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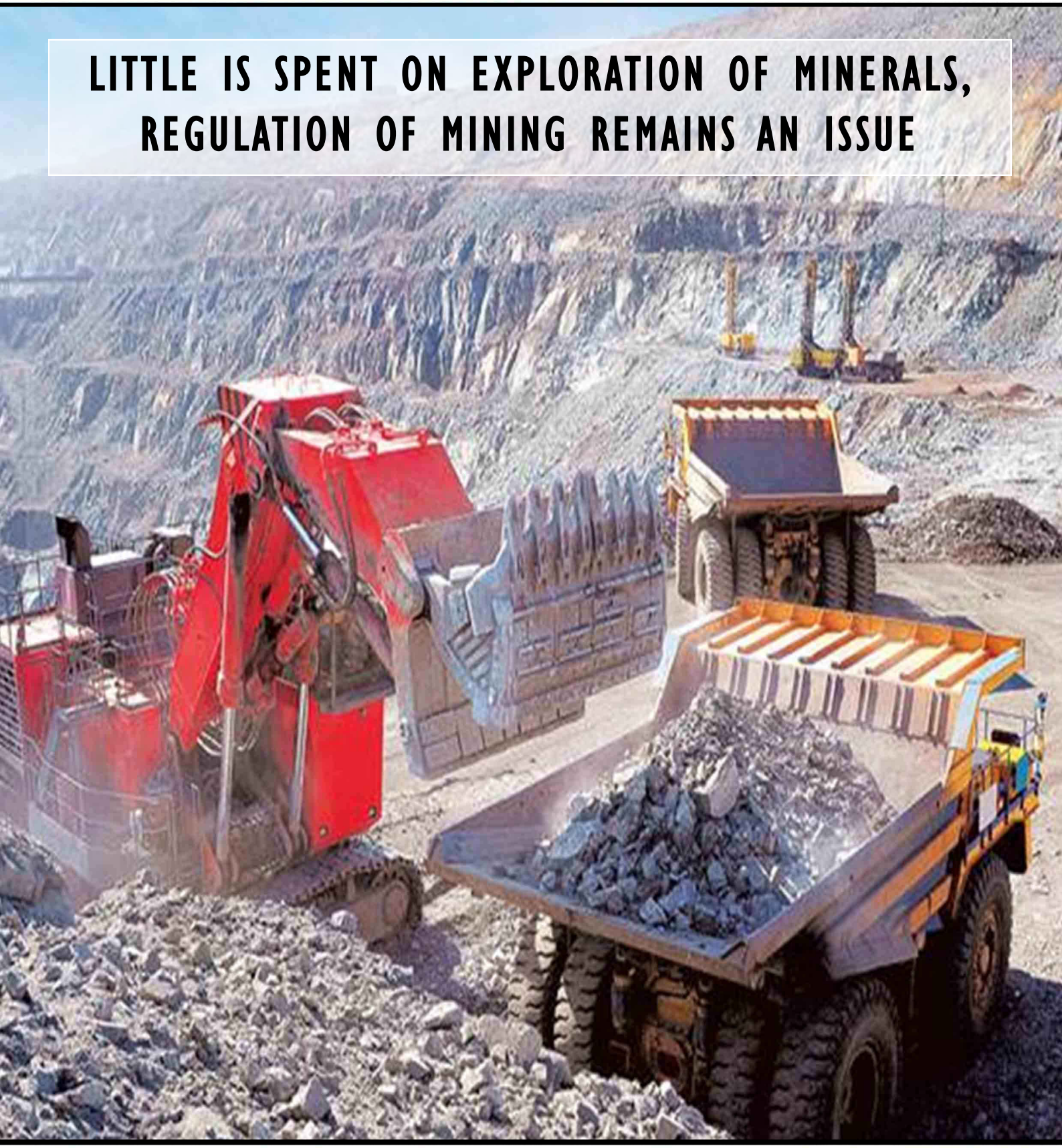

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LITTLE IS SPENT ON EXPLORATION OF MINERALS, REGULATION OF MINING REMAINS AN ISSUE

India has a lot of potential for discovery of minerals as the continental landmass and its offshore consists of several crustal elements going back ages.

An industrial strategy in India will benefit from the country utilising its mineral potential. According to a FICCI report, every 1% increase in the growth rate of mining and quarrying leads to an increase of 1.2-1.4% in the growth rate of industrial production. Yet India has lacked an industrial policy since 1991, with the result that manufacturing's share of GDP has stagnated at 16% since then, and its share in employment fell from 12.8% in 2012 to 11.5% in 2016 (while NSSO PLFS 2017-18 shows no increase).

India has a lot of potential for discovery of minerals as the continental landmass and its offshore consists of several crustal elements going back ages. India is blessed with ample resources of a number of minerals and has the geological environment for many others, but currently mining accounts only for around 2% of GDP. Extraction and management of minerals must be integrated into the overall industrial strategy. But India's imports of non-fuel minerals are much higher than exports. Small-sized mines dominate the industry. In addition, mining in India is largely public-sector-driven, with public enterprises accounting for around 66% of the value of mineral production; the rest emanates from medium and small mines that are largely private-operated.

Little is being spent on exploration of minerals. If neither governments, Union or state, nor PSUs are able to invest on the scale required, then foreign and private firms will need to be incentivised. However, the government can well claim that 100% FDI has been permitted in mining. So, what is holding investment back?

