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# Geonesis

(A GEMCO KATI INITIATIVE)

Indian Mining & Exploration Updates

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## DIWALI FOR MINERS... WHEN??



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# CAN'T SAY AT THIS MOMENT THAT MINERAL BLOCK AUCTION WOULD BE A HUGE

**Q Various mineral producing states have identified 80-90 blocks that will be auctioned by November. The Centre is hand-holding the states. What's the status of the auctions?**

Nearly 80 blocks in 8 to 9 states have been identified. Currently they are under the process of differential GPS. Once that is finished, they will start work on documentation etc. and other steps required for auction. Hopefully by the second or third week of November, they will issue an NIT (notice for tender) for auction. Once that's done, it will take another two to three months to complete the auctioning and other formalities.

**Q And the Centre is hand-holding the states...**

Where the states have demanded, we are carrying out the hand-holding exercise. Some states have asked us for survey.

**Q Spectrum auction and coal block auctions were huge hits. Will the coming mines auction be another such blockbuster?**

We can't say at this moment. Some of the states are having iron ore mines like Karnataka. They are going to auction all the 15 mines of iron ores. Certainly that should fetch a good amount. For other states, it's sort of a mixed bag. Many blocks are for limestone and other minerals. So, at this point, it's difficult to assess and say about the potential of total auction amount.

You talked about the Karnataka's iron ore mines. What used to happen in places like

Bellary will be a thing of the past? After so many court decisions and the Shah Commission, so many developments have taken place. I don't think it would be possible now to revert to the pre-Jan 2015 situation in the district in the state.

Why did the value of mineral production in India come down from Rs 285761 crore in 2012-13 to Rs 227000 crore in 2013-14? This is primarily because the prices of iron ores, aluminium, bauxite have fallen down in recent times in international market. The prices of primary metals like steel, aluminium, copper, zinc -- all have fallen. That must be the reason why the total value of the mineral production has come down in last one year.

**Q Do you have a target or figure - by this year we would be able to auction this value of minerals in the country? Right now exact details are not available with us or the states. Once the survey exercise is over, the states will come to know of the reserve prices. Once the reserve prices are known, we can say that this much money is expected through auctions.**

A report by Ernst and Young and the Federation of Indian Mineral Industries says that the government should complete exploration of mines before auctioning and the Geological Survey of India has been unable to complete the exploration for most minerals. What do you have to say on this?

For the blocks that are going to be auctioned, the exploration exercise has been done. GSI or MECL or in some cases state governments - they have carried out the exploration to the extent required.

**Q You are also floating global tenders for the aerial geographical survey of mineral rich states. What's the status now?**

We want the primary survey for exploration should be completed in the next three to four years. So that after that a detailed exploration can be started wherever there's a possibility. At present we are not too sure about the areas, though we know that these are the potential core areas for minerals, but exactly in which areas the minerals are located, we don't have that much of an idea. So we feel that once this aerial geophysical and electromagnetic survey is carried out then detailed and regional exploration can be taken up. This will be for the first time that global tenders are being floated.

**Q Why did Rajasthan, Maharashtra and Gujarat say they would manage the mines on their own? How is the Centre coordinating with them?**

Some of the states are carrying out surveys themselves. Either they have engaged agencies/ outsourced surveys to agencies or their own staff is carrying out total station survey and differential GPS. Where they don't have adequate manpower or technical expertise, there they have asked

us to provide. In turn we have requested Mecon to depute some empanelled agencies.

**Q Gold mines too are being auctioned...**

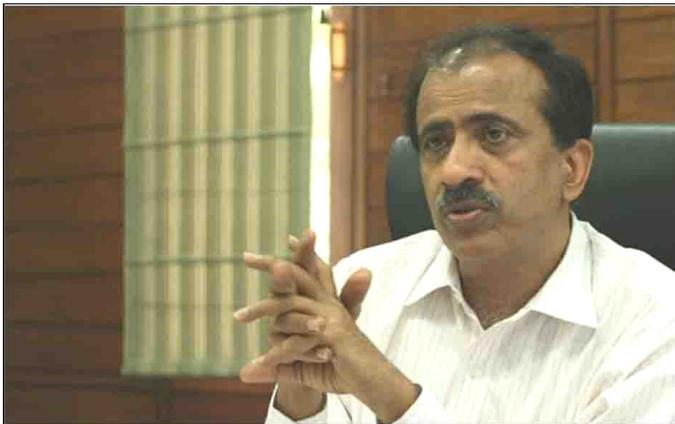
Out of the 80 blocks that we're targeting, there are two-three blocks of gold.

**Q What about the Kolar gold mine?**

Kolar gold mine is closed. We are examining the matter and we will take some decision shortly.

**Q Any other latest development on this front?**

Mining tenement system. We have floated RFP (request for proposals). We expect the vendor to be finalized in the next one and a half months. Under this MTS from one end to another, all the processes and all the steps would be computerized and automated. Some states have taken some steps in this like Odisha. The state has automated its system. We want to have all-India automated, computerized application system



## FIRST COAL BLOCKS TO BE AUCTIONED FOR COMMERCIAL MINING IN INDIA

ATA (miningweekly.com) – The Indian government will put five to ten coal blocks up for auction by the end of November to usher in commercial mining for the first time in the country. According to a senior official in the Coal Ministry, the auction for this lot of coal blocks for commercial mining would follow the auction of eight to ten coal blocks exclusively for industries such as steel, cement and aluminium for captive consumption and where the end products of these companies were not price controlled by government. He said that, since the aim of launching commercial mining in the country was to bring in standalone large mining or resources companies, coal blocks with large reserves had been identified by the Ministry, each of which could yield capacities of around 20-million tonnes a year, larger than the average coal mines auctioned until now for captive coal user industries. Earlier this year, the Indian government amended the legislative environment through the Mines, Minerals Development and Regulation Act 2015 with enabling provisions to auction coal blocks to standalone mining companies, both domestic and foreign, who would have the freedom for merchant sale of coal to any user industry, barring exports. However, no clarity was available on the sale and pricing guidelines for standalone miners successful in the auction for commercial mining. The bulk of coal production in India, with 80% accounted for by government-owned and managed Coal India Limited (CIL), was price administered by the government with small volumes sold through e-auctions by the latter. With the proposed establishment of a coal sector

regulator with a mandate to set prices having been put on the backburner, a few pricing options for merchant coal miners were being considered but no final decision had been taken yet, the official said. He added that one of the options for pricing commercially mined coal would be to benchmark it to the e-auction price of CIL product. The second option under consideration was to set up a common auction platform for commercial coal miners, which could be operated and managed by any of the government-owned trading firms such as MMTC Limited. Since early this year, the government has completed the allocation of 60 coal blocks, with 34 through the auction route and the balance awarded to government companies such as power utility NTPC Limited and Steel Authority of India Limited through the government preferential route. However, some Coal Ministry officials expressed concern over responses to the auction for commercial mining coal blocks, given the current downturn in international coal prices. Even domestic mineral and mining companies, particularly those in the private sector, faced a severe debt overhang, with the steel sector alone accounting for over \$50-billion of stressed bank borrowings. Much of the success of the auction and subsequent valuations of the coal blocks would depend on the government's recent road shows overseas, including the recent visit of Steel and Mines Minister Narendra Singh Tomar, to Australia, with the latter government assuring it would facilitate global resource majors, such as BHP Billiton and Rio Tinto, increasing investment exposure in India, the Ministry official added.

