NOT FOR SALE

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(A GEMCO KATI INITIATIVE)

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MINING EXPLORATION NOT ENOUGH BUT NEW LAW COULD BRING MORE FUNDING

Despite being a mineral-rich country, India's share in the global exploration budget has been less than 0.5 per cent, which might explain why the country's proven reserves are only 5-10 per cent of the estimated total resources.

Canada and Australia top the list of countries which spend on mineral exploration, with 19 per cent and 12 per cent, respectively, of the global share.

Exploration of minerals, except petroleum, has been primarily constrained by funding crunch, which is why unproven resources in India are more than twice the proven reserves. For instance, India has gold resources of 490 million tonnes but only 17 per cent of it has been explored and marked as reserves. Similarly for coal, of total resources of 280 billion tonnes, 40 per cent is available as reserves and for iron ore with 25 billion tonnes of resources, 28 per cent are reserves. India produces 87 minerals.

A senior official from the Geological Survey of India (GSI) said government funding was inadequate for carrying out exploration on a big scale. "Despite that, we are in the process of modernising land, aerial and marine survey systems, with acquisition of the latest technology," he said. To train scientists in the latest techniques of exploration, the ministry of mines is close to signing an agreement with Geoscience Australia. "We will send three geologists from GSI next year for on-project training for deep-seated minerals.

They have agreed to train our people. Australia and Canada have the best exploration technology," a senior ministry official said.

Kameswara Rao, leader, power and mining, PwC India, said the major part of Indian mining products were consumed locally, while the mining industry in Canada and Australia was export-oriented. This is why more efforts are put on exploration.

"Mining contributes only 2-2.5 per cent to India's GDP (gross domestic product), while it is about nine per cent for Australia and 12 per cent for Indonesia," Rao added. According to a report by the Federation of Indian Chambers of Commerce and Industry, GSI has identified 571,000 square km as obvious geological potential area in the country, but there is hardly any detailed mineral exploration activity in the absence of timely follow-up action on the recommendations.It also said that mandatory exploration for the operating mines and adequate incentives for green filed exploration need to be devised to enhance the resource base and convert them to reserve category.

Through a new law, India has recently introduced exploration licenses but it would take time and a lot of administrative support before companies actually come and start exploring minerals since it is a high risk activity.

COAL BLOCK ALLOTMENTS: CBI FILES CASES AGAINST BLA INDUSTRIES, CASTRON

The Central Bureau of Investigation on Wednesday registered two new cases in the alleged coal allocation scam."Two regular cases have been registered in the coal allocation case against BLA Industries and its Managing Director, Castron Technologies, Castron Mining, and some unknown public servants and private persons,"

Till now, the CBI has filed around 15 cases in the alleged multi-crore scam. The first case was registered on September 4, 2012. However, no chargesheet has been filed till now.

The latest case is under the inquiry of the coal block during 1993-2005."The allegations are that undeserving companies were given coal block allocations.

BLA was permitted to sell the coal in the open market against the principle of captive mining," the source added.On Wednesday, searches are being conducted at Dhanbad , Narsinghpur (MP), Mumbai and Kolkata.

BLA Industries Pvt Ltd is a Mumbai-based firm with interests in coal mining. On June 6, 1996, the company was allocated two blocks -- Gotitoria (East) and Gotitoria (West) mine in Madhya Pradesh with 5.15 million tonnes and 4.19 million tonnes of reserves, respectively.

Similarly, on September 1, 1999, Castron was allocated Brahmadiha open cast mine in Jharkhand with 2.215 million tonnes reserve.

JSPL WINS FIVE IRON ORE EXPLORATION CONTRACTS IN AFRICA

Jindal Steel and Power Ltd (JSPL) has secured five exploration licences for iron ore mining in African countries. This has come at a time when iron ore mining is banned in India and the company wants security on the resource side.

"We have got exploration licences in Namibia, Gabon, Sierra Leone, Mauritania and one in South Africa. We have started testing to access the exact number of reserves. It will take about 12-18 months to finalise," Ravi Uppal, managing director and chief executive, JSPL, told Business Standard in an interview.

The company aims to increase its focus on global operations, mainly for supply of raw materials and minimise risk in prices. Global business, currently, contributes 15 per cent to total revenues, which it expects to increase to 20-25 per cent in the next two years.

The mining industry in Karnataka, Goa and Odisha— the three major iron ore producing states in the country — have been impacted by the ban.

The ban on mining had repercussions on the steel industry as well, since iron ore is the main ingredient in steel making. JSPL imports 1.5 mt of coking coal, which will also increase to over 3 mt. "Once, the new mines start production, we will import from our mines, which will enable us reduce cost as well," he said.

It is also also exploring steel production and mining projects in Brazil, Indonesia and Mongolia, according to company's site. It has recently commissioned a steel melting shop and its allied unit of the 6 mtpa integrated steel plant at Angul in Odisha. It will commission 2.5 mtpa capacity out of the total 6 mtpa in the first phase at Angul.

