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Geonesis

(A GEMCO KATI INITIATIVE)

Indian Mining & Exploration Updates

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Miners wait for ache din !!

Cheers waiting for blasting issue.

SCCL opens countrys largest underground mine

Goa New mining policy framework.

Geonesis Volume1-Issue11

INDIA'S NO. 2 COAL PRODUCER SINGARENI TO OPEN COUNTRY'S BIGGEST UNDERGROUND MINE

India's second-largest coal producer Singareni Collieries will open the country's biggest underground mine next month with a capacity of 2.8 million tonnes per year, which should help the firm edge past its output target for this fiscal year.

Singareni's better-than-expected output will ensure sufficient supplies to south India-based power plants it caters to, at a time when the country is facing a severe shortage of coal. Nearly half of India's power plants have less than a week's stock of the fuel.

Singareni's output is just about 10 percent of what Coal India, the world's largest miner, digs out. But its small size and focus on one state, Telangana, has helped it beat its production targets for years, unlike Coal India that has its mines across the country.

Sutirtha Bhattacharya, Singareni's chairman, told Reuters on Monday the company will be able to produce about 1-1.5 million this fiscal year from the new underground mine. Most of India's mines are easy-to-operate open cast pits.

The company expects to produce a total of 55 million tonnes in the current fiscal year ending March 31, 2015, and 56 million the year after that. Its target for the current fiscal year was 54.5 million.

"We are the only company to provide more than 100 percent of what we commit to our power customers," Bhattacharya said. "We also make up for others' deficits and help in lowering imports."

Most of the power plants with critical stocks are suffering from low levels of supply from Coal India, which is struggling to raise output as rains slowed activity in some mines.

Coal India fell short of its production target of 183.9 million tonnes for April-August by 8 million tonnes. The company fears it may not be able to meet its commitment of supplying 408 million tonnes to power firms this fiscal year.

The inability of Coal India - accounting for 80 percent of the country's coal output - to raise production fast enough has made India the world's third-largest coal importer despite sitting on the fifth-largest reserves.

INDIA TO FAST TRACK MINING LEASE PROPOSALS OF OZ FIRMS

Wooing investments, India on Friday promised fast track clearances to mining lease applications of Australian companies.

Commerce and Industry Minister Nirmala Sitharaman said that eight applications of Australian companies are pending in the country.

Australian companies have applied for mining leases in the country and eight such applications are pending at different stages with the Ministry of Mines as well as the government of Rajasthan, Chhattisgarh, Madhya Pradesh and Orissa, she said.

'We are going to follow them up. We will follow it up in such a way that they clear without much of a hindrance because the government believes in ease of doing business and we do not want any thing that brings in rough edges...,' the minister added.

She was addressing industry leaders from India and Australia during a luncheon meeting organised by industry chambers including CII and FICCI. Australian Prime Minister Tony Abbott was present at the meeting.

Seeking investments, Sitharaman said that in the last 14 years, India has received only $600 million foreign direct investment (FDI) from Australia.

On the other hand, India has invested over $1 billion in last decade.

'I am very proud to say this. India's FDI in Australia in the last 10 years is little over $1 billion. Our entrepreneurs have shown excellent risk taking...,' she said.

Australian companies have primarily invested in India in sectors such as services, metallurgy, telecommunication and automobile industries.

'We solicit Australian companies investments in DMIC, aviation, metallurgy. These are areas where we want to see interest of Australian companies. Marine, fisheries, agro and food processing, energy, tourism and tourism related infrastructure are other important sectors where Australian firms can invest.

'Australia has a lot of scope for Indian business and even more for Australians to invest in India because you are looking at a market which is yet to fully bloom...Please open up on investments. You will not find India less of a potential market where investments will be better rewarded,' Sitharaman said.

Speaking at the occasion, Assocham President Rana Kapoor said that the bilateral trade between India and Australia is low and both the sides should work to enhance this.

He said that the proposed free trade agreement between the countries would help in pushing trade and investments.

HOW TO GOVERN NATURAL RESOURCE ?

Allocation process must strike a balance between economic growth and environmental and social concerns

ALLOCATION OF natural resources in a fair and transparent manner has been a tricky business for the government. Even before the Supreme Court declared the 218 coal block allocations "illegal", because of the "arbitrariness" and "inefficiency" in allocation to private and public sector companies, two botched cases of resource allocations were etched in public memory.

In 2008,the Supreme Court quashed all the 122 licences for 2G telecom spectrum issued by upa government on a first-come-first-served basis. The licences, which favoured a few private telecom players, had cost 1.76 lakh crore to the state exchequer, according to the cag report.

