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## *AUCTION OVER .... ACTION AWAITS*



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## FOR MITTAL, FRUSTRATION GIVES WAY TO HOPE IN INDIA

In 2012, Lakshmi Niwas Mittal, chairman and CEO of the world's largest steelmaker, ArcelorMittal, was at his wit's end, having waited for six years to get his steel plant projects in India going. He finally let off steam at a World Steel Dynamics conference in New York. In a tirade against the then ruling dispensation, the United Progressive Alliance, the steel tycoon said India was putting progress at risk and subjecting hundreds of millions to remain in poverty longer than previously anticipated. A year later, his company pulled out from at least one of the three proposed steel plants in the country, costing India an investment of Rs 40,000 crore.

Fast forward to May 2015, London. A smiling Mittal posed for a picture with SAIL Chairman Chandra Shekhar Verma and Steel Secretary Rakesh Singh. Seen in a supporting role was Aditya Mittal, CFO and CEO, ArcelorMittal Europe. The occasion was the signing of a memorandum of understanding (MoU) between the two steel behemoths on setting up an automotive steel manufacturing facility as a joint venture in India. ArcelorMittal is a force to reckon with in the global automotive sector with a 17 per cent market share.

Mittal's statement released to the media soon after the MoU was signed read: "The automotive sector is a highly strategic and important market for ArcelorMittal; establishing an automotive focused production in India, one of the world's fastest growing automotive markets, is a natural progression in executing our global automotive strategy."

Evidently, Mittal's anger and disappointment have been replaced by new hope. The most fundamental change between then

and now is the government, now led by the Bharatiya Janata Party, or more significantly, Prime Minister Narendra Modi.

Having signed the MoU, the two companies in the coming months will see a working group with representatives from both companies working out a structure for the proposed joint venture and carry out feasibility studies. "The feasibility study will take two years and reaching the project commissioning stage could take another two years," say SAIL officials. Though an ArcelorMittal spokesperson declined to speculate on the scope of the joint venture, SAIL officials believe the focus will be on skin panels for automobiles, which requires specialised steel. SAIL will supply ArcelorMittal the raw material -high-grade hot rolled steel -from its Rourkela Steel Plant.

### Going the China way

Mittal's company is likely to follow the model it implemented in its projects in China, according to sources close to the development. Last year, the global steel major opened its first steel making facility there through a joint venture, the Valin ArcelorMittal Automotive Steel (VAMA), set up with an investment of \$832 million. Chinese firm Hunan Iron and Steel has a stake in the company. The contours of that partnership look pretty much like the SAIL-ArcelorMittal venture.

The SAIL-ArcelorMittal partnership would be a me-too in the Indian steel sector. Last September, Jamshedpur Continuous Annealing and Processing Company commissioned its 600,000 tonnes per annum facility for manufacturing of automotive grade continuous annealed products as a 51:49 joint venture of Tata Steel and Nippon Steel & Sumitomo Metal Corporation. Earlier, JSW Steel launched its second cold rolling mill with a capacity of 2.3 million tonnes at Vijayanagar to cater to the auto sector.

"Right now, there is no space or requirement for another automotive steel venture," an industry representative points out. However, he points out that the Mittal project will be "commissioned in some years to come". Some figures would put things in perspective.

The skin panel requirement for 3.5 million cars manufactured in India today is around 400,000 tonnes. "Skin panel, however, is just one requirement, the target has to be the entire auto grade steel requirement of a car," an industry veteran says. A small car requires

500-600 kg of flat steel, of which 100-120 kg consists of the skin panel. In four years, that is tentatively when the SAIL-ArcelorMittal will take off, India hopes to be manufacturing seven million cars.

### The other projects

There is progress on ArcelorMittal's other ventures too. After giving up on Odisha, ArcelorMittal has been pursuing greenfield projects in Jharkhand and Karnataka, where it plans to set up 12 million tonne and 6 million tonne plants, respectively.

In Jharkhand, ArcelorMittal is awaiting clearance from the Union

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ministry of environment and forest to acquire the mining lease for iron ore mines. In the meantime, it has also started the process of acquiring land for setting up the plant. In Karnataka,

ArcelorMittal India has acquired 2,796 acres of the total requirement of 4,865 acres in the Bellary district for construction of the steel plant. The focus is now on getting raw material linkages.

"We are making progress on both our Karnataka and Jharkhand projects, though it is slower than we would have liked," says an ArcelorMittal spokesperson. "Ensuring raw material security is critical to both projects, especially in light of the recent Mines and Mineral Development Regulation Act that was announced in January of this year. That is our current focus."

To say that the projects were delayed would be understating the company's problems. ArcelorMittal signed an MoU with the Jharkhand government in 2005. Unhappy with the slow progress there, it signed another MoU with the Odisha government for a similar sized plant a year later. And then, it signed the MoU with Karnataka in 2010. The delays forced the company to pull out many of its officials from India. Sources say that when at one point the number of people in ArcelorMittal India counted in the hundreds, by December 31 last year, the total had slid down to 34.

