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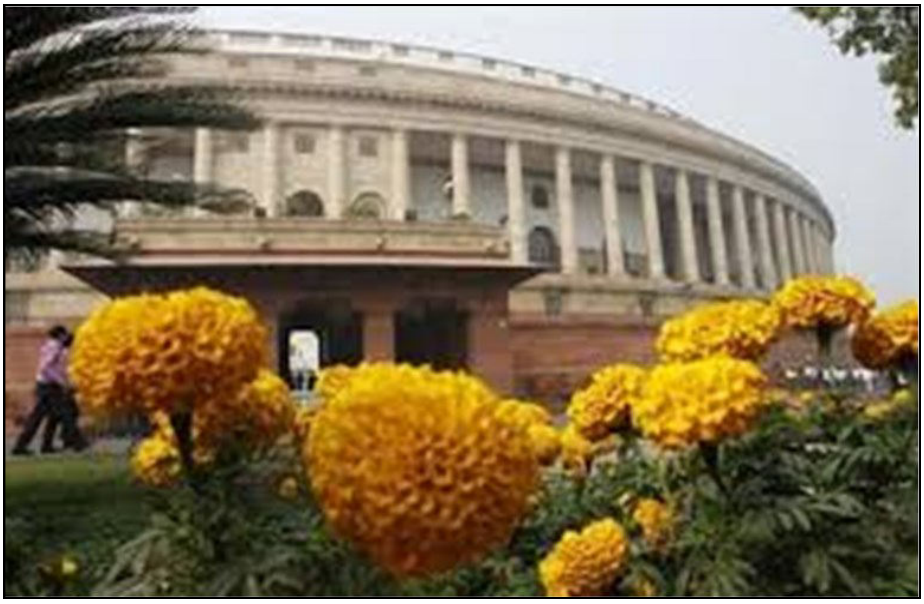
MINING: A COMPLETE OVERHAUL IS NEEDED

Mining contributes a miniscule 1.9% to the gross domestic product of India. This belies India's strong resource position in the world as among the top five owners of coal, iron ore and bauxite. State-owned mining companies account for 70% of the production by value, while the private sector is relegated mostly to captive production with highly fragmented holding. Outdated regulations, bureaucratic delays and a hyperactive judiciary have laid low the hopes of this emerging sector. India's iron ore production has dropped from 230 million tonnes (mt) to a mere 140mt in 2013-14, while coal imports jumped to 171mt in 2013-14 from 60-70mt in 2009-10. Anil Agarwal, chairman of the world's eighth largest diversified mining company Vedanta Resources Plc, has openly regretted having made a $6 billion investment in aluminium plants in Odisha given its struggle to get bauxite. In fact, reverse foreign direct investment has gained momentum as companies such as Adani, Jindal, GVK and NMDC Ltd have started buying overseas mining assets. A complete overhaul is the need of the hour. The immediate starting point is to revamp the Mines and Minerals (Regulation and Development) Act, 1957. The previous government did attempt to do so but could not take it to the logical conclusion and the amendment lapsed. We have to move away from free allocation of resources to an auctioning process for efficient use of resources, reduce crony capitalism and fast-track investment. To attract investment in exploration, the government needs to bring in 'open sky' policy for reconnaissance permit, ensure seamless transition from prospecting licence (PL) to mining lease (ML) and guarantee rights to sell and transfer PL and ML. Streamlining the tax structure and ensuring transparency is also extremely important for attracting investment. India boasts of the highest tax rate on iron ore today in the world. A firm has to pay 10% of the sale price as royalty and 30% of it as export tax. Even railway freight is around 30% of sale price. If this is not enough, Karnataka has levied an additional 10% of the sale price as local area development charge on iron miners. Now with 80% of sale price gone, if a company makes any profit, it has to pay 33% income tax. No wonder production has dipped by almost 40% in the past two years while we continue to leave no stone unturned to kill the iron-ore mining industry. If we squeeze these companies during a commodity bull cycle, why should we even expect further investments in exploration and value-addition facilities? One positive step the government has already taken is to move away from specific tonnage-based royalty to taxes based on assessed value. Next, it put a cap on the maximum percentage of taxes, which will go a long way in removing uncertainty. To make the industry globally competitive, it is desirable to remove restrictive trade practices. The domestic steel industry is clamouring about preserving domestic iron ore lest we run out of the resource in the future. India has 25 billion tonnes of iron ore reserves at a cut-off grade of 55% iron content, or around 100 years of consumption. This would double if the cut-off grade is reduced to, say, 30%. And all this is based on some preliminary exploration done by government agencies like the Geological Survey of India. The situation appears similar to what happened in Australia in the 1960s. At that time it was estimated that Australia had only 400mt of iron ore reserves and iron ore export was banned. Now after 50 years, Australia exports almost 600mt of iron ore per year and still has 40 billion tonnes left in reserves. India is largely still an untapped potential. The large steel companies have benefited quite handsomely over the last 10 years due to access to cheap captive iron ore resource. It might make sense to give captive resources to attract investments but this also breeds inefficiency. Many steel companies have been sitting on large resources without developing them. Also, having access to large and free resources has led to sub-optimal utilization of natural resources. This is evident from large dumps of iron ore fines and blue dust at these mines. Steel Authority of India Ltd alone is supposed to be sitting on 45mt of iron ore fines and blue dust dumps. Thanks to China, we have been able to clear this mess to some extent. Faced with a mining ban in Karnataka, JSW Steel Ltd not only adapted to survive, but also became one of the most efficient steel companies in the country, despite using one of the worst quality iron ore. Infrastructure is another important challenge facing the mining industry. Railway haulage in India is six times what companies in Australia or China incur. Coal India Ltd claims it can increase production by a whopping 300mt, or almost by two-thirds, if the government can construct three railway links of 50-100km each. It seems unbelievable that something as small as this can hold our country to ransom. A new resolve is needed here. Having the same party in power both at the centre and the state might help resolve the matter. All hopes are on the new government. Can it modify the growth path?



SMALLER, NIMBLER RIVAL SHOWS THE WAY FOR MONOLITH COAL INDIA

For a coal producer trying to navigate India's complex federal structure, size matters. And the smaller the better.

That harsh lesson was learnt by S. Narsing Rao, the outgoing chairman and managing director of Coal India Ltd, the world's biggest coal miner. While Rao has been at the helm in the past two years, Coal India has missed its annual output targets.

But in the six years before that, Rao led Singareni Collieries and the company beat output targets every year. Even though it is India's second-biggest coal producer, it is small compared with Coal India. In the fiscal year ended March 31, it produced a tenth of Coal India's 462 million tonnes.

Some experts say India needs more small and nimbler companies like Singareni, rather than monoliths like Coal India, to narrow its crippling supply shortfall - forecast to more than double to 350 million tonnes by 2016-17.

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.

That is forcing new Prime Minister Narendra Modi to explore drastic remedies like a break-up of the company, sources say.

The key reason Singareni can meet its targets lies in the ownership of the two companies, Rao says.

While Coal India is majority owned by the central government, Singareni is controlled by the southern Telangana state. Since the federal government can do little without the consent of the states, it is easier for the likes of Singareni to acquire land for mining, access infrastructure such as railways and get environment approvals.

Land acquisition and access to railways are the two most important factors for boosting coal production.

"Coal India, being a federal company, is somehow not proving to be very successful in influencing state governments and district administrations to positively respond to our requests. That is the challenge," Rao told Reuters.

