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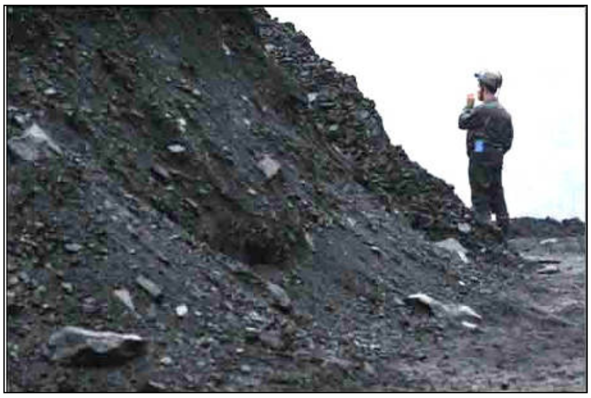
CENTRE BACKTRACKS ON COAL MINING BY PVT SECTOR

Come April, the Centre would stop importing coal for state-run power producers. It has also put on hold the plan to award blocks to the private sector.

With the abundance of coal and little demand, the government has decided not to import any coal for any state-run power PSUs (public sector undertakings) after the current contracts expire.



Poor demand has also made government go back on its earlier decision to award blocks to the private sector for commercial mining, coal secretary Anil Swarup said.

"We have done a very detailed analysis of how to handle imports and strategies related to power and non-power sector. In power sector, we have engaged with each of the PSUs. By 31st March, imports by PSU power utilities would be zero. There will no imports thereafter," Swarup said while addressing members of MCC Chamber of Commerce.

Public sector power producers imported 35-40 million tonne coal. "By end of this year, we will reduce imports by 15 million tonne.

There is unit-by-unit strategy to cut imports," the secretary said. The ministry is also looking at how to encourage private sector including industries like steel to replace better quality imports by poor quality domestic coal. "In power, there are boilers suited for imported coal. We are exploring how to mix domestic coal with imports for such plants. Similarly, we are trying to do it for deregulated sectors. We have engaged with SAIL, RINL and others on how to provide the coal they are importing."

While the PSUs are being told not to import, for the private sector, the availability of coal is being increased through auctions.

"With international prices firming up, there is a chance that this coal would get picked up. We are assuring the supply of coal for private sector, while earlier there was only spot auction, now there is availability throughout the year."

Apart from curbing imports, another fallout of excess coal availability is the disinterest in promoting commercial mining by private sector.

"The ground work (for commercial mining) has been done but because of good work being done by Coal India, there is not much demand for mines as there were hardly any demand in the fourth round of auction," Swarup said when asked about prospects of commercial mining.

Earlier this year, the government opened up commercial mining in India by allocating 16 mines with an estimated annual capacity of 40 million tonne to various states.

According to a recent report by BMI Research, an arm of global rating agency Fitch, India may continue to suffer from deficit in coal requirement due to delays in opening up of commercial mining to private sectors and slow approvals for new state miners.

ORISSA PUTS FOUR MORE MINES ON AUCTION

The state government on Wednesday issued notification for auction of three limestone and one manganese blocks. According to an official notification, last date for submission of bid is December 12.

The blocks which would go under hammer are Kotameta, Garramura, Uskalvagu (limestone) and Lasarda-Pacheri manganese block. The government has so far auctioned only one block though the mining auction process started in December last year.

"Due to technical issues, it took some time to put the blocks on auction. After completion of this round of auction, we are preparing more four blocks (three iron ore and a bauxite) to be put on auction," said director of mines Deepak Mohanty.

The auction would be conducted in two phases - technical evaluation and financial bidding. Those selected in the technical evaluation process can only take part in the financial bidding. While financial bids are invited only in digital format, technical bids have been invited both in digital and physical format from eligible bidders, said the notification.

The base price for the tender process would be determined after the technical evaluation process, sources said.

Earlier, the Centre has asked the state government to expedite the mining auction process. So far, the state government has auctioned only one iron ore block (Ghorhaburhani-Sagasahi) in Sundargarh district which has an estimated reserve of around 1,000 million tonne. Essar Steel bagged the block.

MINING LICENCES: STUCK GREEN NODS RAISE LITIGATION WORRIES

Several major steel and cement companies have not been granted mining licences (MLs), for which the letter of intents (LoI) were signed with the respective state governments in 2014 or before, primarily due to the absence of environmental or forest clearances. The Central government is worried that these companies — who must get their MLs by January 11, 2017 — would go to the courts in case of any delay.

"The applications, which will lapse on January 11, 2017, due to want of clearances, may lead to several litigations. Thus, all concerned must make all necessary efforts to expedite these cases," said Balvinder Singh, Secretary, Union mines ministry, in a meeting with senior officials of the Ministry of Environment, Forest & Climate Change (MoEFCC) and various state governments, on September 27.

Major companies such as ACC, Ultratech, Jindal Steel and Power Limited (JSPL), Arcelor Mittal India and Steel Authority of India (SAIL) are waiting for MLs for more than two years. Their applications are unique as they were under process either with the state government or the Centre even before January 2015, when the new mining law came into effect.