However, ArcelorMittal didn't quite give up on India. With the greenfield projects not going anywhere, ArcelorMittal bought 33.8 per cent stake in Mumbai-based galvanised steel maker Uttam Galva Steels in 2009. Mittal is reported to be close to the promoters, the Miglani family, which still holds around 30 per cent in the company. ArcelorMittal also has a joint venture with the Dhamm group for a downstream unit. Will ArcelorMittal's second coming prove any better? The global major is more cautious in its approach this time. "We

are only at the MoU stage, there is no firm or final commitment from either party nor any certainty that our collaboration will result in a joint venture and the establishment of a production facility," says the spokesperson cautiously. "We certainly hope it will, as does SAIL, otherwise we would not have signed the MoU."

Clearly, ArcelorMittal has learnt from its past India experiences. Yet one question remains. By the time its new venture is ready to go on stream, a new government could possibly be in place. Will the focus then still be on 'Make in India'?

## PROJECTS IN LINE

**2005**

Signs MoU with Jharkhand for a 12-million-tonne steel plant

**2006**

Signs MoU with Odisha for a 12-million-tonne plant

**2009**

Picks up stake in Uttam Galva Steels

**2010**

Signs MoU with Karnataka for a six-million-tonne steel plant

**2013**

Pulls out of Odisha project

**2015**

Signs MoU with SAIL for auto grade steel

## COAL AUCTION WINNERS RUN INTO DELAYS

Some of the winners of the initial rounds of coal block auctions including GMR, NTPC, Reliance Cement, UltraTech Cement and Monnet Ispat have rushed to the Union coal ministry to help them settle the various issues that have delayed the working of the mines they have won

The hurdles include environmental issues, clearances, land acquisitions.

UltraTech Cement has won the Bicharpur mine, located in MP whose which was earliest allotted MP State Mining Corp.

UltraTech has approached the ministry as the block area is 500 hectare (ha), out of which mining lease was executed by previous allocate for 389.19 ha and 110.81 ha was in process of Stage



2 Forest Clearance, sources said.

It would take at least two years' time for completion of mine development while another three years would be taken to reach its peak annual capacity of 0.75 million tonne, UltraTech has told the ministry.

GMR Chhattisgarh Energy has approached coal ministry's project monitoring cell for two of the mines won by them during the recently held auction: Ganeshpur and Talabira - 1 coal blocks while Reliance Cement has gone for Sial Ghogri block, sources said.

Monnet Ispat & Energy has gone to the ministry for the Gare Palma IV, an operational block under schedule II whose prior allottee was Sarda Energy & Minerals.

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Monnet wants the clearances and approvals that are to be transferred in its name for continuation of mining operations.

Of all these allotments, NTPC's issues with Pakri Barwadiah is most acute.

While the block was allotted to NTPC way back in 2004, contractor could only be appointed in 2010 because of approval hurdles, land acquisition and environment clearances.

On top of this, the political situation forced NTPC to raise compensation from Rs 10 lakh to Rs 15 lakh an acre and then again to Rs 20 lakh, NTPC has said in its application.

"The original Mine Development and Operation contract had to be terminated due to no work at the site for the last 4-5 years and new MDO is likely to be appointed very soon," NTPC said.

These projects join the list of those awaiting continuous hand holding by the government under the coal project monitoring group.

The ministry claims it has till date resolved all issues relating to 16 odd projects worth about a little over Rs 6,000 crore.

Success is limited as till recently there were about 110 such coal related projects worth 12,000 crore before the group.

## FOREIGN AGENCIES INSTIGATING NGOS TO OPPOSE URANIUM MINING IN INDIA

To overcome power shortage, the two Telugu states should facilitate uranium mining and set up nuclear power plants, top nuclear scientists in the country feel.

In Telangana, despite reports of rich uranium deposits, the proposed uranium mining has not been taken up in Nalgonda. Denying reports of any impact on the Nagarjunasagar project, PS Parihar, director of the atomic minerals directorate for exploration and research under the department of atomic energy (DAE), clarified, "Since uranium will be removed from the mined ore, the Nagarjunasagar project will not face any problem."

Parihar and other scientists spoke to the media on the sidelines of a three-day workshop on 'Nuclear power and nuclear fuel cycle programme in India' organised at the Engineering Staff College of India (ESCI), which began here on Tuesday.