UJJAL UPADHYAY: THE MAN WHO CONTROLS 14 COAL BLOCKS

Ujjal Upadhyay started out, in 1981, in his father's company, which was a small-time supplier of sand to Coal India Limited (CIL). Today, he controls 14 coal blocks, endowed with about 1.7 billion tonnes of coal, through his company, EMTA, formerly Eastern Mineral and Trading Agency.

That gives EMTA control over the third largest chunk of coal reserves in India, after CIL and the Naveen Jindal Group.

Those mineral reserves have helped EMTA and Upadhyay build substantial financial reserves. According to Purajit Roy, vice-president of EMTA, the company posted revenues of Rs 1,100 crore and a net profit of Rs 50 crore in 2011-12.

In a sector where private players have been allowed only to supply to their own projects, EMTA is a notable exception of a private entity that neither belongs to the state nor does it have any downstream presence.

Its meteoric rise is the result of a government policy that effectively allows private players a backdoor entry into coal mining and an ingenious business model.

STATE OF BUSINESS

So far, India has tried to meet demand for coal in three ways: through state-owned CIL; by allotting coal blocks to private companies from steel, power and cement sectors for their own use; and by allotting blocks to state mining and power companies.

EMTA works with the third category. It ties up with state power companies, which lack both capital and mining expertise, to extract coal for them. In industry parlance, EMTA is a mine developer and operator (MDO). But unlike MDOs of CIL, who merely extract the coal for the state PSU, EMTA does everything in its joint venture (JV) with the state entity—from obtaining clearances to land acquisition, from investing in the infrastructure to extraction

Upadhyay, who took over EMTA after the death of his father, Sideshwar Upadhyay, two years ago, was not available for comments. But Bikash Mukherjee, a director in the company, told ET: "We are good at what we do." A former coal secretary, speaking on the condition of anonymity, testifies to this. "They are good at extracting coal from difficult blocks," he says.

EMTA is also good at navigating the eddies of the Indian regulatory system, as the experience of its first two blocks, Tara (East) and Tara (West) in West Bengal, which began production in 1997, shows. "Everything from clearances to the start of production was accomplished in less than a year," says Mukherjee.This is a significant achievement, given that the typical time taken for such clearances is four to five years.

FINANCIAL INGENUITY

Citing the pretext of being a one-stop shop, EMTA has added one more layer to the financial arrangement that, typically, governs such mining JVs with state utilities. The addition of this layer gives it an enormous amount of control to manage its costs of operations and, by extension, the amount of profit it has to share with the state utility.

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In West Bengal, where the Trinamool ended the 34-year Left rule in 2011, this arrangement—which effectively allows EMTA to corner a larger share of the gains from the block at the expense of its state partner—has come under scrutiny in the new political dispensation.

Take the arrangement for the two Tara blocks in the state, which were its first after it turned MDO in 1996. A high ranking state bureaucrat, speaking on the condition of anonymity, says the state utility that was allotted these blocks did not follow a tender process and its board simply chose EMTA as a JV partner.

"We have the copy of the agreement, but not the files related to these discussions," he adds. EMTA has a 74:26 JV with West Bengal Power Development Corporation Limited (WBPDCL), whose equity contribution is on a cashless basis. This JV, called Bengal EMTA, supplies coal to WBPDCL at 80.5 per cent of the prevailing CIL price.

Except Bengal EMTA is just a shell company. It does not do the mining work. It sub-contracts all the mining work to EMTA Coal, which is 100 per cent owned by the group. Bengal EMTA pays EMTA Coal 98.5 per cent of what it receives from WBPDCL.

GOVT TO SELL HINDUSTAN ZINC STAKE THROUGH AUCTION, CABINET NOTE SOON

The government has decided to sell its remaining stake in Hindustan Zinc through auction route as it strives to meet the disinvestment target, and a formal proposal to the Cabinet in this regard will be sent soon, official sources said.

The sources further said that selling remaining 29.5 per cent residual stake in Hindustan Zinc, which is now controlled by Anil Agarwal's Vedanta Resources, is expected to fetch about Rs. 15,000-20,000 crore.

In this year's Union Budget, government had set a target of raising about Rs. 55,000 crore from disinvestment. Of this, Rs. 40,000 crore was estimated to come through part-sale of stake in public sector firms and Rs. 15,000 crore from selling residual stakes that government holds in some firms, including Hindustan Zinc and Balco.

So far, the government has managed to mop up only about Rs. 2,800 crore through disinvestment of PSU shares, including the just concluded follow-on public offer of Power Grid Corporation.

"There was a broad consensus with the Finance Ministry's views on HZL stake sale issue in the last week's meeting chaired by the Prime Minister that stake sale in Hindustan Zinc should happen through the auction route. A formal Cabinet note on the matter will be circulated soon," a source said.

Current market valuation for remaining government stake in HZL is about Rs. 16,000 crore. However, the valuation of Balco has been a bone of contention and a case is pending in Delhi High Court on exercise of call options (that allows a company to acquire additional shares at a later stage) by Vedanta.

Last month, Vedanta chairman Anil Agarwal had said that Vedanta has received positive "indications" from government on the matter and it may happen soon.