Regulation of mining remains an issue. Given the widespread regulatory failure, there is a need to create an independent mining regulatory authority for oversight at the central and state level to restore investor confidence. Primary regulatory responsibility must lie with state governments. The first National Mineral Policy (NMP 1993) allowed FDI up to 50% with no limit on captive FDI, but little interest was shown by foreign investors. Meanwhile, the lack of resources with public sector agencies such as the Geological Survey of India, Mineral Exploration Corporation Ltd, and other state and central agencies resulted in limited promotional exploration. Then the National Mineral Exploration Policy came in 2016, which is a structured framework for comprehensive exploration in the country with a judicious interplay of government support and private innovation and enterprise.

However, FDI has not increased in mining, although it has grown sharply in other sectors (mainly in services, and to some extent in brownfield manufacturing in the form of takeovers). The amount of FDI in mining was $1.32 million in 2000-01 and $55.75 million in 2016-17. Clearly, mining is not attracting foreign investment.

There have been repeated violations by existing mining companies (Indian and foreign), as well as governments, of social and environmental impact assessment guidelines. As part of its industrial policy, the Union government will have to rethink mining policy. The situation was brought to a head by a August 2017 Supreme Court judgment, which regarded the mineral policy as outdated, and stated that a "fresh, more effective, meaningful and implementable policy" needs to be developed.

Several issues are important (TERI studies have pointed out). First, data from the Geological Survey of India's geological mapping should be available in a geographic information system format to facilitate entrepreneurs to take investment decisions for exploration. Second, the Mines and Minerals (Development and Regulation) Amendment Act, 2015, has made auctions as the only mode of granting mineral concessions. This implies that the Indian Bureau of Mines and the State Directorates of Mining need to have the capacity to undertake mineral resource estimate and reserve valuations. This requires their capacity-building.

Third, mining has both backward and forward linkages; these need to be encouraged. This can be done by allowing free transfer of concessions including mining leases, and by giving a preference to value-addition and end-use when calling bids for mineral deposits. Fourth, scientific human resources including knowledge at the frontiers of geoscience has emerged as a bottleneck. India will need more mining engineers, geologists, geophysicists, geochemists and geoinformation experts. The ministry of mines estimated that up to 2025 there will be a need to equip about 3,000 geoscientists and 40,000 mining

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engineers over and above the normal supply (Kumar and Ganeshan, 2015).

Finally, because past mining operations had not given much attention to rehabilitation of people uprooted by mining, the MMDR Act 2015 provides for the creation of a District Mineral Foundation in every district affected by mining-related operations to work for the benefit of persons and areas affected by such operations. These foundations should deliver on rehabilitation of old mines as well as affected peoples; else, the affected will agitate and demand mines to be closed.

There is an electric vehicle (EV) demand rush that is likely to happen. There is a major implication for global demand for minerals used in EV batteries. Cobalt demand will rise five times, as will demand for copper and nickel. In a 2016 study (Council on Energy, Environment and Water), 12 most critical minerals (with high economic importance and high supply risk) for India's manufacturing growth were identified. The study says that for seven of these—and nearly half of the 49 minerals analysed—India is totally import-dependent. If India is going to bet big on EVs, then the challenge is even greater. Again, the Chinese dominance in EV-relevant minerals is overwhelming. This creates exclusive markets for Chinese battery and EV manufacturers, a situation similar to solar panels. India needs a comprehensive strategy, i.e. the role of industrial policy, in this sector.

(The writer is Professor of Economics, JNU, and co-author of 'What's the Plan? India's Development and Planning – Its Past and Future' (Cambridge University Press). Views are personal.

ODISHA TO INVITE BIDS FOR MINING LEASE OF GRAPHITE, LIMESTONE AND CHROMITE BLOCKS

The SBI Caps is reported to have suggested to the State Government to set the reserve price for each of the mineral blocks lined up for auctions at five per cent.

For the first time in this fiscal (2019-20), the state government has invited tenders for auctioning seven mineral blocks including two chromite blocks lapsing March 31, 2020.

The Directorate of Mines Wednesday issued Notice Inviting Tender (NIT) for the five freehold deposits (four limestone and one graphite block) and two chromite blocks.

Four limestone blocks Pipalmunda, Khatkurbahal (North), Behera Banjipali, Garramura; a graphite block, (Jagdalpur) and two lapsable chromite deposits such as Saruabil and Kamarda have been put to auction.

Presently, the chromites blocks are under the leasehold of BC Mohanty (Kamarda) and Misrilall Mines (Sasubil). As per notification issued by the Directorate, the deadline for purchase of the tender documents is September 11 and the bidders can submit their bids by 5 pm of September 20.

Clearing the decks for auction of eight non-ferrous mines, the State Government is all set to float tender notice on July 31 for the invitation of bids for grant of mining lease of graphite, limestone and chromite blocks.

Of the eight blocks, six are virgin and two merchant mines. Geological reports of the blocks were scrutinised and value of mineral reserve estimated by SBI Capital Markets Ltd, the transaction adviser. Lease of the two chromite blocks located in Jajpur district will expire by March 31, 2020.

The SBI Caps is reported to have suggested to the State Government to set the reserve price for each of the mineral blocks lined up for auctions at five per cent.

As leases of 24 merchant mines including 16 iron ore blocks are set to expire by end of March next year, the Centre, as well as the steel industries, are putting pressure on the State Government to complete the auction process to ensure a steady flow of raw materials to mineral industries.

"The Directorate of Mines of the Steel and Mines department has planned to float tenders for 36 mining blocks including 12 virgin ones in three phases. In the first phase, notice inviting tenders for eight blocks will be made available on the MSTC website on July 31. The dates for bidding for the remaining blocks are August 14 and 31," said sources familiar with the development.

