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INDIA WILL DE-LINK DIAMOND MINING FROM EXPLORATION

INDIA WILL DELINK DIAMOND MINING FROM EXPLORATION

In a step aimed at ending corruption and arbitrariness in diamond mining in the country, India has decided to delink mining and exploration rights. Till now, the company which earned the mining rights for a specific piece of land, also had the right to gain profits from exploration of that mine. Now, the government will pay for exploration, and put the findings through an open bidding process. The proceeds from the bidding will go towards the welfare of the poor, Union Minister Piyush Goyal said. He was talking at the International Diamond Conference which was attended by all major diamond companies of the world. India is one of the leading countries in the diamond business. In fact, 15 of every 16 diamonds in the world are cut here, industry experts said. About 70% of the world's supply of diamonds, in terms of value, originates in India.

Meanwhile, Prime Minister Narendra Modi has appealed to the Indian jewellery industry to increase its share in the global hand-made jewellery market. "India has many famous icons, sculptures and statues dating back over 2,000 years. Many of them are shown wearing jewellery. These works of art have captivated people across the world. Have we documented these? Have we thought of promoting jewellery based on these works of art? Friends, we live in an era where cloth retailers change people's preferences. Even hair dressers change hair style fashions of their clients. We live in an era where diamonds are used in spectacles, watches and pens. Can't our jewellers, with their skills, strengths and heritage, create and change global tastes and fashions?" the Prime Minister asked while addressing the gathering of leading diamond industrialists, during a live video conferencing facility.

Lauding the industry, he said this was one of India's success stories. "From just $28 million in 1966-67, exports reached $1 billion in 1982-83 and $2 billion in 1987-88. It crossed $10 billion in 2003-04, $20 billion in 2007-08 and is now nearly $40 billion."

PM Modi said that the Special Notified Zone which was started at the Bharat Diamond Bourse in November 2015, has been instrumental in increasing access to global rough diamonds. "Earlier, only 80-90 big merchants used to get access to global rough diamonds by travelling to Belgium, Africa and Israel. Now, about 3,000 small and medium merchants have this privilege through the new Special Notified Zone. My intention is to make India, which is already the cutting and polishing hub, into an International Diamond Trading Hub."

Union Minister Piyush Goyal addressed the gathering, and said that the government now intended to bring more transparency in the system of diamond mining and exploration. "India plans to change rules of the game through exploration. The moment we give exploration or mining licence, the government gets the ability to choose, to give it to a person of choice. There is possibility of corruption there, because it involves giving rights to a person of interest for quite a few years. Our effort is to eliminate corruption, discretion. Usually, the exploration and mining company then charges a hefty cost for its findings. It asserts that it can charge that premium because of the risk it takes in mining. But the natural wealth should be used for the benefit of the poor," he said.

"We will now have a separate contract for exploration. The government will pay the cost for it. This will provide an incentive if anything valuable is found. All the data that is extracted from exploration will be put in public domain. We will then have a bidding process for everything that has been found. This way, everybody will have a chance to be a part of it. This will help us exploit the potential of value of each mining exploit. This will then be used for the benefit of the poor," he said. The minister urged Indian companies to participate in the exploration process, and asked why only a handful of foreign companies should participate in it. He said that India had two operating mines in Madhya Pradesh, and the government expected private companies to participate in exploring them.

Mincing no words about the unethical practices observed by the diamond industry in the country, Goyal said it was time for the industry to take corrective steps to regain the trust they have lost. "There is need to generate more goodwill for the diamond industry. After the demonetisation exercise, I hope you will not be wanting," he said. The government has also promised support for setting up a separate Gems and Jewellery University in Maharashtra. Industry leaders said it was a much-needed step for specialised management in the industry.

Russell Mehta, vice chairman of the Gem and Jewellery Export Promotion Council, said that the current challenge faced by the industry was also that of synthetic diamonds. "Volatility is the new normal. Synthetics will share the market with natural diamonds," he said, adding: "We dominate the world. 15 of the world's 16 diamonds are cut here. But the challenge now is of Swachh Bharat. There is need for a clean diamond trade. The trade must have basic hygiene.

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There is negative perception about this trade among people. That has to be wiped off by our own acts. The old ways of doing business will no longer work. We will need swachh diamonds now."

Walter K Chidakwa, Zimbabwe's Minsiter of Mines and Mining Development, said: "We can't stop synthetic diamonds. But let there be fairness in the market. Let the market decide if it wants to buy synthetic diamonds. I refuse to market synthetic diamonds.

INDIA TO SOON START AUCTION PROCESS FOR COMMERCIAL COAL MINES

The government may soon start the process of commercial coal mine auction as it waits for feedback on the discussion paper floated by the coal ministry.

These mines will not have any restriction on the end use of the dry fuel. Besides, the private miners will have freedom to manage production, pricing and marketing strategy.

"We have recently put out a draft on commercial mining of coal on the website and invited public comments. Once we receive public comments (we will auction these coal blocks for commercial mining). We have also almost identified the coal blocks for the purpose," Power, Coal, Mines and New and Renewable Energy Minister Piyush Goyal told reporters at a conference of coal quality.