Under the old law, the firms were granted MLs by the states on a discretionary basis. The new law introduced a new way of granting MLs — through auction. To avoid putting the whole sector in a limbo, the new law — Mines and Minerals (Development and Regulation) Amendment Act, 2015 — had a provision for the applications already in process under the old law at various levels of government machinery.

FIRMS WITH 2 OR MORE PENDING APPLICATIONS

FOR LACK OF ENVIRONMENTAL CLEARANCES

Company	Pending mining proposals*
ACC	2 (limestone)
APMDC	3 (beach sand)
Emami Cements	2 (limestone)
Monnet Ispat and Energy	2 (limestone)
Raghuram Cement	2 (limestone)
Rare Minerals	3 (Illmenite, Magnetite, Garnet)
TVL Ramco Cements	3 (limestone)
Ultratech	6 (limestone)

Source: Ministry of Mines
Cases pending as on August 29, 2016

FOR LACK OF FOREST CLEARANCES

Company	Pending mining proposals*
CMDC-NMDC	2 (iron ore)
Jayaswal Neco	2 (iron ore), 1 (manganese)
JSPL	1 (iron ore), 1 (limestone)
Monnet Ispat and Energy	1 (iron ore), 1 (limestone)
OMC	1 (iron ore and managanese ore), 1 (bauxite)
Pradhan Associates	1 (iron ore and managanese ore), 1 (manganese)
Umiya Holding Pvt Ltd.	2 (iron ore, manganese ore)

Source: Ministry of Mines
Proposals pending as on July 27, 2016

While the new law stipulated that all licences henceforth would be granted only via auctions by the respective state governments, it also said that if any firm was issued a LoI by the state under the old law, the ML for that block should be directly granted by January 11, 2017. Moreover, if any application has been approved by a state government under the earlier law, but got stuck with the Centre, the ML for that too was required to be issued by January 11, 2017.

Heading to courts

While some companies are keeping their fingers crossed, others are ready to move courts to get their MLs. JSPL has put in the applications for two mines — one is a limestone mine in Bilaspur, Chhattisgarh, and another an iron ore mine in Ghatkuri, Jharkhand. However, these applications are not getting forest clearance. "We at JSPL are working towards obtaining all the necessary clearances and are very hopeful that appropriate action will be taken by the respective authorities towards the grant of mining leases in respect of the said blocks allocated to us," said the JSPL spokesperson in response to the queries from The Indian Express.

While JSPL did not say what it will do in case it does not get the mine by January 11 next year, Jayaswal Neco — which has got three of its application stuck for the want of forest clearance —is ready to take the government to court.

"The efforts of state and Central governments as far as the Ministry of Mines is concerned is appropriate, however, the other ministry 'MoEF' (Ministry of Environment Forest & Climate Change) which is to grant FC (forest clearance) and EC (environmental clearance) … is unable to relax the provision of law to save this cases. Hence all the effort of mines ministry to expedite the execution of mining lease is becoming futile. If the commitments of the government is not honored and the mining lease is not granted, then the company will be compelled to approach the appropriate court for justice on the matter," said S K Moitra, president, Jayaswal Neco.

Although the mines ministry data says that the company needs forest clearances in order to get MLs for three mines, Moitra said that the company requires an environmental clearance and not forest clearance.

Ultratech — the largest cement company in the country — is waiting to obtain MLs for six different limestone blocks. According to mines ministry, five of these applications are for limestone mines in Gujarat — two are stuck with MoEF, two at the state-level and one has to be processed by the company itself. The sixth limestone mine is in Chhattisgarh; the application is stuck with MoEFCC.

ACC, another major cement company, has put in two applications for limestone mines — one in West Singhbum, Jharkhand and the other in Kadapa, Andhra Pradesh. Both the applications need an environmental clearance and are pending with respective state governments. ACC and Ultratech did not respond to the queries from The Indian Express.

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According to mines ministry, a total 137 such applications are pending for the want of environmental or forest clearances. While the ministry is pushing for provisional clearance, the environment ministry has told it that any such clearance given to the company is likely to create more problems later.

"Gyanesh Bharti, Joint Secretary, MoEFCC mentioned that such a provisional clearance can lead to issues if the final clearances under Section 2(ii) are not forthcoming; the lease holder (company) would end up in loss because he would not be able to take up mining operations in any portion of the land and the entire efforts made by them could go futile.

Having paid NPV (net present value) for the whole land, it is possible that the Project Proponent (company) would move the court in frustration," said the minutes of September 27 meeting.

While some companies are contemplating legal action, others are in the mood to wait and watch. On the other hand, the environment ministry is reluctant to grant provisional clearances and state departments are moving at their own speed. It is clear that the situation requires some clear and consolidated action as January 11 is coming near.

33 MINERS TRAPPED IN CHINESE MINE FOUND DEAD

All 33 coal miners trapped underground in a gas explosion earlier this week have been found dead, state media reported Wednesday, as work safety officials vowed to punish those responsible.

Two miners survived Monday's explosion but rescuers working around the clock found no others alive. All bodies have been recovered and rescuers were shown bowing their heads in memorial for the dead.

