according to a report in The Hindu. Ramesh had granted Posco a forest clearance but the mining license is still under scrutiny. The Modi government, also, doesn't seem in a hurry to pass the clearance. Javadekar, on the other hand, will deliberate over the SAIL 1 million-tonne per annum pellet plant at the Dalli-Rajhara mines in Chattisgarh, said the Indian Express report. SAIL is also looking at expanding its Bhilai steel plant. The projects together are an estimated Rs. 19,000 crore, the report said. Javadekar has guaranteed that he will undertake "quick decision making" and alter the "policy paralysis" of the previous government, said the report.

JSW STEEL SETS EYES ON 16 MINES IN KARNATAKA FOR BIDDING

JSW Steel has identified 16 iron ore mines to bid for in Karnataka's impending auctions based on the deposits found, its deputy managing director Vinod Nowal told ET.

The Karnataka government has been directed by theSupreme Court to auction all mines in category C, where most illegal mining happened, to "end-users" of the commodity by end of August this year. "We have identified 16 mines out of 51 mines in category C. It is not economically viable to bid for others mines in the category," Nowal told ET.

He added that the Sajjan Jindal-led company took the decision after completing its due diligence on the iron ore availability. The Supreme Court has put a cap of 30 million tonnes (mt) on iron-ore mining in the state, making certain mines with low deposits unviable.

The intergenerational equity guideline asks companies to mine the available ore over a period of 20 years.

JSW Steel, which does not have a captive iron ore mine, has suffered severely after the mining was banned in Karnataka as a fallout of the rampant illegal mining. It needs 15 mt of iron ore for its Vijayanagar plant in Karnataka, 6 mt for the Dolvi plant in Maharashtra and 1.4 mt for its plant in Tamil Nadu.

Apart from JSW Steel, Essar Steel is also expected to bid for mines in the state. It too does not have a captive iron ore mine. JSW Steel is hopeful of getting somemines in at least next one year from the first batch of mine auctions in the state if not within the 6 months deadline set by the Apex Court in February.

The Karnataka government has shortlisted 15 mines to start with the auctioning process.

It is in the process of determining the ore left in the mines and also formulate policies for India's first ever mine auction. It has sought clarifications from the top court on the definition of 'end use'.

NOW UNLEASH ANIMAL SPIRITS, INDIA INC TELLS NARENDRA MODI

Buoyed by the decisive verdict thrown by 2014 elections, India Inc is hoping that the new NDA government will come up with bold reforms that would help improve investment climate in the country.

Top guns of corporate India believe that the new government has a Herculean task in hand as the Indian economy is reeling under a slowdown for more than a year now.

"It should focus on addressing old issues like Vodafone taxation that have hit investment sentiment, be more tax-friendly and increase revenues by addressing black money through some amnesty scheme.

Issues like housing infrastructure, gas pricing and a relook at subsidies must be considered on priority by the new government," Keki Mistry, vice chairman and CEO, HDFC, told dna.

Narendra Modi on Friday stormed to power at the Centre giving BJP its highest-ever tally in the Lok Sabha elections.

"A comprehensive and decisive mandate such as this augurs well for spearheading a new paradigm of development with social equity. Stability together with progressive policies will bring in optimism to encourage investments and spur growth," Y C Deveshwar, chairman, ITC Ltd, said.

Several sectors are currently facing a prolonged slowdown, and have been waiting for the new government come into power to decide on the next phase of investment.

According to Kiran Mazumdar Shaw, CMD, Biocon, "The new government will need to take immediate steps to revive the economy to signal change. This will call for swift action to implement bold economic reforms that create jobs through massive infrastructure projects, roll back unfriendly business regulations and instead focus on speed and ease of doing business that attract large domestic and foreign investment; and above all provide transparency and accountability in governance."

As part of the wish-list, the industry expects the new government to bring in reforms in infrastructure and renewable energy. "This is important as India's economic environment will act as a catalyst in reviving the global economy," said Tulsi Tanti, chairman of Suzlon group.