The upper ceiling is a nearly-40 per cent increase from Vedanta's January 2012 offer of Rs. 15,493 crore.

If the company makes the offer at that level for HZL's remaining stake, it would help the government meet over 39 per cent of the disinvestment target for the current fiscal.

Currently, Hindustan Zinc is the richest profit-making subsidiary of Vedanta and had cash and cash equivalent of Rs. 23,632 crore as of September, 2013. For the half-year ended September 2013-14 fiscal, it has reported net profit of Rs. 3,300 crore and revenues of Rs. 6,460 crore.

KIOCL OFFICERS REQUEST MINING LEASE IN KARNATAKA

Officers of KIOCL, previously known as Kudremukh Iron Ore Company Limited, have requested for allotment of a mining lease in Karnataka, said a press release.

Babu M. Bhajantri, president, Officers Association of KIOCL (OAK) and officebearers of the association met the Deputy Commissioner of Dakshina Kannada district A.B. Ibrahim on Monday and submitted a memorandum to be presented to Chief Minister Siddaramaiah requesting for allotment of a mining lease in Karnataka.

Ore procurement

The DC was told that KIOCL stopped mining operations in Kudremukh in January 2006 following the verdict of the Supreme Court of India. This has seriously affected the operations of pellet plant, port facilities, captive power plant and the blast furnace unit.

At present, iron ore is brought from Chattisgarh, which is economically unviable and the company is faced with the prospect of closing down, endangering the livelihood of thousands of employees working in KIOCL.

Captive mining

The officebearers told the DC that due to non availability of captive mining, the company's survival was in peril. If the State government allotted a mining lease in Karnataka itself, it could help the employees of KIOCL and their families indirectly, said the release.

HERE'S THE REFINERY, WHERE'S THE BAUXITE?

All dressed up and nowhere to go? That seems to be the plight of AnRak Aluminium Ltd's aluminium refinery and smelter that has come up at Rachapalle in Makavarapalem mandal, nearly 70 kms from the city.

Despite being completed over a month and a half ago at a cost of around Rs 4,500 crore, the 1.5 million tonne per annum capacity plant seems to be in danger of becoming a non-starter thanks to the lack of bauxite, the raw material for the plant.

Sources said though the plant has already kicked off pre-commissioning trials with the help of the 3 lakh tonnes of bauxite that was procured from the Gujarat Mineral Development Corporation, the company management is not sure when it will actually commence production as it is unsure of ferrying huge quantities of bauxite from Gujarat due to the high transportation costs involved. Even the 150MW captive power plant set up as part of the project is currently producing only between 40-60MW to power the trials.

A highly placed source at AnRak Aluminium Ltd, a joint venture between Penna group and Ras Al Khaimah Investment Authority, disclosed that unless they are able to get hold of Visakha Agency mines or states like Chhattisgarh and Odisha, where their surveyors are scouting for bauxite options, the management might delay production. "We are keen to begin production but there is not much we can do unless we get clearances to mine in the allotted region," the source said.

Pointing out that once they begin production of alumina they cannot stop, he said that escalating transportation costs are a major hindrance to running the plant with the help of raw material shipped from Gujarat. "The pre-commissioning trials are on and we have only 3 lakh tonnes of bauxite stock that we had procured from the Gujarat Mineral Development Corporation. It's a catch-22 situation for us," he lamented.

The paucity of raw material has also forced the company to go slow on hiring. While the unit is currently running the trials with the help of a skeletal staff of roughly 350 people that are directly employed by AnRak, company sources made it clear that the management was yet to go for full-fledged hiring to take the staff strength up to 800-900. "Unless and until there is some clarity and hope on getting bauxite mines, the AnRak management will hold back on hiring people," said a source.

While company officials expressed hope that the company may be able to start production once they get the necessary clearances, those involved in the anti-bauxite mining movement said the chances of this would arise only if there is a change in the government at the Centre.

EAS Sarma, convener, Forum for Better Visakha, said, "As of now they are on the back-foot. Importing the raw material from Gujarat is not exactly cheap. Their licenses to mine bauxite stand cancelled by the government of India and they are yet to receive forest clearance to mine in the Galikonda Hill range in Vizag and the East Godavari Agency areas, though they have been given environmental clearance."

The AnRak project ran into trouble after strong opposition from Union minister Kishore Chandra Deo, who termed the deal as a violation of the land transfer regulations that prohibit non-tribals from purchasing or taking land on lease in the Scheduled Areas as per Schedule V of the Constitution. AP Mineral Development Corporation had inked a bauxite ore supply agreement with the company but the leases were put on hold by the ministry of mines in 2010 after Deo's intervention.

INDIAN BUREAU OF MINES TO START WORK ON MINING TENEMENT SYSTEM

The Indian Bureau of Mines (IBM) that was updating national mineral inventory once in five years has now decided to update the inventory once in three years, said the IBM controller general CS Gundewar on Saturday. Apart from updating the inventory, IBM will also be working to form a mining tenement system, he said.