Gas explosions inside mines are often caused when a flame or electrical spark ignites gas leaking from the coal seam. Ventilation systems are supposed to prevent gas from becoming trapped.

State Administration of Work Safety ordered an investigation into the blast, "adding that those responsible must be strictly punished." Local officials in Chongqing also ordered smaller mines to shut down temporarily, Xinhua said.

China's mining industry has long been among the world's deadliest. The head of the State Administration of Work Safety said earlier this year that struggling coal mines might be likely to overlook maintenance.

China is the world's largest producer and consumer of coal but plans to shutter more than 1,000 outdated mines as part of a broader plan to reduce overproduction.

FOREST CLEARANCE APPROVED FOR 69 MINING LEASES BY ENVIRONMENT MINISTRY

In what may provide a push to India's mineral production efforts, the ministry of environment, forests and climate change (MoEFCC) has agreed to give forest clearance to 69 mining leases for which letters of intent (LoIs) were granted before the Mines and Minerals (Development & Regulation) Amendment Act, 2015 (MMDR) came into effect.

A total of 317 such LoIs across 12 mineral-rich states were issued before MMDR came into force in January 2015. Under the old regime, mining licences were granted to companies by the states on a discretionary basis. However, the new Act allows for grant of mineral concessions through auctions to bring in transparency.

The MoEFCC's stand to provide relief to companies engaged in steel and cement manufacturing comes in the backdrop of itruling out granting environment clearance (EC) for around 200 mining leases, where licences were granted before MMDR came into effect. "The MoEFCC agreed that the general forest clearance can be considered and for that individual applicants are required to apply for forest clearance under section 2(iii) of Forest Conservation Act, 1980, along with a copy of the mining plan within 15 days," mines secretary Balvinder Kumar wrote in a 20 October

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communication to the chief secretaries of states including Andhra Pradesh, Jharkhand, Odisha and Tamil Nadu.

The letter is available on the website of mines ministry. The concerned departments of the state governments may be asked to take immediate action for forwarding these forest clearance applications to MoEFCC, the letter noted.

"The mines ministry will soon hold a meeting with state chief secretaries and the MoEFCC to discuss the pending environment clearances for mines," Kumar told InfraCircle.

These pending cases of mining leases pertain to section 10A(2)(c) of the MMDR Act wherein the last date of execution of lease deed is 11 January 2017.

Section 10A(2)(c) states, "If a letter of intent (by whatever name called) has been issued by the state government to grant a mining lease, before the commencement of the MMDR, 2015, the mining lease shall be granted subject to fulfilment of the conditions of the previous approval or of the letter of intent within a period of two years from the date of commencement of the said Act."

Out of the 317 cases, there are 69 cases involving environment clearances. Apart from this, there are about 95 cases pending for action with the state governments. Also, there are 97 such cases wherein the project proponents have not taken action to process their clearances in which notice may be issued.

Experts welcomed the move.

"There needs to be a balance between green issues and economic development. These mining leases were stuck since years and hence forest clearance will the pave way for various steel and cement projects to go ahead," said V.S. Jain, former chairman and managing director of state-owned Steel Authority of India Ltd.

Currently, mining contributes around 2-2.5% to India's gross domestic product (GDP) with the government projecting a GDP growth of 7-7.75% for the current financial year. The government wants to increase the share of mining sector in the country's GDP by one percentage point over the next three to four years.

"Mining lease applications, if not executed before 11 January 2017, would suo-motu lapse. That's why, their expeditious processing is important as not only would it affect the mining sector, but also have its impact on the downstream and allied sectors. Moreover, lapsing of these applications, which are in process of acquiring clearances, may likely to result in litigations, if not expedited," the letter added.

GOVERNMENT APPROVES EXPLORATION PROJECTS IN KOLAR GOLD FIELD; DEFUNCT BHARAT GOLD MINES MAY GET A LIFELINE

In what may be a lifeline for Bharat Gold Mines Ltd (BGML), the government on Tuesday approved three gold exploration projects in the Kolar Gold Field (KGF) area of the defunct state run firm.

Previously known as Kolar Gold Mines, BGML is a public sector unit under the ministry of mines which ran into heavy losses and was eventually closed down in March 2001.

The mines ministry plans to expedite India's gold exploration efforts with the state governments of Madhya Pradesh and Jharkhand putting up gold deposits for auction. India and China were the key countries dominating the global gold market in 2015, according to the World Gold Council, a lobby group.

"The Standing Committee on Promotional Projects (SCPP) approved three gold blocks for exploration in the KGF area of BGML. These blocks are to be explored expeditiously to decide the fate of BGML," said a senior government official on condition of anonymity.

The exploration proposals cleared by the SCPP includes estimation of gold ore in BGML leasehold area which may be handed back to the closed company, said another government official, who also did not want to be named.

"State-owned Mineral Exploration Corp. Ltd (MECL) will undertake exploration work up to G3, or prospecting, level. Efforts are on to revive the company rather than selling it to private parties," said the second official, adding that the company still exists as per the Companies Act as its assets have not been liquidated.

This comes at a time when the National Democratic Alliance government is also trying to revive three defunct urea units at Barauni, Sindri and Gorakhpur.