Hinduja group chairman Srichand Hinduja described Narendra Modi's massive mandate as a vote for stability that will put India back on the path of high growth.

Aditya Birla Group chairman Kumar Mangalam Birla told "Reining in inflation, fiscal deficit and unemployment are of paramount importance."

Prathap C Reddy, chairman, Apollo Hospitals group, told, "An equally urgent need is to make the direct tax code and GST a reality, early on."

Akhil Jindal, director, group corporate affairs, Welspun Group, said,"We believe that the new government should focus on bringing supply side reforms, which would bring more labour efficiency and optimum utilisation of resources There are several constraints on supply side like agriculture, food storage chain."

According to industry players, one of the primary concerns of the industry for the past few years has been the slowdown in growth on account of policy inaction and various scams and allegations of corruption leading to low business confidence.

Rohit Mahajan, senior director, Deloitte India, said, "One of the key expectations from the new government is to restore the confidence of the business community through effective reduction in governance deficit and strong enforcement of various anti-corruption laws. Hence, fast-tracking of some of the existing bills will go a long way in restoring confidence and supporting India's ongoing efforts at creating a zero tolerance culture for bribery and corruption, and help emerge as a leading investment destination."

Firdose Vandrevale, executive vice chairman, Essar Steel, said, "In one word I expect velocity from the new government. Let's get this car moving, It's easier to give direction to a moving car than to a standstill one. I expect demand stimulation, clear mining policy and consistency on policy decisions from the new government.

GVK Reddy, founder chairman & managing director, GVK Power & Infrastructure Ltd, said he is confident that the new government will implement economic policies that benefit the country's people and its industry. "This will create an environment conducive for growth and ensure prosperity of the nation, thereby fulfilling its enormous potential."

NARENDRA MODI GOVT TO PROBE IRREGULARITIES IN MINING UNDER UPA

Indicating that the NDA government could soon act upon the findings of the MB Shah Commission of Enquiry, union mines minister Narendra Singh Tomar on Thursday said cases of alleged irregularities under the previous UPA government will be probed and accountability fixed on those responsible for the same.

Tomar said that Prime Minister Narendra Modi's pronouncements on "Sushasan" (good governance) would be followed in toto and there is no scope of deviating from it. "Whatever irregularity and corruption has happened, including under those during the UPA government, will be thoroughly probed," the minister said after assuming charge of the steel ministry.

Tomar has an uphill agenda in the mining sector. He is expected to streamline the mineral concession rules and more importantly ensure passing of the Mines and Minerals (Development and Regulation) Bill 2012, which has been stuck in Parliament.

A top official of the mines ministry said a presentation has been prepared which, among other issues, seeks to highlight making mineral allocations more transparent.

"We will also tell him how delays in according green clearances is holding up major mining projects besides seeking revision of royalty rates," the official told The Indian Express.

The presentation, accessed by this newspaper, reveals that the mines ministry wants expeditious restructuring of the Indian Bureau of Mines. It will seek restoration in allocation of financial resources for the 12th Plan, which had been curtailed by the government.

In the steel sector too, he said, the reasons behind the delays in execution of major projects would be ascertained. "We also need to introspect as to how much we are responsible for the delays in implementation of major projects," Tomar said before leaving for a meeting with the steel ministry's top officials.

The steel ministry, in its presentation, has suggested divesting of up to 49 per cent stake in state-run Steel Authority of India Limited and Rashtriya Ispat Nigam Limited.

DARK CLOUDS LOOM OVER MINING RESUMPTION

Despite the state government's assurance of framing a draft mining policy by the end of June 2014, dark clouds of uncertainty still hang over the prospect of resumption of mining in the state, as stakeholders are aware about the delays in starting afresh for clearances.

Mining activities in Goa came to a halt in September 2012, immediately after the Shah Commission report on illegal mining was tabled in the Parliament.

Supreme Court, in its final order, had declared all mines operating after 2007 as illegal.