The apex court is also hearing a case related to the gas field allocation and pricing of natural gas.In 1999, after the Centre introduced the New Exploration Licensing Policy, allowing private players to enter the field of exploration and production of gas and oil

As of now, the country seems to be nowhere near resolving the growing debate on what is the best way to allocate natural resources, which ranges from minerals to coal to airwaves. The only attempt made to resolve the issue so far was in 2011 when the government set up a committee under Finance Secretary Ashok Chawla to suggest a roadmap for enhancing "transparency, efficiency and sustainability in the allocation, pricing and utilisation of natural resources". A major recommendation of the Chawla Committee was to introduce market-based competitive bidding to ensure transparency

The idea was not new. It was first floated in 2004 by the then secretary of the coal ministry. But states opposed bidding. The then chief minister of Rajasthan, Vasundhara Raje Scindia, wrote to then prime minister Manmohan Singh citing Sarkaria Commission's recommendation, which said states should have the autonomy to allocate natural resources. Chhattisgarh's then chief secretary K Vijayavargiya said bidding would lead to coal price rise which would in turn lead to the increase in electricity tariff. West Bengal opposed bidding and wanted states to have the authority to allocate coal blocks. Despite oppositions, in 2012 the Centre introduced the Auction by Competitive Bidding of Coal Mines Rules. Last year 10 coal blocks were allocated through bidding. It has also ordered auction for granting fresh licences for the 2G spectrum. But is bidding the best way to allocate natural resources?

Auction with caution

Several countries follow bidding mechanism for allocating natural resources for two reasons. One, it generates higher revenues for the government in a short duration; and two, it increases transparency.

However, bidding has an inherent caveat. "There is a risk of subjectivity and discrimination in the evaluation process (of mining proposals) if proper conditions of bidding are not allowed," says S Vijay Kumar, former secretary of the Ministry of Mines and a member of the Chawla Committee.

Experiences from other parts of the world support Kumar's opinion. In a 2013 report, Australian think tank Independent Commission Against Corruption pointed out that if not structured properly, the criteria for selecting and evaluating companies through bidding can be discretionary. During the mining boom in Australia, many companies participated in bidding by promising public benefits in future, which they never delivered, notes the report.

Besides, says Kumar, one needs to have sufficient information about a natural reserve, say a coal block, in hand before bidding for it. This can be obtained only through proper exploration, he adds. A 2011 World Bank report on mineral resources also suggests that gathering sufficient geological data is important before commencing bidding. The other safeguard that the report suggests is to conduct separate technical and financial evaluations. Social safeguards should be clearly specified in the bidding proposal and form a basis for evaluation, it says. The UN's Sustainable Development Solutions Network in its 2013 report also emphasises the optimisation of exploration of natural resources.

Many countries that allocate natural resources through bidding carry out detailed exploration beforehand. In Democratic Republic of Congo, auctioning is done only after a deposit has been examined by the state authorities and is considered to be an asset of substantial value. In Zambia, auctioning is done only for areas that are known to hold mineral resources.

"However, exploration of natural resources is not done in a comprehensive manner in India," says Ganpat S Roonwal, mining expert and former head of the geology department at the University of Delhi. This raises questions on the effectiveness of bidding.

Is CIL an option?

Natural resources belong to people and they have to be the beneficiaries. To ensure fair allocation of coal, petitioners of the case, demand that all coal blocks declared illegal by the court should be returned to the Coal India Ltd. But not all agree with the suggestion.

(Continued on page 3)….

GEMCO KATI

The country's targeted GDP growth of about 10 per cent banks largely on industries that heavily depend on coal. In 2013-14, the country produced 565.64 million tonnes of coal. Given the country's growing energy demand, coal requirement is likely to double by 2017, according to the 12th Five-Year Plan. "In such a situation it is unlikely that private parties can be taken out from the equation," says Roonwal. In 1993, the Coal Mines Nationalisation Act allowed private companies to develop coal blocks as CIL was unable to meet the growing demand. "So one needs to ensure that coal is properly allocated and utilised with regulations and technologies in place," he says. This is applicable to all natural resources, he adds.

Forest cover in major coalfields

Coalfield	Extractable Reserve (in million tonnes)	Area under forest (in %)
Singrauli	1,695.95	42
Talcher	3,665.15	40.37
Ib Valley	2,546.96	48.84
N Karanpura	456.04	34.93
Mandraigarh	2,126.7	49.7

Regulate, not negotiate

Allocation of natural resource is not just an economic consideration. "The best practices are the ones that are transparent, safeguard the rights of affected people and have minimal impact on the environment and society," says Roonwal. India must follow these practices as a majority of its resources lie underneath the forests. Since 2007, about 45,000 hectares of forest—57 per cent of the total forest diverted for mining during the period—were razed to give way to 157 coal mining projects, shows an analysis by the Centre for Science and Environment (CSE), an advocacy organisation in Delhi (see 'Forest cover in major coalfields').