India's total demand for gold jewellery, bars and coins increased by 6% year-on-year to 233.2 tonne in the fourth quarter of calendar year 2015 (October-December), according to the World Gold Council's demand trends for 2015.

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However, consumer demand for gold during the second quarter of this year (April-June 2016) fell by 18% to 131 tonne compared with 160 tonne in the year-ago period due to steep prices.

Around 15,390 metre of drilling is required in 80 boreholes in an around the KGF area, which will entail an investment ofRs.18.76 crore.

The largest gold reserve of BGML, KGF, lies in Kolar district of Karnataka. With the mining lease of KGF expiring in 2013, a renewal application has been filed.

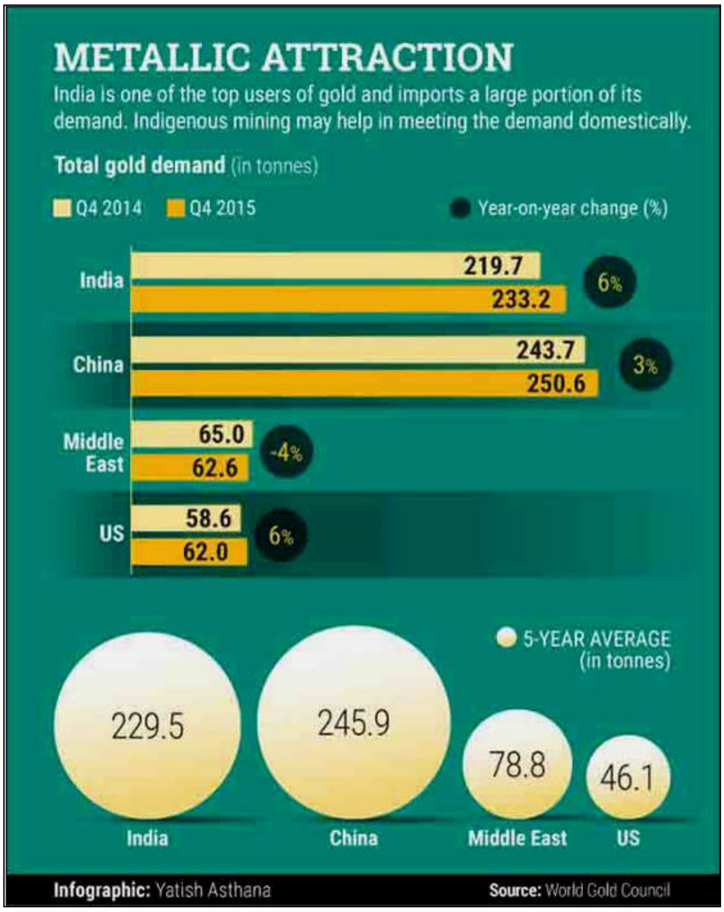
Queries emailed to the spokespersons of the mines ministry and MECL on 25 October remained unanswered.

According to information available on the website of the mines ministry, even after 120 years of mining the value of the fields runs into a couple of thousand crore.

Experts too believe that KGF has potential to be revived.

"It's been long since these mines have remained closed. Now, cut-off grades for gold is low and the dumps lying there may contain sizeable chunk of gold ore. This is a perfect case for reviving mining operations at BGML. However, if employees will have a say or it may be revived via state-run undertaking is a matter which needs to be seen," said Dipesh Dipu, founder and partner at Jenissi Management Consultants, a Hyderabad-based energy and resources sector consulting firm.

Former mines minister Narendra Singh Tomar had also asked state exploration agencies to re-evaluate the dumps as well as the mines of BGML in order to determine the correct value of these mines.



MAITHAN ISPAT BAGS INDIA'S SECOND GOLD MINE IN AUCTION

India's second gold mine auction in Jharkhand has been won by MESCO Group's Maithan Ispat Ltd.

In the auction that took place on 26 October with Adani Enterprises Ltd, Rungta Mines Ltd, and Ramgad Minerals and Mining Ltd vying for the Pahadia block, spread across 272.651 hectare, Maithan Ispat Ltd won the bid.

Maithan Ispat Ltd is a subsidiary of Mideast Integrated Steels Ltd and manufacturers iron, and heavy melting steel. Chhattisgarh auctioned the country's first gold mine, Baghmara, in February which was won by Vedanta Ltd.

"The gold block in Jharkhand has been bagged by Maithan Ispat Ltd and it had put in bids which are over 28% of the reserve price to emerge as the preferred bidder," said a senior government official requesting anonymity.

The mineral resources available in the Pahadia block include 1.162 million tonne (MT) of gold ore, with 2.12 gram per tonne of the metal, besides 1.162 tonne of silver, 232.4 tonne of copper, 581 tonne of lead, 1,859 tonne of zinc, 2,905 tonne of nickel and 1.162 MT of quartz.

"After the Mines and Minerals (Development and Regulatory) Amendment Act, 2015 came into effect, 17 blocks have been auctioned across seven states fetching Rs.59,639 crore for state governments over a period of 50 years including royalty," said another government official aware of the development, who also didn't want to be named.