Raising doubt over the success of auctioning of the eight mineral blocks, industry sources said all the four limestone blocks are very small in size. With limited reserve, bidders may not show interest for captive use. With no cement factory located near the four blocks, it will be a costly affair for merchant miners.

"Transportation of limestone, a basic raw material for the cement factory, beyond 20 km will not be viable as the cost of production will go up substantially," sources in the cement industry said. The State Government had put Garramura limestone block in Nuapada district to auction earlier but it had to

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defer the bid as there was no response to its invitation.

Refusing to divulge the proposed auction of the eight mineral blocks, Steel and Mines Minister Prafulla Mallick said, "We are trying our best to put a few blocks for auction. The SBI Caps has been asked to clear the geological reports of as many blocks as possible. Let's see how many mining blocks will be ready."

Mallick recently informed the Assembly that 40 mining blocks have been readied for auction during the current financial year. He said the Government, which had auctioned five mineral blocks including three iron ore ones as per Mineral Auction Rules, 2015 by May 2017, could not proceed with e-auction in 2017-18 due to the restriction imposed by the Delhi High Court.

EXPLORATION FIRMS CAN HELP ASSESS INDIA'S MINERAL WEALTH: FIMI

Producing 95 major and minor minerals, including four fuel and three atomic minerals, the mining sector is an important segment of India's economy but needs more government focus to increase its contribution to the GDP, mining industry body FIMI said. India is yet to assess its true potential of its resources, leading to the country heavily importing major minerals, to the tune of seven times its domestic production, as per the Federation of Indian Mineral Industries (FIMI).

"We all know that India is rich in minerals, but have we really assessed by how much? The risk factor in exploration is very high. You don't find minerals in every effort you make. Normally the success rate of exploration is 1:100. As such, no country spends tax payers money in this risky venture," said FIMI Secretary General R.K. Sharma. He said that the international practice by resource-rich countries is to entrust the job to junior exploration companies, formed by a group of geologists with domain expertise in a particular mineral or group of minerals and operating with venture capital or hedge funds. Once a junior exploration company becomes successful in locating a world-class discovery, it sells this to a major mining company at a price which would recover all the past losses, if any, and may cover possible future losses, Sharma added. A major mining company can also undertake exploration, he said, citing the case of Rio Tinto which discovered the world-class diamond deposit in Madhya Pradesh's Bunder.

Sharma termed it unfortunate that India's mineral resources remain under-explored since "exploration activities are restricted to the government sector and there is virtually no involvement of private sector". Many international companies like Rio Tinto, Anglo American, De Beers, BHP (formerly BHP Billiton) among others had shown interest in exploring India's mineral wealth, but had to call off their ventures and leave due to "complicated licensing and approval processes", he said. On the Bunder mines, he said: "When NMDC (National Mineral Development Corporation) produces about 45,000 carats of diamonds in a year, Rio Tinto, with its access to most modern global technology and expertise, would have produced about 3 million carats of diamonds in the very first year and this could have gone to 5 million in subsequent 2-3 years." Lamenting the squandered opportunity for wealth and job creation, Sharma said: "Policies need to be simpler and conducive and only then mining companies can give you desired results.

" Noting experts believe that India does not have that world-class technology for exploration, he said that this is why it is not able to assess its true mineral wealth potential and FIMI is trying to get the government to change its policies.

"FIMI has approached the government and is advocating to engage with junior exploration companies from across the world who have domain expertise and latest global technologies. These companies would give you clearer picture of mineral wealth in a very short span of time. There would be many takers from within India and across the world who would be then willing to invest in India's mining sector," Sharma said.

He also said the identification of potential mining sites would make things easier for the mining companies to produce within India, and the country will be able to reduce its import bill and also create massive employment opportunities. "India needs to produce that every mineral and metal that the country is importing. Why spend tax-payers money, when the country has the potential resources," Sharma said. "As most of the mines are located in rural and tribal areas, rural employment will get a boost besides giving impetus to the local area development," he added. FIMI is also advocating allocation of mines on First-come-First serve (FCFS) basis as most of the resource-rich countries have adopted this system, as well as recognition of prospecting and mining as an independent activity with transferability of the concessions.

MOVE ON TO MAKE 24 MINES OPERATIONAL: MINISTER

Bhubaneswar: The lease period of 31 mines would be over by the end of the current financial year, Steel and Mines Minister Prafulla Mallik told the Odisha Assembly Monday.

Replying to a question of Braja Kishore Pradhan (BJD), the minister said the mines included 24 working and seven non-working mines.

Mallik said steps were being taken to make the 24 working mines operational again by conducting geological survey.

Similarly, the Geological Survey of India has been conducting the geological survey of the seven non-working mines.

The auction of the mines would be made after the survey was over, the minister said.

UNCERTAIN FUTURE: REGULATORY CHANGES NEEDED TO ATTRACT FOREIGN MINERS

Mineral Policy Consultant, Brookings India

With the new government taking charge at the centre, and the efforts of NITI Aayog's high-level committee on mining in consulting various industry stakeholders, hopes of growth and investment in the mining sector have revived. There is a degree of opti-

mism in the industry that the much-needed reforms will now be pushed forward. Foreign mining companies that have been observing Indian markets may have reason to cheer, even though theirs is certainly cautious optimism.

Foreign mining companies' experience

While foreign direct investments are permitted in the Indian mining sector, the participation of foreign miners has been limited at best. One of the largest global mining conglomerates, had a joint venture agreement with Odisha Mining Corporation Limited, but the project did not take off. It has also recently abandoned its diamond project in India, perhaps on account of commercial reasons and its global strategy. Several other mining firms that have had offices in India for a long time do not have any significant footprint in the market.