Since mining may affect communities in other areas as well, profit-sharing should not be restricted to tribal areas. The draft Mines and Minerals (Development and Regulation) (MMDR) Bill, 2011, which lapsed early this year, had a provision of sharing profit with all affected communities. Now that the government plans to amend the MMDR Act, 1957, it should include the mechanism in the amended Act. This will go a long way in ensuring principles of equality as enshrined under Article 14 of the Constitution and reducing poverty in the mining regions of the country.

The Act, following the 2010 amendment, specifies that the Centre can auction natural reserves. The state government shall then grant the required permits, including reconnaissance permit, prospecting licence or mining lease, to the company. Instead of resolving, the amendment has intensified the debate about who governs these reserves and does not address the contention of state governments regarding their "virtually non-existent" role once a beneficiary has been identified by the Centre. The MMDR Act thus needs to clearly specify the role of the Centre and the state.

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Integrate green clearances

Several coal blocks, though allocated years ago, are yet to begin production. In most cases, the companies delay production on the pretext that they are yet to obtain environmental and forest clearances. If prior environmental clearances are integrated in the allocation process, disputes in the post-allocation phase could be minimised. The Chawla Committe in its report had recommended that companies should obtain a certain level of clearance, for instance preliminary forest clearance, before bidding for an explored block. This will fast-track production and ensure that coal blocks are allocated in a more environmentally and socially responsible manner.

This is important as the country's coal reserves are depleting at a fast rate. According to Coal Mine Planning and Design Institute Ltd headquartered in Ranchi, CIL is now left with 18 billion tonnes of coal. If mined at the current rate the reserves would last 17 years.

This will force the country to import coal for generating power and other industrial use. This is not a viable option. Power utilities are already expected to import around 159 million tonnes to meet their requirement, according to the 12th plan report. Another 54 million tonnes of coal is likely to be imported by thermal power stations designed to use imported coal. More dependence on imported coal to generate power will only push the electricity price northwards and lead to increasing power shortage. The government must remember this before framing regulatory mechanism to govern the national asset.

COAL INDIA COULD PROVE TEST OF MODI'S METTLE

The coal dust India's top court has thrown up will impede visibility in the energy market. But it is also a chance for investors to see if Prime Minister Narendra Modi can shine a light through the haze.

The Supreme Courtcanceled almost all coal mining licenses handed to the private sector since 1993 because they were granted arbitrarily. The mines in question produce about a 10th of India's coal output, and the local power or metals firms who owned them are groaning about their lost investment. They have six months to relinquish the assets to state-owned Coal India, which controls most of the rest of the sector and will operate these mines temporarily.

The court is quiet, though, on what happens to the mines in the longer term. That ball is now in Mr. Modi's court.

Indian law gives the state the monopoly to sell coal in the open market, with private power or steel producers allowed to mine the fuel only if they keep it for their end use. Hence Coal India's virtual monopoly in mining, which contributes to it falling behind on production, leaving power plants short on fuel. Mr. Modi has promised to expand India's coal and electricity output.

One option for Mr. Modi is to push for completely deregulating the sector.

Yet his modest reform agenda so far in other areas like labor laws suggests he isn't interested in radical overhauls.

Another option is to work within the existing framework. Mr. Modi can sell the mines in question to private firms, this time through a transparent auction. But, with limited mines on offer, bidding could prove prohibitively expensive for interested companies.

And Coal India would still maintain its stranglehold, though that may not be a problem for Mr. Modi. His tack when he previously ran Gujarat state was to turn poor state firms around by improving their operations.

Mr. Modi may even entertain a third option of letting Coal India permanently consolidate the new mines, as long as he can make the giant more efficient. This would boost its production by 10% and its earnings before interest, tax, depreciation and amortization by up to 41%, says brokerage Jefferies. Perhaps suspecting this outcome, investors have bid up its shares even as other minerals stocks have sold off.

India's stock market has put its faith in Mr. Modi to reform the country's infrastructure. It may yet find India's new leader opts for smaller, pragmatic measures, rather than fundamental change.

STEEL, MINERAL MAJORS TO INVEST IN MP IN COMING YEARS

Public sector majors in the field of steel, aluminium and minerals are expected to undertake huge investments inMadhya Pradesh in the coming years on the initiative of state Chief Minister Shivraj Singh Chouhan and Union Minister for Steel, Mines, Labour and Employment, Narendra Singh Tomar.

On the initiative of Chief Minister, major central sector companies including Steel Authority of India (SAIL), National Mineral Development Corporation, Hindustan Copper Limited, NALCO and MOIL Limited will invest crores of rupees in Madhya Pradesh, an official release said today.