"Singareni being a state government company, it is much easier to do that."

State resistance has, for instance, hampered Coal India's plans to build railway lines connecting remote mines. Rao has said previously that better transport connections could raise the company's output by 300 million tonnes per year.

Rao has quit Coal India to join the government of Telangana, a new state formed this month through the division of Andhra Pradesh state.

Coal India's 370,000 highly unionised workforce has resisted attempts to introduce new technologies, fearing job losses.

In contrast, Singareni, with a workforce of around 62,800, is using state-of-the-art technologies, having pioneered mechanisation of coal mines in India way back in 1937 using coal-drilling machines.

Coal India's productivity, measured in output-per-man-shift, was 4.92 tonnes in 2011/12, below a target of 5.54, according to the last available Planning Commission figures. For Singareni, which digs out a higher percentage from underground mines that are harder to operate than open-cast mines, productivity was 3.80 tonnes, above a target of 2.67.

Singareni Chairman Sutirtha Bhattacharya said Telangana state has promised the company full co-operation, which would spur it to a record production of 54.5 million tonnes this fiscal year from about 50 million in the previous year to end-March. A tenth of India's coal reserves of about 293.5 billion tonnes is estimated to be in Telangana.

Should Modi decide to open up India's nationalised coal sector, Singareni-like small companies could be a better fit for local as well as foreign investors. India's president said last week that reforms in the coal sector will be pursued with urgency to attract private investment.

Reuters reported last month the government was exploring spinning off some of the eight units of Coal India into independent firms, making respective state governments equity holders to help speed up land acquisition.

A smaller firm has some advantages, says Dipesh Dipu, partner with Jenissi Management Consultants."You have better control of operations," Dipu said.

ILLEGAL MINING, POLICY REFORMS AMONG PRIORITIES

Also as the Supreme Court case against illegal mining in Odisha is heard out, most of the regulatory decisions will be guided by court rulings. said Care's Avachat. These are Mines and Minerals (Development Regulation) Act, 1957; Forest (Conservation) Act, 1980 and the Environment (Protection) Act, 1986. said the head of a large foreign company that has investments in India. He did not wish to be named. The biggest piece of reform would be to conduct transparent auction of natural resources blocks, in line with expectations after a

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Supreme Court ruling in 2012 said auctioning should be the way forward. But to grow the sector, more exploration will be needed, as well as a win-win plan that will enable locals to give up land. "India has not found any new mineral deposit in the last 40 years," said the executive cited earlier. "It is not as if exploration will displace people. There is modern technology available." To bring in foreign companies, the government will have to sweeten deals by allowing them to sell commercially in the local market. Such companies are unlikely to be pleased with export curbs. The big stranded projects such as Posco's project in Odisha, which at $12 billion is the largest foreign direct investment (FDI) in India, would need state-level clearances for mine and land acquisition. Local protests may be an additional hurdle beyond the control of the centre. The large taxes on mining will be another issue. The effective tax rates are 60-80%, which is burdening miners. Plus the new mining Bill, that proposes that a quarter of net profit be shared with locals, will be another dampener. "The problem with the mining sector is, it is still carried under three major Acts which are very old and need some very important amendments," India's infrastructure, automobiles and consumer goods sectors are dependent on iron ore and steel—the power sector's single-biggest raw material is coal and the electrical and packaging industries bank on bauxite and aluminium. In fiscal 2013-14, the mining sector contracted by 0.8% year-on-year, and overall industrial production contracted by 0.8%, reflecting the stress this sector bore out on account of the crackdown on the mining sector since 2011 and the policy impasse that followed. Now the industry is expecting that the government will take policy measures that will attract more foreign

players to bring in investments and skills, initiate transparent auctioning of mining blocks, lower the mining tax rates that range from 60-80%, give a single-window clearance to cover land acquisition and mining licences and also stimulate growth in the sectors that consume minerals. "The more important thing is to resume mining in the states where it is closed or partially so," said Ritesh Shah, metal and mining analyst at Espirito Santo Securities India Pvt. Ltd. "Export duty change to curb imports of steel could be another actionable (item)." However, the industry is still not sure that the Bharatiya Janata Party (BJP)-led government that won the 2014 elections with a thumping majority will be able to pull off some of the mega reforms that would need structural changes and amendments to the mining law. "The BJP manifesto doesn't explicitly say what it will do to the metals and mining sector, so people are cautiously optimistic," India's metals and mining companies are hoping the new government will put to rest the controversial illegal mining issue that stalled the sector's growth, introduce regulatory reforms, raise investments and help revive consumer demand. The mining and quarrying sector contributed just 1.9% to gross domestic product (GDP) and steel contributed roughly 2% in 2013-14, but collectively, the metals and mining sector forms the core of industrial growth. Expectations are that reforms could be in store for this sector as the government takes steps to accelerate economic growth. "Metal and mining seemingly has a small share in the GDP, but its allied sectors are totally dependent on it for their growth," said Hitesh Avachat, group head - metals and mining at Care Research. "So, if mining doesn't grow, others won't grow."

ULTRATECH MAY BUY REWA CEMENT PLANT

The two companies are in discussions about projects including Jaiprakash's Rewa cement-making complex in central India, said the people, who asked not to be named as the talks are private. Rewa has an annual capacity of 7 million tons, according to a May presentation posted on Jaiprakash's website. Shares of Jaiprakash Associates rallied 3.1 percent on Tuesday to close at Rs 88.25 after report suggests that Aditya Birla Group-led UltraTech Cement is in talks to buy its Rewa cement plant in Madhya Pradesh. Mangesh Bhadang, research analyst, Quant Capital says the company may fetch better valuation for Rewa plant sale , adding not only would it strengthen their presence in Central India but the higher prices cement there, would help them boost company's earnings and margins. This deal can help UltraTech up its capacity in Madhya Pradesh from 3 million tonnes to 6 3 million tonnes, he says. If this deal gets executed, then this would be the second transaction of cement plant sale by the company with UltraTech. Earlier in September 2013, JP Associates sold two Gujarat cement plants for Rs 3,800 crore to Aditya Birla group company.

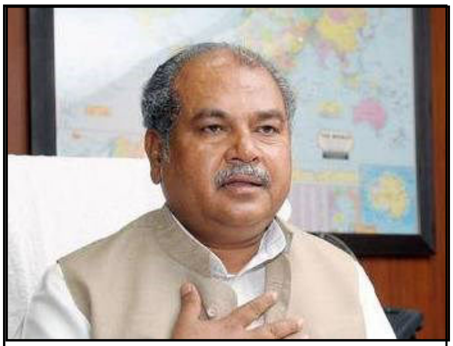
Jaiprakash, the builder of India's only Formula One race track, is also seeking buyers for cement assets in Himachal Pradesh, one of the people said. It owns two factories in the northern Indian state with a combined 3.5 million tons annual production capacity, according to the company presentation.

ONE MINISTRY FOR STEEL & MINES IS A RECIPE TO REDEEM BOTH

In the last three years of the United Progressive Alliance government, the Indian steel sector had a torrid time. Bureaucrats and industry officials, especially those belonging to public sector undertakings (PSUs), were subjected to hellfire and torment by a whimsical minister from a small town of Uttar Pradesh. He would take delight in running down his officials in public, without letting them know where he wanted the country's steel sector to be in the next five or 10 years.