The National Mineral Policy, 2019, reiterates the need for foreign participation for improving technology penetration. It is therefore time to review regulatory and policy frameworks to assess the challenges facing global miners and then take course correction measures.

Auctions may have tilted the balance

Considering the evidence from the concluded auctions and the economics of mining by commercial and captive consumers, it may be safe to state that auctions have put commercial miners at a relative disadvantage. Foreign firms that are focused only on mining in other parts of the world may not have any interest in setting up downstream processes in India when their business model, capabilities and risk appetite do not match.

Auctioned blocks for both coal and other minerals have been won largely by captive consumers, some as an outcome of restricted eligibility for bidding and others on account of economics that favour them.

As indicated in the graph, captive consumers with a strategy of supply security are able to offer higher auction premiums for mineral blocks. It can be observed that the mine-head price (the revenue share of which is the bidding criterion for all the mineral auctions) sets the upper limit for commercial miners. At this price, commercial miners are expected to meet all their operating costs, pay royalties and taxes, and earn some profits to return to investors. A prudent commercial miner, therefore, can offer to pay only a portion of the profit margins to win an auction, which as a proportion of the mine-head price would be low.

Contrast this to captive consumers, whose benchmark may be the landed cost of mineral procurement at the plant or mill. If they procure from the same mine as the commercial miner, they would compare the cost of procurement with that from alternative sources, which in the case of Karnataka's iron ore mines could be imports from Australia. Hence, if the bidding strategy of captive consumers for these mines is to target supply security, and as long as their landed costs of procurement from alternative sources are considered the ceiling, they can offer their entire mining profits and savings in transportation costs to the state government.

As a result, mining projects offered through the auction route have become a no-entry zone for foreign commercial miners.

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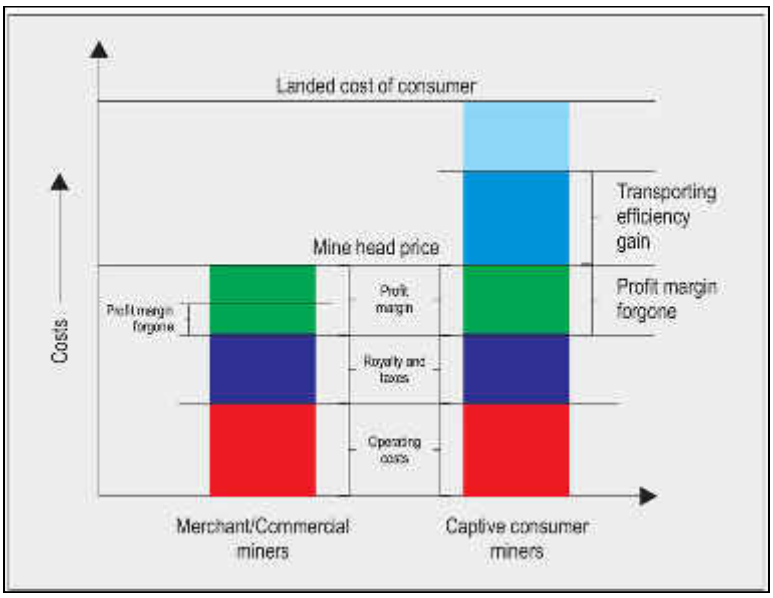
Exploration is the gateway for private and foreign miners

The reason for foreign firms shying from exploration in India has been the lack of certainty of converting an exploration asset into a mining asset, as the provision for exploration licences requires that the discovered mineral deposit be put for auction for the mining licence, with not even a right of first refusal (RoFR) to the exploration licensee. Even if the RoFR was in place, rather than creating a degree of comfort, merely having the RoFR creates uncertainty. This, in particular, when revenue share-based auctions may result in costs that the exploration licensee may not consider economically viable. This uncertainty has been observed to have kept risk capital and explorers at bay. In the process, large private and foreign miners that may depend upon these explorers to build their project pipelines may have stayed away as well.



Large private and foreign miners are also not excited at the opportunity of bidding for mining licences. Auctions tend to favour captive consumers. With large revenue shares being offered for the assets, as observed in the bidding process conducted by a number of states so far, private and foreign miners may wonder about the financial feasibility of these assets if they were to operate them. The costs of large private and foreign companies, typically due to their focus on state-of-the-art technology and sustainability, are relatively higher than the small and contract mining companies in India, making the former uncompetitive in auctions on account of their best practices.

Of the two possible gateways for large private and foreign companies to participate in the Indian mining industry, it is likely easier to attract them in exploration projects by ensuring seamless transition of licences and transactions to monetise the mineral asset at any stage of development. It may suit their character better to look for discoveries and take the mineral from under the ground to market.

Scale of operation and freedom to market may be a hindrance

Indian mining operations are typically smaller in scale as compared to global mining projects. In coal mining, for example, the size of mining operations is typically lower than 5 million tonnes per annum even though some larger mining projects also exist. The median size of other mineral opencast mines also tends to be lower, both in terms of peak capacities and resource base. Indian underground mining operations have also had significant capacity constraints on account of geological disturbances and geotechnical challenges.

Moreover, there have been restrictions on end use. The Indian policy framework is heavily tilted towards captive consumption. With commercial miners this has been a challenge, which gets compounded by aspects such as export duties, which, in an economic sense, limits the market for the mineral products produced after making significant investments and taking risks.

Together, the smaller scale of operations (that may restrict economies of scale) and market restrictions create obstacles for foreign companies while considering investments in India.