Union Minister for Steel, Mines and Employment and the Chief Minister discussed investment opportunities and other issues pertaining to Madhya Pradesh yesterday and took number of important decisions, it said.

On the proposal of SAIL, the Chief Minister has given consent for establishing a steel plant with an investment of Rs 12,000 crore on 1500 acres land in Chhattarpur district.

The National Mineral Development Corporation (NMDC) has made a proposal for mining in Panna in view of availability of 10 million carat diamond deposit there.

The release also stated that scientific proofs were found that there is presence of diamonds in Tikamgarh region as well and it will cause no harm to tiger reserve there.

Hindustan Copper Limited sought permission for mining of 5 MT copper in the area adjoining Malajkhand in Balaghat district.

In this regard, Chauhan said value addition is necessary in mining for increasing employment opportunities in the area. He also said that warehousing facility will be provided to Hindustan Copper.

Besides, Manganese Ore India Ltd sought to invest Rs 200 crore in solar energy sector. National Aluminium Company, on its part, has proposed to set up a production unit of wind and solar energy under PPP mode in the state.

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AS MINING CURBS BITE, INDIA OFFERS MARKET TO GLUT-HIT IRON ORE

An oversupplied global iron ore market may find some relief from an unlikely source as former No.3 exporter India turns into a big importer due to a cutback in domestic production.

The country may ship in up to 45 million tonnes over the next three years as home-grown iron ore output falls short of domestic steel production needs, an executive at an influential industry group said.

India imported just 0.37 million tonnes of the steelmaking raw material in 2013/14, government data showed. But already JSW Steel, India's third-largest maker of the alloy, has said it will import 6 million tonnes of iron ore in 2014/15 against zero a year earlier.

"There's no option but to import to meet the shortfall. We're looking at between 10 and 15 million tonnes every fiscal year over the next three years," Basant Poddar, vice president of the Federation of Indian Mineral Industries, the only industry group for mining firms in the country, told Reuters by phone.

"The mine closures all over India, starting from Karnataka, Goa, Odisha and Jharkhand, have created a massive disruption to supply," Poddar said.

Mining in the key iron ore states of Karnataka and Goa was banned in 2011 and 2012, respectively, following a crackdown on illegal mining by the Supreme Court and the government. Several mines in top producing Odisha state and in Jharkhand too were closed this year following government-imposed restrictions on the renewal of mining licenses.

While the bans have since been lifted, delays in restarting mining operations in Goa and Karnataka and the latest mine closures in the other states have limited local iron ore supply.

The disruptions have cut India's iron ore production to 152 million tonnes in the year ended March 31, from about 218 million in 2009/10, according to the Indian Bureau of Mines.

The prospect of higher demand from India comes at an opportune time for global iron ore miners, whose margins have been shrunk by a 40 percent slump in iron ore prices this year.

Iron ore fell to $81.90 a tonne last week, its lowest since September 2009.

The bulk of India's imports may come from Australia and South Africa, said Poddar, and unlikely from Brazil where shipments are usually made in big vessels. "Indian ports are not geared to handle large vessels," he said.

But the potential import volume won't be enough to absorb the total projected global surfeit. Morgan Stanley, which sees a global surplus of 79 million tonnes this year doubling to 158 million tonnes in 2015, expects the price to drop to $70.

In addition, any relief from Indian demand may be temporary, as the domestic shortage is due to government policy measures that could eventually be reversed.

BUREAUCRATIC ROUTE

For the present, resuming operations has been slow due to the long bureaucratic route to renew mining leases, said Poddar.

Only 22 mines out of 122 that are eligible to restart in Karnataka have resumed operations, said Poddar who owns Mineral Enterprises Ltd which has five mines in the state that have a combined capacity of 1.2 million tonnes but have remained shut. Mines in Goa have not reopened.

In Odisha, around a third of 56 iron ore mines are still closed and in Jharkhand, the third biggest producer in the past fiscal year, 12 out of 17 mines are shut.

India used to be the world's No.3 iron ore exporter until higher costs along with the mining bans slashed shipments by 85 percent, or 100 million tonnes, over the past two years.

Amid the shortage in local supply, iron ore prices in India are defying the global weakness.

In Odisha, 63 percent grade iron ore would cost about $105 a tonne, including taxes and the royalty, to export, way above the current global market price of $67-$68, said Dhruv Goel, managing partner at industry consultancy SteelMint.

But miners make a profit of $15-$20 a tonne selling the same grade to local steelmakers, said Goel.

"It is certainly profitable to sell in the domestic market."