The minister had a one-point program of using PSUresources to promote projects in his borough and select parliamentary constituencies in his state to curry favour with his party's top bosses, who were seen as indulging him. None of his sponsored projects would find justification on economic grounds.

Though he went on blundering, both as a minister and a politician, he was tolerated by the Congress in the hope of winning favours of a particular community in Uttar Pradesh. This didn't happen; the minister suffered a humiliating defeat in the recent parliamentary elections. He thought the best he could do for the steel sector was to put it on autopilot.


Narendra Singh Tomar

SMOOTH RIDE AHEAD?

A likely positive for the steel sector is an improvement in rural demand, in the wake of 4.7% growth in agricultural production in 2013-14

India's per capita steel consumption is 58 kg, against the global average of 250 kg; rural per capita steel use is only 14 kg

The challenge is to initiate rural folk to use steel in all kinds of construction and take required quantities of the material to their doorsteps

Steel and mines minister Tomar can strike a balance between the requirements of the mineral by the steel sector and compulsion of mines to export fines

As the steel fraternity remained in low spirits, not knowing what the minister would do next, India's economic slide started telling on metal demand and added to the gloom. Not just steel, growth in demand for non-ferrous metals such as aluminium and copper, too, took a hit, as gross domestic product grew a decadal low of 4.5 per cent in 2012-13 and 4.7 per cent in 2013-14, the marginal improvement being entirely on account of a good show by the agriculture sector. Contraction of manufacturing by 0.7 per cent in 2013-14 took the shine off metals.

The steel sector, in capacity-expansion mode, fared badly, as supply was more than demand. The Centre for Monitoring Indian Economy said in 2013-14, projects worth Rs 6.2 lakh crore remained on the back burner. A likely positive for the steel sector is an improvement in rural demand, in the wake of 4.7 per cent growth in agricultural production in 2013-14, aided by a bountiful monsoon. The bumper farm production should leave good investible surplus with growers, to be used in house building, among other things. India's per capita consumption of steel stands at 58 kg, against the global average of 250 kg; rural per capita steel use is only 14 kg, leaving enormous scope for growth. A government paper says every one kg rise in per capita rural consumption will result in an incremental one million tonnes (mt) in steel demand.

At what rate steel demand grows in rural India, home to about 70 per cent of the population, will depend on the quality of market promotion work and steel companies' engagement with buyers through dealer networks in about 600,000 villages. The challenge is to initiate rural folk to use steel in all kinds of construction and take the material to their doorstep in the quantities they need. Sustainability of rural steel demand will have much to do with the country's ability to achieve at least four per cent annual farm growth. After crop harvesting and tending of fields for the next round of cultivation, growers must be left with enough surplus to build pukka houses and grain storehouses.

For this to happen, farmers will have to be enabled to take bad weather such as the below-normal monsoon forecast for this season in their stride; also, they must be adequately rewarded for their efforts. In its election campaign, the Bharatiya Janata Party had accorded high priority to improving the incomes of farmers. What remains to be seen is how the Modi government goes about the job without increasing the subsidy burden.

The Indian metals sector, particularly steel, stands to benefit from the government bringing steel and mines under a single Cabinet minister, Narendra Singh Tomar. The past 10 years saw the steel and mines ministries crossing swords over a development strategy for iron ore. What did not help iron ore mining and promotion of downstream pellets manufacturing using fines was the two ministries staying on opposite poles on mineral exports. No wonder, our iron ore production and exports suffered steep falls in the past few years.

In charge of both steel and mines, Tomar is well placed to strike a balance between the long-term requirements of the mineral by the steel sector, targeting capacity of 300 mt by 2025 and compulsion of mines to export fines to boost production of lumps. The mining ban in Goa has been lifted but mines in that state will have to be enabled to export fines with low iron content.

Usually, Goan fines are only in pellet form. So, there has to be an export outlet for fines if production is to be ramped up to pre-ban levels. Tomar also faces the challenge of ensuring new alumina refineries in Odisha not only have access to bauxite deposits, but also receive all clearances in a reasonable period to open mines. India is rich in iron ore and bauxite deposits. There is no reason why some steel mills and alumina refineries should face difficulties in procuring raw materials.

NEARLY HALF OF INDIA'S COAL POWER PLANTS HAVE ONE WEEK OF STOCKS

Nearly half of India's coal-fired power stations only have enough stocks to last a week, the power minister said, as the country struggles to connect millions to the grid and wrestles with a growing coal import bill.

Coal imports equate to about 1% of India's economy as state behemoth Coal India, the world's largest coal miner, has failed to raise output fast enough to meet demand.

This leads to frequent blackouts, something new Prime Minister Narendra Modi is keen to fix soon but which will raise coal shipments from countries such as Indonesia, Australia and South Africa. Coal fires more than half of India's electricity.

Power Minister Piyush Goyal said on Monday 26 out of 100 coal-based power plants in India had "super critical coal stock" - enough to meet requirements for less than four days.

A total of 44 plants, including the super critical ones, have "critical coal stocks" sufficient for less than a week, with the majority in the state of Maharashtra, the home of India's financial capital Mumbai.

"In order to ensure adequate availability of coal, Coal India Limited has been impressed upon to enhance production of domestic coal in the country and power utilities have also been advised to enhance imports of coal," Goyal told lawmakers.

India is already the world's third-largest coal importer despite sitting on the fifth largest reserves, mainly due to delays in securing environmental clearances to add new mines and to build facilities to transport coal from remote mines.

Coal-fired power plants are expected to see demand of 551.60 million tonnes this fiscal year ending March 31, but supply will be limited to 466.89 million, Goyal said.

In April-June, Coal India supplied 88.66 million tonnes to power companies against a target of 101.61 million. Coal shipments rose as a result.

India's imports of thermal coal, used in power generation, rose 11% to 14.77 million tonnes in June, according to a joint venture of Tata Steel and Steel Authority of India Ltd.

Weaker-than-average monsoon rain this year could also encourage coal imports as hydro-electric production is expected to fall.

BEML: MINING RECOVERY THE TRIGGER

After a prolonged downturn in mining due to the ban in Karnataka and Goa, the prospects for BEML could improve. Revenue from the infrastructure equipment segment is poised for a recovery as demand for infrastructure equipment is seen improving from the fourth quarter of 2014.

"We are expecting some improvement in demand. However, it could take six or seven months to generate demand. The Street has started to look at that in advance as this could have a positive impact on BEML," said Misal Singh, who tracks the sector at Religare Capital Markets.

While the market has started sensing a recovery in profits and better earnings in FY15, the stock at Rs 267 is at half its book value.

Besides improving business fundamentals, the internal changes and cost control measures undertaken by BEML are equally important. Thanks to higher working capital needs, interest costs surged and eroded profits. On this, the company is making efforts to manage inventory and cut interest cost. Results are beginning to show. The firm made a profit in the December quarter against losses in the first and second quarters

Quarterly run-rate of interest cost has come down from a peak of Rs 40 crore in the March 2013 quarter to less than Rs 30 crore recently. This, to a large extent, helped BEML return to profits. BEML said because of these internal initiatives one can expect the March 2014 quarter to be better than the December 2013's.

Since FY13, mining has been in a downward spiral in India as well as globally. In India, the construction sector was also under pressure. More, there has been acute pressure on margins, with global companies dumping their products and undercutting prices, said P Dwarakanath, chairman and managing director in BEML's annual report for 2012-13.