Taxation and procedural hurdles

The Indian mining sector is taxed heavily in comparison to other mineral-rich global destinations for foreign miners. The sum total of applicable taxes and other contributions, sans auction premiums, make up almost half the revenue potential (40-50 per cent), depending upon the minerals and their market prices. Added to this is the revenue share-based auction for minerals, where aggressive bidding has been observed in the past. Even with reserve prices being taken into account, the total tax contribution is close to two-thirds of the revenue in the case of many minerals.

This may make investments in the Indian mining sector less attractive to foreign miners when global projects compete for their wallets.

Similar challenges have been observed from a procedural perspective for exploration and mining. Getting clearances and permits has been cumbersome, unpredictable and time-inefficient. Shareholders of global miners seem to have little tolerance for compromises and such compromises in Africa and South Asia and other emerging markets have had a significant impact on the management of these companies in the past. While Indian companies too have faced such challenges, these seem more daunting for foreign companies that have very little room for manoeuvring.

METS opportunity is significant

The Indian mining landscape has been undergoing rapid transformation in terms of market participants and operational profile, with greater mineral production coming from contract miners. This is due to the operational efficiency, productivity improvement, innovation and labour cost arbitrage that contract miners offer. Their greater participation is likely to continue. Thus transformation is about privately owned contract miners driving production in the industry even while ownership of

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mining projects is still constrained by the legislative framework. This has a far-reaching impact on the demand for mining equipment, technology and services (METS) by the Indian mining industry.

Consider the selection process of a contract miner or mine developer and operator (MDO) as they have come to be known in India, primarily due to the widened scope of work that often includes seeking permissions, acquiring land, financing infrastructure and mine development, and subsequently operating the mines ensuring quantum and quality of production. MDO selection is usually through a competitive tender with heavy emphasis on the lowest possible cost. It can thus be deduced that METS that can be deployed to enhance efficiency and improve economics of extraction will find favour. Innovation that helps a contract miner save any additional rupee per tonne of mineral produced will be able to find takers. However, those that have substantial investments upfront with a long fruition time to reap benefits may have to wait. Also, those technologies that focus on eliminating labour may not always find favour due to the low cost and easy availability of labour in India.

Conclusion

The mining industry awaits reformative policy initiatives that could enthuse foreign miners to consider India as a favourable destination. For this, loosening the exploration norms may be the most feasible way, with the provision for seamless conversion of exploration licences to mining leases with no restriction on monetising the assets at any time in the life cycle. Auctions for such exploration licences need to be dispensed with and the first come, first served method adopted. Foreign miners may find competing for mining leases through auctions tough given that these favour captive consumers. Apart from exploration and mining, significant opportunities exist for METS providers, which do not necessarily require any legislative or regulatory initiative

INDIA'S RESOURCES SECTOR: A MAJOR OPPORTUNITY FOR AUSTRALIAN MINERS?

Indian think tank the Observer Research Foundation (ORF) has published a brief advocating for a much closer cooperation between Australia and India to develop the latter country's undeveloped mining sector. Julian Turner drills deeper in the company of ORF senior fellow Abhijit Mukhopadhyay.

"Contemporary India-Australia relations can be best described as being loaded in intent but limited in action… Pledges of "common destiny" have repeatedly been made, only to remain unfulfilled."

So begins a recent brief by Natasha Jha Bhaskar of the Observer Research Foundation (ORF) in New Delhi. Entitled 'Examining the potential of India–Australia partnerships in mining', it discusses the challenges facing India's mining sector and the potential for collaboration between the two nations.

After all, India's increasing urbanisation, rising household incomes and industrial activity are set to drive greater demand for resource commodities, and Australia is ideally positioned to supply its extended neighbour with resources, and to help modernise its mining sector and improve efficiency.

"It seems that things are currently moving in the right direction," comments Abhijit Mukhopadhyay,

senior fellow (economy and growth) at ORF. "According to Australian Government data, two-way trade in goods and services between the countries has grown from $13.6bn in 2007 to $27.5bn in 2017. That may not be spectacular, but the growth in bilateral trade is there – which is a good thing.

"The Australian Government releasing 'An India Economic Strategy to 2035' (IES) in 2018 is another significant step. It means that further improvements to the trade relationship with India is on the radar of Australian Government," he adds.

Untapped potential: challenges facing India's mining sector

India produces 90 different types of minerals, including fuel, atomic, metallic and non-metallic minerals, according to a Make in India's 'Mining Sector Achievement Report 2016'. Globally, it is the third-largest producer of both coal and steel, the fourth-largest iron-ore producer and is home to the fifth-largest reserves of Bauxite. However, India's mining industry contributes only 1.4% of GDP.

The ORF report notes that India's exploration expenditure is insignificant when compared with other mineral-resource rich countries, such as Canada and Australia, which account for 14% and 13% of the global mining-exploration spend, respectively. India's share, on the other hand, is a meagre 2%.

"It is well known that geoscience and exploration are primary problems for India's mining sector," says Mukhopadhyay. "Exploration and identification of natural resources remain areas where India possibly can seek active cooperation with Australia."

India also lacks the advanced technology required for the mining, extraction and processing of precious minerals, and faces substantial delays in processing mining leases and prospecting leases.

Mukhopadhyay also points to low productivity levels, obsolete technology, administrative and legal barriers, and poor worker quality in the sector, arguing that rapid and wide-spread modernisation is required and reform is the only answer.

"Cheap labour may work as an advantage in some sectors, but it is not so in mining, as productivity and efficiency are getting adversely affected," he says. "If demand in the sector revives, there will be an increased requirement for engineers, geologists and labourers. But the question is, does India have the infrastructure to train these people? The current answer to this question is

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broadly negative."