INDIA, JORDAN MAY JOINTLY EXPLORE FOR SHALE GAS

India, which imports a chunk of phosphatic fertilisers from Jordan, is now targeting to jointly explore ways to mine shale gas with the Arab Kingdom in Western Asia. Both countries being energy deficit and large crude oil importers feel the need to exploit unconventional shale resources to cut down dependency on imports. "Jordan could play an important role in our energy security paradigm, given the fact that it claims to have the second largest shale deposits in the world after the US," Anil Trigunayat, Indian ambassador to Jordan, told FE in a recent interview.

In view of the Jordanian government's stated plan to utilise shale gas as one of the alternate resources for meeting its energy needs, it would be useful to tap this potential by encouraging Indian companies' participation through joint venture projects, feels the Indian government. "In my view, for us, in our food and energy security, Jordan can play a major role. We are importing over 65% of Jordan's phosphate for our fertiliser sector," said Trigunayat.

Jordan has shale deposits between 40-70 billion tonne with a potential to generate 35 billion barrels of oil scattered over 26 known localities.

Both nations would discuss mutual terms to monetise hydrocarbons when a business delegation of chief executives from Jordan, led by their trade and industry minister, would visit New Delhi in November for the 4th Indo-Arab Business Partnership Summit.

Trigunayat said several foreign companies are setting up shale-gas-based power plants in Jordan. "An Indian company, al Qamerr, is involved with the Sultani Group. So to find alternative sources is their priority. Similarly, we have a good possibility in renewable especially solar energy – given Jordan's solar exposure and radiance almost through the year," the ambassador explained.

Interestingly, exploration of unconventional resources such as shale gas in India would one of the top agendas for discussion when PM Narendra Modi visits the US later this month. The US has emerged as the world's leading producer of shale gas and energy-deficient India, which has taken preliminary steps towards mining such hydrocarbons, needs technology to drive exploration. According to preliminary reports, India has huge shale deposits in coastal states, Assam, Gujarat and Rajasthan, among others. But no work has been done to verify the exact shale potential in India.

At present, India and Jordan do not have significant cooperation in the energy sector sector. The Arab Kingdom imports 97% of its energy needs, while India imports

NMDC BUYS 30% MORE STAKE IN AUSTRALIAN UNIT LEGACY IRON ORE

NMDC Ltd, the country's largest iron ore miner, has obtained a firmer grip over its Australian mineral exploration subsidiary by acquiring around 30 per cent additional stake.

NMDC last month raised its stake in its Australian subsidiary Legacy Iron Ore Ltd to 78.56 per cent from 48.82 per cent at a cost of A$12.3 million (about ₹69 crore). It acquired additional shares through exercise of its entitlement (in a right issue) of fresh shares.

The Australian Stock Exchange listed-Legacy's disclosures revealed this. NMDC is yet to make this disclosure to the stock exchanges in India. Interestingly, the entitlement offer was not fully subscribed by other investors causing a shortfall.

Sources said NMDC might take up a substantial part of the unclaimed entitlements by other investors. This may raise the company's stake even further.

The Australian company said a decision on the issue would be taken within the next three months. The three-for-one entitlement offer was priced at 1.4 cents a shares.

In 2011, NMDC had first acquired 50 per cent equity of Legacy, at 8 cents a share aggregating to A$18.89 million (₹99.63 crore). Legacy needed to raise the equity funds of A$25 million for advancing its development activity at the Mt Bevan iron ore project as also repayment of an A$3-million Citibank loan and further exploration as well as development work across its other assets.

COAL: BANKS WITH RS1 LAKH CRORE EXPOSURE SITTING ON MINE OF WORRIES

The mass cancellation of coal blocks by theSupreme Court has sent banks in a jittery mode as they have extended over Rs 1 lakh crore loans to power plants that were fed by these mines.

Almost all banks including country's largest lender State Bank of India and private sector ICICI Bank have lent to power plants that were put up based on coal from 214 coal blocks alloted since 1993.

While none of the bankers were willing to go on record on the impact of the Supreme Court ruling, sources said the lenders were assessing their exposure to the cancelled mines.

"We are glad that this is over with the SC verdict on coal blocks allocation. We now look forward for a quick plan of action for ensuring that coal supplies are not disrupted and thereafter a swift and transparent bidding process for reallocation," SBI Chairperson Arundhati Bhattacharya said.

Earlier this month she had said: "for SBI, the exposure is only around Rs 4,000 crore, most of which are lent to power units which have fuel linkages with the affected coal blocks."

According to estimates, another public sector lender IDBI Bank has an exposure of Rs 2,000 crore.

Commenting on Supreme Court judgement, Yes Bank Managing Director Rana Kapoor said the exposure of his bank is minimal.