Speaking to STOI, Harish Melwani, managing committee member of the Federation of Indian mineral industries (FIMI) said, "Even if the state government renews the mining leases immediately, it will still take two years for actual resumption of mining activities in the state."

Chief minister Manohar Parrikar had already made it clear that the state government will grant fresh mining leases and ruled out forming a mining corporation to run mining activities in the state. If the fresh mining leases are granted, then the mining company has to apply for new permissions before ministry of environment and forest, Goa state pollution control board, Indian bureau of mines, directorate general of mines safety and other authorities.

Goa mining peoples front leader Christopher Fonseca stated, "Given the existing scenario and the pace at which the government has been working on the matter, the chances of mining commencing by September 2014 are distant and bleak."

Fonseca also said that "eminent forces" in the country and in Goa are acting as grave diggers of the mining industry and the mining-dependent people. "SC judgment has put in numerable road blocks for the commencement of mining," Fonseca added. Goa mineral ore exporters association (GMOEA), a body representing powerful mining companies in the state, wants immediate resumption of mining.

"We want resumption of mining activities at the earliest," said GMOEA secretary Glen Kalavampara.

The state government had decided to consult the Union government while framing the new mining policy under which new mining leases will be granted.

Parrikar had said that mining activities will resume in the state from September 2014 onwards as the state government will e-auction 12 million tonnes of iron ore, which was permitted by the apex court.

The state government had identified 15 million tonnes of iron ore, out of which around three million tonnes have been e-auctioned so far.

IF POSCO'S INDIA PROJECT IS, INDEED, DEAD, WHAT'S NEXT FOR THE STEEL MANUFACTURER?

In part one of the POSCO report, Sohrab Darabshaw examined the history of the troubled steel production project originally approved in 2005 for India's Odisha state. Here, he examines the fallout and what POSCO's next move might be if the project is, indeed, dead.

South Korean steel manufacturer POSCO's plans for a steel facility in the Indian state of Odisha may be dead. It's been 11 years since the plan was initially approved.

Public comments of Jual Oram, India's Tribal Minister in the new BJP government, have made the anti-POSCO camp in the state of Odisha jubilant. The Odisha government might be in favor of giving permission for the mining operation, but murmurs of corruption raised by some of its own elected representatives occasionally surface in the local media.

The tribes that are going to be directly affected by the POSCO plant and its mines are now alleging that despite giving up their land for the project, the promised compensation package never got to them.

A report in the Global Times quoting a tribal leader said the locals had given up land for the POSCO project, believing the government's assurance of a proper rehabilitation package including employment to at least one member from each tribal family, but five years later, nothing has happened. Nothing.

The six-point charter of demands included assured employment to each land-losing family, separate and enhanced prices for homes, homesteads and agricultural land, monthly allowances for landless laborers engaged in agriculture and betel vines, among other assurances. The tribals have now vowed not to allow POSCO to start any work on the acquired land until their demands are fulfilled.

POSCO's Troubles

While the placation of the local populace may still be in the hands of the provincial government, the statement by the Tribal Minister may be a cause of worry for POSCO officials.

It's been more than a decade since this project was envisaged and with barely a few steps forward such as getting environmental clearance and part-acquisition of the land for the project, POSCO seems to be caught in a bind. Once upon a time, the South Korean steel manufacturer had gone on record to boast that its Indian plant would be the company's flagship. That dream has almost turned sour.

In fact, last year, as reported by MetalMiner, POSCO decided to pull out of a proposed plant to be set up in India's southern State of Karnataka to hedge its bets against the slow-moving Odisha project.

Doing so, POSCO India Chairman Yong Won Yoon said at the time, "…the given market conditions and significant delay in acquiring the required land…. We have decided to close the proposed 6 mtpa steel plant in Karnataka."

A beleaguered POSCO is currently undergoing a business revamp. Moody's, the international credit rating agency downgraded POSCO's foreign currency bond rating and senior unsecured shelf rating to Baa2 from Baa1 late last year, citing huge debt and uncertainties within the industry.

