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(A GEMCO KATI INITIATIVE)

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STEELMAKERS DREAD GOA-LIKE BAN BY SUPREME COURT IN ODISHA

The domestic steel industry is bracing for difficult days ahead with the Supreme Court's (SC) interim order on illegal mining in Odisha expected to come soon. If the SC decides on a complete ban on mining like Karnataka and Goa earlier, it would strike at the very heart of the country's 80 million tons domestic steel industry which relies on Odisha for high grade iron ore that meets 50% of its needs. The industry's worst fears are centered around a possible ban on some 27 mines which have the necessary approvals but pending lease renewals. These include mines belonging to steel majors like Tata Steel, SAILBSE 4.09 % and Masco where production could come to a grinding halt. Together, these mines account for 22 MT of production or roughly a third of Odisha's expected annual output in FY' 14. According to the Indian Bureau of Mines, Odisha had produced 34.5 MT of iron ore between April-September 2014. Apart from Tata SteelBSE 3.79 % and SAIL, it would also hit a number of smaller players including pellet manufacturers , sponge iron companies and rolling mills located in and around the mines.

Odisha's ore quality with high iron (Fe) content of 63-64 % is considered far superior to Karnataka or Goa's low grade ore. Given its low alumina, low silica and low phosphorous content and high tumbler index, the lumps are mostly sold in the domestic steel industry . "The main concern is about mines in under deemed renewal, especially after the SC order on Goa on April 21, 2014," Prakash Duvvuri, head of research at OreTeam said.

Odisha has taken a several steps in last few years to curb illegal mining. This is estimated to bring production down to 64 mt in FY' 14 from its peak level of 80 mt in FY' 10. The government suspended mining in all leases which did not have statutory clearances and allowed operations in only those with all statutory approvals, including leases with renewals pending.

Out of the 187 iron ore and manganese leases, 29 were terminated and a whopping 102 leases remain non--operative. Hence only 56 mines have been operating in Odisha. Out of these, 29 mines have all necessary approvals in place, including leases renewed. The rest 27 mines have almost all approvals in place and have applied for second and subsequent renewal of lease. However, the leases are yet to be renewed by the state government

Industry watchers point out if mining activity gets affected in those mines pending renewal it could have severe impact on the steel industry. "The eastern region accounts for nearly 60% of domestic steel output. Steel plays a vital role in infrastructure and the economy at large. Any blanket ban on mining in Odisha could have severe consequences led by disruption in raw material supplies for steel, loss of thousands of jobs and revenue to central exchequer ," a Mumbai-based metals sector analyst

The ban on Karnataka and Goa mining has been lifted, production caps in the two states have restricted output to 40 mt and 20 mt respectively. Out of this, Karnataka is estimated to have produced 7 mt between April-September FY14, which may translate into 14 mt of output during the year FY14.

JSW STEEL IN TALKS TO BUY WELSPUN UNIT FOR UP TO RS 1,000 CRORE

JSW Steel, India's third-largest steel maker, has begun talks to purchase smaller rival Welspun Maxsteel for about 1,000 crore, two people familiar with the development said, a move aimed at sourcing cheaper raw material, cutting production costs and strengthening presence in the northern and western market.

"Yes, both companies are talking to each other for a deal," one of the people quoted above said. "It could be in the range of roughly 1,000 crore," the second person said However, Welspun chairman BK Goenka denied that talks were currently on. "We have been talking to them in the past."

JSW Steel's spokesperson did not respond to an emailed questionnaire. JSW Ispat, which owns a 3 million tonne steel plant at Dolvi in Raigad district of Maharashtra, buys sponge iron, a rawmaterial to make high grade steel, from nearby Welspun Maxsteel plant. The acquisition will help JSW ,

(continued on page 2)

GEMCO KATI

owned by billionaire Sajjan Jindal, secure continuous supply of cheaper raw material as it plans to expand its Dolvi capacity to 5 million tonne.

"It is an advantage and makes sense to source raw material for both plants in Dolvi and Karnataka by using the port owned by Welspun Maxwel," said a global consultant. "The port-based plant is a strategic fit." He cannot be quoted as he is not authorised to speak on specific companies.

Welspun Group, owned by billionaire BK Goenka, purchased the Vikram Ispat plant in May 2009 for 1,030 crore from Aditya Birla Group and renamed it Welspun Maxsteel as part of integrating it with his Welspun Pipes, a pipe maker for oil and gas industry. It later raised the plant's capacity to 1 million tonne.

JSW Steel's production at its 10 million tonne mother plant at Vijayanagar in Karnataka has been hit by the shortage of key raw material, iron ore, after a series of mining bans.

The group has been expanding its capacity at Dolvi to supply in the western and northern markets. The company has also invested heavily to complete its pellet, coke oven and captive power plants to cut down production costs.

Some consultants say the steel demand will rise in the next few years driven by the investments in the infrastructure, expectation of a lower interest rates and opening up of mines.