## NEW LEASE OF LIFE FOR 126 STATE MINES

To revive mining activities, the state government has decided to extend the lease period of 126 mines by December in accordance with the Mines and Minerals Development and Regulation (MMDR) Act, 2015. These include leases for minerals like iron ore, bauxite, manganese and chrome ore.

The government has so far extended the lease period of 52 of the total 178 eligible mines. This was done in different phases. The MMDR Act, which came into force on March 27, has provisions for extension of the lease periods of all captive mines till March 31, 2030, and non-captive mines till March 31, 2020. "Of the 52 mines, 28 have signed lease deeds with the government, which helped the state earn stamp duty and registration fees worth around Rs 1,200 crore. We hope to complete the extension process by December," director of mines Deepak Mohanty told TOI.

The Centre had been emphasizing on early extension of lease deeds, he added.

Among other mineral-bearing states, Rajasthan has extended the lease period of 3,677 mines, Maharashtra 74 and Karnataka 67.

Meanwhile, the state government has also identified 12 blocks for auction in the first phase. These include five each of iron ore and limestone mines and one each manganese and bauxite reserves. "The differential global positioning system survey of mines has been completed and geological reports will be ready by October. The SBI Capital Markets Limited, an investment bank, and MSTC Limited, a central PSU, will be engaged to prepare the bidding documents," said an officer of the steel and mines department.

## STATES TO AUCTION 71 LEASES THIS FISCAL

Leases of 71 non-coal blocks have been lined up by ten states to be auctioned in this fiscal. Of these states, Gujarat is likely to put six limestone mines under the hammer within a fortnight followed by Maharashtra, Chhattisgarh and Odisha.

The governments of these states have together furnished their respective list of mines to be auctioned during a meeting convened by Union mines secretary Balvinder Kumar on

September 24. Gujarat has set a target of auctioning up six leases of limestone mines by October 31. Barring Tamil Nadu and Telangana, most states seem to be prepared to auction leases. While Karnataka, Maharashtra and Odisha have accorded priority to auctioning iron ore leases, states like Rajasthan, Gujarat, Jharkhand and Chhattisgarh have lined up limestone mines for inviting bids. (Continued on Page 3)...

For iron ore, Karnataka alone has identified leases of 15 blocks, while Maharashtra and Odisha have also lined up at least three such mines each for the same.

Firms like KPMG, Crisil, SBI Caps and metallurgical consultant Mecon have emerged as preferred transaction advisers for these 10 states in the impending auctions, while state-run MSTC Limited would be the auction platform for them, their representatives told Kumar. However, proceedings of the meet as recorded in the minutes indicate that the states still need certain degree of hand holding in terms of survey and delineation of the mines, preparation of geological reports and expediting transaction advisory. The mines secretary sought to allay the apprehensions of the representatives saying PSUs like Geological Survey of India (GSI), Indian Bureau of Mines, MSTC, Mecon, SBI Caps and Mineral Exploration Corporation Limited (MECL) have been assigned to handhold the state governments for various essential activities for auction, according to minutes. A senior ministry official told The Indian Express that to help the states identify additional mineral

blocks which can be auctioned in the near future, both GSI and MECL have furnished 245 and 58 geological reports to various state governments. "But the states need to urgently reconcile these reports with their leasehold areas and revenue or forest maps and pave the way for their auctions on urgent basis," he pointed out. The mines ministry has recently circulated an advisory for the grant of concessions in case of minor minerals also through the auction route. The representatives were told to keep the same in mind while framing the rules for minor mineral concessions. Gujarat is learnt to have appointed SBI Caps for drafting concession rules for such minerals for inviting bids. The ministry has tried to sweeten the bid criteria by proposing that preferred bidders would not be required to pay upfront payment or royalties at the prospecting licence stage. List furnished \* Karnataka, Maharashtra and Odisha have accorded priority to auctioning iron ore leases \* Barring Tamil Nadu and Telangana, most states seem to be prepared to auction leases. \* Maharashtra and Odisha have accorded priority to auctioning iron ore leases

## GSI TO EXPLORE LIMESTONE DEPOSITS IN CHHATTISGARH

The Geological Survey of India (GSI) will be taking up exploration of limestone deposits in Kharri-Parsadih block of Raigarh district of Chhattisgarh.

It has also decided to outsource drilling work for exploration of limestone in Kharri-Parsadih block, officials stated.

It may be recalled that GSI will also be making an assessment of bauxite ore deposits existing in Damchun block of Balrampur district in Chhattisgarh.

Limestone and dolomite deposits are located in Raigarh, Janjgir-Champa, Kabirdham, Bilaspur, Raipur, Durg, Rajnandgaon districts forming part of Chhattisgarh basin and in Jagdalpur district within Indravati basin and in Dantewada district in Sukma basin, according to the officials of Chhattisgarh Mining Department.

Notably, the Chhattisgarh Government has targetted to carry out survey and mapping for 1,000 square kms of State's area during 2015-16 for geological exploration during the 12th five year plan (2012-17).

The minerals to be explored as bauxite, limestone, iron ore, coal, dolomite, manganese and granite, officials stated.

The Directorate of Geology & Mining is the State agency engaged in exploration of mineral resources as well as minerals development and regulation work in Chhattisgarh.

The Directorate has the facility of remote sensing, cartography, survey, drilling and petrological techniques for geological investigations supported by the chemical laboratory (conventional and instrumental techniques of analyses) to assess the mineral resources. The mineral exploration works are being carried out through three Regional Offices, Raipur, Bilaspur and Jagdalpur, officials stated.

The grant of mineral concession, collection of revenue

and regulation of mineral concessions are being carried out through District Offices under the control of Collector, district concerned.

The Directorate also provides technical and legal advice, related with grant and regulation of mineral concession to the State Government.

Explorations had been promised for Bauxite in Dandkesra and Murdadand area of Surguja and Darai and Bhuski-Pakri/Pandripani area of Kabirdham districts (two areas), Iron ore in notified areas of Kanker and Narayanpur districts and Pavaras and Kachhora area of Bastar district.