The controller general informed that the ministry of mines through IBM had started work on a mining tenement system. "The request for proposal (RFP) in the form of a tender notice for selection of an implementing agency for design, development, maintenance and operation of mining tenement system has been issued by IBM, the cost of the project is around Rs 96.4 crore," he said during the concluding ceremony of 20th Mines Environment & Mineral Conservation week.

The objective of the scheme was to develop an online national mineral information system for investors by linking central and state organisations engaged in administration of mineral resources in the country, he said. "The tenement registry will give information of leasehold areas as well as freehold areas in terms

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of greenfield, brownfield and relinquished areas including areas given up by the Geological Survey of India (GSI) or license holders," he explained.

Speaking about challenges faced by the mining industry, he said, "A number of areas remain unexplored and the mineral resources in these areas are yet to be assessed. For augmentation of mineral reserves, we must accelerate our exploration activities. Added to this, the allocation of funds for mineral exploration activity has always remained scarce."

COAL INDIA FACES RS.25,000 CRORE RENT CLAIM FOR JHARKHAND'S MINE LAND

Coal India Ltd faces a demand to pay as much asRs.25,000 crore from Jharkhand as rent for mining land in a clash that threatens to erode the company's record cash reserves.

"The local administration has sent a claim to recover Rs.11,000 crore from the world's biggest producer of the fossil fuel," J.B. Tubid, the province's top bureaucrat in charge of revenue and land reforms, said in an interview. "The balance owed by the miner, 90% owned by the central government, may be as much as Rs.14,000 crore, for which another note will be dispatched in two months," he said.

"Coal India hasn't ever paid for the land it took from the state government for the mines," Tubid said. "Land is the state's property and we must be compensated." Coal India's technical director Nagendra Kumar confirmed receiving the notice and said the company is in talks to resolve the matter.

The dispute may deal another blow to the Indian mining industry that is already battling environmental regulations and facing threats from Maoists who say they are fighting on behalf of poor villagers and tribal communities whose resources are exploited without any benefits. Jharkhand's demand, which amounts to about one-third of the miner's $10.9 billion cash, comes amid Coal India's plan to pay a record dividend to help Prime MinisterManmohan Singh pare the budget deficit.

Negotiating claim

Coal India, which accounts for more than 80% of India's output, operates 462 mines across the country and produced 452 million tonnes in the year ended 31 March. Shares of the Kolkata-based company fell 2.4% to Rs.263 on Tuesday in Mumbai.

While Jharkhand and the company have been negotiating the claim for almost a year, according to Tubid, the notice came as a surprise to Coal India, Kumar said.

"We have replied to the Jharkhand government saying that under the law, Coal India isn't required to pay them," S.K. Srivastava, secretary at the coal ministry in New Delhi, said in a telephone interview. He didn't elaborate.

Coal India and its units, which have monopoly over mining the fuel in the country, acquire land from state governments under the Coal Bearing Areas Acquisition And Development Act. The law provides for compensation to the local administrations.

"Different states have different rules for compensation and there are no set guidelines for acquiring non-forest state land," according to Nirmal Chandra Jha, a former chairman of Coal India and now a professor at the Indian School of Mines at Dhanbad in Jharkhand.

Projects stalled

The land would have been transferred to the company through certain terms and conditions, he said. "It couldn't have been through force."

More than $100 billion of projects have stalled, including those proposed by the South Korean steel maker Posco, Jindal Steel and Power Ltd and Essar Steel India Ltd as the government withheld clearances that threaten the livelihood of local tribes and communities.

The central government is considering a proposal that seeks to double the amount of royalty mining companies pay states for local welfare spending.

Coal India reported its lowest quarterly profit in two years and the second straight profit decline in the three months ended 30 September. Profit for the full year ending 31 March is expected to decline about 6%, according to estimates compiled by Bloomberg, as labour costs rise and a decade-low economic growth crimps demand.

The company may miss its target to produce 482 million tonnes of coal in the year through March, Chairman S. Narsing Rao told reporters on 12 December.

India produced 558 million tonnes of coal in the year ended 31 March, trailing a demand of 696 million tonnes. The gap between local output and demand for the fuel is expected to widen through the year ending March 2017, according to a presentation on Coal India's website.

11 FIRMS GOT COAL BLOCKS VIA SPECIAL ROUTE, GOVT TELLS SC

The government on Thursday submitted to the Supreme Court a list of 11 companies that were allocated coal blocks for end-use projects without their participation in a selection process. It acknowledged that these allottees had neither been recommended by the power ministry nor had their names been forwarded by the state governments, which were the only two routes for inclusion of coal block aspirants in the zone of consideration.

The 11 companies are: Reliance Energy, Tata Power, Balco, SKS Ispat and Power, Prakash Industries, Green Infrastructure, Visa Power, Vandana Vidyut, GVK Power, Gagan Sponge Iron, and Lanco Group Ltd.

A three-member bench of Justices R M Lodha, Madan B Lokur and Kurian Joseph had on Wednesday asked attorney general GE Vahanvati to place all the names and the procedure adopted for coal block allocations before the court.

The fact that only 20 of the 178 private applicants for coal blocks were found eligible in 2008 by the 35th meeting of the screening committee had given the impression that the process followed when PM Manmohan Singh was in charge of the coal ministry was extremely stringent. But the government's submission to the SC, through advocate Rohit Sharma, shows another 11 companies were cleared by the same committee without being subjected to the same screening process.