"There are three reasons for steel demand to pick up," said Anjani Agarwal, leader (metals) at global consultant EY. "One, acceleration in infrastructure spending, second, lower interest rates to trigger demand for automobiles and consumer durables, and third, opening of mines to drive up sales of heavy equipments. Going forward, we expect steel demand to rise between 4% and 5% in the next decade," added Agarwal, who led the EY team that released the global steel report on April 10.

COAL SCAM: ED FILES MONEY LAUNDERING CASE AGAINST EX-MOS RAO, NAVEEN JINDAL

The Enforcement Directorate on Monday registered a case of money laundering against former minister of state in the coal ministry Dasari Narayana Rao and Congress MP Naveen Jindal in connection with its probe in the coal blocks allocation case.

The FIR was registered under the Prevention of Money Laundering Act (PMLA), and the charges were framed, based on alleged multiple transactions between Jindal's companies and Rao's firms based in Hyderabad. The "illegal money" was allegedly routed for favours given for the allocation of coal blocks to Jindal in Jharkhand in 2008 by Rao

The investigations in the coal blocks allocated to Jindal Steel and Power Limited in Jharkhand in 2008 had revealed that the allocations took place after the company allegedly misrepresented facts about land and water supply to establish their eligibility. After the block was allocated, Jindal's companies allegedly invested in Saubhagya Media, a Hyderabad-based firm, in which Rao's company Siri Media Ltd owns 59.6 per cent stake.

Jindal allegedly bought shares worth Rs2.25 crore at a price of Rs100 each, when the listed price of Saubhagya Media was Rs28 only. The alleged transactions established quid pro quo, according to the CBI.

The other companies being probed by the ED include Gagan Sponge Iron Pvt Ltd, Jindal Steel and Power Limited (JSPL), Jindal Realty Pvt Ltd, New Delhi Exim Pvt Ltd, Saubhagya Media Ltd besides unknown persons.

Acting on the complaints, CBI has also registered a case under the Prevention of Corruption Act against these individuals and firms. The ED is also evaluating movable and immovable assets of those named in the FIR, besides banking and other transactions.

Earlier in May, ED had issued directions to its various zonal offices across the country to initiate investigations under the Prevention of Money Laundering Act (PMLA) in the financial dealings of the companies, booked by CBI in this case. ED would also investigate any foreign exchange contravention by these companies, which have been asked by the agency to submit all the relevant documents.

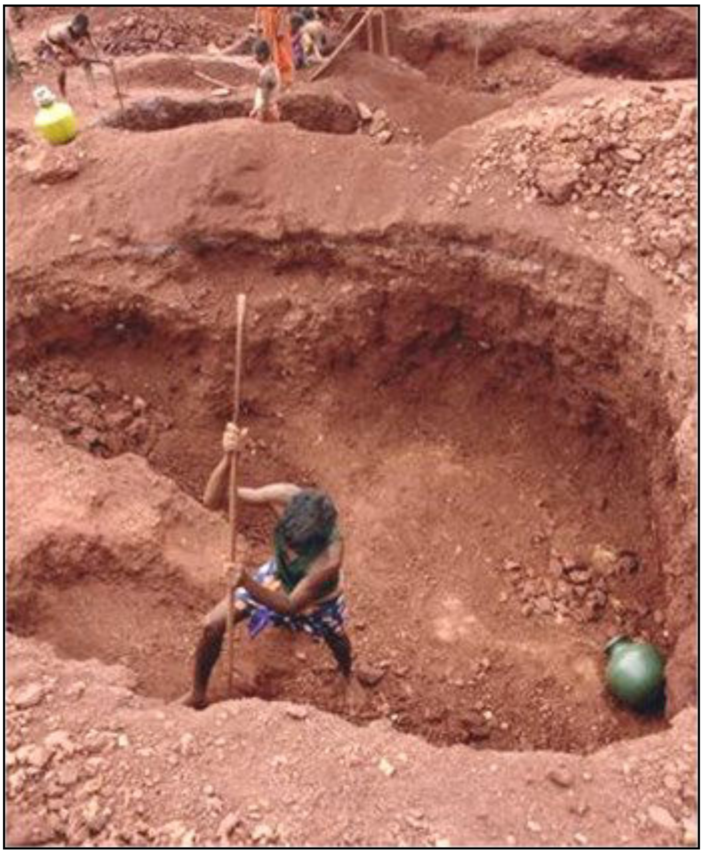
SUPREME COURT CONTINUES TO SEARCH FOR WAYS TO DEAL WITH ILLEGAL MINING, WILL IT TAKE THE RIGHT ONE?

The country's enforcement department also went after a few illegal miners in Andhra Pradesh, but only after Jagan Reddy, the son of the late YSR Reddy, decided to part ways with the Congress. The illegal miners were claimed to be financing the political 'rebellion' of Jagan Reddy. So was the Congress responsible for misleading the SC? One cannot say for certain, but all the indications suggest that this could indeed have been the case

The Supreme Court (SC) is much in the news again – to find out ways to deal with illegal mining. Unfortunately, notwithstanding its good intentions, it is possible that the apex court might end up mistaking the wood for the trees, and eventually take decisions that actually hurt the entire country.