Jharkhand had invited revised bids for auctioning the deposit under the composite licence route after few miners showed interest in the earlier bid called in January. A composite licence holder conducts the geophysical exploration of the area to find out the exact reserve of the mineral and starts mining later.

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Queries emailed to the spokespersons of the union mines ministry, Jharkhand government's mines and geology department and Maithan Ispat Ltd on 27 October remained unanswered.

Experts welcomed the move.

"Prospects for these mines are good. As these are being given under composite route, detailed investigation of the reserves will also be done. Also, base metals including gold and copper are deep seated, and are less available in surface, hence chances of reserves increases after further mineralisation," said Harbans Singh, former director general of the Geological Survey of India.

According to the World Gold Council, a lobby group, India and China were most influential in driving gold jewellery demand during the period April-June, when demand for most countries remained subdued. However, consumer demand for gold during the second quarter of this year (April-June 2016) fell by 18% to 131 tonne compared with 160 tonne in the year-ago period due to steep prices.

India has gold deposits spread across several states, including Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.

JSPL REOPENS MOZAMBIQUE MINES TO TAP RISING COKING COAL PRICE

Jindal Steel and Power Ltd (JSPL) has reopened its mines in Mozambique from 1 October as the price of coking coal, used in steel production, has surged because of supply cuts in China.

The company, which is in the process of selling some of its assets in the power sector to reduce over Rs 40,000 crore of debt, expects the rise in coking coal prices to help improve the performance of its mining operations in the second half of the year.

JSPL, which has mining, steel, power and construction businesses, had reported a consolidated loss of Rs1,082 crore for the June quarter, double the loss it had reported in the year ago period, mainly on account of nearly flat demand for steel and high financing costs.

Ravi Uppal, managing director and group chief executive officer of JSPL, said its unit JSPL Minerale Mozambique LDA has restarted mining operations at the Chirodzi Mines in Tete Province in Mozambique as the global price of coking coal, also known as metallurgical coal, has risen by more than 150% since August. JSPL expects access to own coking coal will also give its steel output a competitive edge. India has no coking coal reserves and the entire requirement is imported from markets such as Australia, Canada and Africa.

"Prime hard coking coal (a grade) was in the range of $85 in August. Today the same is being sold at $215 per tonne. Metallurgical coal accounts for a fifth of the cost of making steel and has a direct impact on the price of steel. Steel price is set to go up," said Uppal in an interview. JSPL has 4.75 million tonne a year steel capacity in India and a 2 million tonne capacity in Oman.

While the increase in the price of coking coal in world markets is welcome news for miners, passing on the increased cost of coal may not be easy for domestic steel producers in the face of cheap steel imports from China and from countries with which India has free-trade agreements such as Japan and South Korea.

"Coking coal price has been volatile recently and has witnessed an unprecedented increase since August 2016. Any sustained increase will erase existing thin operating margins of steel producers and further complicate logistics and supply chain management decisions," said Hemal H. Shah, partner, advisory services, EY. Many Indian steel companies are dependent on coking coal from China and it is to be seen whether this price ($215 per tonne) continues to appreciate further creating more uncertainty, added Shah.

Domestic primary steel producers (those who make steel from iron ore) have been depending on protectionist steps taken by the government to sail through a period of excess steel production capacity worldwide. These include imposing minimum import price for select steel products and enforcing a 30% export duty on iron ore exports meant to ensure raw material availability to primary steel producers. Downstream user industries of steel (including secondary steel producers) have been resisting these steps as it impact their raw material costs.

"The protectionist duties on hot rolled coils and plates have led to a situation where import duty on raw materials is higher than

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that on finished products. As a result, import of steel-based manufactured items have gone up while import of hot rolled coils and plates has declined between June and August. It adversely affects the Make in India drive," said S.C. Mathur, executive director of Cold Rolled Steel Manufacturers Association of India. Uppal of JSPL, however, believes that in the second half of the year, the steel industry is expected to do better. "Demand will go up by 4-5% this financial year. In the first two quarters, it was just 0.5%. In the second half, it is expected to go up by 8%. The industry's fundamentals are strong. It is just going through a low point," he said.

JSPL's Mozambique mine, acquired in 2011, was put under care and maintenance early this year due to a progressive fall in the price of coking coal, which forced global mining majors to close down mines. The company's mines in Australia have extractable coking coal reserves of 250 million tonnes, while the mines in Mozambique have extractable reserves of 450 million tonnes, a fourth of which is coking coal. The company is currently in the process of selling its 1000 MW power plant at Raigarh in Chhattisgarh to Naveen Jindal's brother Sajjan Jindal for 4,000 crore to Rs6,500 crore, depending on the plant securing a power purchase agreement within a specified time.

SMALL BLOCKS KEEP INVESTORS FROM MINE BIDS

With the private sector shying away from investing in mining, experts say it is not just regulatory bottlenecks but also the smaller deposits on offer that are keeping them away.

The central government is anticipating revenue of Rs 59,639 crore from recently concluded auctions of mineral blocks in Jharkhand, Odisha, Rajasthan, Chhattisgarh, Andhra Pradesh, Madhya Pradesh and Karnataka. This revenue includes royalty and funds for the district mineral foundations and the National Mineral Exploration Trust.