BEML has taken steps to sustain revenues. The company has been focusing on the railways business, as well as international markets. Both have in the recent past reported good growth and helped maintain the desired sales.

With the current order book at Rs 6,000 crore, or two times its FY13 revenues, BEML is in a comfortable position for a year or two. However, a large part of the stock's re-rating will depend on the sustainability of domestic demand, specially from the mining and infrastructure space. In the long run, defence and rail

COAL & POWER MINISTER PIYUSH GOYAL MEETS INDUSTRY BIGWIGS TO DISCUSS THE GRIM SITUATION

With the country's power situation turning grim, a 45-member delegation of power honchos parleyed with coal and power minister Piyush Goyal for four hours to find solutions to the problem, and woes problems plaguing the sector- ranging from coal and gas shortage to transmission bottlenecks.

Reliance Power chairman Anil Ambani, Adani Group chairman Gautam Adani, Welspun Energy managing director (MD) Vineet

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Mittal, Jindal Power chairman Naveen Jindal and National Thermal Power Corporation chairman and MD Arup Roy Choudhury were present at the meeting.

The electricity shortage was as much as 7,000 MW in May. Goyal directed Coal India Limited (CIL) to step up production from existing mines, increase supplies to power plants by reducing the quantity offered in e- auctions and address the issue of fuel quality. Goyal added that the issue of quality of coal was also discussed with the private power producers and other stakeholders.

Power generation has suffered as CIL has been unable to meet production targets for reasons, including delayed approvals for new mines. Importing coal to make up for the shortfall is expensive and utilities are not always able to pass on the higher costs to consumers.

CIL, the world's largest coal producer, sells about seven per cent of its production through eauctions, where smaller, Non-power users walk away with most supplies as electricity generation companies do not bid aggressively in view of tariff caps. About 60 per cent of India's installed generation capacity uses coal. The minister asked CIL to increase supplies of the fuel to power stations and said that projects where construction is complete should get preference in allocation.

"We discussed the quality of coal supply and asked Coal India to allow third-party inspection before loading of coal to all buyers of coal across the country. The third- party inspection of supplies of coal from the mines ... is aimed at reducing complaints," Goyal said. "We are also going to do this on the unloading station (power plant) on an experimental basis for three months for the stateowned generating stations to see if the process works well." Reacting to the reduction of eauction coal, a Coal India official said, " The priority is national interest. Our purpose is to supply coal for national interest and if the power producers need coal, then it will be surely given to them." The official declined to comment on third- party sampling of coal quality.

COAL INDIA : RESTRUCTURING PUT ON BACKBURNER

The much-anticipated breaking up of Coal India into independent mining companies with a view to raise overall coal production through higher efficiency appears to have been put on the backburner with the government now becoming more concerned on how to raise output through faster environmental approvals.

"Coal India is a company which has seven subsidiaries, which owns mines while one is engaged in prospecting and exploration. That is the status of Coal India and continues so. I think the more pressing problem before us is enhancing coal supplies, sorting out environmental issues both of which are a legacy of inaction, ineptitude and policy paralysis that the sector has faced over many years all of which is the result of environmental constraints many times unreasonable," Piyush Goyal, minister of state for power and coal, said on Thursday.

Goyal was responding to media queries about whether the plan to bifurcate Coal India into smaller units is being considered by the new government.

Consultancy firm Deloitte, which was appointed by the previous UPA government, submitted its report on restructuring of CIL in February this year.

Goyal along with his secretaries met directors and top officials of Coal India and its subsidiaries at the company's head office in Kolkata to discuss a host of issues including ways to raise supplies to power sector in the backdrop of severe power crisis in New Delhi and elsewhere and concerns over quality of coal being given to power plants.

Better and faster coordination with the environment ministry for quicker approval of mining projects was the key focus of the coal and power ministry, Goel said.

"While the meeting was going on I also discussed with environment minister. We have already set up a meeting in the next four days where we shall be further sorting out some of the very valuable suggestions that have come up today," Goel told reporters emerging from the meeting.

The environment and coal ministries were at loggerheads during the previous UPA government over the issue of clearances for mining in forest areas leading to long delays in approvals and emergence of concepts like "no-go" areas for mines.

Apart from ensuring faster green nod, the meeting also explored ways to raise output by giving incentives to Coal India personnel. "We are looking at best practices and also looking at how to incentivise the employees ofCoal India to further enhance production."

CHINA TURNS TO INDIA, AUSTRALIA TO FILL GAP FOR BAUXITE

China’s imports of nickel ore from the Philippines and bauxite fromIndia and Australia increased in May as buyers in the biggest consumer of commodities sought to fill the gap caused byIndonesia’s ban on shipments.

Nickel ore deliveries from the Philippines surged to 3.98 million metric tons last month, the highest level since September 2012, while bauxite from India surged to a 10-month high of 547,475 tons, customs data showed. Bauxite shipments from Australia rose 21 percent from April to 1.24 million tons.

Indonesia accounted for more than 10 percent of global bauxite supplies before imposing its ban earlier this year to foster a local refining industry, analysts at Goldman Sachs Group Inc. estimate. The Southeast Asia nation was also the biggest source of ore used by China to produce nickel pig iron, a lower grade alternative to refined metal used to make stainless steel.

“More Chinese smelters are replacing Indonesian ores with material from the Philippines,” said Chen Ruikan, an analyst at

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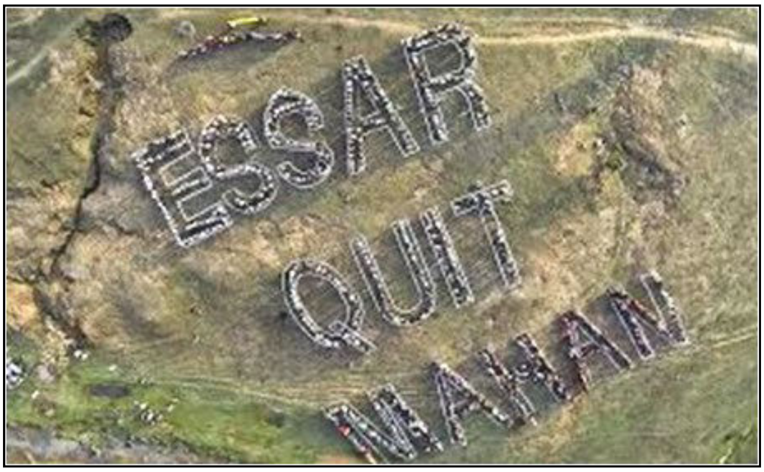
GEMCO KATI

SMM Information & Technology Co. in Shanghai. Indian bauxite is also emerging as a substitute for Indonesian shipments and Australia is also increasing cargoes, according to Ye Yonggang, an analyst with Jinrui Futures Co. in Shenzhen.

China's laterite nickel ore imports from Indonesia, fell 87 percent last month to 38,885 tons, while bauxite shipments in May were 44,968 tons, down 91 percent from April according to customs data.

12 FOREIGN NATIONALS BEHIND STIR AGAINST POWER

Senior officials reporting to the Ministry of Home Affairs have identified 12 individuals who are considered the prime movers in the ongoing all-India campaign by a few NGOs to "slow down and finally stop" thermal power generation in India. This is according to those investigating the activities of the dozen principal foreign activists (six from the US, four from the UK and one each from Canada and New Zealand) during their frequent visits to this country. According to a senior official, the game plan is to "force the closure of existing thermal power plants, while ensuring through agitations and litigation that new plants do not get set up". Along with this, they have masterminded a drive against coal mining in India, despite the fact that in their countries of origin, mining (including coal) is among the most major of industries.