The scientists said that opposition to uranium mining and nuclear power plants is being instigated by foreign agencies, who are using NGOs to further their cause. Asked who the foreign agencies are, Dr Sekhar Basu, director of Bhabha Atomic Research Centre (BARC) said that the government has already identified many NGOs to stop foreign funding for them. Basu said that both Andhra Pradesh and Telangana could benefit from uranium mining and setting up of nuclear power plants. He said that for setting up a nuclear power plant at Kovvada in Srikakulam district, Andhra Pradesh should first acquire the necessary land. Only after that should they start construction of the power plant. "There has been some opposition to it locally but we have taken it up with the AP

government to complete land acquisition," Basu said. Basu also said that the proposal to set up the second campus of BARC in Vizag is being pursued and it would be a much bigger facility where futuristic technology would be used. He said that 4,000 acres have been identified for the purpose. A cancer hospital has also been planned in Vizag on the lines of Tata Memorial Hospital in Mumbai.



The issue of uranium mining proposed at Lambapur-Peddagatta, would be pursued with the Telangana government, SK Malhotra, head of the public awareness division of DAE under BARC, said. So far as uranium mining at Tummalapalle in Kadapa district is concerned, authorities said that uranium reserves found there is estimated to be one lakh tonnes and exploration of a larger area would yield more reserves. Tummalapalle uranium mines figure

among the 20 biggest in the world.

Malhotra said that though it would be cheaper to import uranium for nuclear power generation since prices keep fluctuating it would not be good to import uranium. The policy is also to explore uranium mining in the country so that if there are difficulties in importing them in the future, India would still have its own reserves.

BARC would pursue the issue of uranium mining at Lambapur-Peddagatta with the Telangana government. Uranium reserves there is estimated to be one lakh tonnes and exploration of a larger area would yield more reserves. Tummalapalle uranium mines figure among the 20 biggest in the world thrust on desi nuclear reserves.



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## NOW, MINING LEASES ONLY VIA ONLINE BIDDING

Putting an end to the discretionary powers enjoyed by state governments in granting leases for quarrying minerals, especially major minerals,

the Union ministry of mines has made online competitive bidding mandatory to grant leases.

Until now the states used to grant leases on first-come-first-served basis and usually such licenses were given to applicants close to the ruling party. There had been allegations of corruption in the earlier state government and legal cases had been filed against the lease holders.

Recently, there were allegations that the firm owned by DK Snigdha Reddy, daughter of former minister D K Aruna, was illegally quarrying minor minerals outside the allotted area in Mahbubnagar district. The Hyderabad high court has ordered the director of survey and land records to survey the mine lease area allotted to her.

With the Centre's new notification, the state government will henceforth have to follow online bidding for issue of leases for major minerals such as iron ore, bauxite, limestone and manganese as well as minor minerals. Officials said that before inviting tenders, the state government would have to demarcate the area using global positioning systems and classify the land (forest land, government-owned land etc) where the mining lease is proposed to be granted.

Even in the bidding documents, the government is required to provide details like estimated mineral resources, brief particulars and evidence of mineral content. The bidding would be held in two stages ♦ technical and financial ♦ and the successful bidder will have to pay an upfront fee and also performance security for the mining lease.

"The Union department of mines issued a gazette notification for Mineral (Auction) Rules, 2015 on Friday. The state government will have to frame rules on procedures to be adopted to conduct online auctions," R Mangiram, director of mines and geology department told TOI.

Officials said the state has reserves of various minerals, including coal, iron ore, limestone, dolomite, manganese, quartz,

feldspar, stowing sand, laterite, yellow ochre, barytes, uranium and granites. As of now, three reconnaissance permits for gold, diamond and precious metals, 18 prospecting licenses, 521 mining leases for major minerals (industrial minerals), 1,186 quarry leases for granites and 1,429 quarry leases for other than granites have been granted by the department.

In the Bayyaram reserve forest area, it is estimated that 11 million tonnes of medium grade iron ore is available. Low grade iron ore deposits are available in Karimnagar, Adilabad and Warangal districts. Uranium deposits are available in Nalgonda district and the Uranium Corporation India Limited (UCIL) had filed an application for grant of mining lease in an extent of 542 hectares. The company is yet to start quarrying for want of some permissions.

"The state government earns about Rs 1,800 crore per year through mineral revenues against the target of about Rs 2,300 crore. Now, with the bidding process for allotting leases, the state government is likely to get an additional revenue of Rs 500 crore," a senior official of the mines and geology department said.

Official sources said some reforms like online filing of mineral concession applications and online e-payment and e-permit were also introduced on a pilot basis in Karimnagar district last year.

### Keeping out corruption

\* Licences for mining major and minor minerals to be given through a competitive bidding process

\* Before inviting tenders, the state govt must demarcate mining area using global positioning systems

\* Govt has to provide details like estimated mineral resources, brief particulars and evidence of mineral content to all bidders

\* bidding to be held in two stages technical and financial

\* Successful bidder will have to pay an upfront fee and performance security

## COMMERCIAL MINING MAY GET NOD IN COAL

The government is preparing a framework for allowing private companies into coal mining, power minister Piyush Goyal told investors in the US in a bid to tap investments that could be looking for a market as the Obama administration's green push and shale gas boom is elbowing coal out of the world's largest economy.