The 20 found suitable for allocation of coal blocks were: Monnet Ispat and Energy, Jindal Photo, DB Power, AES Chhattisgarh, Essar Power, Bhushan Power and Steel, Adani Power, Tata Steel, Adhunik Thermal Energy, Mittal Steel India, Sterlite Energy, GMR Energy, Navbharat Power, JLD Yavatmal Energy, RKM Powergen, Jindal Steel and Power, CESC, Jas Infrastructure, Himachal Emta Power, and JSW Steel. Of these, allocation to the last two in the list has since been cancelled.

The eight companies recommended for allocation of coal blocks but rejected by the screening committee were Rashmi Cement, TRN Energy, Maithon Power, Mahabir Global Company, Rasa Power Company, Bhushan Energy, Lanco Amarkantak, and Vedanta.

The Centre also submitted to the SC the list of allottees selected by the screening committee in its 32nd, 33rd, 34th and 36th meetings after the court asked for the procedure followed for shortlisting of applicants and final allocation of coal blocks. The bench on Thursday said, "We have to understand how the allocation mechanism is brought in and how it is sanctioned by Mines and Mineral (Development and Regulation) Act and Coal Mines Nationalization Act."

Appearing for NGO 'Common Cause', advocate Prashant Bhushan said, "There is nothing in the Coal Mines Nationalization Act to mean that the power of allotment, which vests with state governments under the MMDR Act, has been transferred to the Centre.

GUJARAT NRE COKE SHAREHOLDERS APPROVE DEAL TO GIVE MAJORITY CONTROL TO JSPL

Kolkata: Shareholders of Gujarat NRE Coking Coal Ltd, the Australian unit of Gujarat NRE Coke Ltd, have given their approval to hand majority control of the mining firm to Naveen Jindal-controlled Jindal Steel and Power Ltd(JSPL).

This marks the end of Jindal's takeover battle with Gujarat NRE Coke—a company founded and controlled by the Jagatramka family.

Gujarat NRE Coke announced in a regulatory filing on Thursday that in the annual general meeting of its Australian subsidiary held this week, its shareholders "unanimously" agreed to a sale of 328.5 million shares to JSPL, which will immediately raise its stake to 44.68%.

This will be followed by JSPL subscribing to an additional 328.5 million "unlisted transferable options", which can be converted into equity within five years. This will result in JSPL's stake in the Australian miner increasing from 31.49% now to 53.62%.

Gujarat NRE's management refused to comment on the development beyond what it said in the regulatory filing. JSPL couldn't immediately be contacted for comments.

In May 2012, JSPL had acquired a 10% stake in the Australian firm for Australian $32.5 million by subscribing to 130 million shares at 25 cents each. Thereafter, JSPL made a takeover bid in January 2013 to acquire all outstanding shares in the Australian firm by offering 20 cents a share.

Despite appeals by the current management of Gujarat NRE Coking Coal to its shareholders not to accept JSPL's offer as it was "undervalued" and "did not reflect Gujarat's future prospects," JSPL managed to raise its stake to 31.49%.

DR DOOM LIFTS MINING GLOOM

Nouriel Roubini: No hard landing in China

Nouriel Roubini is often, somewhat unkindly, referred to as Dr. Doom because of the many pessimistic economic predictions he's made in the past. But ever since he accurately forecast the 2008 global financial crisis sparked by US sub-prime lending, people have tended to listen to the NYU's Stern School of Business professor and IMF, World Bank and US Fed economist.

Dr. Doom

Roubini, who now heads his own global economics consulting business, was in rare uplifting mode this week delivering brighter forecasts for the world economy in 2014.

Growth in developed economies will speed up albeit below capacity and there is even some good news for gold (the dollar printing will continue for a good while longer) in his forecast.But his bullishness on faster rates of urbanization and industrialization in emerging markets is particularly good news for miners:

Some of the biggest winners among emerging markets will be in Latin America including Chile, Colombia, Peru, and Mexico, while Roubini also counts a number of Sub-Saharan countries and the Philippines and Malaysia as potential standouts due to "fewer macroeconomic, policy, and financial weaknesses" than their peers.

Roubini picks out among others India, Indonesia, Brazil, South Africa and Argentina as emerging markets that "will remain fragile in 2014, owing to large external and fiscal deficits, slowing growth, below-target inflation, and election-related political tensions."

On China, Roubini is harder to pin down but the country, the driving force behind much of the global metals and minerals trade, is expected to maintain an annual growth rate above 7% in 2014: "But, despite the reforms set out by the Third Plenum of the Communist Party's Central Committee, the shift in China's growth model from fixed investment toward private consumption will occur too slowly. "Many vested interests, including local governments and state-owned enterprises, are resisting change; a huge volume of private and public debt will go sour; and the country's leadership is divided on how quickly reforms should be implemented.

So, while China will avoid a hard landing in 2014, its medium-term prospects remain worrisome."