Some of the NGOs associated with the agitation against both coal mining as well as thermal and nuclear power plants are linked to commercial interests in their countries of origin. An example is Greenpeace, "which is promoting the solar energy equipment of the US-based Zemlin Surface Optical Corporation" in Bihar, a prime target of several foreign NGOs eager to shut down extractive and energy industries in that impoverished state.

Of the 12 names in the list of key foreign players in anti-thermal and nuclear power and anti-coal and uranium mining activities in India, eight are from Greenpeace: Paul Horseman, Greg Muttitt, Emma Gibson, Grace Boyle, Daniel Pentzlin, Lauri Myllyvirta, Owen Pascoe and Carmen Cravatt. Three are from the Sierra Club: Matthew Phillips, Justin Guay and Rosemary Forest. The twelfth, Mike Zemlin works on behalf of Surface Optics. The Manmohan Singh government had "ignored the evidence linking them and other foreign nationals to several hundred agitations" against power plants and mining locations, according to an official investigating their activities, who added that "thus far, Home Minister Rajnath Singh has not initiated any action to check the activities of such NGOs".

Senior officials say that sections of the local population are "intensively targeted by these foreign nationals, who have (by now) developed a cadre of Indian sympathisers who join with them" in generating protest movements against key economic targets. They give the example of a Dutch-funded NGO, Cordaid, which in the guise of preventing atrocities against women in the Northeast, "has (in actuality) been training and leading agitations against oil prospecting in Manipur and uranium mining in Meghalaya, besides hydropower dams in Arunachal Pradesh". They have been working both directly as well as through local NGOs such as Core in Manipur and WING in Meghalaya, besides another named RWUS.

An oil expert working in the government said that "crude oil reserves in Manipur are enough to reduce India's oil import bill by 40%, provided more domestic players are allowed to prospect for oil in potential locations and given freedom to operate". He said that during the UPA period, "neither was the private company involved able to resume oil drilling nor was the Central government interested in creating the conditions needed for them to do so". Another official said that exploration work ought to be "given to more companies than just the Jubilant Group so that more fields get developed". He warned that four foreign NGOs in particular have been active since 2006 ensuring that a hostile climate gets created among the public, "even though the oil industry once developed can make Manipur the richest state in the Union". A key official from the state warned that "foreign NGOs have developed considerable expertise in using the legal system in India in order to slow down and stop economic activities across various parts of India", by using the services of locals to file cases and generate adverse publicity about such activities. He said that "the Manmohan Singh government was more interested in buying oil from abroad and in getting uranium from outside" than in ensuring the proper exploitation of oilfields and uranium mines in the Northeast.

Several officers pointed out that the intention of the NGOs was to deny India the electricity it needs for faster growth, pointing out that "even hydropower plants are being opposed (as in Arunachal Pradesh) while replacing thermal and nuclear power plants with solar energy was impossible" in a context where the cost of such systems is high and availability low. "The foreign nationals going around the country trying to block energy production know that this will reduce growth and create massive unemployment and social unrest". However, his colleague said that "their expertise is in ensuring agitations", adding that "several of these foreign nationals talk openly of how they have paralysed life in several locations in order to take down a

(Continued on Page 8)...

functioning enterprise", thereby causing unemployment and income loss.

The Intelligence Bureau got awakened to the growing menace to growth and social stability caused by foreign NGOs after they succeeded in halting the commissioning of the Koodankulam II reactor just before start-up. "For 20 years they were silent, but moved just when electric power would begin to flow to the grid from the Koodankulam plant", said a local official, adding that "religious charities with ties to France were hyperactive in funding the protests". As soon as the government cut off funding, the agitation stopped, thereby demonstrating the close link between agitation and foreign "We need to create 15 million new jobs every year and cannot do

this unless the legal and other blockages created by foreign NGOs and their local partners get cleared", warned an official, adding that "we expect Home Minister Rajnath Singh to wake up to this reality before more time goes by, so that blocked projects resume".

Supporters of Greenpeace and other foreign NGOs active in India scoff at the fears expressed by the agencies, saying that all they are doing is to "ensure that the people of India live in a clean, green environment". They say that to consider such activities anti-national is to "indulge in paranoia and xenophobia", adding that the foreign nationals working in India "love your country and want to help it avoid the mistakes of the West".

INDIA CAN EARN $10 BN FROM IRON ORE EXPORTS: VEDANTA CHAIRMAN

Despite the steel ministry's reluctance to reduce export duty on iron-ore, Vedanta chairman Anil Agarwal has supported the mining industry's demand to reduce the current 30% duty, stating that India could earn $10 billion if the government allows export of iron ore by reducing export duty structures.

“Oil price hike may lead to forex outflow. Increase in

Goa’s iron ore production for export can earn forex up to $10 billion,” Agarwal said in a tweet on Friday.

This comes days after mining industry stalwarts made a presentation to steel and mining minister Narendra Singh Tomar.

Last week, Rio Tinto India managing director Nik Senapati had said: “There is enough iron ore for the growing Indian steel industry. Export duty should be reduced,” Senapati is also CII’s chairperson of the national mining committee.

The mining companies believe that the consequence of imposi- iron ore uncompetitive, and Indian exports plummeted as a result.

India's iron ore exports came down to 14.42 million tonne in 2013-14 from 117.37 million tonne in 2009-10.

"With the present duty structure, the companies will be incurring a loss of $8-9 per tonne for iron ore of 55% Fe grade, if they export," said a senior executive from Vedanta.

However, the steel ministry wants the finance ministry to continue with the 30% duty on iron ore exports in the upcoming Budget, stating that restrictions on mining of iron ore in Karnataka have led to a steep drop of 35% in its output.

Portraying a grim picture on the paucity of iron ore, the ministry has argued that adequate availability of the mineral is imperative as it is the lifeline of steel production. A 35% drop in output over the past four-five years has triggered concerns within the steel industry.

WANT TO START POWER PLANT? GO, GET 143 APPROVALS

How easy is it to set up an integrated power plant in India? Not very, given that companies have to seek 90 clearances during construction and 53 clearances, while starting operations. Besides, compliance reports have to be filed on 1,982 counts, nearly half of which attract imprisonment for failure.

A majority of these norms are good for justifying the existence of a vast pool of officials in various government departments, they have little relevance in today's business and economic environment and often times substantially contribute in projects getting delayed. Industry insiders say the burden finally falls on consumers by way of higher tariff due to rising IDC (interest during construction), which is loaded on to costs that decide the final tariff. Besides, the delays also put the project viability at risk.