One reason why these errors of judgement arise is because the SC may not have been given all the information required to make a reasoned pronouncement. There are two kinds of illegal mining.

The first is outright thuggery – where a private party steals assets that actually belong to the government hence the people without paying a rupee as official royalty. Payments are made, of course, but illegally. They range from providing to the concerned authorities a little bit of "chai-paani" (literally tea and water) to large sums of money. The authorities, in turn, indulge in a-wink-and-a-nod, and let the thugs continue with their brazen robbery. It was to stem this type of burglary that the SC hauled up the governments of Karnataka and Goa.



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It shows how Maharashtra accounted for the largest number of incidents of illegal mining. Yet, despite this information being in the public domain, not a single reference was ever made to either the enforcement authorities or the apex court. But Goa, an insignificant player in the business of illegal mining, was hauled up. Ditto with Karnataka. Both were being ruled then by 'opposition' parties. Had the SC been aware of the details, it is possible that the verdicts could have been different.

The second type of 'illegal' mining is where there is a technical lapse. And this is what appears to have happened in Odisha. This time, the accused include some venerable names like state-owned Steel Authority of India (SAIL), Tata Steel and Aditya Birla Group's Essel Mining (EMIL). The reason: The government failed to give them clearances, but gave them only a 'deemed mining' status. According to the MB Shah Commission, which looked into this issue, as many as 99 of the 185 mining leases of iron and manganese ore in Odisha are functioning under deemed extension.

The courts should realise that a steel or manganese plant is built to last over a hundred years. It is usually built at a place where it can have easy access to coal, ore and water. To deny it access to any of these – under normal circumstances – would be a perverse act. And if the officials fail to grant it unequivocal permission in time, the SC should haul them up instead.

There is one more mining-related issue that the SC should be mindful of. In trying to protect religious sentiments of a local population, it should not grant a benefit that would normally be called unreasonable, or which could hurt national interests.This is what appears to have happened when it decreed that no mining be carried out within a radius of 150 km of the Niyamgiri shrine in Odisha. The SC probably did not consider that a radius of 150 km translates into 70,650 sq km.

This is horrifyingly excessive when compared to the land that other major religious places occupy -- the Vatican (0.4 sq km), the Masjid al-Haram, which houses the Kaaba (0.4 km), the entire city of Jerusalem (125 sq km), or even Tirupati city, which houses the Hindu temples and the shrines (24 sq. km).

As a result, the beneficiaries have been coal and ore importers, and other illegal miners of the first kind.

(continued on page 4)

(continued from page 3)

Take a look at the table in the links above– all gleaned from data placed before the Lok Sabha and the Rajya Sabha.

ILLEGAL MINING: brazen robbery, not just a technicality

(for all minerals excluding atomic and fuel minerals)

Illegal mining cases (numbers)				Action taken from 2010-11 to 2012-13			
State	2010-11	2011-12	2012-13	FIR Lodged (Nos)	Court cases filed (Nos)	Vehicle seized (No)	Fine realised by state govt. (₹ Lakh)
Andhra Pradesh	13,939	19,913	16,592	0	0	0	9,601.1
Goa	13	1	0	0	0	1	1.9
Karnataka	6,476	6,691	6,677	396	236	10,517	5,509.2
Maharashtra	34,265	40,642	42,918	0	0	101,744	12,672.6
Odisha	420	309	314	8	4	687	3,354.8
Others	23,076	27,048	32,096	8,038	27,396	33,595	63,215.0
Total	**78,189**	**94,604**	**98,597**	**8,442**	**27,636**	**146,544**	**94,354.2**

Source: Annexure mentioned in the statement to the reply at Lok Sabha unstarred question No.2391 for reply on 23.8.2013 asked by Shri Hari Manjhi and others; Indian Bureau of Mines, Government of India

SC LIFTS IRON ORE MINING BAN IN GOA, CAPS ANNUAL OUTPUT

The Supreme Court lifted a 19-month old ban on mining in Goa, the top iron ore-exporting state, on Monday, a move that will put more pressure on global prices although it capped annual output in the state at 20 million tonnes.

The additional supply from Goa, which exports nearly all of its output, would add to an expected surplus of iron ore this year as big mining companies such as Rio Tinto and BHP Billiton boost production while demand from top consumer China slows.

The ban was imposed in 2012 as part of a drive to curb illegal mining in Goa. It was lifted on the recommendation of a panel appointed by the Supreme Court to look into the mining industry and the panel suggested capping production at 20 million tonnes to protect against illegal activity.

Shares of Sesa Sterlite India's largest private iron ore miner, surged more than 7 percent on news that the ban had been lifted.

"In itself 20 million tonnes is not a huge amount, but it's just another contributor to rising supply," said Graeme Train, commodity analyst at Macquarie in Shanghai.

The question to ask, said Train, may be whether Chinese steel mills would be willing to take on the low-grade iron ore from Goa given Chinese producers' growing preference for higher quality material, in step with Beijing's anti-pollution campaign.