Though the official statement quoting Goyal did not specify private entry for "commercial" mining, there can be no doubt the minister was alluding to finally opening up India's coal sector to global competition. Coal secretary Anil Swarup lent currency to this fact on Friday when he said the government was

looking at auctioning blocks for commercial mining in this fiscal.

Addressing an investment round-table organized by the US-India Business Council in Washington on Thursday, Goyal listed the measures initiated by the government to ensure uninterrupted power supply by 2019, with the aim of underlining the investment potential in India's coal and power sector. Coal fuels nearly 55% of power generation in India and the trend is expected to continue in the foreseeable future. The country is expected to add a generation capacity of 124 GW (giga watt) by

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2020, which, in turn, is expected to push up coal demand by 42%. The power sector alone, Goyal told his US audience, would require investments of \$250 billion, presenting one of "the world's largest investment opportunities in any country".

While India is speeding ahead with coal-fired power stations, the US is rapidly dumping coal as the favoured fuel and opting for cheap shale gas flowing from a boom in fracking. Ever-stricter greenhouse gas emission norms are only adding to the pressure on coal. By a wide reckoning, coal's share in power generation has slipped to 39% from 50% in 2005. Coal is expected to lose another 7.5% of market by the end of this year.

India currently allows coal mining by private companies only for captive use. After the Supreme Court cancelled allotments



of 204 coal blocks, the government had made its intention of eventually allowing private entry into commercial mining - where mining companies can sell directly to consumers - by including an enabling clause in the ordinance brought last year to pave the way for auctioning of mines. Pertinent laws have now been amended for auctioning of mines.

But it is not going to be easy as trade unions, representing over five lakh workers and miners, are sure to wave the red flag. They had last year struck work to demand better pay and protest against what they called "privatization of coal mining". Politically too this may not be expedient at this point since the government is facing the charge of being "pro-rich" on the issue of land acquisition bill.

## PATH CLEARED FOR EASIER COAL AND MINERAL MINING

One of the major initiatives of the National Democratic Alliance government has benefited mineral-rich states through laws on mining coal and other minerals.

The Coal (Special Provisions) Bill, 2015, opened coal mining for the private sector, and the Mines and Minerals (Development and Regulation) Amendment Act, 2015, tried to boost the mining industry and make it transparent.

The mining industry in India has been going through a slow-down for several years due to a tepid market and legal hurdles. Empowering state governments to conduct mining is likely to give the industry a breather.

The coal ministry is taking due credit for the auction of some of the 204 coal blocks whose allocations over two decades were cancelled by the Supreme Court last September. The auction of 40 operational coal blocks will earn coal-rich states Rs 2.85 lakh crore in 30 years.

But problems could surface after three years. Power developers bid zero and even negative for the coal blocks. No commodity can be priced negative, experts point out. The coal market will be unstable if there is no cost and profit balance.

The coal ministry is now thinking of allowing states to mine and sell coal. This will be a big step towards commercial mining, which is a monopoly of Coal India and Singareni Collieries. Given the regulatory hurdles and legal challenges

involved, private players are wary of entering the coal mining business.

The mines ministry is designing a transparent method for allotting mines. Unlike coal, mineral auctions will be conducted by state governments. But bidding will not start anytime soon because states have just begun to collect data on mineral deposits.

The world will have its eyes on India if it can pull it off mineral auctions. "Most mineral-rich countries like Canada and Australia follow the first-come first-served model," said an executive with a steel company that is planning to bid for iron ore.

Apart from new rules, the government is working on a tax regime for minerals. The import and export duty on minerals like iron ore must align with the NDA's "Make in India" initiative.

### EMPOWERING STATES

- Government has brought new laws to boost coal and mining sector respectively
- State governments to conduct auction for non-coal minerals
- Some of the coal blocks - which were cancelled by Supreme Court - have been successfully auctioned
- Problems could surface after three years as power companies have bid zero and even negative for coal blocks

## INDIA TO SIGN MOU WITH CHINA FOR COOPERATION IN MINING SECTOR

India will sign a Memorandum of Understanding (MoU) with China for cooperation in the field of mining and mineral sector.

"The Cabinet chaired by Prime Minister Narendra Modi, today gave its approval for signing of the Memorandum of Understanding (MoU) between India and the Republic of China on



*The Prime Minister, Narendra Modi and the Chinese President, Xi Jinping witnessing the signing of MoU and action plan agreement between the Chairman, Railway Board, Arunendra Kumar and the Administrator, National Railway Administration, China, Lu Dongfu on strengthening cooperation in Railways, in New Delhi on September 18, 2014.*

cooperation in the field of mining and mineral sector," an official statement said.

The MoU will provide an institutional mechanism between both the countries on cooperation in the field of mining and mineral

sector.