Goyal further said, "There will be big as well as small blocks for commercial mining of coal. There will be a mixture because every block has its own utility."

The public and other stakeholders have been asked to submit their comments and suggestions on the draft discussion paper by April 26.

Asked whether the auction could be done in the next six months, he said, "Sure. We can do it. It will depend on the public comments received on the discussion paper. However, we have planned to do it this financial year only."

Earlier, Coal Secretary Susheel Kumar had said the coal ministry does not require Cabinet approval for auction of commercial coal mines as only the minister's nod would suffice.

A group of secretaries has also suggested that the government should create competition for the state-owned Coal India Ltd (CIL) by opening up commercial coal mining.

According to the discussion paper, there will be no restriction on the end use of coal mined from these blocks and commercial miners will have a certain degree of flexibility to manage their production depending on the market scenario.

These miners will also have full flexibility to decide its pricing and selling strategy.

It said that as a first step, there should be auction of 2-3 large mines with peak rated capacity of around 30 million tonnes per annum.

Outlining the technical qualifications for bidders, it said their tangible net worth should not be less than Rs 1,500 crore and should have experience of excavating or handling at least 25 million cubic metre per annum in the last three years.

It also provides for formation of joint ventures by private players to aggregate their credential to meet the eligibility criteria.

According to Kumar, as far as public power generators are concerned, the coal imports will be zero by 2017-18.

The coal imports have already come down by 60 per cent for central power generators and by 37 per cent in the case of state generation companies.

Kumar added that Cheyyur ultra mega power project, which was earlier planned on imported coal, will now be based on domestic coal.

Of late, the coal stock situation has improved in the country, which was about 69 million tonnes as on March 31, 2017, up from nearly 58 mt last year.

IN LIBERALISED COAL MINING REGIME, COAL INDIA SEEKS ADVANTAGE

The projected liberalisation of the coal sector has opened up a new scope for Coal India

The projected liberalisation of the coal sector to private commercial miners later this year, has opened up a new scope for Coal India, which of late is on a diversification mode.

While Coal India has been engaging its wholly owned subsidiary, Central Mine Planning and Design Institute Limited (CMPDI) to execute services in exploration, mine planning & design and other mining needs, it now feels that this very subsidiary can play the role of a key mining consultant for public as well as private companies in a liberalised mining regime.

As a result, the coal behemoth is now preparing its consultancy arm to expand its horizon, not just in the private coal mining segment, but also venture into other mineral mining consultancy services as well.

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CMPDI not only plays its role as Coal India's advisor, but often engages with the petroleum and natural gas ministry as well. But importantly, it has been getting consulting orders from private mining companies as well.

"Lately, there has been a three-fold increase in our revenue from the private companies and with the (coal) mining sector opening up now, I think Coal India, via CMPDI, can play its role as a key mining consultant", a senior CMPDI official told Business Standard.

While senior Coal India officials confirmed that talks are on to diversify CMPDI's consulting portfolio, which will mean opening up of the mining consultancy front of Coal India to private players, the consulting arm of the world's largest coal miner is considering restructuring its organisational profile to boost productivity as well as revenue.

"The most aspect, however, is how we position ourselves to the private companies. We have core competency in the technical aspects of mining and can offer our services to private companies other than the PSUs, as well", the official, quoted earlier added.

However, CMPDI, which so far, has been focussing on coal, petroleum and gas mining consultancy is keen to expand its horizon to cover all fields of mining.

"The idea is to turn the consultancy wing of Coal India into a holistic mining consultant", a second official from CMPDI told this newspaper.

Thus, Coal India's consulting wing is now seeking advise from consultants to compete with other private companies offering mining consultancy.

A Coal India official said that some companies, which used to be CMPDI clients, have started their own consultancy and planning division and are now providing consulting services to other companies.

"Naturally, we are in competition with them and thus need to have an edge", the Coal India official told this business daily, reasoning the cause for seeking opinion of an advisory to emerge strong in the consultancy business.

In course of formulating this strategic roadmap, the official said there is a need for a proper study of future market scenario in the coal sector and possible opportunities for CMPDI for foray in other areas.

The Coal India subsidiary is specifically on the lookout for enhancing its sales through diversification in areas of exploration, mining and allied engineering sectors of other than coal sector, development of alternative sources of coal based energy and diversification in areas of new business opportunities.

Coal India is also considering to replenish its technical manpower in CMPDI to drive its future growth but is yet to narrow down on the specifics.

The process to major in consultancy services was initially signalled long back, when CMPDI's chairman and managing director, Shekhar Saran was quoted in the 2015-16 annual report saying, "The Pricing Mechanism of the company is being studied with the help of ICWA and possible strategies for enhancing quantum of outside jobs (non-Coal India) in value terms including enhancing the sales through diversification in areas of mining and allied engineering sectors of other than coal sector, development of alternative sources of coal based energy, etc., are being studied".