"Chinese mills are looking for more high-grade material and the discount for low-grade material is starting to open up so it'd be interesting to see if they (India) can actually get 20 million tonnes into the market," he said.

At around $117 a tonne currently, iron ore prices. IO62-CNI=SI have fallen more than 13 percent this year as a slowing Chinese economy curbs its demand for the steelmaking raw material.

Morgan Stanley sees global seaborne iron ore supply exceeding demand by 79 million tonnes this year, with the surplus doubling to 158 million tonnes in 2015.

A panel appointed by Supreme Court earlier recommended the 20-million-tonne production cap. The court earlier allowed the sale of about 15 million tonnes of iron ore that had sat in a stockpile.

That iron ore that was auctioned is being exported, said Prasanna Acharya, director for the directorate of Mines and Geology."Exports will continue. As soon as the new ore comes it will get exported," he said.

A ban on production and exports in Goa imposed in September 2012, coupled with similar curbs enforced earlier in neighbouring Karnataka, have sliced India's iron ore exports by 85 percent, or 100 million tonnes, over the past two years.India was once the third-largest exporter of iron ore, but has now slipped to No. 10.

While analysts expect a gradual recovery in Indian iron ore exports over the next two years, the pace is likely to be modest and far from a record high of more than 117 million tonnes set in the fiscal year through March 2010.

"The 20 million tonnes is a reasonable quantity to start with. Fresh mining will start after the monsoon and exports of (iron ore) fines may start in September," said Basant Poddar, vice-president of the Federation of Indian Mineral Industries.The monsoon season runs from June to September.

The top court also asked the Goa state government to create an expert panel and submit a report regarding capping of output and other issues within six months, a three-judge bench headed by justice A.K. Patnaik said.

ADANI, GVK, LANCO SEEK TO CUT STAKE IN AUSTRALIAN COAL MINES

Plan is to reduce debt and get financial and technical partners on board

The Adani, GVK and Lanco groups are looking to sell part of their stakes in Australian coal mining projects to reduce debt and get financial and technical partners on board.

Senior executives of the Adani and GVK groups confirmed they were in talks with contractors and customers to pick up stakes in their coal, port and railway projects because that would help them get technical and construction experts on board. Coal mine stakes are also being offered to companies that have set up power plants across Asia and want guaranteed coal supplies.

"We may look at selling a stake in the railway project to a railway company and a stake in the port project to a port operator," said a GVK group executive, who did not wish to be named.

The Adani group plans to invest $15.4 billion and the GVK group $10 billion in Australia to develop coal mines, railway lines to transport the output, and dedicated ports. Both groups were over-leveraged which made it difficult for them to raise debt \(see chart) for the projects, and hence the plan for stake sales, bankers said.

SELLING STAKE DOWN UNDER

Firm	Investment made	Planned investment	Gross debt*
Adani	$2.00 bn	$15.40 bn	₹70,861 cr
GVK	$1.20 bn	$10.00 bn	₹20,021 cr
Lanco	$0.75 bn	NA	₹34,000 cr

As of September 2013 Source: Capitaline

On the other hand, the Hyderabad-based Lanco group might sell its holding in Australia's Griffin Coal Mining Company as it tried to lower its Rs 34,000-crore debt, bankers added. The group expects a valuation of Rs 3,100 crore for Griffin Coal Mining Company, which it bought for $750 million in 2011. An email to the Lanco group did not elicit a response.

A senior Adani executive who did not wish to be named said the group was looking to sell a 50 per cent stake in its australian coal mine and railway and was in talks with Chinese and South Korean investors. In August 2010, Adani Enterprises spent $490 million to acquire the rights to develop the Carmichael coal mine in Queensland and has invested close to $2 billion, including on a dedicated port. Last year, the coal mine project was taken over by the group's promoters to reduce Adani Enterprises' debt.

In September 2011, the GVK group spent $1.26 billion to acquire the rights to develop the Alpha, Alpha West and Kevin's Corner coal and infrastructure projects.

But energy experts say the projects will not be viable and the cost of electricity produced by imported Australian coal will be very high for Indian consumers. Tim Beckley, director of energy finance studies at the Institute of Energy Economics, Sydney, said both the Adani and GVK coal basin proposals were running three-four years late, with financing not in place.

"A power purchase agreement of Rs 5.4-5.70 per kWh would be required, plus price indexation of four per cent a year to justify the construction of a power plant in India based on Australian coal. This is double the last reported average sales price of electricity across India of Rs 3 per kWh and triple the local coal-fired power purchase price signed over recent years," he said.

NGT HALTS WORK IN ADANI'S COAL MINE IN CHHATTISGARH

Green tribunal questions MoEF's approval to the mining project in a "no-go" area which happens to be an elephant corridor.

The National Green Tribunal has asked the Chhattisgarh government to stop all work in an open cast coal mine owned by the Adani group and the Rajasthan Rajya Vidyut Utpadan Nigam Limited (RVUNL) in Surguja district of Chattisgarh.