POSCO Chairman Kwon Oh-joon was recently quoted in the Korea Times as saying the steelmaker was engaged in a business restructuring to bolster its fiscal soundness and global competitiveness.

According to him, the steelmaker would be concentrating on three core areas — steelmaking, renewable energy (fuel cells and clean coal) and materials (lithium and nickel), and would scale back its non-core segments. In addition, this marked an end to the company's expansion-oriented policy, implemented by Kwon's predecessor Chung Joon-yang who retired two months ago.

Further, a positive ruling by the US Commerce Department on anti-dumping allegations of Grain Oriented Electrical Steel (GOES) imports by companies from seven nations including by South Korea and POSCO, has only added to the company's collection of woes.

SC PANEL ON ILLEGAL MINING TO MEET MEMBERS OF 25 MINING FIRMS

A Supreme Court appointed panel arrived in Bhubaneshwar to meet state officials and representatives from the mining industry, to investigate charges of illegalities in iron-ore and manganese mining. The panel's final report to be submitted before 30 July could have a significant influence over the course of mining or iron ore and manganese in the state, and given Odisha's contribution to the minerals' production, have a significant bearing on India's iron and steel sector.

Till the panel comes up with its final report, about 102 iron and manganese mines in the state, including those of Essel Mining, OMC, Sarada Mines, KJS Ahluwalia, RungtaBSE 4.96 % and Sons will remain suspended. he panel members are also likely to return to Odisha for site visits in July, those in the know told ET. Meanwhile, the Odisha government has agreed to renew nine of 26 other leases which had been ordered shut.

These mines are owned by Tata Steel, Steel Authority of IndiaBSE 1.52 % and one of Odisha Mining Corporation. Widespread illegalities, at times patronised by politicians and with officials turning a blind eye and regulatory lapses, has in the last few years forced the apex court to come down hard on the mining industry in the iron ore rich states such as Karnataka and Goa. The SC's forest bench, now investigating similar allegations against Odisha's miners, has asked the Central Empowered Committee to submit a report. The panel's members met state officials on Monday and will meet 25 mining firms on Tuesday.

In a letter to the chief secretary dated June 2, the CEC had sough leasewise details on all aspects suggesting that the committee will undertake its own analysis of violations. A central appointed fact finding commission, under former Justice MB Shah had been scathing in its reports regarding Odisha's mining sector.

It had, as has the state government, claimed from miners a value of all such production that had exceeded permits amounting to nearly Rs 60,000crores which ended up defining the scale of the alleged scam. The CEC has also sought from the state details of Rule 37 violations - a mining clause that bars companies from subleasing or transferring control without prior government permission.

And it is probably in this context that the committee has called mining contractor Thriveni Earth movers along with mine owners such as KJS Ahluwalia, Indrani Patnaik, and Sirajuddin & Co.

In addition the CEC also wants to know the status of an earlier SC order, based on its own report, under which a special purpose vehicle was to be set up and the money that miners paid as compensation be transferred into it.

CHINA RETURNS TO HUNT FOR AFRICAN MINE ASSETS

China is making a return to African mining after a hiatus of nearly two years – seeking out new copper, iron ore and uranium deposits in a sign that Beijing is still a keen investor in the continent's industry.

However, executives and bankers attending the annual Mining Indaba conference in Cape Town – the biggest of its kind in Africa – have warned that China is unlikely to spend large sums solely to secure a flow of commodities, as it did until 2012. Instead, they said Beijing was more likely to buy smaller assets offering strong financial returns and raw materials.

Selectively, yes, they [the Chinese] are coming," said Michael Rawlinson, co-head of mining and metals at Barclays. "Some of their acquisition vehicles are on the hunt."

Since the beginning of the year, deals have started to flow: China National Nuclear Corporation has taken a large stake in one of Africa's largest uranium mines in Namibia for nearly $200m, and China National Gold is in final talks to buy a copper mine in Congo.