Moreover, explorations are being proposed for Limestone in Raipur, Rajnandgaon, Janjgir-Champa and Dantewada districts, Manganese in Raipur district, Dolomite in Janjgir-Champa district, Granite in Kanker, Bastar and Narayanpur districts, Coal in

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Saidu area and West of Mainpat Plateau of Surguja district. Chhattisgarh is set to earn estimated revenue of ₹51,596 crore from its five mines auctioned among 29 in the country under the provisions of Coal Mines (Special Provisions) Act, 2015 during the mining lease period.

The Directorate of Geology and Mining, Chhattisgarh is also engaged in prospecting of limestone for last many years. Subsequently, a large number of suitable sites for establishment of cement plant of various magnitudes have been identified in the State.

## LEAD ROLE FOR BENGAL IN NEW COMPANY TO MINE BIRBHUM COAL

Bengal today led the creation of a new coal company nearly two centuries after it pioneered coal mining in India.

Bengal Birbhumi Coalfields, where the state has the largest share, held its first board meeting in the city today, kicking off the process of tapping into arguably one of the bigger coal mines of the country.

Five other states - Karnataka, Bihar, Punjab, Tamil Nadu and Uttar Pradesh - along with public sector Satluj Jal Vidyut Nigam Ltd are the other shareholders of this company that plans to mine coal from the blocks which have an estimated reserves of around 2 billion tonnes. Bengal will have a 28 per cent share of the total production pie, the largest among all.

Rana Som, former chairman of state-run miner NMDC, has been nominated as the first chairman of the company.

According to the agreement among the states, Bengal will have the right to nominate the first chairman who would be at the helm for at least a year after production begins. The state nominated Som, who in his earlier role as chairman, had assisted NMDC to partner Bengal for this Birbhumi-based block.

Santanu Basu, managing director of West Bengal Power Development Corporation Ltd, will represent Bengal on the company's board and will officiate as its managing director as well for the time being.

Bengal chief minister Mamata Banerjee announced the name of the company on Twitter and also posted on Facebook: "Bengal Birbhumi Coalfields Ltd (BBCL), a new baby is born today."



The new company will develop India's largest coal mine in Deocha-Pachami, Birbhumi, which is estimated to have more than 2 billion tonnes of coal. The mine will supply coal to the power plants in Bengal and other states. Lakhs and lakhs of employment will be created and socio-economic infrastructure of the region will change radically, giving a huge boost to the economy and large benefits to the people."

Incidentally, Prince Dwarkanath Tagore was the first Indian to dabble in coal mining when he took over the operations of Alexander & Co in 1835 for a block in Ranigunj. Later, he founded Bengal Coal Co in 1843 along with a British firm.

State power ministry sources said it would take another 4-5 months to complete the procedural and legal aspects of the company's operations. Upon obtaining clearances both from the Centre and the state, a mine development operator would be appointed by floating a tender.

However, industry sources said it would be not be easy to lift coal from the block because of its geological attributes. The block is spread across an area of 1230 hectares with coal seams concealed within a thick cover of laterite. "There are good grades of coal within the seams. But overburden removal and management could be a challenge," said a source.

For Bengal, the coal lifted from Deocha Pachami would be used in WBPDC plants. The coal could also be supplied to NTPC's thermal power plant at Katwa. Sources, however, said NTPC was not among the original allottees of the block and, therefore, has no direct claim on the coal mined. However, with actual mining still a long way from commencement, a solution could be found by then.

## JAYPEE GROUP AGAIN IN TALKS WITH JSW TO SELL ITS 20 MT CEMENT PORTFOLIO

MUMBAI: Almost eight months after initiating a dialogue, Jaypee Group has revived its negotiations with Sajjan Jindal's JSW to sell its entire 20-22 million tonne cement portfolio in a bid to significantly improve its financial health, three people familiar with the development said.

Manoj Gaur, Jaypee's executive chairman and CEO, along with senior representatives of his lenders' consortium, is believed to have met Jindal and his top brass in the latter's

Mumbai office a fortnight back, the sources said

Jaypee Group, one of the most debt-laden conglomerates with estimated outstanding dues of Rs 75,000 crore at the end of FY15, had earlier this year approached JSW Cement, a private company of the diversified JSW Group, and some other potential buyers with an exploratory offer to sell a controlling 51 per cent stake in a joint venture that would control majority of its cement

(Continued on Page 5)...

units. ET in its March 16 edition had reported about such a plan. But those talks did not fructify.

Now, Jaypee has gone back to JSW with a proposal for a complete sellout of its cement portfolio, the three sources said.

Sources, however, said the talks are still preliminary in nature and there is no guarantee that they may lead to a transaction. Jaypee's initial expectation of an enterprise valuation of Rs 19,000 crore (\$2.9 billion) inclusive of debt for the entire cement business could also be a spoiler, they said.

Both JSW and Jaypee's spokespersons did not wish to comment on "market speculation".

One of the sources said Jaypee has brought on board a Big Four consultant for due diligence and advisory related work.

Jaypee is under pressure from its lenders to sell assets and restructure its debt.

"Jaypee's key lenders like ICICI Bank are trying hard to construct a deal as till date the asset sales have not helped the group turn around," said a senior official at a lender with exposure in both Jaypee and JSW groups. "They had earlier approached another cement player with large footprint in south and east with a similar offer but it did not go anywhere. Unless Jaypee's debt is restructured and lenders agree on a significant write off, it will be exceedingly tough for anyone to take over the assets with such high debt/equity," the person said on condition of anonymity.

As per the latest estimates by Credit Suisse, Jaypee's group debt has ballooned to Rs 75,000 crore at the end FY15 despite a spate of asset sales from its cement, power and realty businesses.

The Delhi-based group is among the top five cement players nationwide even after divesting around 9 million tonnes of capacity to local peers like UltraTech, Shree and Dalmia Bharat for over Rs 7,000 crore. Its efforts to divest an additional 4.9 million tonne in Madhya Pradesh to UltraTech for Rs 5,400 crore is under regulatory cloud and awaiting approvals since earlier this year.

Jaypee's cement units are spread across Uttar Pradesh, Himachal Pradesh, Andhra Pradesh, Chhattisgarh and Karnataka. The lion's share of its cement business, or approximately 14.2 million tonne, is under the group flagship Jaiprakash Associates (JPA), which is also the most debt laden at Rs 60,000 crore, according to Bloomberg data.

The rest, including the 5 million tonne Balaji Cement, are housed under subsidiaries, joint ventures or group entities.