BIDS LOWER THAN EXPECTED, STEMCOR MAY PUT OFF SALE

UK steel trader Stemcor Holdings may put off the sale of its Indian assets after receiving only three financial bids, which came in lower than expected, two people close to the bidding process said. Monday was the deadline for submitting financial bids.

JSW Steel Ltd, Jindal Steel and Power Ltd (JSPL) and Aditya Birla group's mining unit Essel Mining and Industries Ltd placed bids, according to an investment banker and two executives from the mining and metals industry, who did not want to be named.

"The bids are all similar and the talk is that the process would be cancelled," said one executive close to the bidding companies. "They may decide there is no urgency to sell until all the uncertainties pass."

JSW, JSPL and the Birla group were considering a joint bid to secure Stemcor's asset at an attractive valuation as well as diminish the risk associated with it, Mint reported on 15 January.

Earlier, investment bankers put the value of the deal in the range of $700 million to $1.2 billion. "We can expect valuations to be crushed," said an executive in the metal and mining sector following the process, one of the three people cited earlier. "It appears Stemcor has little room to manoeuvre itself and may have to listen to its handful of bidders."

Stemcor, restructuring about $1.2 billion of debts, put up for sale its Indian unit comprising an iron ore pellet plant, a beneficiation plant, stakes in two mines and a slurry pipeline, all in Odisha, late last year.

At the time, Tata Steel Ltd said it would bid for the assets, but later said it would not do so. Other companies as interested bidders included Essar Steel India Pvt Ltd, Indian arm of commodity trader Glencore, Visa Steel Ltd, Bhushan Steel Ltd and Adhunik Group, according to media reports.

Since then, however, interest has diminished.

Globally, steel demand remains sluggish and in India, too, owing to the continued slowdown in the economy, demand has grown only marginally. The possibility of regulatory changes in the sector has also cast a shadow over the future of iron ore business in the state.

The legal and regulatory action on the iron ore sector has left many miners with little liquidity to keep running their mines. Meanwhile, metal companies are keen to secure sources of raw materials and are therefore looking to acquire mines.

Market buzz

FEBRUARY 2014

As mentioned in the previous report metal sector saw a downward move especially stocks like Tata steel and jsw steel saw sharp correction from the mentioned resistance zones. Tata steel can be accumulated close to 300 zones with an investment horizon of 2-3 years for a target of 500+. Jindal steel and power and SAIL were two stocks that stayed neutral in the recent market turmoil and it could maintain 250-255 level though nifty corrected about 300 points from its recent high. The Federal Reserve has finally decided implement QE 3 tapering which will have an adverse effect in the liquidity front especially in the case of emerging markets. Nifty should hold a range of 5900-6300 in the month of February with of lot of volatile moves but the bias is negative for the benchmark index

STEEL SECTOR OUTLOOK FOR FEBRUARY 2014

Metal sector was the major contributor in the recent run up nifty had from Sep 2013 till the end of Jan 2014. JSW steel can go up to 900+ levels once more before slipping to 800 levels. TATA steel will become a decent buying opportunity once it comes to 300 – 310 zones. SAIL is one stock from the sector which has not corrected till now and it is better to exit long positions in this counter as it can come in the corrective mode anytime. If nifty drops below 6000 metal sector can get corrected in a more severe manner and thus it is better to go for a wait and watch approach in the coming months.

CEMENT SECTOR OUTLOOK FOR FEBRUARY 2014

The sector was one of the worst performing in the month of January with most of the stocks hitting lows close to their 52 week low zone. Stocks like ACC, Ambuja, India cements are close to their 52 week low zones and it is clearly a sector to avoid if you are an investor. India cement is a better investment opportunity close to Rs.40 as it is giving good dividend with a face value of Rs.10. The results are yet to be announced on the 10th of Feb and the company is expected to announce poor set of numbers for the previous quarter. Ultra tech is a better performer compared to its peers by not correcting even 50% of the recent rally. The outlook for next quarter would be better for cement companies as this would be a quarter just before the monsoon.

MINING SECTOR OUTLOOK FOR FEBRUARY 2014

Stocks like Coal India, NMDC, and Sesa sterlite did not correct much in the recent downturn but it is better to exit from high beta counters like Sesa sterlite. Coal India has announced a decent interim dividend in the last month which caused the stock price to plunge to 250 levels. Investors are advised to pick this gem at current levels and hold on to this stock with a long term horizon of 5-8 years.NMDC is about to announce interim dividend just like any PSU which is getting ready for disinvestment. Coal India and NMDC should be favorite picks of any investor with a longer term investment horizon of 8-10 years. Sesa sterlite is a high beta or a traders stock which could see some more downside pressure to 175 levels.

POWER SECTOR OUTLOOK FOR FEBRUARY 2014

The most stable sector among any bull or bear market comprise of market leaders like power grid, tata power, r power and torrent power. Power grid is most stable among the four with torrent power being the most volatile. R power is about to slip below its 52 week low and investors should understand that the stock is going through a downtrend since 2012 and it never gave a decent break out above 80 levels.