In its recent diversification bids, Coal India will be floating a bid for a coal-to-liquid project via its subsidiary, Central Coalfields Ltd, which can produce petroleum oil. Besides, it is also floating a joint venture with National Thermal Power Corporation to revive two sick units of Fertilizer Corporation of India which will entail Rs. 18,000 crore investment in the next four years.

ANIL AGARWAL PLANS TO BRING ANGLO AMERICAN'S BUSINESS TO INDIA

Vedanta also plans to spend $10 billion over the next three years across its businesses, of which $8 billion is earmarked for Indian operations, says Anil Agarwal

In March, Anil Agarwal announced the planned purchase of about 13% of Anglo American's stock in an investment by his holding company Volcan Investments Ltd, making him the second-largest shareholder in the $26 billion company.

Vedanta Resources Plc.'s founder and group chairman Anil Agarwal plans to leverage his association with Anglo American Plc. to persuade the British miner to set up businesses ranging from fertilizer production to diamond mining in India.

Vedanta Resources also plans to spend $10 billion over the next three years across its businesses, of which $8 billion is earmarked for Indian operations, Agarwal said in an interview on the sidelines of the Global Natural Resources Conclave organized by Network18 and the Confederation of Indian Industry.

In March, Agarwal announced the planned purchase of about 13% of Anglo American's stock in an investment by his holding company Volcan Investments Ltd, making him the second-largest

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shareholder in the $26 billion company that counts diamond producer De Beers among its assets.

"We are now looking at this work (the stake acquisition) that we have done as strategically being very important for India. We have focused on the fact that it (De Beers) is the largest global producer of diamonds and we (India) are the largest polisher of diamonds. We want all the diamonds to come to India. Secondly, India has enough diamond reserves. We will persuade them to produce diamonds in India," said Agarwal.

"We are a large shareholder in the company and they are also a friend of ours. So, we will speak with them. They are into fertilizers. They are also the largest coal producers. They also produce copper and magnesium. They are also the largest producers of platinum in the world. So, all of that can be done here," Agarwal added.

His plans come in the backdrop of the National Democratic Alliance government working on a new method of auctioning mining leases to match commodity price cycles and investor appetite.

Agarwal's stake purchase in Anglo American came after the company last year spurned his offer to merge part of his mining business.

Agarwal didn't rule out acquiring a controlling stake in the firm, one of the world's top five mining groups alongside BHP Billiton Plc., Rio Tinto Plc., Vale SA and Glencore Plc. Its key assets include giant copper mines in Chile, iron ore operations in Brazil and South Africa and De Beers.

The company is bullish on its capital expenditure plans.

"We will invest $10 billion over the next three years. We will spend close to Rs60,000-70,000 crore, of which oil and gas will account for Rs15,000 crore. This will result in an increase in our capacity overall of 40-50%. Around 80% of these investments will be made in India," Agarwal said.

In 2011, Cairn Energy Plc. sold 58.5% of Cairn India Ltd to Vedanta Resources for $8.67 billion.

Vedanta Resources has large debt obligations. According to data from S&P Global Ratings, Vedanta has bank loan maturities of $1 billion due in financial year 2018 and $500 million due in financial year 2019. That's in addition to bond maturities of about $2 billion in financial year 2019. In January, Vedanta raised $1 billion by selling bonds to refinance its near-term debt obligations.

In response to a query about how he plans to fund the capital expenditure, Agarwal said: "We have our internal accruals. We have also registered very good profits this year. We will redeploy this profit...We are very confident that we will invest this money. This will help in job creation and increase employment."

Vedanta's business interests in India include oil and gas, power, iron ore, zinc, copper and aluminium production.

IRON ORE OUTPUT MAY HAVE REACHED 200 MT IN FY17: MINES SECY

India's iron ore production is likely to have increased by 28 per cent to 200 million tonnes during the 2016-17 fiscal, a top official said today.

India's iron ore production is likely to have increased by 28 per cent to 200 million tonnes during the 2016-17 fiscal, a top official said today.

"We did 129 million tonnes (of iron ore output) in 2014-15. In 2015-16, we did 156 million tonnes (MT) and in 2016-17 we hope to touch 200 million tonnes (provisional)," Mines Secretary Arun Kumar said during the Global Natural Resources Conclave organised by Network 18 and CII.

"So, I think we are on the right track and if this trajectory follows, we will start beating Australia in export. But that's another story," Kumar said.

With regard to imposition of minimum import price on certain categories of aluminium products, Kumar said, "We have sent our recommendations and replies of the queries to the Ministry of Commerce and the matter is with them now".

Kumar had earlier said that the total value of the ore produced during the April-January period stood at Rs 19,417 crore.

Iron ore output had nosedived with an average annual contraction of 9.4 per cent in 2012-16 following the mining ban in the three largest iron-ore producing states -- Goa, Odisha and Karnataka -- which has since been lifted.

Mining player Vedanta had recently said that the worst phase for the domestic iron ore industry was over and exuded confidence that its Goa arm was prepared to sustain the export momentum amid softening global prices and subdued demand.