One of the sources quoted initially said Jaypee is likely to exclude its first cement plant located in Rewa, Madhya Pradesh, from the proposed sale. Rating agency CARE in July downgraded JPA's debt to default status after the company defaulted on repayment of a non-convertible bond. Deterioration in the company's financial performance and delays in receipt of funds through asset sales affected its liquidity position, CARE said. For the year ended March 2015, JPA reported consolidated net loss of Rs 1,543 crore on an operating income of Rs 19,650 crore as against net loss of Rs 703 crore on a total operating income of Rs 20,007 crore in FY14.

The company's scrip has lost 45 per cent of its market value in the last one year. On Friday, its market capitalisation was Rs 3,264 crore.

"Even as some groups like Jaiprakash Associates and GMR cut back on capex and looked to sell assets, their debt/EBITDA have deteriorated further as the relatively better assets, contributing to as much as 70 per cent of EBITDA, have been sold," wrote analysts Ashish Gupta, Kush Shah and Prashant Kumar from Credit Suisse in their latest 'House of Debt' report on corporate indebtedness in India, dated October 21.

A Mumbai-based equity analyst tracking Jaypee Group said asset sale is tough under the new mining and the only way out for Jaypee was to create a company and sell it. "Ultratech's acquisition of two Jaypee Cement units is stuck for close to a year now. The Lafarge unit sale is facing the same consequences. So Jaypee has to transfer all its assets into a new company and sell shares of that entity. That is the only way out. Considering its balance sheet, it needs to get out of business entirely," the person said.

## MAKE STAND CLEAR ON POSCO, BJP TELLS GOVT

Expressing concern over the abnormal delay in reviving MoU signed with Posco, Bharatiya Janata Party state unit Wednesday

asked the state government to make its stand clear on the proposed `52,000 crore steel unit near Paradip. "The state has been trying to cover up its failure to implement Posco project 10 years after signing the MoU. Now, they are trying to involve the Centre to shift responsibility and mislead people," senior BJP leader and former industries minister Biswa Bhushan Harichandan told newsmen.

As per the amended mines and minerals development

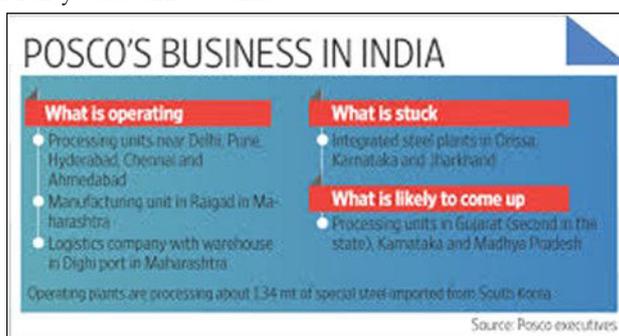
regulation (MMDR) Act, the mines will be allotted only through auction and even the Centre cannot lease out any mine as per the

amended Act, he said, adding, "Why is the state government trying to hoodwink the people by blaming the Centre?" He said the state government should convene an all-party meeting on this issue and request the Centre for a high-level meeting for the project.

The former minister further said, "Let the state government take a final decision in this regard after calling up

Posco for a final-round meeting on the issue."

(Continued on Page 6)...



Referring to Patnaik's meeting with Union finance Minister Arun Jaitley October 22 in Delhi he said Patnaik had urged Jaitley to organise a high level meeting to resolve the Posco issue. Stating that the MoU with Posco became null and void in 2010, Harichandan said the state government needs to sign a fresh agreement with the South Korean company to set up the plant. The new agreement should have provision on how the state will benefit from the project. The ruling BJD rejected the claims of Harichandan saying the ball is now in Centre's court.

"To ensure raw material supply to the plant, we had requested

the Centre to reserve Khandadhar mines for the company. But, the Centre rejected it saying the company has to take part in auction process to get mines," BJD spokesperson PK Deb said. Consequently, the state government had decided to make a long-term ore linkage phenomenon for the Posco project through Orissa Mining Corporation (OMC). However, the company is yet to respond to it, Deb said, adding, "The company is eyeing mines and the Centre can resolve it." In so far as the MoU is concerned, the state had written to Posco authorities, but, the company is yet to respond to the missive, he added.

## GESI TO ASSESS BAUXITE DEPOSITS EXISTING IN DAMCHUN BLOCK

The Geological Survey of India (GSI) will be making an assessment of bauxite ore deposits existing in Damchun block of Balrampur district in Chhattisgarh.

Notably, Chhattisgarh accounted for 6.07 per cent of the total bauxite production in the country in 2013-14, as per the annual report of the Union Ministry of Mines.

Gujarat had the maximum 32.41 per cent share in bauxite production while Jharkhand had 10.53 per cent share and Maharashtra had 9.51 per cent share. The remaining bauxite production was reported from Goa, Tamil Nadu and Karnataka, it stated.

Incidentally, the total value of mineral production (excluding atomic & minor minerals) in the country during June 2015 was `18,194 crore. The contribution of coal was the highest at `6662 crore (37 per cent). Next in the order of importance were – petroleum (crude) `5636 crore, iron ore `1847 crore, natural gas (utilised) `2164 crore, lignite `516 crore and limestone `490 crore. These six minerals together contributed about 95 per cent of the total value of mineral production in June 2015.

Production level of important minerals in June 2015 were: coal 465 lakh tonnes, lignite 39 lakh tonnes, natural gas (utilised) 2617 million cu.m., petroleum (crude) 31 lakh tonnes, bauxite 1524 thousand tonnes, chromite 220,00 tonnes, copper conc. 10,000 tonnes, gold 100 kg., iron ore 106 lakh tonnes, lead conc. 21,000 tonnes, manganese ore 173,000 tonnes, zinc conc. 130,000 tonnes, apatite & phosphorite 171,000 tonnes, limestone 249 lakh tonnes, magnesite 18,000 tonnes and diamond 2678 carat.

The production of important minerals showing positive growth during June 2015 over June 2014 include 'apatite & phosphorite' (205.6 per cent), 'chromite' (43.6 per cent), 'lead conc.' (41.3 per cent), 'zinc conc.' (27.5 per cent), 'copper conc.' (13.7 per cent), 'limestone' (3.4 per cent) and 'coal' (2.2 per cent). The production of other important minerals showing negative growth are: 'petroleum (crude)' [(-) 0.8 per cent], 'iron ore' [(-) 5.9 per cent], 'natural gas (utilised)' [(-) 7.4 per cent],

'lignite' [(-) 8.7 per cent], 'bauxite' [(-) 10.0 per cent], 'manganese ore' [(-) 13.8 per cent], 'magnesite' [(-) 24.7 per cent], 'gold' [(-) 27.5 per cent] and 'diamond' [(-) 31.9 per cent], officials stated.