BUMPY ROAD

APPROVALS REQUIRED	During Construction	90	During Commissioning	53

No. of Compliance Reportings	For Power Plant	For Captive Coal Mine
Without imprisonment clause	777	1205
With imprisonment clause	559	551
Routine/daily reporting with imprisonment clause	270	230
Non-routine with imprisonment clause	289	320

No. of Legislations	
Governing integrated power projects	46
That have not been reviewed/amended in 50 years	10

WE CAN CONTRIBUTE 1% TO INDIA'S GDP: VEDANTA RESOURCES CHAIRMAN ANIL AGARWAL

Anil Agarwal, chairman of Rs 78,000-crore ($13 billion) Vedanta Resources, like a lot of Indian businessmen, has been extremely pessimistic about the Indian business climate for a while now. But the decisive victory for the BJP in the recent elections has wiped most concerns and he is confident that Modi's leadership will write a new chapter for entrepreneurship in the country. The London-based billionaire, who started his career as a scrap dealer in Patna, now has global interests in oil, iron ore, copper, zinc, bauxite and aluminium. Particularly critical of environmental NGOs, he echoed the Intelligence Bureau's concerns on their role as economic terrorists and expressed confidence that once all his stuck projects start operating, he alone would be able to contribute 1% to the country's GDP. On a whirlwind trip to Mumbai, Agarwal spoke to TOI on his new-found confidence and the policy

imperatives that the government should drive to attract what he described was about $3 trillion worth of idle cash which companies in the US are looking to invest.

"We produce oil, iron ore, copper, zinc, and aluminium; if we get approvals to produce all of them to our full capacity, we will contribute about 1% to the Indian GDP. We can double our oil production to 4,00,000 barrels per day (bpd) if we are given clearances to invest another $3 billion. Cairn India alone can give the government Rs 1,00,000 crore of revenues if the approvals come by. Similarly, we can double our iron ore and production and quadruple the production of aluminium and bauxite. You have to give me confidence that you are going to produce for 20 years so invest $5 billion. Can you believe that we have invested over Rs 60,000 crore in Orissa creating one lakh jobs and we are just operating at 25% capacity. However, I am confident that we will be allowed to operate at 100%. " he said in an interview

CIL RESTRUCTURING, PRICE FREE-UP BUZZ RESURFACES

The government has again stoked the issue of need for restructuring Coal India Ltd (CIL).

The economic survey has raised the demand for freeing pricing of coal, which it indicated is subsidised leading to distortion in the market and wasteful consumption.

"The process of restructuring CIL needs to be pushed through swiftly to boost coal production," said the survey without going into the specifics of how that should be addressed.

Till now, the concept of restructuring country's near monopoly coal miner and world's largest producer has revolved around breaking up of the behemoth, a holding company actually, into separate mining companies, all of which currently operates as its wholly owned subsidiaries.

But the restructuring being suggested is not breaking up, that was being expected by the financial markets. It is about turning CIL board more efficient and responsible.

"What the survey indicated is the restructuring as per the TL Shankar Committee which didn't recommend breaking up of CIL but suggested a more professional board," Partha Bhattarcharya, former CIL chairman told dna.

"Regarding restructuring of CIL, the committee felt that it may not be appropriate to initiate any major restructuring of the existing legal and administrative arrangement of CIL at this time. It is, however, suggested that some adjustment in the board level should be made by making the CMD of CIL, chairman of the Boards of all the subsidiaries and designating chairmen of the subsidiaries as vice chairman and MD. By this arrangement the CMD of CIL could be held accountable," the committee had suggested in 2007 which the survey has suggested to follow.

Coal minister Piyush Goyal has been denying that the government is considering restructuring CIL arguing that focusing on raising its ability to raise production in an efficient manner is what the government is concerned with, something which can't be addressed just by breaking up the corporation.

"The more pressing problem before us is enhancing coal supplies, sorting out environmental issues both of which are a legacy of inaction, ineptitude and policy paralysis that the sector has faced over many years all of which is the result of environmental constraints many times unreasonable," Goyal said recently.

CIL supports the view that the production can't be raised by breaking it up.

"Unfortunately, the mistakes committed by the government in allocating coal blocks to non-serious captive parties and regulatory hurdles arising in the ways of coal production are being cleverly kept hidden by shifting the discredit on CIL for not producing enough to meet the coal demand of the country," a senior CIL told dna.

"Moreover, it is forgotten that a large part of the hindrances and obstacles faced by the captive operators, in the way of coal production, are also valid for CIL. The idea of creating competition amongst CIL subsidiaries is a utopian thought. The propagators

(Continued on Page 10)...

of this concept of restructuring of CIL perhaps are not aware that each of the seven subsidiaries of CIL produces coal under widely different geo-mining conditions," the official said.

While breaking-up of Coal India is widely seen as a positive for the stock's valuation in the bourses, there are contrarian views too."Restructuring CIL, which essentially involves separating its subsidiaries and making them independent, doesn't appear value accretive as it is only a holding company and would lose its attractiveness once the mining companies are separated," an analyst tracking the sector said.

The survey said there is a strong case for "removing pricing distortions seen by consumers such as administered pricing for coal."

"Fixed prices are dulling the market response of reduced consumption in response to higher prices and reducing the flexibility of the market economy," the survey said.

The survey also partly blamed stifling regulatory environment for CIL's poor output. " The slowdown in coal production partly owes to regulatory issues," it said.

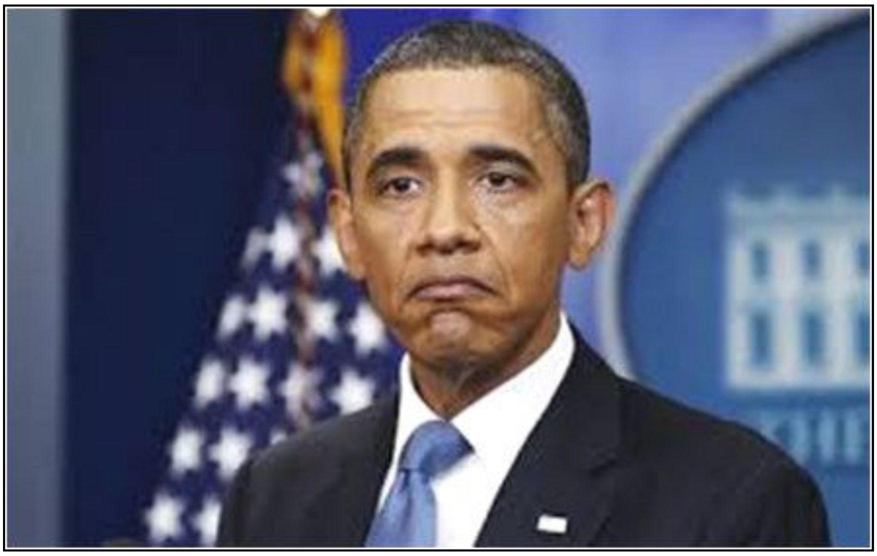
This will lead to increasing imports, which might create a problem if global prices of coal start rising.

"The cost of imports would have been much higher had there not been a slide in coal prices in the international markets in the last two years. With stagnant domestic coal production, coal imports are likely to surge in the remaining three years of the 12th Plan," the survey said.

US EXIM BANK WEIGHS LOAN TO MAJOR INDIA COAL PROJECT

The US Export-Import Bank is considering financing a massive coal-fired power plant in India despite the fact the Obama administration has called on domestic and global public lenders to stop funding coal-plants in his climate change strategy.

The board of the Ex-Im Bank, the United States' export credit agency, voted last December to stop funding coal plants overseas - except in certain circumstances - in response to President Barack Obama's Climate Action Plan, which called on US and international lenders to do so.



"We are currently reviewing the application, which we received last month, to determine if it satisfies our criteria of 'reasonable assurance of repayment' and to ensure that it adheres to our environmental and other policies," an Ex-Im official said.

The Ex-Im bank helps finance foreign purchases of US exports. Its future is currently in question as Congress debates whether or not to re-auhtorize the 80-year-old institution, whose funding expires Sept 30. House Republicans are divided on the question while Democrats largely support it.