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A Fitch arm had in February said the country's iron ore output is projected to grow to 185 mt in the next four years. "We forecast India's iron ore output to grow from 136 mt in 2017 to 185 mt in 2021," said BMI Research, a unit of Fitch Group.

Iron ore shipments handled by the country's 12 major ports had soared 169 per cent to 38.61 mt in April-January of this fiscal.

These government-owned ports had handled 14.37 mt of the key steel-making raw material in the year-earlier period.

The Indian Ports Association (IPA), which maintains data on cargo handled by these 12 ports, in a recent report said iron ore handling was higher by 168.59 per cent in the first 10 months of the current fiscal.

MINING, ORE TRANSPORT STILL DISRUPTED AT SURJAGARH

It's not business as usual yet at Gadchiroli's Surjagarh iron ore mines belonging to Lloyd Metal and Energy Limited (LMEL). After Naxalites torched 80 vehicles of the company in December last year, mining was revived in February under police protection. However, LMEL has not been able to evacuate mined ore for more than 10-15 days so far.

The mine is under complete police protection, so mining is underway. However, security forces are not available on daily basis to guard the moving trucks, leading to several breaks in transport of ore out of the mine. It is possible to take the ore out of the danger zone only on days when police protection is available, say sources.

The number of workers employed by the company at present stands at 70 as against 200 to 300 earlier, said sources aware of the developments in LMEL.

After the Naxalites burned the vehicles, leading to a loss of around Rs17 crore, work resumed only on February 5. However, within a week, operations were stopped as the police personnel were deployed on election duty till February 22.

In March too, work could not go on consistently. There have been many occasions when the gap has been for more than a day. This is because the police force stationed at the mine is often deployed for other duties in the area. On such days, the company's operations have to be halted, said sources.

A senior official in Gadchiroli police said force is deployed for different operations. which include mining the ore, felling trees in the area, and along the transport corridor. There have been times when the force could not be deployed for the transport corridor, which leads to gaps in operations.

The police vehicles follow the consignment throughout the entire stretch of the risk zone. So, even as mining continues, transportation can happen only every alternate days usually, said sources.

The iron ore mined at Surjagarh is used in the company's direct reduced iron (DRI) plant at Gugghus in neighbouring Chandrapur district. Either the mined ore or iron pellets have to be used in the plant as raw material, with no possibility of alternate feedstock. So gaps in availability of ore hampers this plant's operations also.

The police have placed a request before the forest department to get land for setting up a post in the area. A decision is expected soon, said a source in the police force.

The company, which has been allotted 71 hectare of land for the project, has so far got 4 acres under its possession. The approval from the forest department is needed for the transfer of the rest. As per the process, trees have to be cleared after which the land is transferred. So far, felling has been done 15 hectare area.

UCIL WILL SOON COMMENCE MINING IN JADUGORA: MAHATO

BJP MP Bidyut Baran Mahato today said Uranium Corporation of India Limited (UCIL), which recently got approval from the Central forest department, will soon commence mining activities in Jadugora near here.

Mahato, who had earlier held several rounds of meeting with top forest department officials and Union Environment Minister Anil Madhav Dave had recently met the forest officials.

"The forest department after a meeting with forest advisory committee gave the nod last week," Mahato said at a press conference.

A lease for 50 years has also been granted to the oldest uranium mine, he said.

Asked when the mining will start, Mahato said, the file related to lease renewal of Jadugora mine is with the Union Environment Minister who is likely to give his approval in the next few days.

Mining activities had come to a standstill after the lease licence expired in September, 2014.

Referring to the demand for setting up of a 1000 MW Nuclear power plant in Jadugora, he said, the issue has already been taken up with Prime Minister Narendra Modi and Atomic Energy department.

After a survey, the Atomic Energy department had said that Jadugora and its surrounding areas have rich uranium deposits which could be mined for about 1000 years, Mahato said. PTI BS AYP

OPENING UP OF COAL SECTOR MAY RUN INTO PRICING HURDLE

The government's ambitious effort to open up coal mining to private and foreign players and end the virtual monopoly of Coal India Ltd (CIL) might come a cropper if some of the restrictive conditions put in the proposed guidelines are not reworked.

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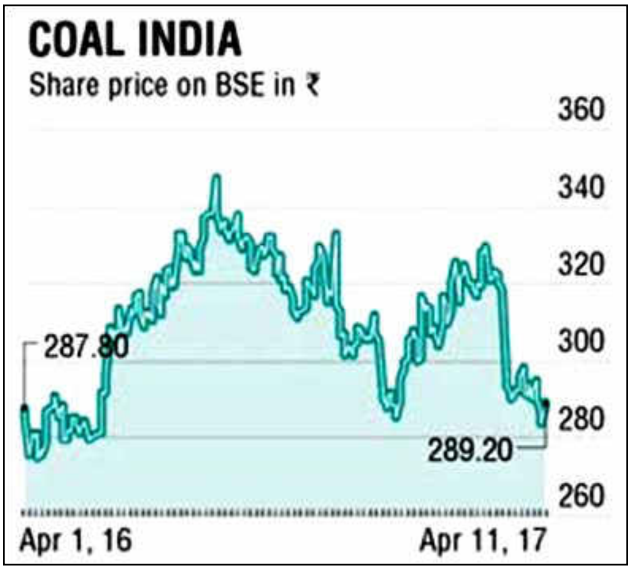
Private miners - Indian or foreign – would be allowed to sell coal mined by them only at a minimum price, which shouldn't be less than 20% above the price that CIL currently charges, the draft rules now put out for discussion says.