Falling demand, corruption and mineral quality

Mukhopadhyay identifies another factor at play in his country's mining industry and wider economy.

"As a macroeconomist I see a larger problem, and that is lack of demand," he states. "Demand for mining products is linked to the larger growth of manufacturing and heavy industries in the country, which has slowed down in the recent times."

"Scams and frauds in allotting coal mines handicapped the entire coal mining sector in the following years," he continues. "Mines were apparently allotted directly to those manufacturers who will extract and directly use the natural resource as input; however, quite a few of them turned out to be non-starters. What followed next was a global downward spiral in commodity prices, including coal.

"Then there is the issue of quality. Not many people talk about it, but quite a few variants of Indian coals are inferior in quality, and naturally subjected to pollution and other environmental standards and norms. All of these factors conspired to introduce deceleration in the Indian coal mining sector."

Mutually beneficial: potential synergies between India and Australia. The IES report articulates Australia's vision for capturing the opportunities offered by India's market, and lists "mining and resources" as one of the "lead sectors" for economic engagement with India.

"In a world characterised by trade tensions and a comatose WTO, every country is looking for new trade partners, and they should, and India and Australia are no exceptions," says Mukhopadhyay. "The IES report correctly identified that in India the drivers of the growth are consumption and services, the latter being one area that Australia seems to be interested in.

"For India to grow, of course, mining products will play an important role. I can immediately see two products, coal and iron ore, playing a pivotal role in India's future growth story. India has to partly import both these products – Australia can come in here as one of the major source countries."

The ORF analysis notes that Australia's abundant resources are only one part of a larger picture and that Australia and India should forge a mineral research, exploration and development alliance to improve the latter's relatively inefficient mining practices, as well as mine safety and rehabilitation.

"Beyond regular trade, Australia can help India to modernise mining, improve the quality of products and develop trained human capital," says Mukhopadhyay. "We don't see a lot of cooperation in those areas currently, but these are the areas where both India's challenge and possible future synergies with Australia lie."

POLITICAL WILL: IS THE MODI GOVERNMENT COMMITTED TO REFORM?

By 2025, India is set to become one of the largest importers of iron ore, thermal coal and coking coal, accounting for 11%, 25% and 22%, respectively, of their seaborne trade. The ORF reports states that India's increasing global share of these commodities is likely to push prices of these higher and that by meeting its own demand for resources, the nation can address its current account deficit.

Does Mukhopadhyay think there is sufficient political will in India to forge mining alliances with Australia and other nations though?

"With Narendra Modi back as prime minister with a thumping majority, and many calling the new government Modi 2.0, it seems that there is solid political will to take up policy measures and reforms to forge economic alliances with Australia and other nations," he states. "But of course, the government needs to be totally convinced on nature of such alliances.

"Picking up some more acceleration in Australia-India Comprehensive Economic Cooperation Agreement (CECA) is the way to go. Signing one workable CECA will make the jobs of business in both the countries lot easier. However, a lot of these future developments will depend upon how these two new governments decide to go about the CECA agreement."

However, Mukhopadhyay sounds a note of caution about the potential downside of such 'reforms'.

"If the reform means that multinational companies come in, export Indian resources to other global destinations, and then transfer the profit to source countries, then India has nothing to gain," he says. "If a reformed mining sector can support a possible growth story in manufacturing and heavy industries with high technology content, then India may indeed gain something in the long-term."

INDIA, WORLD'S NO. 2 COAL BUYER, PLANS TO CUT IMPORTS BY A THIRD

- Coal imports are seen falling to below 150 million tons by the year ending March 2024, down from 235.2 million tons in the last fiscal
- To meet the import reduction goal, Coal India will aim to raise its annual output to 880 million tons by fiscal year 2024
- New Delhi: India's coal ministry is preparing a plan to cut imports of the fuel by at least a third over the next five years, counting on an increase in domestic production and a jump in renewable output, according to people familiar with the plan.
- Imports are seen falling to below 150 million tons by the year ending March 2024, down from 235.2 million tons India got from overseas in the last fiscal year, the people said, asking not to be named as the five-year plan is still being finalized. To meet the import reduction goal, state miner Coal India Ltd. will aim to raise its annual output to 880 million tons by fiscal year 2024, a compounded annual growth of 7.7% through the period.
- Prime Minister Narendra Modi wants to expand the country's economy to $5 trillion by 2024, from $2.8 trillion currently, and reducing energy imports and harnessing domestic resources are key to meeting that goal. The import reduction plan also points to the South Asian nation's gradual shift away from coal to fight deadly air pollution that millions of Indians battle with.
- Imports will be dominated by coking coal purchases by steelmakers because domestic supplies are limited, the people said. Power stations that are designed to run on higher-quality imported coal would be the other major buyer.
- Officials at Coal India and the coal ministry didn't immediately respond to emailed requests for comment.
- Surging imports
- Besides increasing output at state miners Coal India and Singareni Collieries Co., captive coal miners, who extract the fuel for their own use, will also need to produce more to substitute imports, the people said. The country's overall demand for the fuel is seen rising to about 1.2 billion tons by fiscal 2024, they said, from about 970 million tons in the year ended March.
- To be sure, curbing imports has been on India's agenda for some years. Yet, difficulties in purchasing land for mining, delays in environment approvals and a clogged railway network have combined to dampen those plans, with imports surging to a record last year. To add to that, Coal India has missed its production target every year since at least 2011. The miner missed its target of 610 million tons by less than 1% last fiscal year.
- Still, the goal to reduce imports looks more achievable than before, as Indian Railways plans an overhaul of its British-era network and tracks reach new mines to enable output growth.
- A record addition of green power capacity is also seen weighing on demand. Coal's share in India's electricity generation is estimated to come down to 50% by 2030 from about 72% now, according to the power ministry's Central Electricity Authority.