Democratic Senator Joe Manchin from coal state West Virginia plans to offer compromise legislation to renew the bank's charter by five years on the condition that it permanently removes the restrictions on lending to coal projects.

The Ex-Im Bank in January temporarily suspended enforcement of a lending ban to high-carbon intensity projects until September due to a provision of a House appropriations bill that defied the president's climate action plan.

This opened the window for the India project to apply for an Ex-Im loan guarantee. The coal project being reviewed by the bank is a 4,000 MW integrated power plant and coal mines located in Jharkand.

It had initially been proposed by India's government as part of a strategy to add an additional 100,000 megawatts of generation capacity by 2017. Residents surrounding the coal mining and power project have protested against it.

The supercritical plant, which uses more efficient boilers than traditional coal-fired power plants, is owned by Reliance Power, Tata Power and coal mining company NTPC.

The Ex-Im Bank does not disclose which US vendors have applied for the loan until the loan is approved.

In 2010, the bank agreed to $900 million in loan guarantees from Reliance Power to buy mining equipment from Wisconsin-based Bucyrus, now owned by Caterpillar to build a power plant in central India.

Last month, the United States presented a plan to the Organization for Economic Cooperation and Development's exports credits group that would require any new power plant that gets public funding to meet an emission performance standard, emitting low levels of carbon dioxide.

Multilateral institutions such as the World Bank and the European Investment Bank have also pledged not to finance coal-fired power plants under most circumstances.

WHY LAND ACQUISITION IS SUCH A VEXING PROBLEM

Thiess India the Indian subsidiary of $24.4-billion Australian infrastructure, mining and real estate firm Leighton Holdings received a letter from NTPC terminating the contract between them. Despite several extensions, the notice said, Thiess had failed "to make any headway" in extracting coal from Pakri Barwadih, a coal block in Jharkhand.

At one level, the notice was the latest broadside in an increasingly acrimonious dynamic between the two companies. At another level, it was the latest act in a cautionary tale of how gnarled and twisted land acquisition has become for India Inc in general and the mining sector in particular.

It goes beyond the law and into the practical endeavours of this exercise. It goes beyond the traditional reasons cited, of villagers' demands for better compensation and jobs, and into the complex, transactional construct of land acquisition, and the climate of mistrust and forced choices it fosters.

The flashpoints keep increasing. The Reliance SEZ in Raigad. Coal India in Korba, Chhattisgarh. Tata Motors in Singur, West Bengal. The abortive hydel power boom of Arunachal. The previous land acquisition law gave the government sweeping powers to acquire land — at low rates and by ignoring local concerns by citing public interest. This resulted in an inevitable blowback from communities.

In 2013, the previous Congress-led government introduced a new law. Among other things, to mollify local communities, it asked private companies to obtain consent of 80% of project-affected families. "This new Act has swung to the other extreme," says Gaurav Jain, a real estate professional who worked with Emaar and DLF before setting up his own consultancy, Samyak Properties & Infrastructure. Little land acquisition has happened under the new law, partly because of the economic slowdown and partly because of the law itself.

Change might be coming. A stated intent of the new Bharatiya Janata Party-led government at the Centre is to get the wheels of industry moving. "Till now, industry was saying the Act needs a relook. But now, even the new government is saying the Act has made land acquisition difficult and expensive," says Jain. "It will undergo changes. There is no way out."

A department under commerce and industry minister Nirmala Sitharaman plans to make a submission to the rural development ministry — which is in charge of the land acquisition legislation — to do away with the 'social impact assessment' before land acquisition, which entails gauging a project's impact on local livelihoods, sources of drinking water, grazing lands, places of worship, etc.

Earlier this week, state governments joined the chorus against the new land acquisition law, saying its provisions will adversely impact infrastructure projects and the overall investment climate in the country. "With this land acquisition bill", says Vishal Dev, industry secretary, Orissa, " We Can just forget about attracting industry." "If land acquisition took four to five years under the old act," Dev told ET on the phone, "it will take 1.8-2 times as long with the new one." That is because, he says, the new bill wants more notices to be given out, more studies to be commissioned and stipulates long periods for communities to respond to these notices. In its initial remarks after taking over, it appeared that the NDA would retain the new law, but work on improving its implementation — to make it easier for industry while being considerate to the needs of the land owner. It's a balance that was, even after 10 years, never achieved at Pakri Barwadih.

'Pakki Barbadi'

With geological reserves of 1.6 billion tonnes, Pakri Barwadih is the largest coal block given out by the Government of India for captive use till date. In all, since 1993, the government has given out 195 blocks, 155 of them between 2004 and 2011. Of this, very few have got going. Most have been held up in processes or clearances, land acquisition being one of the issues.

Pakri Barwadih was allotted to NTPC in 2004 at a time when the company wanted to meet 20% of its coal requirements through its own blocks. "The company's then-CMD told us it was a goldmine for NTPC. We could use it to meet our coal requirements," recalls a former senior employee in NTPC, not wanting to be named. "Employees now call it pakki barbadi (definite ruin)."

Located about 23 km to the south of Hazaribagh, BJP leader Yashwant Sinha's erstwhile constituency, this is a poor part of the country. Most of the 2,000-odd households living over the block eke out one crop from their fields during the rains and work as labour in Hazaribagh or elsewhere the rest of the year.