TATA power is also close to its 52 week low zone of 70-75 don't jump into the stock from a trading or an investment perspective as it has to consolidate before any up move. Torrent power is the only investment pick from sector with a long term view for a target of 200+ in 3-4 years. The stock can be accumulated in a range of 85-95 in this ongoing correction.

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Market buzz

CURRENCY OUTLOOK FOR FEBRUARY 2014

USD/INR is in a bullish territory and is likely to hold 62-64 range in the February series with a lot of volatile moves. Dollar index is poised for a bigger move on the upside once it manages to cross 82 levels in the spot market. If it crosses the resistance zone of 82 it can be viewed as a negative sign of equity markets across the globe especially emerging economies like India and China. Once nifty breaches 6000 on the downside we could expect a sharp up move on USD/INR pair to 64 levels. By increasing the interest rates the RBI governor has taken a wise step to curb the currency outflow from the country in case of QE 3 tapering by the Federal Reserve.


VINOO MATHEW

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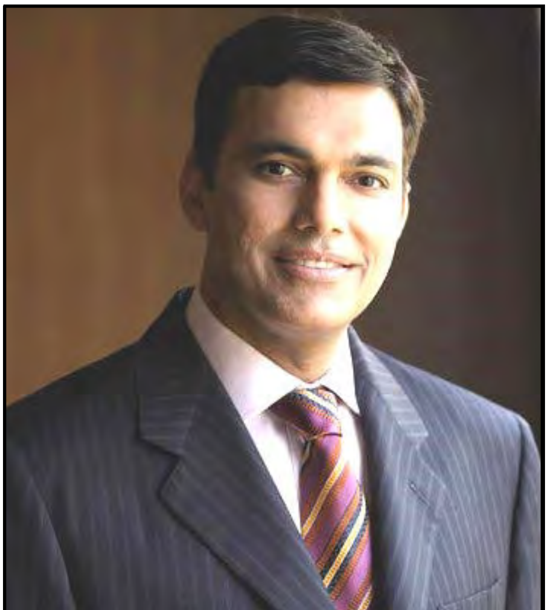
JSW SEEKS PMO INTERVENTION FOR SECURING IRON ORE MINING LEASE

JSW Steel has sought the intervention of Prime Minister's Office to secure the lease for an iron ore mine in Maharashtra, saying the state government is not issuing the same despite the Union Mines Ministry's recommendation.

In a letter to the PMO Joint Secretary, B V R Subrahmanyam, JSW Steel Chairman Sajjan Jindal said the ministry had approved the mining lease for Damkodwadvi iron ore mine in Maharashtra on May 18, 2012. "However, Government of Maharashtra has not been issuing the Letter of Intent as new MMDR Bill is pending. Even as per proposed MMDR Bill, this is a case of seamless transfer from Prospecting Lease (PL) to Mining Lease (ML)," he said in the letter dated August 5.

Seeking immediate support from the PMO, Jindal said there are some other mines in Maharashtra and Karnataka that either need to be allocated or require grant of PL. This includes Phururmeta iron ore mine in Maharashtra, where the company is waiting to secure PL to begin the preliminary work. The Mines Ministry had cleared the proposal in September, 2009.


Sajjan Jindal

JSW is the largest private sector steel manufacturer in India with 14.3 million tonne (MT) capacity. However, it does not have any captive iron ore mine to run its operations.

In an environmental public hearing held on May 8, 2013 for mining in the block, the Gram Sabha of Damkodwadvi village had recommended that the Maharashtra government reject the proposed mining lease for the project, citing protests from the local people.

JSW Steel operates a 10 MTPA plant in Karnataka's Vijayanagar and has invested about Rs 40,000 crore. The firm has put expansion of the plant's capacity on hold due to uncertain iron ore situation in the state. "Industry is getting only 13.75 MT against the demand of 32-35 MT per annum (in Karnataka). In order to expedite the process of regulatory clearances, specific committee is required to be set up," Jindal said.

INDIA'S SURGING DEMAND WILL BOOST THIS COMMODITY

By Matt Badiali, editor, S&A Resource Report Wednesday, January 8, 2014

A giant, populous Asian country will drive coal prices higher in 2014... and it isn't China.

Like China, India is a growing, emerging market with a population of over 1 billion people – making it the world's second-most-populated country (just behind China) and tenth-largest economy. Because its economy grew at an average annual pace of 13% from 2000 to 2012, it's one of the most-watched emerging markets. And its rising energy needs will make a big impact in the resource markets in the future – including pushing the price of coal higher.

Let me explain...

Today, India is the world's third-largest coal user after China and the U.S. About 60% of the nation's electricity comes from coal-fired power plants. That means as India's power needs rise, its coal needs rise, too.

For instance, India's coal imports rose 43% from 2012 to 2013. And Bloomberg analysts project India will import more "steam coal" than China in 2014. Steam coal is what's used in power plants to generate electricity.

India gets the majority of its imported coal from Indonesia. Here's a breakdown of where it got its coal imports in 2012:

Country	India's Coal Imports
Indonesia	95.8 million metric tons
South Africa	23.0 million metric tons
Australia	2.0 million metric tons
United States	1.8 million metric tons

But India's rising demand for imported steam coal comes as a surprise to many analysts because India has massive coal reserves.