BANKS' EXPOSURE TO COAL, POWER & METAL SECTORS

% of bank's total industry exposure at the end of FY14

TOP-5	Power	Metals*	Mining#
Andhra Bank	13.4	7.6	-
UCO Bank	13.1	7.0	0.7
Corporation Bank	11.9	5.5	0.3
IDBI Bank	11.4	5.2	-
Canara Bank	9.1	4.4	0.6
BOTTOM 5			
Bank of India	4.6	4.1	2.1
ICICI Bank	2.4	2.8	0.7
HDFC Bank	2.4	2.7	0.6
DCB Bank	1.3	2.6	0.0
IndusInd Bank	-	-	0.3

*Including iron and steel; # including coal
Source: Anand Rathi Financial Services

COMPANIES WITH OPERATIONAL MINES

(₹ crore)	Total assets	Borrowings	Total debt*
Tata Steel	173,005.2	81,608.7	132,473.3
Hindalco Inds.	139,418.2	64,755.8	98,813.3
Jindal Steel & Power	73,346.9	36,368.2	50,736.3
JSW Steel	77,472.9	34,762.1	56,299.0
JP Power Ven.	37,979.9	27,502.9	31,634.9
CESC	24,359.5	11,916.4	19,685.7
Monnet Ispat	10,765.5	6,848.5	8,100.9
Usha Martin	8,899.2	3,732.1	6,908.9
Prism Cement	4,324.4	1,833.3	3,316.3
Prakash Inds.	3,339.1	953.2	1,219.5
Nalco	16,803.6	0.0	4,681.1
Total	569,714.3	270,281.2	413,869.2

*Including non-debt liabilities
Note: All numbers on consolidated basis at the end of FY14
Compiled by BS Research Bureau Source: Capitaline

"As the the court has said that coal supply would be maintained to the power plants, therefore there would not be too much of an adverse impact on banks," he said.

Risks of banks are well diversified and fairly well spread, he added.

Bank of Baroda Executive Director Rajan Dhawan said the bank is still making assessment of the exposure to the coal blocks.

ICICI Bank and HDFC Bank when contacted said they are still assessing the impact of the judgement.

A bench, headed by Chief Justice R M Lodha, quashed allocation of 214 out of 218 coal blocks which were alloted to various companies since 1993. The four blocks saved from cancellations are one each to NTPC and SAIL and two mines allocated to Ultra Mega Power Projects.

The bench, also comprising justices Madan B Lokur and Kurian Joseph, granted six months breathing time to mining companies to wind up their operations in the coal blocks.

TIGERS VANISHED FROM PANNA AFTER DIAMOND MINES WERE SHUT: MADHYA PRADESH AUTHORITIES

After National Mineral Development Corporation (NMDC) was asked by the environment impact monitoring panel to shut diamond mines in Panna district of Madhya Pradesh by 2016 to save the big cat, angry authorities say tigers had in fact vanished from Panna when diamond mining operations were shut. Maybe poachers and not miners are the problem, they say.

NMDC mines around Panna tiger reserve were closed between August 2005 and June 2009. To statistically prove their point, officials say National Tiger Conservation Authority (NTCA) declared the reserve had 'zero' tiger population in 2009 when there was no mining activity. Now, Panna is home to 25 big cats after a successful reintroduction programme.

"How can someone assume diamond mines are disturbing tigers when big cats disappeared only when our mines were closed," said an NMDC official. The corporation is yet to make an official submission on the closure notice.

(Continued on page 8)….

Chief wildlife warden and chairman of the committee, Narendra Kumar, said rules have been flouted and mines are causing an adverse impact on tiger conservation.

Notices sent to NDMC reads, environment ministry's sanction for mining in Panna was given to NMDC on condition it would prepare a closure report with time-bound targets to shut operations in five years.

Chairman of Supreme Court appointed committee had stated that "NMDC is yet to come up with a closure schedule. We have deliberated extensively on the negative impact of mining on the tiger reserve. The committee has concluded that extraction and production process of diamonds at Majahgawan mines should come to an end by June 30, 2016. And reclamation and rehabilitation process and handing over the area to Panna reserve should be completed by June 30, 2018. NDMC should table its closure plan by December 2014."

In 2012, the SC-appointed committee had visited Panna reserve in Madhya Pradesh to inspect diamond mines and deliberate on the closure plan.

The committee was set up on August 13, 2008, and the first meeting was held on June 2, 2011. Tuesday's meeting was the second one. The committee looked into mine closure plan and annual work plan for utilization of funds received from NMDC.

GAUTAM ADANI TO GAIN AS COAL IMPORTS SET TO SPIKE ON SUPREME COURT VERDICT

The near-monopoly in mining, shipping and logistics sees 'great opportunity' as transfer of mines will lead to a lag in coal production.