"The MoU will help in exchange of information on resources, laws and policy; organisation of seminars to exchange views on development strategies; encouragement of transfer of technologies and promotion of value addition," it said.

## ESSAR GROUP HIRES FORMER VEDANTA EXECUTIVE DIRECTOR PK MUKHERJEE

Essar Group, with interest ranging from steel to power, has hired former executive director of Vedanta Group and mining veteran PK Mukherjee, who retired from the Anil Agarwal-led mining conglomerate in 2014. Mukherjee, who pulled iron-ore miner SesaBSE -1.32 % Goa through during its best and worst phases in the past 30 years, is advising the Ruia-controlled Essar Steel on its mining and mineral activities, and is working out of the group's Goa office.

Mukherjee joined Sesa Goa in 1987 and took over as managing director in 2006. He continued to hold the post even after the company was bought by Vedanta in 2007. Mukherjee, seen as one of Agarwal's confidants, demitted office during Vedanta's management shuffle in 2014, citing health reasons.

Essar Steel uses three iron making technologies – blast furnace, corex and direct-reduced iron which offer flexibility in using raw materials, primarily iron ore. Mukherjee's expertise will be useful for the company in choosing the right input for iron making for sustainable cost reduction" said Firdose Vandrevala, Executive Vice Chairman at Essar Steel India.

Fifty-nine year old Mukherjee is also helping the company with procurement of iron ore fines, according to a person familiar with the matter, as the company scales up its steel-making capacity utilisation at its 10-million tonne plant in Gujarat to about 80 per cent this year from just over half last financial year.



Mukherjee took a six-month break after leaving Vedanta last year. Essar's offer came along after that," said another person

familiar with the move but did not want to be named. "He is also there to build long-term relationships with mine owners to source iron ore fines."

Essar Steel, one of the few large steelmakers which does not own captive iron ore mines in India, have struggled to get enough of the raw material at affordable prices amid illegal mining scams and shutdowns in the past few years. The unlisted steelmaker is finally close to completely commissioning its mega steel project and is also gearing up for the upcoming iron ore mine auctions.

Mukherjee's extensive experience and a network of relations are expected to be immensely beneficial to Essar Steel, which turned profitable in financial year 2015 after many tumultuous

years.



"Given mining leases will be granted only through the auction route, there will be a chase for talent in the iron ore business," said Anjani Agrawal, India Mining & Metals Leader at consultant EY. "Steel

companies will seek to attract talent to become integrated steel players."

## INDIA & CONGO EXPLORE MUTUAL AREAS OF COOPERATION IN THE FIELD OF MINING

A business delegation from Democratic Republic of Congo (DRC) led by H. E. Raymond Tshibanda N'Tungamulongo, Minister of Foreign Affairs of Democratic Republic of Congo met Union Minister of Steel & Mines Narendra Singh Tomar at Udyog Bhawan today. H. E. Francois Balumuene, Ambassador of DR Congo in India and senior officials from Ministry of Steel & Ministry of Mines were present on the occasion.

Union Steel & Mines Minister Narendra Singh Tomar in his address said, "Bilateral relations between India and the Democratic Republic of Congo (DRC) have always been warm and friendly. We hope that both countries would continue to

strengthen the bilateral engagement in various spheres. We would like to assure you of India's continued cooperation in providing technical and financial support for capacity building and skills development. We would like to offer Indian expertise to assist DRC in various priority areas identified by your side and would welcome concrete proposals for collaboration. We are aware of the rich mineral resources available in your country. Our cooperation in this sector can be hugely mutually beneficial. This can extend to our assistance in exploration. Our Industry would also be interested in availing opportunities in the mining sector in addition to procurement of various metals. We

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would be interested to know about existing mining opportunities and any studies conducted about further exploration works."

H. E. Raymond Tshibanda N'Tungamulongo, Minister of Foreign Affairs of Democratic Republic of Congo said, "India, the largest democracy in the world is an important country for us.

Congo is area-wise the 2nd largest country in Africa and 4th

largest country on population basis. As per IMF data, it is one of the fastest growing countries in the region. There are complementarities between the two countries and to strengthen them we have to translate our vision into a concrete action plan in the coming weeks. We are keen to benefit from the new initiatives taken by the new government in the area of mining and would seek inputs and cooperation on that front."

## MINING WILL START IN OCTOBER, SAYS CM

Stating that the process to restart mining in Goa has been completed, Chief Minister Laxmikant Parsekar said that mining operations will commence this October.

"In the last one year we have renewed 89 mining leases, revoked the MoEF ban on ECs and reduced taxes on export duty. All the processes to restart mining in Goa are almost complete and mining activities will restart from October this year after the monsoon," Parsekar said on Thursday addressing a gathering of over 8000 people in Panjim, in the presence of BJP national president Amit Shah.