Moreover, Chhattisgarh had 7.48 per cent share in total value of mineral production in the country during 2014-15, according to the annual report of the Union Ministry of Mines. As per the report, Rajasthan had share of 11.49 per cent, Gujarat ( 8.85 per cent), Andhra Pradesh ( 8.25 per cent), Chhattisgarh ( 7.48 per cent) followed by Jharkhand ( 7.37 per cent), Odisha ( 6.38 per cent), Maharashtra ( 5.35 per cent), Madhya Pradesh ( 4.70 per cent), West Bengal ( 4.32 per cent), Assam (4.04 per cent), Karnataka (2.96 per cent) and Uttar Pradesh ( 2.72 per cent).

The remaining States and Union Territories having individual share of less than 2.5 per cent all together accounted for remaining of total value of mineral production during the year under review, the report stated.

State-wise analysis revealed that during 2014-15, the value of mineral production have shown a mixed trend as compared to the previous year.

The States which have indicated an increase in the value of mineral production are -- Tripura (14.3 per cent), Karnataka ( 1.6 per cent), Bihar (6.6 per cent), Himachal Pradesh ( 16.5 per cent), Meghalaya ( 61.6 per cent), Uttar Pradesh ( 0.8 per cent) and Chhattisgarh ( 0.7 per cent).

During 2014-15, mineral production was reported from 33 states and union territories which is actual reporting from Mineral Conservation and Development Rules ( MCDR) and fuel minerals from 23 states and estimation of minor minerals for all the 32 states and union territories of which the bulk of value of mineral production of about 94.18 per cent was confined to 13 states ( including off shore areas) only, it stated.

Offshore areas are in leading position in terms of value of mineral production in the country and had the share of 20.27 per cent in the national output, the report stated.



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## ODISHA STATE PLANS TO REVIVE BAUXITE MINING PROJECT IN NIYAMGIRI HILLS, INDIA

Indian state Odisha is planning to revive Vedanta Resources' bauxite mining project on top of the Niyamgiri Hills, a forested area that the local Dongria Kondh tribe considers sacred.

Vedanta Resources has planned to mine the Niyamgiri Hill range, which is believed to be the home of deity Niyam Rajawhich, who is worshipped by the tribe.

The company formed a joint venture with the state-owned Odisha Mining Corporation to develop the Niyamgiri mine, under a memorandum of understanding.

Niyamgiri Hills contains 72 million tonnes of bauxite, which the firm intended to mine to feed its alumina refinery plant at Lanjigarh, Odisha.

Now, the state government is again making a fresh attempt to mine the ecologically fragile hill as its OMC is still the leaseholder.

In 2010, the Union Environment Ministry originally rejected Vedanta's proposal to mine bauxite from the area.

However, Vedanta and its partner OMC filed an appeal with the Supreme Court against this decision.

In April 2013, India's top court ruled that the decision to allow Vedanta Resources to mine bauxite in two districts of Orissa state rests with local tribes.

Subsequently, the state held meetings in 12 villages to discuss the environmental and religious issues, and the rights of the tribes.

However, the tribes opposed Vedanta's plans and the proposal had to be shelved.

Currently, Odisha steel and mines minister Prafulla Mallick said: "The state government is keen to hold gram sabhas again for Niyamgiri bauxite mining. We will seek legal opinion on whether we should seek permission of the Supreme Court or the Union Ministry of Environment and Forest to conduct the gram sabhas."

However, the state government will find it difficult to relaunch the gram sabha meetings on this issue.

Mines expert and former director of mines with Odisha government B K Mohanty was quoted by Business Standard as saying: "The gram sabhas for Niyamgiri bauxite mining were conducted as per the directions of the Supreme Court. Now, the state government has to seek permission from the apex court to start the process again. I believe this is going to be tough."

## CHHATTISGARH: NAXALS TORCH MINING VEHICLES, PRIVATE BUS

Naxals on Friday torched 26 vehicles at an iron ore mine in Chhattisgarh's insurgency-hit Kanker district, the action coming after they had targeted a private operator's bus in Bijapur district last night, police said.

Nobody was injured in these incidents, they added.

A group of armed Naxals raided the Chargaon iron ore mine in the Siksod police station area this morning and, after threatening and asking the labourers and drivers to clear out, torched 26 vehicles that were in service at the site, Kanker SP Jitendera Singh Meena told PTI.

After torching the vehicles -- 24 trucks and 2 tippers -- the Maoists fled into the forest, he said.

A police team was immediately rushed to the spot and a search operation has been launched in the area to nab the ultras, the SP added.

Maoists are reportedly opposed to iron ore mining in the area by a particular company. Four officials of the company,

including a general manager, were kidnapped by Naxals on April 1 this year from Chargaon iron ore reserve. They were released the same day.

Last night, in Bijapur district, the Naxals set ablaze a bus after asking its passengers to alight.

The incident occurred near Dudheda village under Madded police station limits when the bus, run by a private operator, was on its way to Bhopalpatnam from Jagdalpur district headquarters, a senior police official said.

Naxals also fired at another passenger bus on the same route, but no one was injured in the two incidents.

Before fleeing, the ultras threw some pamphlets accusing police of not producing one of their arrested colleagues in court, the official said.

On October 25, Naxals had set ablaze at least 37 vehicles and machines engaged in road construction work in Bijapur district.

## TOUGH TIMES PROMPT VISA STEEL TO THINK OUT OF THE BOX

In 1994, Vishambhar Saran took everyone by surprise when he quit Tata Steel after a 25-year stint. He was director of raw materials then. VISA Industries (later renamed VISA Steel) was set up. The big leap for Saran came in 2003 when the company signed a memorandum of understanding (MoU) with the Odisha government for an integrated special and stainless steel plant at the Kalinganagar Industrial Complex. MoUs

were also signed for plants in the mineral-producing states of Chhattisgarh and Jharkhand.

The going seemed good for a while. But like many other steel companies, VISA Steel is now mired in a financial crisis. Last month, VISA Steel announced that the joint lenders forum had decided to invoke strategic debt restructuring (SDR) in ac

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cordance with the Reserve Bank of India circular dated June 8, 2015.SDR is invoked if the borrower is unable to achieve the viability milestones or adhere to "critical conditions" stipulated in the restructuring package. The debt on the company's books as on March 2015 was in excess of Rs 3,000 crore.

"In December 2003, we signed the MoU and started construction in April 2004. The blast furnace was commissioned a year later in March and a year after that came the coke plant," recalls Saran's son, Vishal Agarwal, who is the vice-chairman and managing director of VISA Steel. The ferrochrome plant, sponge iron and power plants, steel melt shop and rolling mill followed.

**Expansion drive**

Till 2004, VISA group was active only in international trading and the main products included chrome ore, iron ore, coal and ferro alloys.