On Monday, NGT's principal bench pulled up the Union Ministry of Environment and Forests (MoEF) for ignoring the advice of its forest advisory committee (FAC) and its own classification of "no-go" and "go" areas. In 2011, the Ministry headed by Jairam Ramesh, approved mining in two captive coal blocks, Parsa East and Kante Basan (PEKB), leading to diversion of 1,899 hectares of dense forests for mining; the forests happen to be a elephant corridor.

from the mining lease granted to RVUNL. The tribunal stated that Surguja acts as a wildlife corridor for elephants travelling between Korba and Surguja forests. The petitioner has said that due to increase in the human activity, elephant-human conflict has intensified, leading to 16 human deaths in the area. According to South Surguja forest division, as many as 1,200 houses were damaged by elephants, while 5,103 cases of crop damages have been recorded in the area. Although the region is not highly populated, the coal project has displaced three villages inhabited by about 800-odd people.

The tribunal in its judgement said it failed to understand how the then environment minister, Ramesh, approved the project despite having most of the Hasdeo-Aran Coal field under "no-go area" in 2011. The tribunal noted that the ministry refused to

The five-member bench headed by Justice (retd) Swatanter Kumar has asked MoEF to seek fresh directions from FAC on the nature of the forests and possible impact of forest diversion. The petition was filed by a Bilaspur-based advocate in Chhattisgarh, Sudiep Srivastava, who had challenged the state government approval to the mining project in 2012. The state government had acted on final environmental clearance granted by MoEF.

PEKB is a part of the Hasdeo-Aran Coal fields in Chhattisgarh, with a reserve of 450 million tonnes of coal. In 2007, the Union Ministry of Coal had allocated the block to the RVUNL, which chose Adani Mining, as the mine-developer and operator (MDO). According to Srivastava, Adani now owns 74 per stake in the joint venture mining project with RVUNL. While mining started in April 2013, at present Adani Mining has been extracting coal from 100 hectares of forestland diverted by MoEF for the project. Mining was planned in two phases for a period of 30 years. In the first phase, the developer would have to complete mining in 760 hectares of forest in a period of 15 years. According to the NGT order, about 368,000 trees

grant approval to a similar project, Tara Coal mines, in the vicinity of PEKP, stating the area was rich in biodiversity. "The very minister previously entertained an opinion in response to the FAC's view as regards to ... neighbouring Tara Coal Block on August 2, 2010. From the record it is not very well understood as to what made his mind change overnight," states the order passed by the tribunal.

Ramesh on his part had given six reasons to overrule FAC's recommendations in order to approve PEKB coal mining project. These included meeting electricity needs of the country; the minister also stated that the project was on the fringe of the biodiversity-rich area in the region. However, the tribunal said: "mere expression of the fanciful reasons relating to environmental concerns without any basis in actual situation, scientific study or past experience would not render the advice of the FAC—a body of experts—inconsequential." Further, the tribunal said the minister rejecting the recommendation of such expert body must bear in mind that he is countering an expert opinion and in doing so he must meet it with such opinion or viewpoint which it would outweigh both by content and quality.

WTO FINDS CHINESE RARE EARTH EXPORT RESTRICTIONS IN VIOLATION OF INTERNATIONAL TRADE LAW

A World Trade Organization panel determined on Wednesday that China was in contravention of international trade law over its export restrictions on rare earth elements and other raw materials. These materials are used across a host of international industries for a variety of manufacturing purposes and the WTO found that Beijing's use of export taxes, quotas, and bureaucratic delays effectively raised prices by creating an artificial shortage. The WTO panel's formal conclusion was that "China's export quotas were designed to achieve industrial policy goals."

China, in its defense, argued that the rare earth export restrictions were geared towards preserving its environment — the WTO's decision did not acknowledge that. In response to the ruling, China was noticeably disappointed. "As a responsible WTO member, we respect relevant rules. But we regret that and we will continue our efforts to protect the environment and natural resources, and maintain our rights to argue," Zhang Anwen, vice secretary-general of the Chinese Society of Rare Earths, told China's Global Times following the decision.

The European trade commissioner, Karel De Gucht, said, "China cannot use export restrictions to protect its own industries or give them a helping hand on the global market at the expense of foreign competitors." The WTO case was first filed by the United States in March 2012 and both Japan and the European Union came on board shortly afterwards. The United States remains almost entirely dependent on Chinese rare earth metals, so the case was particularly urgent for the U.S. government.

Rare earth metals are used in all sophisticated modern electronic devices including computers, smart phones, cars, magnetic devices, and turbines. China produces an overwhelming majority of the world's rare earth metal supply — 90 percent of all rare earth metals used in global industry originate in China.

Beijing has taken advantage of its near-monopoly power in the past. In 2010, Beijing cut export quotas by 40 percent, causing prices to skyrocket. That same year, China punished Japan for the detention of a Chinese fishing boat captain near the disputed Senkaku/Diaoyu islands by temporarily embargoing rare earth exports to Japan. Rare earth metals are critical to many of Japan's largest industries and the economic damage prompted Japan to seek out a rare earth cooperation agreement with India in 2012.