Its coal deposits hold roughly 267 billion metric tons. However, the mining situation in the country is complicated. It is plagued by antiquated laws and regulations. Its coal-mining industry is nationalized. Mines are built for specific power plants. That can mean one power plant must use imported coal, because a nearby coal mine is for an as-yet-unbuilt power plant.

The archaic condition of India's coal industry means it will take years, maybe decades, for India to exploit its domestic reserves. That's great news for coal exporters. As India's economy grows, exporters will be able to sell more coal to the nation's hungry power plants. And it will help push coal prices higher.

You see, for the past few years, steam-coal prices were dictated by China's demand and Australia's supply. (Australia is a major exporter of coal.) As China's growth slowed recently, steam-coal prices plunged.

In August 2013, steam-coal prices in Newcastle, Australia, the world's largest coal port, hit $82 per ton. That's the lowest price since 2009. However, demand for steam coal is on the rise. Exports from South Africa's giant Richards Bay terminal hit an all-time high of 70 million metric tons in 2013. Global steam-coal imports hit 989.3 million tons in 2012. That's up 14% from 2011.

India's surprising rise in coal imports will help tighten up the supply/demand situation. This will likely ensure that the lows seen in 2013 will hold... and help the beaten-up coal sector, which fell 79% from early 2011 to mid-2013.

Contrary to what most folks think, coal isn't going out of style. The world is still consuming huge amounts of the stuff. The news on India's imports drives this point home. That's why I like owning the beaten-down coal sector.

Good investing,

Matt Badiali

INDIA LOOKING TO IMPORT URANIUM FROM UZBEKISTAN

India is in talks with Uzbekistan for procuring uranium for growing requirement of fuel for its nuclear plants, expected to increase in number in coming years.

A delegation of department of atomic energy (DAE) officials travelled to Uzbekistan last week to discuss the modalities of a possible contract, sources told PTI here.

They said a contract for procurement of uranium could materialise in the near future.

India is looking at importing about 2,000 tonnes of uranium by 2014 from Uzbekistan, which has 1,85,800 tonnes of proven uranium deposits.

The visit by the DAE team took place against the backdrop of talks between external affairs minister Salman Khurshid and his Uzbek counterpart Abdulaziz Kamilov last month in Tashkent.

(Continued on page 10)

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During the talks, the issue of uranium import to India was discussed.

India already has a contract for uranium import from another Central Asian nation Kazakhstan and Mongolia. Apart from these countries, Kyrgyzstan also has rich uranium deposits.

DAE officials, however, said that they were looking for uranium across the world to meet the growing demand for the country's nuclear power plants.

"It is not that we are focusing on Central Asia only, but the region happens to have proven reserves of uranium. We will try to procure uranium from wherever possible," said a senior DAE official.

"We are also looking at Niger and Namibia to get our supply of uranium," the official added.

Both these countries have rich deposits of uranium. In 2009, India also signed a civil nuclear cooperation with Namibia.

India currently has 19 active nuclear reactors that produce 4,780 MW of electricity.

In the 12th Five Year Plan (2012-2017), Nuclear Power Corporation India Ltd (NPCIL) plans to add 16 more reactors and increase power generation to 16,000 MW and further take it up to 20,000 MW by 2022.

In his speech at the 57th General Conference of the International Atomic Energy Agency(IAEA) in Vienna last month, DAE secretary Ratan Kumar Sinha said India had "limited resources" from which it is trying to "extract maximum energy".

Sinha had said with the finding of new reserves of uranium, the total reserves capacity had shot up by five per cent. He was referring to the Tummalapalle mines in YSR district in Andhra Pradesh.

Apart from Andhra Pradesh, other active uranium mines are in Jaduguda in Jharkhand. These reserves, however, are not enough to meet the increasing fuel demand.

ODISHA CLEARS REPORT ON POSCO'S MINING PERMIT

Chief Minister Naveen Patnaik on Friday gave his nod to the compliance report on the Khandadhar iron ore mines, earmarked for Posco's Rs 54,000-crore steel project in the state. This paves the way for the report being sent to the Union mines ministry, which would then decide on granting a prospecting licence (PL) to the South Korean steel major for the proposed plant, near Paradeep.

The report contains the findings of the differential global positioning system survey of around 2,500 hectares of the lease area. "The state government has done a mapping of the lease area, which will be sent (to the Centre)," said Mines Director Deepak Mohanty.

The state government had recommended a PL in Posco India's favour in January 2009, according to Section 11 (5) of the Mining and Minerals (Regulation and Development) Act. But the high court (HC) quashed the recommendation and asked the state government to conduct a fresh hearing of all the 226 applicants for the mines. The Korean giant got a breather in May 2013 when the Supreme Court set aside the HC order.

The environment & forests ministry had advised Posco to clinch a long-term agreement with Odisha Mining Corporation and other private miners for securing iron ore till the captive lease was ready for operations. But sources said Posco was unlikely to proceed with its steel mill construction till it acquired mining rights for the Khandadhar iron ore deposits.