He said that the mining affected people should remain relaxed as the government is firm on restarting mining.



The chief minister said that despite the lack of revenue from mining, the BJP-led government in Goa has given the best of schemes to the poor. "Our government was facing a financial crisis due to the sudden drop in revenue but we tried our best to give relief to the people of Goa," Parsekar said.

He has assured that all social schemes will continue and appealed to the people not to fall prey to the opposition campaign that schemes will be discontinued due to a lack of funds.

Parsekar also said that IT projects in Goa will begin soon as under the Goa Promotion Investment Board investments to the tune of Rs 2038 have been sanctioned which will create 6500 jobs.

## NAVEEN JINDAL DISCOVERS THERE'S NO SUCH THING AS A FREE LUNCH

Billionaire Naveen Jindal ran what was once India's most valuable steel maker worth more than \$14 billion. It's now valued at about 87% less.

The rise of his company, Jindal Steel and Power Ltd, was built on coal mines handed out for free by the government. That ended last year when the courts cancelled the permits.

Beside the loss of investors, he's fighting a court investigation into alleged irregularities in winning rights to a coal mine in Jharkhand. It all got worse last night when the company reported its first annual loss in at least a decade.

Jindal is one of several industrialists that constructed empires around a government policy starting in 1993 to give away rights to coal deposits. The idea was private businesses would do a better job developing the mines. This in turn would boost supply of coal to power plants under pressure to generate more electricity. Jindal received more of the gratis coal than any other company.

"It was the right policy at that time, because none of these mines were viable," said Kameswara Rao, executive director for energy and utilities at PwC India. "As commodity prices rose, the policy should have been changed."

The Supreme Court did that in September, ruling the give-aways were arbitrary and illegal. The court said the mines should be auctioned off in open bidding or other sales.

### No coal

That left businesses running the mines suddenly without supply and facing the costs to replace it. This was after years of combined investments of more than \$45 billion in power plants, steel mills and aluminum smelters to run on the free coal.

As the biggest beneficiary of the coal give-aways, Jindal won rights to 10 mines of the 218 handed out. The court in September ordered all the companies that received free mines to pay a levy of Rs.295 a tonne for the coal they had extracted. Jindal got the biggest bill of Rs.1,910 crore, hence the Rs.1,280 crore loss last year, it said Wednesday.

It's not that warnings weren't given that the free coal trough wouldn't last.

India's government started looking at auctions of the coal blocks in 2004. It took six more years to get that enacted in parliament, then another four years till the Supreme Court ruling.

"If we had adopted the auction methodology, there would be no such mess that we see today," P.C. Parakh, India's top bureaucrat in the coal ministry in 2004-05, said in an interview. "No one said no to auctions, but they kept dragging their feet."

### Hard lobbying

It isn't difficult to see why. Companies lobbied hard to get their hands on the free mines, which would later stoke allegations of

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influence peddling and bribery.

According to an interim report from a court in New Delhi last month, Jindal used his role as member of the Congress Party to gain control of a coal block in Jharkhand.

The court report says Jindal promised the state's chief minister Madhu Koda political support for his coalition government to remain in power. In return, Jindal got full control of the mine.

The court on 22 May said it will hear the case again on 1 June. If found guilty, Jindal could face three years in prison.

Jindal Steel is confident of a positive outcome in the court case, it said in a 22 May statement. The company didn't respond to multiple requests by phone and e-mail for an interview with Naveen Jindal or chief executive officer Ravi Uppal.

### Electricity cash

Beside free coal, another windfall came in the sale of coal-generated electricity.

In the absence of clear regulations, Jindal declined to sell power to state utilities and instead sold all the electricity from his plant in Chhattisgarh in the spot market at higher rates.

"Investing in the power plants without securing a long-term buyer was a big gamble that paid off," Anil Razdan, India's secretary for power from 2007-2008, said in an interview.

"With these steps, his company did very well financially and rose in the eyes of investors," said Rakesh Arora, an analyst at Macquarie Capital Securities India in Mumbai.

India would later make it mandatory for electricity producers using Indian coal to sell at least 85% of their power at regulated rates.

### Next step

In line with the Supreme Court ruling, India auctioned off 29 coal mines in March. Jindal won a couple of mines only for the government to hold back the permits, saying the bids were too low. Jindal has challenged that in court.

"Auctions are just a first step," said Debasish Mishra, a senior director at Deloitte Touche Tohmatsu India Pvt. Ltd in Mumbai.

Private companies mining coal in India are only allowed so-called captive use of the fuel at their own plants. By law it can't be resold. State-run Coal India Ltd has the monopoly on coal sales.

"The next reform should be to do away with captive coal mining altogether and open up the sector to private mining companies," said Mishra. "That would allow us to open large projects and dig deeper for the resource."