The ruling may further convince Chinese observers that the WTO's rules are detrimental to China's interests. The perception that the WTO is unbalanced and tilted towards the West is common in China. One consultant for the Shanghai WTO Affairs Consultation Center notes that "the rules of the WTO are not in [China's] favor." "The US, Japan and the EU formed a hunting party against China. They sued China in 2012 over the export of nine kinds of raw materials and this time they staged the same drama over rare earth," notes one Chinese analyst cited by the Global Times.

Chinese indignation over the report is not unfounded. China has credibly demonstrated that its rare earth mining activities are hugely damaging to the environment. Further, the WTO does not prohibit export taxes across the board. The reason China's activities came under scrutiny was because of a specific agreement between China and other countries that limited the amount of export duties that were practicable — rare earth metals were not included in that agreement.

So far, China's intention to appeal the decision is unclear, but likely. A Chinese statement notes that they are "assessing the panel report and will follow the WTO dispute settlement procedures to settle this dispute." This trade dispute will be one to watch in coming months and could have important ramifications for global rare earth prices.

SAIL SCOUTING FOR NEW IRON ORE MINES IN MP, CHHATTISGARH, ODISHA

State-owned SAIL is scouting for new iron ore mines in several states, including Madhya Pradesh, Chhattisgarh, Odisha and Karnataka, as it is gearing up to increase its steelmaking capacity by up to 50 per cent to 21 million tonnes by this fiscal.

"For ensuring regular supplies of iron ore, capacities of existing iron ore mines are being expanded and new iron ore mines are being developed. In addition, new iron ore deposits in the states of Rajasthan, Chhattisgarh, MP, Maharashtra, Odisha and Karnataka are being explored," SAIL said in its annual report for 2012-13.

Currently, Steel Authority of India (SAIL) meets all its requirements through captive iron ore mines and had produced 21.48 million tonnes (MT) of ore in the last fiscal to produce 13.4 crude steel. (continued on page 8)

By March, 2014, its hot metal production capacity - the benchmark for steel production capacity -- is expected to rise to over 21 MT, as the company is expecting to commission majority of its Rs. 72,000 crore expansion programme.

However, this will also lead to over 50 per cent jump in iron ore requirement for the company to about 34 MTPA as 1.6 MT ore is generally used to produce 1 MT steel.

To meet the requirements, the company is expanding the capacities of its several mines, it said. This includes expanding the capacities of Kiriburu mine (to 5.5 MTPA from 4.25 MTPA), Meghahatuburu (to 6.5 MTPA from 4.3 MTPA) and Bolani (to 10 MTPA from 4.10 MTPA).

"With the commissioning of these projects, the enhanced requirements of iron ore will be met by the captive mines," SAIL said.

The company has also received "final forest clearance" for Bolani and Barsua iron ore mine and stage-I forest clearance for Gua iron ore mine. Moreover, "environment clearance for the capacity expansion of Gua and Bolani mines and renewal of Dhobil mine were also obtained" from the Environment Ministry, it said.

To increase its iron ore reserves further, SAIL is in the process of finalising the joint venture agreement with the Chhattisgarh Mineral Development Corporation (CMDC) for development of Eklama iron ore reserve in Kabirdham district of Chhattisgarh.

The mine is estimated to have reserves of around 100 MT and SAIL intends to use the ore at its Bhilai steel plant, which is located at a distance of around 135 km from the mine.

The company has also submitted five applications to the Madhya Pradesh government for grant of prospecting licence for iron ore bearing areas in Chhattarpur district and is interested in setting up iron ore beneficiation and pelletisation plant in the state, SAIL said.

Talking about its coking coal requirements, the company said that it is in the process of developing Tasra coal block in Jharkhand and is eyeing at 4 MTPA production through a mine developer-cum-operator (MDO).

SAIL had appointed Lanco Infratech as the MDO for the block in July, 2013 for developing the block and setting up a coal washery.

"Large-scale production at this colliery is likely to start by mid-2015 after completion of pre-development activities such as land acquisition, R&R and associated infrastructure," SAIL said.

The company currently meets only 24 per cent of its requirements from domestic coking coal mines and balance 76 per cent is met through imports. In 2012-13, it had imported coking coal worth overRs. 7,800 crore.

Besides, it has also sought allocation of 2-3 thermal coal mines to meet the growing requirements from the Coal Ministry through government dispensation route, the company said.

CEMENT FIRMS SCOUT FOR OVERSEAS MINES TO SECURE GYPSUM SUPPLIES

Indian cement companies are on the lookout for overseas mines to secure supplies of gypsum, a key ingredient for manufacturing the building material.

Domestic supply of gypsum is limited, say industry executives, which is forcing Indian cement makers to look for acquisitions of overseas mines or even look at producing a synthetic form of the raw material.

In the first such acquisition, one of the top three cement makers in India is likely to announce an acquisition of a gypsum mine overseas, which will act as a captive mine for the company, said a top cement firm executive on condition of anonymity.

Details of the acquisition will be announced soon, the executive said.