MINE OF INFORMATION

State	Block	Total area (hectare)	Estimated reserves (mntonne)
Jharkhand	Harihaspura Block I	180.0	0.42
Jharkhand	Harihaspura Block II	379.0	0.67
Jharkhand	Pahadia gold block	279.6	1.16
Karnataka	Ittanahalli, Bellary	33.21	6.93
Madhya Pradesh	Hatupur block, district-Panna	133.5	0.06

The Mines and Minerals (Development and Regulation) (Amendment) Act, 2015, envisages a uniform lease period of 50 years. Thereafter, all mining leases will be put up for auction again.

Experts say 17 mines that were put up for sale were not only small in area but also in terms of the reserves available. Three blocks had reserves of less than one million tonne. These blocks include deposits of limestone, iron ore, gold and diamonds. Some of the smaller mines in Karnataka that did not receive enough interest this time may be bundled and put up for auction again.

"It is sub-optimal for mining companies to invest effort and capital in mines that are small. The state mineral development agencies should ideally package or prioritise the larger mines for auction," says Kameswara Rao, partner, PwC. He also feels the lukewarm response could be due to softening of demand.

Balwinder Kumar, Union mines secretary, however, says this aspect is not a hindrance and the private sector has shown interest in the mines on offer — JSW Steel and Essar Steel have been declared successful bidders for some of the mines. Kumar adds an inter-ministerial group will meet this month to understand issues like land acquisition and environment and forest clearances that are affecting the auction process. The panel will review clearances, the status of the Mine Development and Production Agreement as well as the issuance of letters of intent.

Even though the government claims the recently concluded auctions were a success, generating interest among companies is an uphill task. Vedanta's Chief Executive Officer Tom Albanese recently said many of the leases were "stamp size". There were many instances where companies wanted to bid but did not go ahead because of the size of the lease, he added.

Some experts feel auctioning mineral blocks is not a good idea to begin with. "Nowhere in the world are auctions used for mining natural resources. Also leases are given till the deposit is fully extracted," says R K Sharma, secretary-general of the Federation of Indian Mineral Industries.

The MMDR Act states all mineral concessions will be granted by state governments. But this will be through auctions for greater transparency.

SLUMP SPURS DEMAND FOR MERGER OF RINL, NMDC

The continuation of grim scenario in the steel industry has brought into focus the demand for merger of the Rashtriya Ispat Nigam Limited (RINL) and National Mineral Development Corporation (NMDC).

Visakha Steel Employees' Congress, the recognised union of RINL, corporate entity of the Visakhapatnam Steel Plant, feels that now in the larger interest of the country, the Centre should respond to the long-pending demand for the merger.

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VSEC general secretary Mantri Rajasekhar told The Hindu on Monday that the decision would be mutually beneficial. "We have a land bank of 25,000 acres with a large talent pool and experience in steel making. On the other hand, NMDC, which owns several mining blocks and supplies iron ore to RINL, is in the process of privatising its three million tonne integrated steel plant at Nagarnar in Bastar district of Chattisgarh.

"Almost 40 per cent of our production cost is going towards iron ore. It is costing Rs.4,000 to Rs.5,000 per tonne as we don't have captive mines whereas JSW, TISCO, Essar and some individual owners are spending just Rs.1500 to Rs.2,000 per tonne," Mr. Rajasekhar said. RINL, a Navratna company, incurred a net loss of Rs.1,421 crore during 2015-16. With a slump projected in the second half of current fiscal, the company will not make any dramatic recovery in the near future.

Joint campaign

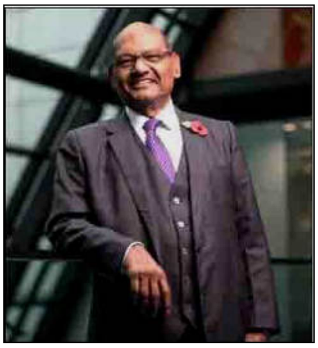
RINL's representation for allotment of captive iron ore mines in Kukunoor in West Godavari is still under consideration. The exploration of blocks allotted in Bhilwara in Rajasthan and sourcing of raw material after payment of Rs.369 crore for strategic control over Bird Groups of Company have still remained a far cry. The merger proposal, which was mooted by the management itself a decade ago, was put in the cold storage due to lukewarm response from the Centre. Now all the unions of the RINL have decided to launch a joint campaign to press for the merger immediately.

The RINL, after completing 6.3 million tonne expansion project, is ramping up the new units. It is also investing Rs.5,000 crore for capital repairs of blast furnaces and augmenting the production of other units to raise the capacity further to 7.3 million tonne.

Recession has already hit all the major steel producers, including SAIL. The decision to continue Minimum Import Price to discourage the dumping of cheap steel from China has not brought any cheer to the steel industry as the demand for steel consumption has not appreciated. "Increase in per capita consumption can be achieved only when manufacturing and construction sectors will pick up. Otherwise, inventory will remain an area of major concern forcing steel producers to operate their units by scaling down their rated capacity," a top official of a private steel making unit, said.