VOLTAS' MINING & CONSTRUCTION GEAR DIVISION HOPES TO HIT PAY DIRT IN INDIA

Expects operations to pick up on higher govt infrastructure spending, PSU rejig

The mining and construction equipment division of Voltas Ltd, which currently earns more than two-thirds of its revenues from international operations, expects India operations to pick up.

According to Ranjit Ravindran, Business Head – Mining, Voltas Ltd, higher infrastructure spending by the government coupled with the disinvestment plan will help grow the division's'India business.

"International business contributes about 70 per cent of our revenues and increasing year-on-year. The share of India business is also likely to grow moving forward," Ravindran told *BusinessLine*.

The segment is likely to see a growth of 5-8 per cent both from domestic and international businesses this year.

PSUs are set to take initiatives to bring in efficiencies in operations. "If government holding in these PSUs comes down, we will see a lot of investments by FIIs happening. So, the independence and accountability of boards will become high. That is where bringing in global standards in maintenance and safety practices will be required," he said.

The ₹6,693-crore Voltas has three divisions — Unitary Products that deals with consumer durables such as air-conditioners, air-coolers, and other refrigeration products; Projects, where it acts as an MEP operator both within the country and overseas; and Engineering Products and Services, which has two segments, Textile Machinery and Mining & Construction Equipment.

The consumer durables business accounts for 50-51 per cent of the company's total turnover; the projects group contributes 47-48 per cent while the remaining comes from the Engineering Products

(Continued on Page 9)...

and Services business.

Though the third segment's share in the turnover is small, it contributes in terms of profitability because of its "asset light model", he pointed out.

According to Ravindran, the Engineering Products and Services business has consciously moved away from being a "pure distribution outlet" to an "independent service outlet" in the past five-six years.

Focus on consolidation

Ruling out any immediate plans of diversifying into new geographies, he said that consolidation would be the key to growth in the current economic scenario. Diversification cannot always ensure that the risks are mitigated.

The company works with Vale in Mozambique, which accounts for about 95 per cent of its revenues. The remaining 5 per cent comes from Jindal Steel in Africa.

"It is a conscious decision (not to diversify) otherwise we could have expanded to other African countries because we work there through Tata Africa which has presence in almost all the countries," he said.

The Indian mining industry is likely to see a lot of consolidation and public sector organisations will look at optimisation of assets.

"Lot of consolidation and asset optimisation would happen in the industry, particularly with public sector companies where there is a dearth of manpower and skill-sets," he pointed out.

THREE INDIAN PSUS SET UP JV TO MINE FOR LITHIUM, COBALT OVERSEAS

- The Nalco will hold a 40% stake in the JV called Khanij Bidesh India Ltd, with Hindustan Copper and Mineral Exploration Corp controlling 30% each
- The new JV 'will help in building partnerships with other mineral rich countries like Australia and those in Africa and South America'
- Three Indian state-run companies are to form a joint venture to buy mining assets overseas that have minerals such as lithium and cobalt, which are used in the manufacture of batteries for electric vehicles.
- The National Aluminium Co Ltd will hold a 40% stake in the joint venture called Khanij Bidesh India Ltd, with Hindustan Copper Ltd and Mineral Exploration Corp Ltd controlling 30% each, India's mines ministry said in a statement on Thursday.
- "Among such twelve minerals identified as strategic minerals, which have meagre resource base, lithium and cobalt are significant," the statement said.
- The new joint venture "will help in building partnerships with other mineral rich countries like Australia and those in Africa and South America," the mines ministry said.

NATIONAL MINERAL POLICY 2019: A LOST OPPORTUNITY?

NMP 2019 was expected to be an ambitious statement of intent to revitalise India's minerals sector, that can catalyse sustained economic growth. However, the new policy does very little to reform the country's mineral sector, especially in the context of changing global scenario

The recent notification of Ministry of Mines (MoM)'s National Mineral Policy 2019 (NMP), replacing the dated mineral legislation of 2008, is both appropriate and timely. For an entire decade, India's mining sector has grappled with multiple challenges including illegal and unscientific mining, environmental and statutory process violations, increased cases of fatalities in mine sites and lack of investments in the sector. Mining curbs in Goa and Karnataka along with mine closures in top producing states, Odisha and Jharkhand have led to reduced employment opportunities for the mineral sector professionals and associated contract personnel; as a result, hundreds of young geology and mining graduates face a bleak future.

Furthermore, the trade deficit due to the import of commodities like gold, diamond, iron ore, coal and manganese was about INR 3 lakh crores in 2018. Even though these commodities have significant resource potential in India, yet there has been no significant mineral exploration or reported mineral discovery for almost a decade. In stark contrast, the global mineral sector has continued to witness significant growth and investment.

Against this backdrop, the NMP 2019 was expected to be an ambitious statement of intent to revitalise India's minerals sector, that can catalyse sustained economic growth. However, the new policy does very little to reform the country's mineral sector, especially in the context of changing global scenario.

In its vision statement, the NMP 2019 states that the "exploration, extraction and management of minerals have to be guided by national goals and perspectives, to be integrated into the overall strategy of the country's economic development." While the statement fulfils the sector's economic mandate, it continues to lack a focus on the future of India's minerals security and the fundamental challenge that the sector must address for contributing to India's economic growth.