One tonne of gypsum in a reserve typically costs around $26-30 (Rs.1,560-1,800), and the average size of a mine overseas ranges between 30 and 40 million tonnes (mt), he added. This takes the minimum total cost to roughly $780 million.

Indian companies are eyeing reserves located in Thailand, Oman, Iran and other countries in close proximity to India.

According to a research report jointly published on 30 April by lobby group Confederation of Indian Industry and consulting firm AT Kearney, India has a paucity of gypsum resources, which does not bode well for the cement industry.

The production deficit in the domestic market has led to increased dependence on imports and synthetic gypsum to meet production demand, the report said. Manufacturing one tonne of cement generally requires 4-5% of gypsum as a raw material, it added.

In India, gypsum reserves are found in Rajasthan, Gujarat, Jammu and Kashmir, Himachal Pradesh, Tamil Nadu, and Uttar Pradesh. About 90% of the total Indian production of gypsum comes from western and north-western Rajasthan.

The report said that at present, usable gypsum reserves in India amount to 140-150 mt, of which around 125 mt is available to the industry. These numbers are for Rajasthan and Gujarat, as reserves in other states are unusable.

This available supply will be enough to support the cement industry for the next seven-eight years, beyond which the sector will need to rely on imports, the report added.

Vinod Juneja, managing director of Binani Cements Ltd, said that the shortage of gypsum domestically has forced the company to consider the possibility of overseas mine acquisitions, but the high cost of such acquisitions is a deterrent.

"We have looked at gypsum mines for acquisition in the Middle East, South Africa, and Iran, but the prices are too high so it does not prove to be viable since the returns are also not high," he said.

(continued on page 9)

"Gypsum is a very important raw material for cement production and we don't want to depend totally on imported gypsum," Juneja added

Some others like JK Cements Ltd are yet to take a call on how to tackle the shortage of the raw material. "Gypsum is in shortage and we are working out a solution for it," said Madhavkrishna Singhania, special executive at JK Cements.

"There are two options—either we acquire a mine overseas or produce synthetic gypsum, so right now we are contemplating these options and in a year or two we will have to figure out what needs to be done," he added.

Analysts say that the acquisition strategy is feasible only for companies that have cement plants located close to a port.

"As far as overseas acquisitions are concerned, the logistics costs would be very high, specially to transport the material from the port to the plant and so it will only favour companies who have plants in close proximity to a port, however for others it will be a challenge," said Rakesh Arora, managing director and head of research (India) at Macquarie Capital Securities (India) Pvt. Ltd.

"The cement industry has already started moving away from natural resource gypsum to chemical gypsum and phosphorous gypsum because of the limited reserves in India," he added.

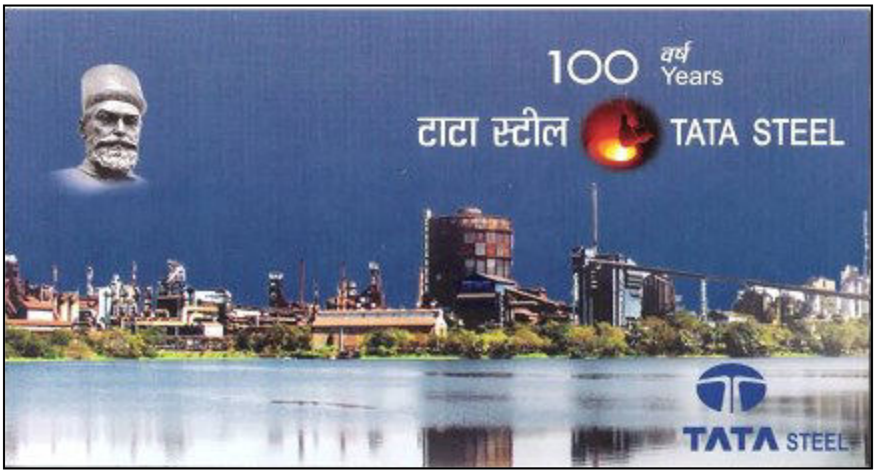
The most common solution to tackle the shortage is importing gypsum. However, imports attract a 2.5% duty, thus escalating costs for an industry which has been facing headwinds in an economic downturn. High transport, logistics and raw material costs have hit margins across the sector.

TATA STEEL LOOKING AT HOT, PROFITABLE SEASON

For Indian steel companies, it's a season of plant expansions, new capacity additions and the launch of new products.

One of India's largest steel manufacturers Steel Authority of India (SAIL) is on a roll. It recently put a new blast furnace into operation in one of its plants in the State of West Bengal. The new furnace will send the facility's capacity for hot metal production to 19 million tons (mt) by September.

The plant's current capacity is 14 million tons per-annum (mtpa). While the new blast furnace will be commissioned in August, the "first heat" in the new converter in SAIL's Rourkela facility will be out by mid-May. Hot metal production is high on the state-owned SAIL's agenda. The company recently reported that its April 2014 sales rose 14 percent at 810,000 tons as against 709,000 tons in the same period of last year. A report in MoneyControl.com said the increase came about largely because of a 66 percent increase in exports as compared to April 2013.