ANIL AGARWAL LED VEDANTA ON A STEEL HUNT

NRI billionaire Anil Agarwal-led Vedanta may take the inorganic route to enter India's steel sector, the firm's chief executive officer Tom Albanese said. "Acquisition is always an option," he said, reminding one of the fact that Agarwal had built most of his business empire by taking over firms. A source in the company had earlier told FE that Vedanta wants to set up a 5-million-tonne-per-annum (mtpa) steel plant in Karnataka, entailing around R30,000 crore as investment, along with a partner. Agarwal's metal and mining conglomerate is already the country's largest iron ore producer and producer of non-ferrous metals such as aluminium and zinc.



Agarwal had in 2010 announced the group's plan to foray into steel-making in partnership with Larsen & Toubro by setting up a 5 mtpa plant at Palasponga in Odisha's Keonjhar district in two phases and signed a memorandum of understanding with the state government. It had also acquired the assets of the under-construction Bellary Steel and Alloys (BSAL) in Karnataka for R220 crore by taking part in competitive bidding, way back in 2011. Headquartered in Bangalore, BSAL had embarked on setting up an integrated 500,000 tpa steel plant and had lined up a plan to take it to 2 mtpa. It however, could not complete the project and ran into debt. While the plant at Bellary is on the cards, Vedanta is also keen to acquire existing steel plants to be a major player in the field. There are many such assets in the country that could potentially interest him.

"Vedanta has a strong iron ore business and also a very strong and innovative value-added business in Goa. I do think that there is tremendous iron ore resource in India. There will be higher demand for steel in India. We will keep our eyes open for opportunities for adding to our value-added business beyond the current facility in Goa as and when opportunities present themselves to us," Albanese said. Iron ore is one of the key raw materials for steel-making and having captive mines always helps a company to remain competitive.

The immediate target, Albanese said, would be to ensure that the company's iron ore business and the existing value-add business remain strong. "We are trying to look around, envision the time when urbanisation picks up in India, when you see more government spending on infrastructure, higher expenditure by Indian families demanding higher quality household items and more manufacturing capacity developing in India. We keep our options to be in a position of strength in India's aluminium, copper, oil and possibly steel industries," he said.

"India's steel capacity currently stands at around 118 mtpa and the government targets to take it to 300 mtpa by 2030"

GSI WILL IDENTIFY 12 MINERAL BLOCKS TO PUT UP FOR AUCTION

Geological Survey of India (GSI) as mandated by the Union government will identify at least 12 mineral blocks that can be readily put up forauction, noted Mandapalli Raju, director-general.

The present focus of exploration activities on land is to identifyminerals in blocks such as iron ore, manganese, copper, lime stone and coal and GSI will identify the mineral blocks during the current field season, which also coincides with the fiscal year, Raju noted.

Interacting with reporters during his visit to marine and coastal survey division of GSI here, Raju said the surveys for mineral blocks on request from respective state governments are in different stages of exploration. "The survey reports will indicate G2 status of the blocks, that is, where they can be directly put up for auction," Raju said, adding four of these blocks for iron ore are in Karnataka. "GSI will carry out exploration for 30 blocks during 2017-18," he added.

Noting that GSIs exploration work for yellow metal is also underway in mineral rich Jharkhand state, Raju said the organization is also eagerly awaiting the formulation of an off-shore mining policy for minerals such as sand, lime stone, lime mud, and phosphorites as well. The ministry of mines will bring out the stated policy, he said, adding that due care will be taken to ensure it does not stand afoul of current laws of the land including the Coastal Regulation Zone Act.

The demand for an off-shore mining policy has come from the government of Kerala which has urged the Centre to formulate one law given that it is sitting on a potential deposit of construction sand in an area of 2,797 sq km off its coast.

"We have identified this as potential area for construction sand," he said, adding that GSI similarly has identified 4,525 sq km, lying beyond 10-km from the coastline off AP, Tamil Nadu and Pondicherry, that is rich with construction and carbonate sand.

V Devdas, deputy director-general said once GSI indicates potential deposits of minerals both on land and in the sea, it is for the government to form policies for its exploitation. As far as sand in concerned, off shore mining of sand is an accepted norm abroad, he said, adding that its environmental impact can be minimized by selectively mining an area, allowing it to rejuvenate in the interim and simultaneously go in for on-shore and off-shore mining for the mineral.

GSI is in the process of acquiring a state-of-the-art geo-technical vessel that is capable of drilling upto the depth of 30 metres below the sea bed. "This will give us an accurate estimate of mineral and other reserves below sea," he said, adding that the tender process for the vessel is on. "We are expecting the vessel to join us either by December 2017 or early 2018," he said. It will add to the existing fleet of research vessels - Samudra Ratnakar, Samudra Kausthubh and Samudra Shaudhikama with GSI.

About the surveys that GSI has carried out thus far, Raju said the organization has surveyed more than 98% of 2,012 million sqkm of Exclusive Economic Zone, including about 1,05,000 sq km of territorial waters of India. GSI makes available data from its surveys to the government and general public, he said, adding even government and private organisations make use of the baseline data that it generates. "We do not commercially exploit such data," Raju said.