The provision, which surreptitiously aims at protecting CIL's interest, is being seen as restrictive defeating the very purpose of opening up the sector – to bring in greater efficiency and economy in mining through investment in state-of-the-art machinery, thereby bringing down costs leading to lowering of prices, feels industry experts.

"The condition of making the minimum selling price by a commercial miner fixed at 1.2 times the price at which CIL sells its coal is restrictive as it would discourage efficient mining. The whole purpose is to bring down costs and prices through higher mechanisation. Now that there is little scarcity of coal, why would anyone buy coal from a private miner if the same quality would be readily available from CIL at a lower price?" Partha Bhattacharya, former chairman of CIL and a key voice in the industry, told DNA Money.

"Making such a price the basis of a revenue sharing model makes the whole thing flawed," he said.

"While the successful bidder would be free to decide its marketing and pricing strategy, the revenue sharing would be calculated on the basis of actual revenue or actual production multiplied by 1.2 times the CIL ROM price for the average grade of coal for the specific mine, whichever is higher," the draft regulation says.

To begin with, the government plans to auction two to three large mines having peak-rated capacity of 30 million tonne a year and coal of grade-11 to grade 13 in the first phase, the discussion paper said.

"The minimum price fixed at 1.2 times is restrictive. Also, based on that, what would be the revenue sharing is still not clear," V K Arora, chairman of mining and construction equipment committee of industry body CII and chairman of Indian Mining Federation, said.

While Bhattacharya believes a "tangible net worth" criteria of Rs 1,500 crore might keep away many experienced miners, Arora said it wouldn't pose a problem as bidders can form joint venture even with foreign entities.

"You can have a joint venture with a partner, which could be a foreign entity having a combined mining experience of 25 million tonne. It is a reasonable condition and a welcome move," Arora said of the minimum work experience criteria.

"We welcome this major move to open up the coal mining sector and believe some of the contentious provision might get amended after feedback of stakeholders are taken care of," Subhasri Chaudhuri, Secretary General of Coal Consumers' Association said.

WHAT THE DRAFT RULES STATE

- Private miners' selling price shouldn't be less than 20% above Coal India's
- The Centre plans to auction 2-3 large mines having peak-rated

SUPREME COURT ASKS ODISHA TO LET MINERS RESUME OPERATIONS

Apex court asks Odisha government to consider allowing 102 mining leaseholders to resume operations, subject to conditions

The Supreme Court on Monday—citing provisions of the amended Mines and Minerals (Development and Regulations) Act, 1957—asked Odisha to consider allowing 102 mining leaseholders to resume operations, subject to conditions.

This comes as a major relief for operators who had been barred by the apex court's May 2014 ruling.

The Mines and Minerals (Development and Regulations) Act was amended in 2015 to enable the transfer of captive mining leases, not granted through auction. The new law also addressed the grievances of miners regarding pending renewals as many leaseholders in India operated on "deemed licences"—renewals that state governments have neither approved nor rejected.

A bench comprising justices J.S. Khehar and C. Nagappan asked Odisha to consider renewing applications of miners filed before January 2015 or at least 12 months prior to expiry of the lease. The court also clarified that the state government must inform a mining leaseholder about the status of the renewal application.

On 16 May 2014, the court had restrained 102 mining leaseholders

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from carrying on any operations in response to a plea filed by non-profit organization Common Cause. The court-appointed Central Empowered Committee, in a report, had said that a large number of mines in the state had been operating even after the expiry of the lease.

The report stated that of the 187 iron ore and manganese mines in Odisha, 56 were functional while 131 did not have the required statutory approvals or the leases of which had lapsed.

Several mining firms had, in 2015, moved the apex court seeking permission to resume operations in Odisha.

WHAT MADE RIO TINTO DUMP THE BUNDER DIAMOND MINES?

It was a strange exit for Rio Tinto. After years of developing the Bunder mines in Madhya Pradesh for commercial rough diamonds since 2004, the mining giant formally handed over the project to the state government on February 7. It had stopped mining operations last August.

Why did Rio Tinto pull out so abruptly after 12 years of prospecting and mining operations? The firm's former Bunder project director Stefanie Loader had told this writer years ago that, by 2011, Rio Tinto had sunk Rs 185 crore in prospecting and other operations and that it was spending Rs 22 crore a month to bring the mine to commercial production.

A back-of-the-envelope calculation shows that by 2016, the mining giant had put in nearly Rs 1,200 crore into a Rs 2,200-crore project expected to deliver a commercial yield of 27.4 million carats of roughs.

With that kind of value, the Bunder mines would have catapulted MP among the top 10 diamond producing regions in the world.