SAIL said hot metal production had risen by 6 percent at 1.22 mt as against 1.16 mt in April of 2013. Crude steel production was up, too, was at 1.14 million tons, it was 4 percent higher than last year. Based on this, SAIL is optimistic that it will attain a double-digit growth level both in production and sales in 2014-15.

The steel major recently won two global tenders for supplying 117,000 tons of railway track in India for four important passenger railway projects criss-crossing the length and breadth of the country.

SAIL has already embarked on an expansion plan which will cost approximately $12.2 billion, which translates into an approximately 33 percent jump in the company's planned expenditures compared to the previous five-year plan.

Tata For Now

SAIL's well-known rival, Tata Steel has also commissioned a new coke oven battery, becoming self-sufficient in coke production for its Jamshedpur plant.

Tata Steel's Specialty Steels business launched an enhanced version of its existing 4145H modified alloy steel grade, which creates a more durable high-strength steel. The improved bar product grade was manufactured at Specialty Steels' production facilities in South Yorkshire, UK, and will be used in the oil and gas market.

Tata Steel is Europe's second largest steel producer, with steelmaking operations in the UK and Netherlands, and manufacturing plants across Europe supplying products to construction, railways, auto, oil and gas and other industries.

Despite a significant slowdown in the overall economy, steel companies are expected to report healthy profits in the first quarter of 2014, driven by lower input costs and higher prices implemented during the first quarter.

Steel analysts feel that some of this forward momentum on the part of steel producers could translate into improved performance in the Jan-March quarter. They expect, on a year-on-year basis, net sales of steel to go up due to the increase in volume and price. Margins are also likely to improve due to higher prices on a year-on-year basis.

COMBINED HOLCIM-LAFARGE COULD RIVAL INDIA'S LARGEST CEMENT MAKER

A potential global merger between Holcim Ltd and Lafarge SA could bring the combined entity within striking distance of becoming the largest cement maker in India, but may also invite scrutiny by the Competition Commission of

India (CCI), the antitrust regulator, industry executives said.

Holcim's two Indian units, ACC Ltd and Ambuja Cements Ltd, have a combined annual capacity of 45 million tonnes (mt), making Holcim the country's second biggest maker of the building material. Lafarge has a total cement production capacity of 8 mt in the Indian market, according to the company's website.

Aditya Birla Group company UltraTech Cement Ltd is now India's largest manufacturer of cement with an installed capacity of 57 mt per annum.

A Holcim executive in India said a global merger between the Swiss firm and Lafarge was a distant possibility because both are strong companies with sound financials.

"Lafarge is the world's No. 1 cement maker while Holcim is No. 2. If at all the merger takes place, it will be potentially an unchallenged leader in India," he added on condition of anonymity.

A second Holcim executive said both companies were in "discussions exploring a possible merger". An email sent to a Holcim spokesperson on Friday night did not elicit an immediate response.

A senior official indicated that the merger, if it happens, would be a friendly one. The idea was broached by the boards keeping in mind the ongoing global slowdown.

The merger plan is likely to be a five-year project starting 2014, said the official.

According to estimates by Nitin Bhasin, infrastructure analyst at Ambit Capital Pvt. Ltd, the top six cement companies in India have nearly 200 mt of the total 350 mt of capacity. UltraTech, ACC and Ambuja are the top three in terms of capacity.

A senior executive at UltraTech said Holcim, which is already grappling with problems in merging Ambuja and ACC, may find it difficult to combine a third brand with its operations in India.

"However, if the two companies decide to create one single brand (along with Ambuja and ACC) and operate in India, then Indian cement players could see challenges in terms of growth and demand wars," said the executive on condition of anonymity.

"As far as the CCI clearance is concerned for the deal, that should be a worry. Although in some other countries the merger may have to go through tough clearance," he said.

The news of a potential merger between Holcim and Lafarge isn't surprising, said Anil Singhvi, a former managing director and chief executive officer of Ambuja Cements and now chairman of Ican Investment Advisors, an investment banking and corporate advisory firm.

"There have been indications over the last six-eight months when major shareholders of the two companies have been buying stakes in the other firm," Singhvi said.

In 2013, Holcim decided to consolidate its holdings in India under Ambuja Cements. As part of a complicated restructuring that followed, Holcim India transferred 50% of its stake in ACC to Ambuja Cements in exchange for cash and shares. Holcim's stake in Ambuja consequently rose to around 61.39% from 50% earlier, after Holcim India merged itself with Ambuja.

If Holcim were to merge with Lafarge at a global level, the French cement maker will gain control of both ACC and Ambuja in India.

"It has to be seen whether Lafarge can retain control of both ACC and Ambuja in India," Singhvi said. He reasons that one of the two firms may be up for sale.

A merger between the two global cement makers could also lead to geographical consolidation in India, said Nitin Gupta, a partner and leader of the cement practice at audit and consulting firm EY. "Lafarge is very strong in east of India while Holcim is very strong in rest of the country," Gupta said.

(A GEMCO KATI INITIATIVE)

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