In line with the NMP 2019's key performance indicator –

(Continued on page 10)...

and the goal to double its sectoral contribution to the GDP in next seven years, it is imperative for India to strengthen and secure its mineral resource base. India has significant geological potential for bulk mineable commodities such as iron ore, coal, limestone and manganese that are required for infrastructure development. It also has great potential for rare new age technology commodities such as lithium, rare earth, niobium, tantalum, vanadium, cobalt, and titanium for the development of technology products. However, in the absence of major explorations and discoveries of these bulk mineable commodities, there has not been any significant changes to their inventory base for decades. On the other hand, while India offers a large market for new age technology commodities, currently, these commodities are mostly imported. This is because the tech commodities are not only rare and challenging to discover, but also need proprietary processing, beneficiation and metallurgical technologies and an available downstream market as incentives for their exploration and development.

Therefore, the new policy should have reflected a clear intent to encourage the development of the entire value chain of new age minerals and acquire intellectual property on their extraction and downstream product development, while following the highest global standards of sustainable development. A prudent road map for India's mineral security and growth would have also ensured a globally competitive investment regime to secure international investments in the entire value chain.

A prudent road map for India's mineral security and growth would have also ensured a globally competitive investment regime to secure international investments in the entire value chain

Currently, exploration and mining of minerals are going through many process changes for energy and cost optimisation and improvements in safety across the world using Industry 4.0 tools and technologies. Large mining companies such as Rio Tinto, BHP Billiton, Barrick Gold,

Newmont have started to collaborate with product and technology service suppliers to design and plan a "Mine of the Future." Given the changing global scenario, India must encourage potential leaders in the mineral services sector in the country to create intellectual properties on innovative tools and technologies, which through created on a domestic resource base, could provide a model for securing international assets. The new policy however, does not recognise the mineral services sector, which has a significant role to play in sectoral development.

Indian mining industry, which operates in a unique ecosystem having large population as stakeholders in areas surrounded by pristine ecology. Ensuring environmental sustainability through responsible mining, while improving performance standards, is therefore a major development and policy priority of the mining sector. However, India's mining industry has faced severe indictment from the judiciary and civil society with regards to environmental and community management. The new policy should have guided performance standards and outlined mechanisms for innovative leading practices in the areas of climate change mitigation, water security management, restoration of severely degraded land, air, water as well health and safety.

Unfortunately, NMP 2019 at best appears to be a random and ad-hoc collation of wish list of multitudes of representations that the committee received from various stakeholders of the industry. At best it's a lazy status quo script that has failed to serve the sector's desired objective.

NITI AAYOG PANEL FOR A GREATER ROLE OF PRIVATE SECTOR IN COAL MINING

The development comes with dismal levels of production by captive coal mines amid growing demand. These mines produced only 25.1 million tonne (MT) in FY19, much lower than the peak output of 43.2 MT in FY15 when the Supreme Court had cancelled the licences of 204 captive coal mines.

With coal imports rising amid the widening gap between the production and consumption of the fuel, a high-level committee set up by the Niti Aayog is likely to suggest that all future auctions of coal blocks must be for commercial mining. The draft report, reviewed by FE, argues against any more captive coal mines and pitches for amendments in several laws to encourage private participation in mining and remove 'discrimination' between the private and the public sector.

According to sources, the government think-tank has already made a presentation on its recommendation to coal secretary Sumanta Chaudhuri. The draft is yet to be finalised by Rajiv Kumar, vice chairman, Niti Aayog.

The committee was formed to "recommend legislative, statutory, procedural and regulatory changes" and "lay down a clear plan of action for simplification and Ease of Doing Business".

Responding to FE's query on this issue, a NITI Aayog official said that "only some preliminary discussion has taken place which was general in nature."

The development comes with dismal levels of production by captive coal mines amid growing demand. These mines produced only 25.1 million tonne (MT) in FY19, much lower than the peak output of 43.2 MT in FY15 when the Supreme Court had cancelled the licences of 204 captive coal mines. Only 17 of the 29 operational blocks allocated through CMSP (auctioned: 14, allotted : 15) are currently under production. While 12 of the auctioned mines are under production, only five allotted blocks are currently extracting coal. Coal production from these mines inched up by 2.3% year-on-year in April-May to 4.12 MT.

(Continued on Page 11)...

The draft report attributed sub-optimal use of captive coal mines to lower requirement at the power plant to which they are tied up to. Arguing that such dynamics limit competition, the draft report of the committee recommends that auction/allotment for coal blocks should be done only for commercial purposes and no blocks should be allocated to any entity.

The committee has also recommended amendments to the Coal Bearing Act (CBA), 1957 to allow acquisition of such areas by the private sector players as well. The CBA currently allows special relaxations only to state-owned companies. The draft report said that such discrimination between the private and the public sector "hinders establishment of competitive market" and "puts private companies in financially disadvantageous position discouraging participation".

The committee also recommended to revise the Mines and Minerals Development and Regulation Act (MMDR), 1957 and Coal Mines Special Provision Act (CMSP), 2015 to disallow central and state governments from reserving mining areas for PSUs and offer coal blocks for exploration-cum-production on revenue sharing basis. The CMSP was enacted for the allocation of the cancelled coal blocks. The MMDR was also amended in 2015 to allow auction of captive coal blocks.

To attract private players, the Cabinet, in February, 2018, had approved the auction methodology for commercial mining. Even that could not reignite interest of the private industry, and the last two coal auction rounds had to be cancelled as they could not even elicit three bidders to participate. In February, 2019, the Cabinet allowed private companies to sell up to 25% of production from captive coal mines in the open market.

Your suggestions and feedback is awaited at :-

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