In a statement that hides more than it says, Rio Tinto Copper & Diamonds chief executive Arnaud Soirat said in February: "Our exit from Bunder is the latest example of Rio Tinto streamlining its asset portfolio. It simplifies our business, allowing us to focus on our world-class assets. We believe in the value and quality of the Bunder project and support its future development, and the best way to achieve that is to hand over the assets to the Government of Madhya Pradesh."

Real reasons

The real reasons probably are that years of environmental opposition and lack of state support made the project unviable for the mining group. Ecological impact was a genuine worry and the location of the Bunder mines near a Tiger wildlife corridor brewed opposition. A government study said five lakh trees may need to be cut if Rio Tinto's open cast mining was accepted, and pressure was put on the company to adopt the less invasive but more expensive underground operation. A source from the group told Express: "After all these years, we had not been able to get past the 'prospecting licence' stage."

So, now what happens to the Bunder-Chattarpur mines? The current custodian of the project, the MP government, does not have the technology or the funds to pursue commercial production. There is also concern in the large Indian diamond polishing and exporting industry that India's first big find of roughs has gone a-begging.

On the sidelines of a recent World Diamond Conference in Mumbai recently, Gems & Jewellery Export Promotion Council chairman Praveenshankar Pandya proposed to Russian deputy premier Yuri Trutnev that a 50:50 joint venture be set up between the Indian industry and Russian mining giant Alrosa to develop the Bunder mines.

But, will Alrosa step into the Bunder quicksand? And, what is the guarantee Alrosa will be able to cross the environmental minefields that hit Rio Tinto? Pandya was not forthcoming but told the Express that the reasons for the withdrawal of Rio Tinto were "more complex than it seems". The initial enthusiasm of the Australian giant and its sudden departure show the script for foreign investments is not clear. The recent exits of POSCO from

Odisha, or Arcelor Mittal from Jharkhand and Odisha, prove the environmental bye-laws are far from settled in the country; and attracting new investment in mining and heavy industry is going to get tougher as failures, like the Bunder project, sink in with the world community.

Deep crisis

The crisis is sharper if seen in the overall picture. India has emerged as a hub for high-quality cut and polished diamonds and is the largest exporter in the world. However, the international slowdown, especially the fall in demand from the US, has hit the gems industry hard.

In FY16, cut and polished diamond exports accounted for $20 billion, a steady fall from $25 billion in FY14 and $23 billion in FY15. On the other hand, as a producer of roughs, India accounts for a negligible just Rs 5-10 crore annually from MP's Panna mines. Almost all the diamonds being processed in India are imported, 60 per cent or more through the hub of Belgium. Internationally, the mining of rough diamonds is getting tougher, and facing falling volumes.

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No fresh mines have come on stream in the past 10 years, and the older mines such as Rio Tinto's Diavik mines in Canada are coming close to the end of their life cycle.

A recent RBC Capital review estimated that a variety of factors including the growth of synthetic diamonds will bring down supplies from a high of 145 million carats in 2018, through a steady fall, to 105 million carats in 2030. This means tough times and higher prices of roughs for the local polishing and cutting industry.

It is no wonder there is urgency among local diamondtaires to encourage local sourcing of roughs. Both MP and Chhattisgarh are said to be rich in deposits. They have been pitching with big mining groups such as De Beers and Alrosa to begin prospecting in these states. But, given the experience of Rio Tinto and no viable prospecting policy, these multinational companies might not take the bait.

COAL INDIA PLANS PRIVATE MINING CONSULTANCY FORAY

Its subsidiary CMPDI engages with oil ministry and has been getting consultancy orders from pvt cos

Coal India Limited (CIL), the largest coal producer company in the world has planned to make a debut in the private mining consultancy services sector. The projected expansion process is expected to take place later this year.

To implement its services in mine planning, exploration, and design, CIL has engaged its subsidiary, Central Mine Planning and Design Institute (CMPDI) in association with the Oil Ministry, and has been receiving consultancy orders from private companies.

CIL is gearing up to broaden its consultancy wing as it seeks bright opportunities to become a major mining consultant for state and private companies.

VEDANTA, JSW GROUP CHIEFS AGAINST EXPORTING NATURAL RESOURCES

"We should use as much swadeshi as possible for normal consumption," Agarwal said, adding that the company's entire production is consumed within India.

Promoters of top Indian mining and steel companies have spoken against exporting minerals and have called for exploration purely for domestic consumption.

Speaking at Network18's Global Natural Resources Conclave, Sajjan Jindal, Chairman, JSW Group said,"We are very slow in exploiting our natural resources. We must exploit our natural resources as soon as possible. We should not export our natural resources."

He noted that the India imports aluminium and steel despite having the potential to produce both in order to meet local demand.

Jindal further added that the mining industry used to be plagued with corruption till the current government amended the mining laws to introduce a transparent auction process to allocate mines, replacing the age-old first-come-first-serve method of allotment.

Mining giant Anil Agarwal, Chairman of Vedanta also had similar views.

"We should use as much swadeshi as possible for normal consumption," Agarwal said, adding that the company's entire production is consumed within India.