NCC-BGR CONSORTIUM BAGS MINING DEVELOPMENT CONTRACT FOR PACHHWARA COAL BLOCK

The NCC-BGR Consortium has been awarded the Pachhwara North Coal Block Mine Developer and Operator Project (MDO Project) by the West Bengal Power Development Corporation Limited.

The consortium has been formed between NCC Limited (formerly Nagarjuna Construction Co Ltd) and BGR Mining & Infra Private Limited with 51:49 per cent equity.

The Pachhwara North Coal Block, located in Pakur, Jharkhand, has been allocated by the Coal Ministry to the WBPDCL. The coal extracted is for use for their power plants in West Bengal.

This MDO Project basically comprises of activities relating to mine development, excavation of over burden and coal and transportation and related activities.

The project has coal reserves of nearly 400 million tonnes and over burden of 1650 million cubic meters. The rate of mining fee per ton of coal is about ₹ 890 including taxes.

The total duration of the Project is about 30 years and will be extended for further period until the coal reserves are exhausted. The peak rated capacity of the mine is 15 million tonnes per annum to be achieved by the 6th year of commencement of operation.

The value of the project is estimated to be ₹35,000 crore over 30 years and the annual revenue at rated capacity is about ₹ 1335 crore at current prices. The contract provides for escalation of mining fees. A Special Purpose Vehicle Pachhwara Coal Mining Private Limited

(Continued on page 10)...

has been formed for execution of the project. The SPV entered into the Coal Mining Agreement on October 10 at Kolkata.

BGR Mining & Infra is a coal and lignite mining company associated with Singareni Collieries Co Ltd, Neyveli Lignite Corporation Limited and some of the subsidiaries of Coal India Limited. As per the production schedule, 4 million tonnes of coal is targeted to be achieved in the 1st year of Operation and yield revenue stream, according to A A V Ranga Raju, Managing Director of NCC.

WITH MINES SECTOR OPEN, VEDANTA EYES EARLY-STAGE PROSPECTING FOR MINERALS

Vedanta Ltd will be stepping up early-stage prospecting for minerals to tap the opportunities from the opening up of mining sector. Prospecting for mineral will be a key area along with oil and gas, which will come into Vedanta's fold with the merger of Cairn India expected by March 2017.

Vedanta, which floated VedEX earlier this year, an entity for early stage prospecting for natural resources, is keen to look at a diversified range of opportunities, according to Tom Albanese, CEO, Vedanta Ltd. In an interaction with journalists on Monday, Albanese said the Government amending the MMDR (Mines and Minerals Development and Regulation Act) opens up a wide range of opportunities for Vedanta to strengthen its raw material supply and widen its presence in mining.

"In our mind, we have lots of ideas but the government is yet to open up all minerals," he said. It had successfully bid for a gold lease in Chhattisgarh earlier this year. It is hoping to tap bauxite options and zinc-lead resources as and when they are available.

"If the geologists put together a good proposal, we will be interested," he said.

Demand outstrips supply

Both zinc and aluminium supplies are critical issues. Zinc demand is being driven by the need for coating and galvanising. But over the last two decades, while the demand has been steady, supplies are dwindling. The domestic demand is set to take off with increased need for automobile and construction segments. India exports cars that are zinc coated against corrosion, but cars for domestic sales do not get that value addition. Similarly, construction rebars are also not protected. But both these segments are bound to open up.

Similarly, the demand for aluminium is expected to grow twice as that of copper or steel. But the bad news is that aluminium demand is far outstripping supply. India is rich in bauxite, the source of aluminium oxide, which is converted to aluminium. But social issues plague the sector.

Oil and gas

As oil prices have stabilised, the capital investment will commence, he said. With the merger of Cairn India, one of the largest independent oil and gas exploration company, with Vedanta, the first priority will be to resume growth in its oil fields, especially those in Rajasthan, Albanese said. The output from the Mangala field in Rajasthan is about 200,000 barrels a day and has helped to prevent a drop in overall production. The company is working with ONGC and the benefits and higher production will be seen from 2019 onwards. But in the interim, output is bound to be flat or see a small decline.

PANEL TO EXAMINE APPLICATIONS FOR 7 COAL BLOCKS NEXT WEEK

A technical committee will meet next week to examine and evaluate the applications for the allotment of seven coal blocks to power generation firms.

"A meeting of the technical committee (TC)...is scheduled to be held on November 11, 2016...for examination/evaluation, as per the Terms of Reference of the TC, of applications as received in response to (Coal) Ministry's Notice inviting applications," a notice issued by the ministry said. The eight member-panel is chaired by the Coal Ministry's Advisor (Projects).

"It is therefore, requested to send a representative of... (ministries like power) not below the rank of director/deputy secretary to attend the meeting," the notice further said.

"...the applications are invited from...entities in respect of the coal blocks," the Coal Ministry said.

The coal ministry, had, last month invited applications for the allotment of seven coal blocks including Deocha-Pachami mine in West Bengal with 2,102 MT reserve, Ghogarpalli and Jadunathpur in Odisha with 1,163 MT and 525 MT, respectively and Pokharia Paharpur in Jharkhand with 584.25 MT.