Mineral-rich states like Odisha had by then become a magnet for investors when the commodity cycle was peaking in 2003-04. The state's message was simple and alluring: come and put up a plant and you will get mines. The criteria was that with 25 per cent investment, the mines would be recommended and with 50 per cent, the mines would be granted. In VISA Steel's case, this meant coal blocks, iron ore and chrome ore mines.

Companies flocked to Odisha in droves. As many as 50 investors, including ArcelorMittal and Posco, signed MoUs with the state that promised to put up a capacity of 79.82 million tonne at a cost of Rs 2.22 lakh crore. VISA Steel was one of the many.

Backed by the growth story, VISA Steel went for an IPO in 2006 to raise around Rs 200 crore. The draft red herring prospectus had, in fact, listed raw material linkages as one of its competitive strengths. "The government of Orissa through an MoU signed with us dated December 26, 2003 has assured grant of iron ore mining lease," read the document. That didn't happen.

Sometime in 2007, VISA Steel entered into a joint venture agreement with Baosteel Trading , China, and VISA Comtrade, Switzerland, for the ferrochrome project, which was to operate through a separate company called VISA Bao. Baosteel Trading is an arm of Baosteel Steel Group Corporation, one of China's leading steel companies, while VISA Comtrade is the international trading, shipping and logistics arm of the VISA group. At that point in time, India's steel story was shining. By 2010, however, the sector had lost its sheen when the Justice MB Shah Commission clamped down on mining. "Iron ore production came down from 220 million tonne to 130 million tonne. There was an artificial shortage and prices were unviable," says Agarwal.

"Obviously, margins were not sufficient to service loans, so we had to restructure loans. We raised money by selling stake in our coke business to SunCoke Energy." In 2013, VISA Steel entered into a joint venture with New York-listed SunCoke Energy, with the Indian steelmaker having a 51 per cent stake.

But it wasn't enough. The external factors worsened. The shared coal block - the only captive raw material linkage that it got - in which VISA Steel's share was 54 million tonne, was cancelled following the Supreme Court order in 2014.

"The sharp depreciation in the Russian rouble, combined with Chinese overcapacity, resulted in oversupply of cheap steel from China and Russia to the world market," says Agarwal. "This led to a global crash in steel prices, which aggravated the situation for Indian steel producers."

Agarwal explains that a steel plant of one million tonne requires a capex of at least Rs 6,000 crore, assuming interest cost of 12 per cent. The interest and equity servicing requires Rs 720 crore per annum or EBIDTA margin of Rs 7,200 per tonne of steel. A loan of Rs 4,000 crore (assuming a debt/equity ratio of 2:1) requires a margin of at least Rs 200 crore per annum or Rs 2,000 per tonne of steel to repay the loan over 20 years.

Steel is one of the most stressed sectors and VISA Steel is the second Kolkata-based steel company for which lenders have invoked the SDR. In July, lenders had taken control of the management of Electrosteel Steels.

Plans for VISA group's ferrochrome project also went awry. The chrome ore mines did not come through and prices for the contracts kept changing.

"When we started, we were assured captive iron ore, chrome ore and coal mines. The rules of the game in the steel industry have completely changed as a consequence of which the industry is suffering," says Agarwal.

VISA Steel has already decided to merge VISA Bao with itself. VISA Steel holds a 65 per cent stake in VISA Bao, while Baosteel has 35 per cent. The merger would help consolidate the ferrochrome business, while bringing in cost efficiencies.

VISA Steel is also in discussion with lenders for preparing a conversion package to enable inviting a strategic investor in its special steel business, which will solve much of the company's problems. But with a subdued global steel scenario, this might not be easy.

According to the World Steel Association outlook released recently, the steel industry is now experiencing low growth. Agarwal is pinning his hopes on the government to extend the safeguard duty to the entire value chain, which, at present, is restricted to hot rolled coils. That could provide some succour, even if it is just for a short time.



## RELIANCE INFRASTRUCTURE PLANS TO EXIT CEMENT BUSINESS, PUTS UNIT ON BLOCK

Reliance Infrastructure, part of Anil Ambani led Reliance Group has decided to exit the cement business by putting privately held Reliance Cements up for sale.

Reliance Group has recently mandated Morgan Stanley and SBI Caps to find potential buyers as the group has decided to focus on new growth areas like defence. Earlier in the year, it had plans to monetise the cement operations by roping in a joint venture partner and using that cash to fund the acquisition of Pipavav Defence and Off-shore Engineering, but this did not generate sufficient interest, said multiple sources aware of the developments.

Reliance Cement is a fully-owned subsidiary of Reliance Infra. Started in 2007, the cement foray was originally linked to the growth of its power business with fly ash generated from its Sasan power project being used as a key raw material. Promoters are believed to be expecting an enterprise valuation of Rs 5,500-Rs 6,000 crore for the business. The company has a total installed capacity of 5.8 million tonnes per annum (mtpa). Of this 2.8 MTPA is at the flagship unit in Maihar Madhya Pradesh that was commissioned last year. The remaining units are in Kundaganj (UP) and Butiburi in Maharashtra. The company also has leases to extract limestone in Madhya Pradesh, Karnataka, Uttarakhand, Chattisgarh, Himachal Pradesh and Rajasthan.

Reliance Cements is sold in UP, MP, Jharkhand, West Bengal and in select cities of Maharashtra.

The original plan was to scale up operations to 15 MTPA over the next 3-5 years with integrated units in MP and Maharashtra, but the capital intensive plans were put on the back burner as the group got saddled with high debt in the recent years. Reliance Infra's total debt stood at around Rs 25,766 crore at the end of FY-15. The limestone reserves are believed to be sufficient for the fully expanded capacity.

At the recently concluded Annual General Meeting, Group Chairman Anil Ambani told shareholders it would look at divesting stake in non-core businesses including cement to bring down debt

The sources cited say that feelers have already gone out to multiple global suitors including CRH of Ireland, Mexican major Cemex, Paris-headquartered Vicat and Dangote of Nigeria. Domestic players like Emami, Dalmia Cements Bharat, India Cements and Shree Cements have also been approached. Global private equity buyout funds have also been approached.