Rajat Kohli, head of mining and metals at Standard Bank, which is 20 per cent owned by ICBC, China's largest bank, said: "The clear message . . . from state-owned enterprises and some of the better established private companies is that they are open for business to Africa."

Chinese investment in African mining has declined in recent years, on the back of softer metals prices, tight credit and the leadership transition in Beijing. It fell about 10 per cent last year, according to industry estimates.

The drop came as Chinese officials questioned the success of M&A activity in overseas mining over the past decade, with Wang Jiahua, vice-president of the Chinese Mining Association, saying last year that 80 per cent of the investments had largely failed.

John Gravelle, head of mining at consultants PwC in Toronto, said that after a quieter period over the past year and-a-half when Chinese investors licked their wounds, Beijing was now "coming back".

Bankers said Beijing was likely to rely on mining new companies it believes have the ability to carry the projects, including Gold One and Metorex, which are controlled by China-based investors, rather than relying on state-owned enterprises as in the past.

ARCELORMITTAL STARTS WORK ON 6 MTPA BELLARY PROJECT

The world's largest steel maker, ArcelorMittal SA has started work on its six million tonnes per annum (mtpa) steel plant project at Bellary with the fencing of 2,800 acres of land acquired for the plant. The company's earlier estimated cost of Rs 30,000 crore announced for the project in 2010 is likely to escalate as after five years cost of construction will be more expensive.

The company will be constructing a six million tonnes per annum steel plant and has started fencing its land acquired for the project in the Bellary district of Karnataka amid some protest by farmers.

The construction of the plant will start after the state government of Karnataka provides captive mine to the company.

A spokesperson of the company confirmed that initially the fencing work has to be done and like in all greenfield projects, there are some protests. He claimed that 90 per cent of the farmers have accepted the compensation offered by the company. Around 10 per cent of the population including family members of the farmers are still protesting, which would be sorted out in the court.

The company has signed a memorandum of understanding with the State government of Karnataka for the steel plant.

A senior official from ArcelorMittal told Financial Chronicle that cost of the project is likely to go up. Earlier in 2010, the cost of the project was estimated at Rs 30,000 crore. "We are working on the costs and are yet to come at a final figure but definitely it would be higher than what it was estimated initially."

The official further said the company is also looking to secure its raw material supply for the plant. "According to the MoU, 50 per cent of the raw material supply would be taken care by the government while the remaining 50 per cent we will have to secure from the open market.

The company is not averse to owning a mine for its iron ore supply to the plant. However, we are going step by step. First let the construction work start then we will take call on raw material."

The entire fencing of 2,800 acres of the land may take five to six months. The company received legal possession of the land in two tranches in 2011 and 2012-13, said the official.

ArcelorMittal, with a global steel capacity of 119 million tonnes (mt), announced its India entry several years ago, envisaging plants in Karnataka, Odisha and Jharkhand, but last year the company withdrew its 12 million tonnes Odisha plant project owing to long delays in getting the land.

Prakash Duvvuri, head research at OreTeam.com, said, "Finally the project has started and it is a big step for a foreign steel company. It is a part of a mandate that within a certain time-frame the company has to start operations because of which the company may have started the fencing work."

However, given the uncertainty in securing raw material for steel plants the company will try to secure its raw material first by getting a captive mine. The construction of the plant may start once the company is able to secure its raw material.

Duvvuri said that the ArcelorMittal's land acquisition did not face as much protest as its rival South Korean Posco, because its land in Bellary does not have tribals living on it and is not a green locality. The land in Bellary is located in an industrial belt on the Bangalore-Bellary highway. The land in this area is directly owned by farmers and is barren, because of which the protest is not as severe as in other locations."

While steel demand at the moment is subdued in the country, it is expected to revive in the next six months once demand revives in the infrastructure, real estate and auto sectors.

INDIAN FIRMS EYEING AFRICA'S POWER, MINING SECTORS

In a bid to tap into Africa's growing power and mining sectors, some 30 Indian companies in these sectors are attending the 11th West African Mining and Power Exhibition (WAMPEX) here.