As the country faces uncertainty over coal supply in wake of cancellation of coal block allocations by the Supreme Court, Gautam Adani-owned Adani Group is set to cash in on the burgeoning demand for both steam coal and coking coal.

For the Ahmedabad-based trading giant, which is already a near-monopoly thanks to its presence in mining, ports, shipping and logistics, what lies ahead is a "great opportunity" despite the higher cost of imported coal.

The group, which handled 27 million tonne (mt) of coal imports, primarily steam coal, in 2014 (during January-August), is already India's largest coal trader, ahead of JSW (10.7 mt, of which 6 mt is coking) and state-owned Steel Authority of India (SAIL) with 6.8 mt of coal imports (mostly coking coal), according to a leading shipbroker in New Delhi that tracks coal imports. Adani mostly deals in steam coal imports (used in power production), but is now steadily increasing import of coking coal (used by steel companies).

What makes Adani a coal trading behemoth is its presence in the entire value chain -- mining, ports, stockyards, ships and other logistics facilities -- all under one roof.

The company, which sells coal to NTPC and several state-owned and private power utilities, is hoping to cash in on the "imminent shortage" of fuel.

"The transfer of coal mines as ordered by the Supreme Court will lead to a lag, and it will have to be filled by imports," said a senior Adani Group official told dna.

While the group's flagship Adani Enterprises Ltd takes care of coal trading, its subsidiary Adani Mining operates a mine in Queensland in Australia. Adani, which was selected as 'mine developer and operator' for Machakatta coal block and Chhendipada and Chhendipada-II coal blocks in Odisha, is however likely to lose the contracts.

According to a report by India Ratings, India imported 171 mt of coal at $16.41 billion in 2013-14 as against 145 mt at $17.01 billion in the previous fiscal. "A halt in domestic production of coal would increase our import dependence further," it said, adding that the 2015-16 coal import bill is likely to widen by $6.22 billion in the given scenario.

Adani Ports & Special Economic Zone (APSEZ), India's largest port company which operates several ports and terminals across the country including Mundra and Dhamra, handled around 20 mt during the first six months of the current financial year (April-September), up 20% year on year. "We expect to handle more than 25 mt in the second half, thanks to the apex court ruling," said the official quoted earlier.

Mundra Port, which has a capacity to handle around 60 mt of coal annually, managed around 40 mt of imports during 2013-14. "This includes coal brought in by Adani Powerand Tata Power, which operates two mega power plants, run on imported coal, at Mundra."

Tata Power's plant is a 4,000 mw ultra mega power project, while Adani operates a bigger 4,620 mw plant in close proximity. Both plants have direct conveyer belt facility connecting the port, for quick delivery of coal to their backyards.

The shipping arm of the group owns 4 Capesize bulk carriers, having 185,000 tonne of capacity each. It also charters similar bulk carriers for importing coal. "Annually, around 400 such vessels come to Mundra," said an official from the shipping arm.

APSEZ also operates a coal import terminal at Visakhapatnam Port through a subsidiary Adani Vizag Coal Terminal Pvt Ltd. The 6.4 mt capacity terminal, which flagged off in December

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2013, marked the group's entry on the east coast of India. Subsequently, it took over Dhamra Port from a joint venture between Tata Steel and L&T. Dhamra is already handling over 12 mt of coal imports. APSEZ also operates a coal handling facility at Goa. All ports put together, it has a combined capacity of 90 mt. Another industry official, however, said the spike in demand will primarily depend on the government's action plan. "Many electricity generators are already running at lower plant load factor as the state-run utilities, buyers of electricity, continue to face financial crunch. Power produced by imported coal will be always expensive and hence the generators may not find any takers for their electricity," he said.

SAIL & TATAS LEFT GUESSING
- CABINET CLEARS URANIUM MINE LEASE, IRON ORE ONES RUST

The Hemant Soren cabinet today broke its almost-month-long silence on mining lease renewals by clearing the decks to renew the mines lease of Uranium Corporation of India Limited (UCIL) for the next 20 years, but kept the fates of SAIL, Tata Steel and Adhunik Group hanging in balance.

-Hemant Soren

At least three of Hemant's ministers objected to discussions on iron ore mines of SAIL, Tata Steel and Adhunik, scuttling their chances at least for now, but their names are being closely guarded.

Late last night, Hemant, acting in his capacity as mines minister, set developments in motion by signing on a proposal prepared by the state mines and geology department to get the cabinet's consent on lease renewal of mines owned by UCIL, SAIL, Tata Steel and Adhunik. Activity at the mines had stopped in early September when a state notification banned work where leases were pending for second and subsequent renewals.

Officially, the reason touted for the cabinet nod to UCIL's Jadugora uranium mines was that the public sector unit had its clearance documents, including those from Indian Bureau of Mines (IBM), ready.