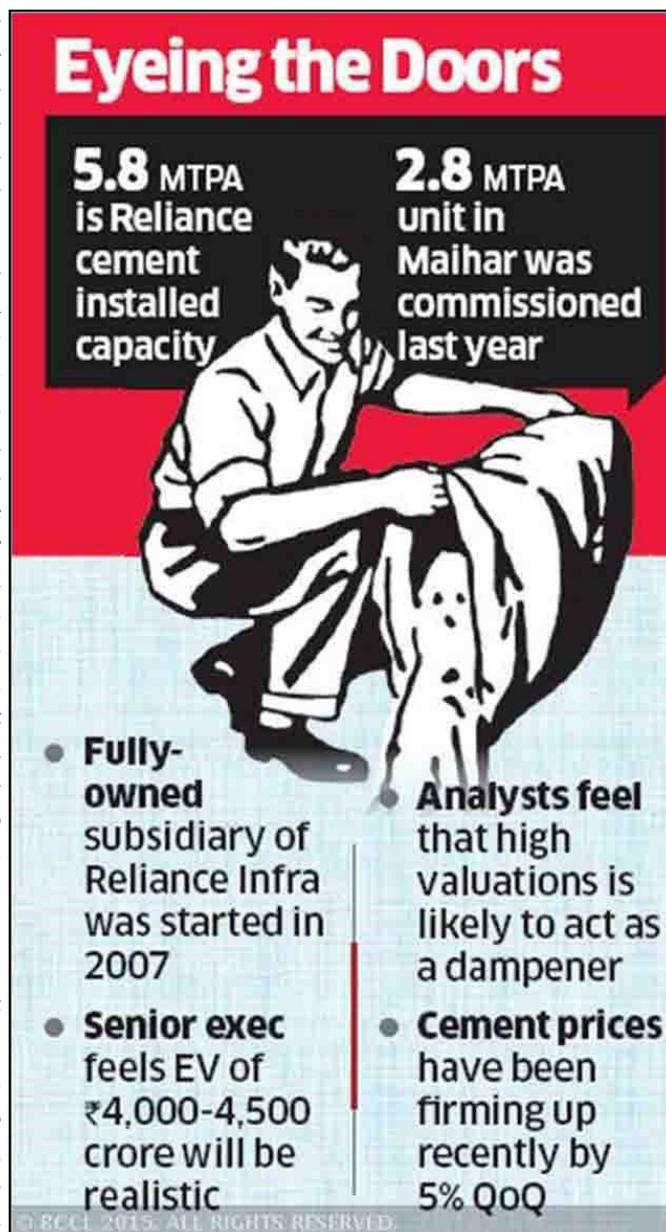
Mails sent to CRH, Cemex, Vicat and Dangote did not generate a response till the time of going to press.

Puneet Dalmia, MD, Dalmia Cements Bharat could not be contacted on his mobile. "We are not interested in Reliance Cements and will not participate in any auction process," HM Bangur, MD, Shree Cements told ET. The India Cements spokesperson said "we are not aware of any such proposal, so we would not like to make any comment

recent times, the latest being Birla Corp's acquisition of 2 of Lafarge's units in Chhattisgarh and Jharkhand for an enterprise value of Rs 5,000 crore. That deal however has still not closed amidst regulatory uncertainty over transfer of limestone mines

"Reliance Cements sale will not get impacted as this is a share sale as oppose to the earlier slump sale of assets. They are selling shares of the company which owns the mining and prospective leases and that is permissible," explained an official aware of the matter.

since 2008, Anil Ambani had been targeting to emerge as the one of the biggest cement players in the country with the largest single location cement facility. It had initially planned to set up four cement plants of 5 million tonnes capacity each at a total investment of Rs. 10,000 crore. All the units were to come up in Madhya Pradesh so that they could have leveraged the strengths of the group's Sasan ultra mega power project. Ambani had even roped in the former MD of Ambuja Cements Anil Singhvi, to lead the group's cement foray but Singhvi left the company after the initial years.



## CHHATTISGARH GOVT RELAXES MINING STAMP DUTY, SPARKS ROW

RAIPUR: Under attack from the Congress for its recent decision of "changing" the stamp duty calculations on mining lease from the bidding amount to royalty, Chhattisgarh government on Friday claimed that the same had been done to bring more clarity in laws and as per the precedence in the neighbouring states of Madhya Pradesh and Odisha.

Earlier this month, the state government promulgated an ordinance changing calculations of stamp duty to collect it on the basis of the royalty being paid by the lessee and not on the bid amount paid by them. The government's earlier calculations of stamp duties on bid amounts had led to non-execution of lease deed, as the amount payable was much more, 100 times more, than anticipated by the lessees and it had virtually stranded mining operations in the state for the last over six months.

According to industry officials, the prior to the re-auction of the mines during Modi regime, post the so-called 'coalgate scandal', stamp duty was calculated on the basis of royalty of the "mineral commodity". Elaborating, the officials said a coal mine with production capacity of 1 million tonnes per annum (MTPA) had to pay about Rs 3.9 crores for stamp duty.

However, if the same was calculated on the basis of the bid

amount, a coal mine with a capacity of 1 MTPA auctioned at the rate of Rs 3000 per tonne would have resulted in the lessee paying Rs 300 crore as stamp duty and Rs 225 crore as registration fee.

According to Minister for Commercial Taxes, Amar Agrawal, the state government sought a legal opinion on the issue and an ordinance was promulgated to amend the Stamp Duty Act and bring more clarity to it. He said with this amendment bidder who participates in auction of coal, minerals and minor minerals would be able to get clarity on making an assessment about the stamp duty to be paid so that it could become convenient for them to decide on bidding price.

He said many states, including neighbouring Madhya Pradesh and Odisha, are already calculating stamp duty on the basis of royalty.

The Congress, which smelled a rat in the ordinance, had accused the government of purposely doing so to benefit private companies and industrialists. However, Agrawal claimed that there was nothing wrong in the ordinance and the state exchequer would not incur any loss due to the amendment.

## JHARKHAND CM TO HELP UCIL, HCL RESUME MINING

Chief minister Raghubar Das on Wednesday directed principal secretary (mines) S K Sathpathy to sort out issues related to resumption of copper and uranium mining in East Singhbhum district.

Das assured the technical director of Uranium Corporation of India Limited (UCIL), S K Srivastava, and company secretary B C Gupta along with the chairman-cum-managing director (CMD) of Hindustan Copper Limited (HCL) K D Diwan of full cooperation on part of the state government.

Both the UCIL and HCL officials apprised Das about the difficulties they have been facing in extending the mining area due to overlapping. Das said the government is committed to pushing industrialization in the state, while also working towards reviving closed mines. "Mining activities will not only generate employment in the state, but will also boost local economy," Das said, adding that the activities of these companies under their corporate social responsibility (CSR) mission helps improve the region's social infrastructure.

Das directed Srivastava and Diwan to ensure that both

companies extend a helping hand to farmers and work towards improving irrigation facilities in villages. He also asked the companies to invest in building toilets in government schools.

Responding to queries, HCL said as part of its CSR initiative, they have already distributed farming tools and built toilets in 48 schools. "Productivity in the region has increased by more than 25% owing to the use of farming tools," said Diwan.

Srivastava said UCIL too, under its CSR initiative, has supplied benches and desks to government schools and also assured of working towards electrifying schools.

In the presence of local parliamentarian Bidyut Baran Mahto, the CM asked both the companies to cooperate and also extend a help in ensuring that the Borabandh water reservoir project is completed on time. The check dam would ensure irrigation facility in the region.