The participation of the companies in the event, being held May 28-30, has been organised by the Confederation of Indian Industry (CII) with the support of India's ministry of commerce and industry with an aim to help them forge new alliances with African companies in the two sectors.

"There are lots of opportunities in Ghana, and for that matter Africa, for Indian companies to take advantage, and so, the companies from India have come to showcase what they can offer," Rachna Jindal, deputy director of CII, told IANS.

Jindal said the companies participating in WAMPEX 2014 are looking for good partners that will help them make their mark in mining and power generation across Africa.

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"We have the technology that is appropriate and are ready to make our expertise available to those countries that need it," she added.

India's High Commissioner to Ghana Jeeva Sagar said that "Ghana is rich in resources while Indian technology and expertise in mining and power sectors is appropriate to and consistent with this friendly country's developmental model".

"The coming together of these complementary strengths augurs well for the bilateral economic cooperation between India and Ghana," he added.

Shubham Maheshwari, director of Shashwat Cables in Dehradun in the north Indian state of Uttarakhand, said his company was looking for opportunities in Ethiopia and Ghana even though they have their sights set across the African continent as a whole to invest."We want to partner with companies in the power industry initially to supply our products but will be looking at joint ventures that will eventually lead to setting up production facility in Africa," he said.

"The exhibition has exposed the huge potential that the power sector offers for investment in Africa as most of the countries are trying to develop power generation, and with India offering a competitive edge with quality and standard products, we can penetrate this growing market," Maheshwari added.

COAL MINISTRY PLANS TO AUCTION 25 BLOCKS IN JHARKHAND, GUJARAT, MAHARASHTRA

The coal ministry plans to auction about 25coal blocks that were taken back from private firms over delays in developing them. These blocks have not attracted lawsuits so far. The recalled blocks mainly consist of small mines but do include some big ones like Mahal and Rajbar in Jharkhand, a senior government official said.

"We are looking at auctioning coal blocks that have been deallocated and taken back from various companies in the last two years. The de-allocation of these mines has not been challenged in any court so far and they can be bid soon," the official said.

He said earlier the de-allocated coal blocks were given for development to state-run miner Coal India Ltd but the Mines and Minerals (Regulation and Development) Act, which was recently amended, provides that coal blocks can be allocated through auction.

Besides Jharkhand, the blocks proposed to be auctioned are spread across Chhattisgarh, Gujarat,Maharashtra and Andhra Pradesh. The official said these blocks can be auctioned to steel and cement companies or allocated to power firms under tariff-based bidding.

Some of the mines were surrendered by the allocatee companies citing difficult mining conditions.

Among the blocks proposed to be auctioned are 1,098 million tonne (mt) capacity Mahal and 215 mt Tenughat-Jhirki, both of which are in Jharkhand and were allocated to state-run Rashtriya Ispat Nigam Ltd.

Other big mines proposed to be bid to companies are Rajbar in Jharkhand with 385 mt reserves, Pengedappa in Andhra Pradesh and Jainagar in Gujarat with 100 mt reserves each, and Agarzari in Maharashtra with 137 mt reserves.

The small blocks that are likely to be put on block are Lohara East with 12 mt capacity and Bhadhak West with 38 mt capacity in Maharashtra and Ansettipalli with 26 mt reserves and Punukula-Chilaka with 38 mt capacity in Andhra Pradesh.

Another small block, Panchbahani in Maharashtra with 11 mt of reserves, is also proposed to be offered to companies. The auction of these mines, however, will be subject to a Supreme Court order, which is assessing whether the Union government is empowered to re-allot captive coal blocks.

The court has heard all concerned parties involved in allocation of mines, including seven states and association of mining companies. It has reserved its order. Of the 218 allotted captive coal blocks, the coal ministry has cancelled licences of 80 blocks.

Almost all private companies have challenged coalmine deallocations and bank guarantee forfeiture in high courts of Jharkhand, Jabalpur, Chhattisgarh, Odisha and Delhi.

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