STATE-BACKED FIRMS HOPE TO BUY FOREIGN COAL MINES SOON

International Coal Ventures Pvt. Ltd (ICVL) is a consortium formed five years ago by Steel Authority of India Ltd (SAIL) and four other state-run companies to acquire international coal assets. It hasn't succeeded in acquiring any so far. Starved of good quality domestic coking coal, steel companies including SAIL, Tata Steel Ltd and JSW Steel Ltd, have meanwhile become dependent on expensive imports from countries as far as Australia, Mozambique and the US. ICVL, with Rs.10,000 crore in authorized capital, isn't giving up the quest for overseas coal mines. SAIL chairman C.S. Verma said the consortium is evaluating several promising coal assets across the globe to address India's raw material security concerns. A major hurdle in acquiring coking coal mines has been volatility in the value of the assets, but prices are now favourable for buyers, Verma said in an interview. Edited excerpts: How concerned are you with raw material security in the country for steel makers given coking coal shortages affecting the sector? Raw material security has always been a matter of concern to ensure competitiveness and efficiency in steel making. In our Rs.72,000 crore modernization and expansion plan, we have set aside Rs.10,264 crore for augmenting raw material from existing mines and development of new mines. As for iron ore, we have our own captive mines capable of meeting enhanced requirement of iron ore in the times to come. But given the paucity of coking coal in the county, it should be exclusively earmarked for the domestic steel industry. That is why we espouse the need to have in place a policy that will enable domestic steel producers to leverage optimally the advantage of India's iron ore reserves and coking coal for steel production. SAIL is also a part of ICVL, a joint venture of five promoter companies—SAIL, Coal India Ltd, NTPC Ltd, NMDC Ltd and Rashtriya Ispat Nigam Ltd—for securing overseas coal assets, and is currently engaged in carrying out due diligence of some promising coal mines. One of the impediments faced in making an acquisition of a coking coal mine overseas has been the high level of volatility in the prices. Consequently, there has been a wide fluctuation in the value of assets as well. The current market conditions are favourable for making an acquisition. How can we speed up clearances that have blocked investments across mining projects in the country? The statutory clearances relating to mining operations involve various ministries, both at central and state level, and there are well-defined procedures to be followed. To further expedite clearances, there is a need to have a stable policy regime, and improved co-ordination between execution agency and the statutory bodies to help understand compliance requirements. This will eliminate circuitous gaps at the proposal stage itself, and make compliance requirements practically implementable. More importantly, the stakeholder expectations have to be taken into account along with statutory requirements for smooth execution of projects. How is the mood in the industry currently? What are your expectations from the new government and the new budget?I am of the view that the steel growth story over the medium and long term remains intact backed by a recent surge in exports, making India a net exporter of steel after seven years. This has resulted in a growth of 4% in steel production in the country in 2013-14, in spite of a not-so-impressive domestic demand. There is a renewed focus on high infrastructural growth. There would be a boost to capital expenditure and faster implementation of projects. All this should translate to a higher domestic demand for steel. There have been concerns about delays in your modernization and expansion plans resulting in stagnation of production over the last five years. What is the status? SAIL continues to be the largest steel producer in India and among the top 25 globally, as on date. This position would be consolidated further once our current modernization is over, which would increase the hot metal capacity to 23.46 million tonnes per annum (mtpa) from the current production level of around 14.5 mtpa. The short-term focus would be to commission the balance modernization facilities at the earliest and ramp up production to the rated capacities from the new units. As for the long-term objectives, SAIL has drawn a plan for its Vision 2025, which aims to place SAIL amongst the top global metal and mining companies with a production capacity of 50 mtpa. The necessary enablers with respect to land, human resources, iron ore linkages are already in place for further capacity enhancement to 50 mtpa by 2025-26. Is the 2025 target of 300 mtpa steel realistic? Do we have enough domestic capacity to absorb such huge quantities of steel in India? In the past 10 years, the consumption growth of finished steel in India has been in the range of 9% per annum. Even a modest recovery in overall GDP (gross domestic product) growth of 6-7% will increase the finished steel consumption of India close to a band between 200 and 225 mtpa by 2025 from the current level of around 74 mtpa. Moreover, with a per capita steel consumption of only 59kg against a world average of 220kg, there is a tremendous potential for increasing steel consumption in the country. A finished steel consumption in the band of 225-250 mtpa translates into a requirement of 300 mtpa of crude steel capacity in the country, after taking into account crude to finished conversion ratio and reasonable capacity utilization. With India placed favourably in the global cost curve, it is expected that India would also be exporting a substantial quantity of steel and would be a net exporter. How are things looking globally, particularly with China's growth slowing? What measures do we need to take to boost exports? China accounts for about 48.5% of crude steel production and 47.3% of finished steel usage globally. China, which grew at around 6% in 2013, is expected to slow down to a 3% growth this year. However, at the global level the steel consumption growth is expected to remain intact as the developed economies—the US and the EU (European Union)—are expected to perform relatively better. World Steel Association has forecast that the global steel usage will increase by 3.1% in 2014 and further 3.3% in 2015. Even though the main objective of the Indian steel industry at present is meeting the domestic demand, we are expanding our product offerings to suit international buyers. New products will soon be rolled out from our modernized facilities using cutting-edge technology and strict quality controls.

L&T RELOCATES MINING DIVISION TO KOLKATA; SEES REVENUE RISING

Larsen and Toubro Ltd (L&T), India's largest engineering firm, is relocating its mining unit to Kolkata from Chennai to be closer to the major mining belt of east India. It expects revenue to rise as the outlook for this core sector improves with the new government's thrust on industrial growth. "This division has been relocated to Kolkata from Chennai in bits and pieces… the design office and bulk materials handling are still in Chennai, but eventually everything will be in Kolkata," said S.N. Roy, whole-time director and senior executive vice president (corporate affairs and power) at L&T. L&T is banking on the new government's policies to help grow the metals and mining sector after a lull over the past few years and is gearing up to be part of this growth, he said. "L&T expects that bottlenecks in mining will be removed in the coming months and sees a revival of the sector with huge investments from both domestic and international investors." The mining division of L&T, called Metallurgical and Material Handling (MMH), has engineering procurement and construction solutions for operations such as iron ore crushing, coal washing and bulk materials handling. It contributes around 3% to the company revenue. Roy said he expects the share doubling in three-five years. L&T had a consolidated net profit of Rs.4,902 crore in fiscal 2013-14 on a revenue of Rs.85,128.40 crore. Roy did not say if new investments were planned for this division, but said revenue growth will be driven by the domestic revival of mining and new business from overseas mining projects. Analysts said L&T's steps to ramp up its mining is timely, but it would be a year or two before profits start showing. "If the government gives boost to a lot of infrastructure-related activity, then L&T's mining business can see a growth of 15-20% over three to four years," said Dhirendra Tiwari, head of research at Antique Stock Broking. In fiscal 2013-14, L&T's mining division's revenue was Rs.1,600 crore, of which Rs.1,000 crore came from construction machinery and Rs.600 from material handling projects in mines. India's mining sector contracted by 0.6% in FY14, as compared with a contraction of 2.3% in FY13, as legal and regulatory action in Karnataka, Goa and Odisha against environmental degradation and illegal mining saw bans and restricted mining. Conservative approach Despite the brighter outlook for the mining sector and the overseas prospects that offer a good opportunity to diversify, L&T is treading cautiously. Roy said he is watching how growth unfolds and is not immediately looking to own mines, but choosing to remain an equipment and service provider to mine owners instead. "As of now, L&T does not have plans to participate in the auction, as our core strength is for building plants and not in commodity business," Roy said when asked if L&T will bid for the upcoming 'C category' iron ore mines in Karnataka under a Supreme Court order. "We want to be asset light, not asset heavy," he said. Neither is the company interested in taking up outsourced mining projects under the mine-developer-operator (MDO) route from Coal India Ltd. "However, L&T has tied up with many prospective MDOs to provide technology solutions," Rao added. That said, L&T has shown some interest in owning mines in the past: it has two applications for mining leases for two bauxite blocks in Odisha, called Sijimali and Kutrumali, that are pending with the state government. "The government of Odisha had sought some clarifications on our mining lease applications which have already been furnished," Roy said. "Our applications are understood to be in advanced stage of processing and we hope to be granted mining lease shortly." The main beneficiary of these two blocks, when they turn into mines, will be Anil Agarwal-promoted metal and oil company Sesa Sterlite Ltd that has an agreement with L&T for buying the bauxite. However, owning mines at some point was not categorically ruled out by Roy. "When projects come up, we can get into auctions if the end user is there. Business policy is very dynamic, we are there to make money. So if there is opportunity, we will get into it," he said. L&T is also looking at an iron ore deposit in Odisha for which it had carried out a 'rapid exploration study', similar to prospecting (preliminary exploration of mineral). The company's approach to overseas operations is also cautious. Roy said mining operations are now being undertaken in the Middle East and Africa, and the company is looking to ramp up operations by taking on projects from international companies. "In six months to one year we are going to expand. In the Middle East we have done a few jobs with companies there and in Africa we are going to start… we have posted some people there," he said. But Roy ruled out entering Afghanistan, where Indian companies led by Steel Authority of India Ltd in a consortium have won rights to explore and mine iron ore reserves. Roy cited security as paramount to the company. Likewise, L&T won't enter southern African countries because they were seen as unsafe, he added.