## FROM ARCLIGHT TO MINING LIGHT: CHUNKY PANDEY WON OFFSHORE MINING RIGHTS, BUT IT WAS NO HAPPY ENDING

Chunky Pandey says there he was, standing on the beach during a 2007 holiday in Ratnagiri, the wide blue expanse of the Arabian Sea in front of him, when he looked down at the sand. It was curiously black. And that's what led the Bollywood actor to the point where his company won six offshore mining leases. Or maybe not.

If you don't remember the goofy and amiable actor from 1980s hits such as *Tezaab* and *Aankhen*, you may know him as the villain with the droll dialogue in more recent comedies such as *Housefull*, both 1 and 2. The man who also achieved unexpected stardom in the Bangladesh film industry spoke to ET over the phone several times.

Nothing ever written about the man, mostly laced with his own generous contributions of self-deprecating humour, will lead you to guess Pandey is an offshore mining businessman in the making. That's because the 52-year-old would rather not speak about it. No one does. It's like not too many know his first name is Suyash.



Eight years after the Offshore Areas Mineral (Development & Regulation) Act, 2002, was introduced, the UPA government asked the Indian Bureau of Mines (IBM) to notify and grant leases. It was the government's first attempt at allowing mineral exploration of the seabed.

"Commencement of offshore exploration will set a new benchmark in the achievement of Indian mining industry hitherto unheard of and India will join the elite club of select few nations in this pioneering feat," according to an IBM report. Those successful stood to win rights to mine placer minerals such as ilmenite and rutile.

There were 377 applicants for exploration rights to 63 nine-by-nine km offshore plots – 26 in the Bay of Bengal and 37 in the Arabian Sea.

According to data provided by IBM on March 22, 2011, sixteen firms were selected, including Via Earth Resources, a company co-owned by Pandey and his wife Bhavna.

This was before the Karnataka Lokayukta's incriminating report

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forced then chief minister BS Yeddyurappa to resign. Before a central commission blamed both the central and state governments for allowing illegal mining worth thousands of crores in Goa and Odisha. And certainly before the Supreme Court said natural resources must be allotted in a transparent manner, ideally through auctions. So when aggrieved parties, including Chennai-based Ti-Slag, took IBM to court, it didn't quite cause the commotion that allocation of natural resources have since then.

Arni Natesan Padmaraj, chief technology officer and director of Ti-Slag, had for years nurtured dreams of mining an offshore deposit. Others such as Hyderabad-based Trimex Group said IBM had failed to publicise the notification inviting applications for rights to these blocks widely enough.

Even the Department of Atomic Energy's Indian Rare Earths failed to make the cut for a block only 12 nautical miles from its existing beach sand mineral plant at Chavara in Kerala. The state-owned company didn't contest the order. Curiously, a technical committee to frame field guidelines for exploration of offshore areas in line with United Nations Framework Classification (UNFC) norms had been constituted on August 27, 2010. UNFC norms are used to classify and evaluate energy and mineral resources.

In July 2011, some of the successful firms had been registered only days before applications were invited. And a third of

these blocks had been granted to four companies, including RVG Minerals and Metals, essentially controlled by the same family. The Central Bureau of Investigation (CBI) began a preliminary inquiry into the allocations in September 2012. In December 2013, then mining minister Dinsha Patel told Parliament that CBI had "concluded that no misconduct was found on the part of any public servant of IBM". Most court cases have been set aside, barring the one filed by Trimex. In its 2011 annual report, IBM said apart from 17 blocks that were the matter of a petition in its home town of Nagpur, it had initiated the execution of the remaining leases.

However, four years later, no one quite seems to know the fate of these leases. Emails to Mines Secretary Anup Pujari and the IBM controller-general seeking clarification went unanswered.

"The matter has been heard by every court and no wrongdoing has been found. Why doesn't the government take this forward?" said a representative of RVG Minerals and Metals, who didn't want to be named. He justified the decision to bid through multiple companies by pointing out the Act itself insisted that only contiguous blocks could be allocated to any individual company. "So if RVG were to bid for three blocks in the Bay of Bengal and three in the Arabian Sea, it would stand to win only one of the two lots," he explained. Sometime last year, Padmaraj of Ti-Slag even met up with Chunky Pandey to discuss collaboration with Via Earth Resources, which he said has the best environmentalist on board.

## TATA STEEL INKS LEASE DEEDS FOR SIX MINES

Tata Steel has signed supplementary lease deeds for six iron and manganese ore mines falling under Joda circle in Keonjhar district.

After the execution of lease deeds, the six mines that are poised to restart operation are Joda West, Joda East, Manmora, Khandabandh, Tiringpahad and Bamebari. All these six mines were affected by the Supreme Court order in May 2014.

The court order had snapped operations of 26 iron and manganese ore mines in the state that were functioning under the provisions of 'deemed extension' of Mineral Concession Rules (MCR), 1960.

"We have executed the supplementary lease deeds for our six mines. The company has deposited about Rs 400 crore towards stamp duty charges and registration fees," said a company source.