Agarwal emphasised on the need for exploration of potential resources in a mineral rich country like India.

"India has done 10 percent of exploration compared with 80 percent in developed nations in the world. Vedanta is using technological advances like using drones for geological surveys," he said.

Agarwal further added that the government is simplifying the process of obtaining forest clearance which is a step in line with its focus on improving the ease of doing business in the country.

'WE HAVE COLLECTED 6,000CR ASCESS ON MINING' JHARKHAND

Sunil Kumar Barnwal, Secretary to Chief Minister, IT and Industries

Jharkhand recently made headlines by attracting investment commitment of ₹3 lakh crore at its first-ever two day Momentum Jharkhand Global Investors Summit. Jharkhand Chief Minister Raghubar Das managed to parade stalwarts of Indian industry including Tata Group ex-chairman, Ratan Tata, Aditya Birla Group, Chairman, Kumar Mangalam Birla and Essar Group, Chairman, Shashi Ruia among others. Laden with over 40 per cent of India's mineral wealth and Gross State Domestic Product of 12.1 per cent, about one per cent higher than the national average, it is no wonder that investors had agreed to express their investment commitment by signing on the dotted line. In an interview to Business Line Sunil Kumar Barnwal, Secretary to Chief Minister, IT and Industries, who spearheaded the Summit, feels the real work will start from now. Excerpt:

How much of the committed investment would become a reality?

The Chief Minister is very particular to make the investment committed at the summit becomes a reality.

To start with, we have set up a committee to screen over 209 memorandum of understanding signed and see how much of them can become a reality within three years.

I myself held series of meeting in Kolkata, Mumbai and

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Bangalore with top officials of big business groups which have signed investment agreement and see which one of them can be implemented within 2-3 years.

We will be holding a similar meeting in Delhi before approaching global companies.

What are the major investments planned?

JSW Steel intends to set up 10 million tonne steel and cement plant.

It has acquired 1,000 acres and got coal allocation. The only itch is getting forest clearance for its iron ore mine. Right now most of the iron ore mine are close to Saranda forest area.

A final decision on the clearance is expected soon. My Own Eco Energy wants to set up production facility for making bio-diesel from various feed stocks including vegetable oils (such as oilseed, rapeseed and soya bean), animal fats or algae.

It wants to import a major portion of its input and tap export market from Jharkhand. Some of the investment we are chasing can be executed in 2-3 years and generate 1.54 lakh direct employment.

Do you think Jharkhand being land locked is constraining investments?

The Central government has identified to develop Sahebganj as multi-modal port as part of the Inland Waterway Development. L&T has been awarded the contract. This would open up gates for cost-effective business from Jharkhand with rest of India and particularly the Northeastern states. Export from the State will also be competitive once the port becomes operational.

Bangladesh will be just 12 km away, while Myanmar and SE Asian countries can also be tapped easily. With the National Highway connecting Allahabad and Haldia passing through Sahebganj, transportation cost in Jharkhand will come down by one-tenth. With whole lot of mineral reserves and good connectivity Jharkhand will become the growth engine of the country.

How much money the state has collected as mining cess?

We have accumulated 1,500 crore under District Mineral Foundation. The state has so far collected about ₹4,500 crore as royalty from mining. We have already drawn plans to use the money collected under the Foundation in 13 tribal populated backward districts where the mines are located. We have already prepared PPR (project progress report) with investment of 1,000 crore for laying pipes to supply clean drinking water to the most backward tribal areas. Work on this project is expected to start by June.

We will be using contribution from Swachh Bharat fund and the Foundation's fund to ensure that Jharkhand becomes open defecation free by 2018-end.

How are you tackling naxalite problem?

Their activity has come down drastically after we made the surrender policy more attractive. Under the policy, when they surrender we take care of their entire family and provide government jobs in some cases. Naxal activities are there in Odisha, Andhra Pradesh and Telengana but people do not talk about them much.

Similarly, we want rebuild our image and erase talks on Naxals. I believe as such naxalisim in the state is now just a problem of perception than a problem in itself.

The Government is investing 54 crore to enhance mobile connectivity in tribal areas. BSNL is putting up 782 towers and will provide Net connectivity on 2 mbps line. Electricity supply in these regions has improved. Once we provide the basic infrastructure and mobile connectivity development will happen automatically.

3 COMPANIES ABANDON STEEL PROJECTS IN ODISHA

Altogether three companies that had signed MoUs with the Odisha government for setting up steel plants have withdrawn their projects from the state, the Assembly was informed on Friday.Eleven others have not yet started work for setting up steel plants, steel and mines minister Prafulla Mallick told the Assembly.

Quitters

Stating that work on 35 other steel plants were in different stages of production, the minister told the House that the state government had signed MoUs with 49 companies for setting up steel plants.

Replying to a question, the minister said ArcellorMittal, Maharastra Seamless and Sterlite Iron and Steel Company have withdrawn their projects from the state.