Significantly, no one said SAIL's Gua, Budhaburu and Kiriburu-Meghataburu, Tata Steel's Noamundi and Adhunik's Ghatkuri, under Orissa Manganese and Minerals Limited (OMM), did not have their papers in order.

"We don't know much about mining matters, so we bought some time," explained a minister who refused to be quoted. State cabinet secretary J.B. Tubid refused to comment on the

But, the unofficial buzz doing the rounds is that higher-ups want SAIL, Tata Steel and Adhunik to sweat some more. While Tata Steel and Adhunik are private entities, though SAIL is a PSU like UCIL, unlike the latter, a lot of private contractors work under the steel major.

"At least three ministers opposed discussion (related to renewal of leases for SAIL, Tata Steel and Adhunik's OMM). So, there was no choice but to defer the matter till the next cabinet meeting, who date has not been fixed," a top government official, privy to today's 90-minute meeting at Project Building, the state government's main secretariat, told The Telegraph.

The state government's September 3 order banned mining operations under deemed extensions where second and subsequent lease renewals were pending at the behest of a Supreme Court order.

But, a letter dated September 4, issued by Union ministry of mines to state chief secretary Sudhir Prasad, suggested it had received petitions from SAIL and Tata Steel, which said their Jharkhand steel plants were dependent on the continued operations of mines in the state and if their mining leases were not expeditiously renewed, production would suffer.

The ministry requested the government of Jharkhand to make quick decisions under Section 8 (3) of the MMDR Act, 1957 which gives rights to respective state governments to act in the interests of mineral development.

GOA GOVT RELEASES NEW MINING POLICY FRAMEWORK

The state government of Goa released its mining policy framework on Wednesday that seeks to resume mining and grant mining leases after fulfilling requirements and conducting inquiries, but two prominent miners said there are several uncertainties that indicate it is unlikely the industry will start producing this fiscal year. “The state government after having considered the matter from every possible angle, has decided to exercise its power under section 8(3) of the Mines and Mineral Regulations and Development Act, 1957, and to consider each of the cases on their own merits…” a note titled The Goa Grant of Mining Leases Policy, 2014, on the website of the directorate of mines of Goa, read. It said the grant of leases would be “subject to compliance with the conditions which may be laid down by the state government including for strict pollution control measures,” and thereafter take a decision on the renewal in terms of Section 8(3) of the MMRD Act, 1957, “complying fully with the procedure laid down therein.” Two prominent miners said they welcomed the state government’s move to take the reopening process of the mines forward; however, there are several uncertainties that mean it is unlikely to be a quick or easy process. “The intent comes out clearly on the urgency to commence mining but exactly how, and how quickly, it is difficult to say,” said Ambar Timblo, managing director of Fomento Resources, which has iron ore mines in the state. “This is a statement of intent. But it still has a long way to go,” said Shivanand V. Salgaocar, managing director of mining firm V.M. Salgaocar and Bro. Pvt. Ltd. A two-year environment and illegal mining case was concluded in April with the Supreme Court asking the state government to put the framework and systems in place to resume mining in a controlled fashion. The 18-page policy that was presented in the Goa legislative assembly, according to people familiar with the matter, said it would divide the mines into three categories on the severity of the violations by them, category 1 having those with none, or little violations. The mining companies will have to go through inquiries and be able to get their mining lease approved, the policy said. “Presently, the inquiries are in progress at various levels and foras including the investigation by the Special Investigation Team, by the Team of Chartered Accountants which have been set up by the state government and after the inquiry is complete or during the course of the inquiry where it is found that any violations have taken place, such persons shall not be considered for grant/renewal of the leases,” the policy said. The two miners said this would be a hurdle along with many others that is likely to continue the delay in reopening the mines. The state government has yet to revoke its suspension order of 10 September, 2012 and the ministry of environment and forests at the central government also has to remove a similar ban, the miners said. The economic conditions are not feasible to restart mines—world over, iron ore prices are falling owing to overcapacity and in India, the customs duty on exports continues to remain high at 30%. In addition, there is a 15% royalty and a new fee demanding 10% of profits to be put into a “permanent fund” as directed by the Supreme Court. Restart of mining “depends on the fact that we need to be living in an economically sustainable environment as well,” Timblo said. In an interview on 20 September, Tom Albanese, chief executive officer of the largest private iron ore miner, Sesa Sterlite Ltd, said Goan ores are unlikely to find a market in India owing to their low grades and therefore must be exported, but profits may not be good. The other hurdle could be the activists who could once again challenge the Supreme Court’s and the government’s decision to reopen the mines, the companies said. “This season is almost gone. I don’t think mining will start before September 2015,” Salgaocar said.

(A GEMCO KATI INITIATIVE)