N Thirumala Naik, Keonjhar collector could not be reached for comments on the matter. Last week, the government had executed lease deeds for 10 mines. The lease deeds were executed for five mines owned by Rungta Group including Rungta Mines, Fee-grade & Company Ltd and the rest owned by Odisha Manganese & Minerals Ltd (OMM) and Aryan Mining & Trading Corporation Ltd (AMTC).

In total, the state government has issued orders to extend the lease validity of 29 mines - 21 captive and the balance non-captive mines. Out of these, 25 are iron and manganese ore mines which upon resuming operation can augment iron ore production by over 40 million tonne. The mines held KJS Ahluwalia, Kaypee Enterprises, Kalinga Mining Corporation, KN Ram & Company, Vivek Lall and Bargarh Cements would also sign the supplementary lease deeds soon.



The state government had allowed three months' time (from the date of issue of orders) to lessees to sign supplementary lease deeds.

Other conditions to operate mines include payment of NPV (net present value) dues and complying with the Supreme Court order to be pronounced in the final disposal of the cases relating to these mines as well as pending orders on recommendations of the MB Shah Commission of enquiry and the central empowered committee (CEC) on illegal mining in the state.

## ODISHA TO SEEK IRON ORE LEASE FOR POSCO CITING GLOBAL COMMITMENT

A day after Union Steel and Mines Minister Narendra Singh Tomar said Posco has to take part in the auction process for obtaining a mining lease, the Odisha government said, the Centre is backing away from its earlier stance of granting a mining lease for Posco on preferential basis.

"In the recent workshop conducted by the Union ministry of mines for clarification related to MMDR ordinance, they had agreed to the proposal of granting an iron ore lease in favour of Posco. But now the minister's statement shows the Centre is backing away from that position and it is unfortunate. We will certainly raise this issue after consultation with the chief minister," said Prafull Mallick, state steel and mines minister.

In the newly introduced Mines Mineral Development and Regulation (MMDR) Amendment Ordinance 2015, the provision of preferential grant of mining lease has been struck out and instead a provision of lease grant on auction basis has been introduced. "Even I will have to bid to get a mining lease," Tomar said on Thursday, ending uncertainty over what will happen to the Odisha government's recommendation for grant of prospecting license (PL) for Khandadhar iron ore mines to Posco.

The Odisha minister expressed his displeasure over the Union minister's statement citing that the Centre must keep its

international commitments. "The Centre should accept state's recommendation and fulfil its international commitment, otherwise it will affect the image of the state and the Centre in attracting new investments. As the recommendation in favour of Posco was made much before the Centre's ordinance on auction of mines, the Centre should spare the foreign investor from the bidding process," Mallick said.

If needed, the state government would take legal action to keep its promises, he added.

Though the new ordinance has provision for auction of mines leases, another clause in it mentions that written recommendations of a state government prior to the ordinance for grant of a lease shall be considered for mines lease grant.

In January 2014, the state government had recommended for grant of PL in favour of Posco. The Centre has asked it to review the recommendations due to dispute over some areas. Though Odisha has sent back its recommendation of a revised area in favour of the steel maker, no decision has been taken in this regard so far.

Posco has committed to build a 8 million tonne per annum steel plant in the state in the first phase. Land acquisition for the plant site is almost complete.

## STEEL PRODUCERS DEMAND AUCTION OF IRON ORE MINES

Steel producers have demanded that the government must make an effort to auction off iron ore leases after the revision of Mines Mineral Development and Regulation (MMDR) Act as iron ore rates in domestic markets have not declined.

According to global trading websites and the International Monetary Fund (IMF), global iron ore prices fluctuated between \$60 to \$187 per tonne over the past 6 years. Between January 2013 and January 2015, iron ore prices fell drastically by around 55 per cent to \$67.39 per tonne due to poor demand of steel. However, the rates in Odisha, the top producer, has been declined by less than 15 per cent in the same period as miners have refused to lower their rates.

"The government at the centre and state should proactively expedite the process of auctioning new iron ore mines to steel plants giving fresh breath of life to the iron and steel sector and keeping productions going forward," said Vishal Agrawal, head of Odisha chapter of Confederation of Indian Industry (CII).

As per a resolution of the state steel and mines department, half of the minerals produced by merchant miners are to be supplied to local steel producers without having captive mine, at a rate decided by the government.

However, the steel makers often complain that the mine owners are manipulating the government guidelines and refusing to lower iron ore rates, which should have been in the range of

Rs 1,500 per tonne on the backdrop of meltdown in international prices.

The state government today decided the Odisha Mining Corporation (OMC) should set aside 70 per cent of its iron ore production for local steel producers. Earlier, 50 per cent output of the state-run miner was reserved for the domestic end use industries. OMC produces nearly two million tonne iron ore every year.



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