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## HINDUSTAN COPPER LIMITED DECIDES TO EXPAND AT THE SURDA COPPER MINE IN JHARKHAND

KOLKATA: Hindustan Limited (HCL), the country's largest state run copper producer, has decided to go ahead with its expansion plans at the Surda copper mine in Jharkhand.

The project will be taken up by Aussie mining company, India

Resources Limited (IRL) through its wholly owned subsidiary, India Resources Copper Mining Private Limited (ICMPL). Following a period of protracted negotiation to iron out outstanding issues, ICMPL recently signed a MoU with Shriram

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EPC (SEPC) as the principal contractor to HCL for the project for the immediate recommencement of the Surda Expansion project, IRL said.

"All three parties HCL, IRL and SEPC contributed to reaching this agreement and it represents a positive outcome for all stakeholders," IRL which is listed on the Australian Stock Exchange said in a statement on Monday.

The Surda Expansion contract was suspended in September 2014 following the issue of a stop work order by HCL as a result of delays in the renewal of the mining license for Surda project. Incidentally, Hindustan Copper Limited (HCL) has been operating its Surda mines by outsourcing the work to IRL since 2007. SEPC had earlier won the over Rs 206-crore contract through bidding. IRL had made an investment of around Rs 75 crore to re-commission and develop the mine in last seven years and was able to increase production by 60% from

when HCL worked the mine. Earlier in June 2015, operations had recommenced at Surda copper mine one of HCL's productive mines, after a gap of over nine months.

Following the recent agreement, high speed sinking of the shaft is scheduled to commence within the next three months following completion of initial infrastructure work by ICMPL. SEPC is responsible for all the funding aspects of the project along with the supply of equipment. ICMPL is the project manager and is responsible for arranging working capital.

The Surda Expansion project will run for five years and run concurrent to the work order for Surda Copper mine operated by IRL. The only integrated copper producer is also inching closer towards re-opening the Rakha copper mines in Jharkhand at a cost of nearly Rs 100 crore. IRL is also preparing to work at the Rakha copper mines project with HCL currently involved in getting environment clearance for the project.

## KARNATAKA, PUNJAB DROP EMTA AS MINING DEVELOPMENT OPERATOR

After being rapped by the central government, Karnataka and Punjab power utilities have cancelled the appointment of private firm EMTA (formerly Eastern Minerals & Trading Agency) as the mining development operator (MDO) for the mines allotted to them in the coal auction. The power departments of the two states have also issued fresh tenders to select another MDO.

In the coal allotment process in March, Karnataka Power Corporation Limited (KPCL) was allotted a cluster of mines - Baranj-I to -IV, Kiloni, and Manora Deep - in Maharashtra, while Punjab State Power Corporation (PSPC) got Pachwara Central in Jharkhand. These mines were allotted for the utilities to run their power plants.

In July, KPCL and PSPC appointed EMTA as their MDO to execute the mining of coal for power production rather than selecting the MDO through a tender process. The coal ministry slapped a show-cause notice on these two utilities, seeking an explanation for bypassing the tender route.

Government officials said the guidelines for re-allocation of coal blocks have clearly mentioned that the MDO should be hired through a transparent process.

Under the guidelines, "public sector allocattee is allowed to hire MDO for technical assistance in mining. However, joint venture of any kind with a private company is not allowed."

The guidelines also suggested MDOs be selected through a fair and transparent tender process.

EMTA was the MDO for these two state utilities when they owned the coal blocks, allocation of which was cancelled by the Supreme Court (SC) last year. In some cases, while the mine was allotted to the states, the holding stake of the joint venture was with the private MDO. EMTA had a 74 per cent stake in the joint venture with these two state power utilities, when the SC order struck down the arrangement.

Ujjal Upadhyay-promoted EMTA had signed joint ventures with seven states, holding close to 74 per cent share. The coal reserves were estimated to be close to 1.7 billion tonnes.

EMTA is one of the key accused in the coal scam case for allegedly ignoring the clauses for forming joint ventures and getting pecuniary gains through the arrangement. MDO are supposed to be hired on contract.

## INDIA EXPLORES JOINT ROUTE TO GET URANIUM FROM NAMIBIA

India may consider options including joint exploration with the Namibian government for uranium as Delhi has yet to receive even an ounce of the yellow cake under a supply deal signed with the African country six years ago. No government-to-government trade is currently possible because the mines are privately owned with the government having little say on supplies, Namibian officials said.

On last Wednesday, Namibian President Hage Geingob explained this situation to Prime Minister Narendra Modi, people familiar with their discussion on the sidelines of the Africa-India Forum Summit in New Delhi said. "The government does not own uranium," one of these people quoted Geingob as saying.

Uranium in Namibia can only be acquired through securing prospecting licences, Geingob told the PM. India has the option of negotiating with existing companies that are mining uranium in Namibia. There is also the option for India and Namibia to collaborate via a joint exploration project, the president said.

According to a statement issued by the office of the Namibian president, Modi responded positively by saying that India would work towards putting mechanisms in place to pursue these options. "India is keen to promote clean energy and, due to this, the country needs uranium," the statement quoted Modi as saying.

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Namibia and India signed an agreement on cooperation in the field of peaceful uses of nuclear energy and a memorandum of understanding on geology and mineral resources in 2009. After signing the 2009 agreement, Namibia's mines minister at the

time, Erkki Nghimtina, had said his country could start exporting uranium oxide to India, since it is no longer subject to the embargo on international nuclear trade. Officials on both sides will figure out a mechanism to commence supplies to India.

## REVAMP GEOLOGIST CADRE, SAYS ASSN

**BHUBANESWAR:** The Odisha Geological Service Association has urged the State Government to restructure the service cadres of officers of the Directorate of Geology in the Steel and Mines department.

The Association, in its 25th annual general body meeting here on Sunday, expressed concern over lack of promotional avenue for geologists, petrologists and geophysicists of the Directorate. While entry level posts of many services of the State Government have already been upgraded to Class-I, these qualified employees of the Directorate of Geology have been stagnating in the same position for more than 25 years, Association general secretary Prabal Kumar Chand rued.

A large number of vacancies in the Directorate has also

jeopardised the mineral exploration programmes of the Government, Chand said.

Minister of State for Steel and Mines Prafulla Kumar Mallik assured the meeting that the demands of the Association will be looked into.

New office-bearers of the association for 2015-16 were elected in the meeting. Anup Kumar Raut and Shubhransu Mishra were elected as president and general secretary, respectively. Bikash Chandra Sahoo was elected as vice-president and Dharmendra Sharma was re-elected as secretary, technical. Manoranjan Behera and Md Qaiser Jamal Khan were elected as joint secretaries.



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