While ArcellorMittal had signed an MoU with the state government to set up a mega greenfield steel plant in Keonjhar district, Maharastra Seamless had proposed to set up a steel plant at Duburi in Jajpur district. Sterlite Iron and Steel Company had also proposed to set up a steel plant at Palaspanga in Keonjhar district, the minister said.

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Posco declines to pay dues

On the Posco project, the minister said the South Korean steel major had declined to pay its dues for land to the Industrial Infrastructure Development Corporation (IDCO) and had not utilised the land allotted to it within the stipulated period.

The 11 companies that have not begun work were Artha Mines, Posco, Pradhan Steel and Power, Konark Ispat, Deo Mines and Mineral, Monnet Ispat and Enegrgy, SSL Energy, Tecton Ispat, Uttam Galva Steel (Uttam Utkal Steel), Amtek Metal and Mining and Welspun Power and Steel, the minister said.

JINDAL'S INVESTMENT IN LOST MINES FACES UNCERTAIN FUTURE

Delhi HC has given 4 weeks to JPL to take a decision on the infrastructure attached to these mines

The loss of two coal blocks for the second time following a Delhi High Court judgement last week has put the investments of Jindal Power Limited (JPL) under stress. The company could lose around Rs 170 crore invested in the coal washery and a conveyor belt associated with the Gare Palma-IV/2&3 coal block in Jharkhand.

The government has decided not to set up any committee to take a decision on the matter. The high court had asked the government to consider setting up a committee for overseeing operations at the mines. "No committee is needed for this. The HC has clearly supported our stand. Coal India is mining coal from the block. We would not re-auction the mine as currently there is no demand for power sector coal mines," said a senior coal ministry official requesting anonymity.

Another official said that the government might ask the company to dismantle the attached mining infrastructure as the state-owned Coal India is mining coal from it. JPL has invested close to Rs 325 crore in the plant, which includes coal washery cost of around Rs 100 crore. Apart from that, it has invested Rs 70 crore in the conveyor belt.

In it's judgement, the HC has given four weeks time to JPL to take a decision on the infrastructure.

Company executives said that their decision would depend on the coal ministry's stand on the matter. "If they ask to dismantle, we would move court. Transferring to Coal India is out of question. And, government will find it difficult to re-auction the mine as the same bid of Rs 108/tonne is impossible to be repeated," said an executive who refused to be quoted due to legalities involved in the matter.

The case pertains to the two coal blocks won by JPL – Tara in West Bengal and Gare Palma IV/2&3 in Jharkhand – in the e-auction. JPL was the former owner of the Gare Palma-IV/2&3 coal blocks before a Supreme Court judgement in August 2014 cancelled all allocations made over the past two decades. It got back the mines in India's first coal e-auction held in February 2015. However, the ministry of coal did not approve the bids received for these coal blocks, citing "comparatively low bids" as the reason. JPL moved Delhi High Court challenging the decision of the Central government.

The HC upheld the government's discretion, saying that it did not find "any fault with the decision of the Government in not declaring JPL as the successful bidder". The Coal Mining Special Provisions Act, 2015, does not cover the attached infrastructure with the mine except the end-use plant.

"Our investment on the mines stands still. The Act only covers the power plant. The fate of the washery and conveyor belt as mining infrastructure is not identified in the Act. There is no way we can get compensation for that. The only resort is legal route," said the JPL executive.

The combined heat & power plant near the Gare Palma-IV/2&3 coal blocks is currently sourcing coal through e-auction held by Coal India and its other mines. Gare Palma-IV/2&3 is one of the richest mine cluster in the country. The cumulative capacity of these two mines is 155 million tonne, with an annual peak rated capacity of 6 million tonne — the highest among all coal blocks put for auction in 2015-16.

The government is unfazed by any legal route JPL might take. "If they move to court and if they get a stay, it would make no difference to us. It will neither cause any loss or benefit to us. The mines stay with Coal India and re-auction is not an option in near future," said a senior coal ministry official.

WHAT WAS 'MINE' IS NOW YOURS FOR A FAIR PRICE

While the Coal Act appears to be well-intentioned, the haste to start with a clean slate led to some glaring omissions in the legal framework which appear to be getting addressed by the Courts.

In August 2014, the Supreme Court cancelled 204 coal mining leases in a scathing indictment of the allocation process followed by successive governments since 1993.

Overnight, corporations in industries as diverse as power, cement and steel found themselves saddled with production units stranded without one essential element: coal. As in the case of the 2G scam, the broadsword of the Supreme Court had come crashing down, leaving questions and uncertainties in its wake.

It is commendable that the Union Government was quick to react and within two months, the Coal Mines (Special Provisions) Ordinance, 2014 (now Act) was promulgated, ushering in a new framework for auction of coal mines. However, several questions still remained unanswered.

One such issue related to compensation for prior allottees-entities, which having participated in the bidding process, were unable to secure mines once allocated to them.

Several prior allottees challenged the constitutional validity of the

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Coal Ordinance as well as valuation and compensation amount determined by the Nominated Authority. It was averred that the Nominated Authority failed to take into consideration cost of leasehold rights and mining infrastructure, including intangible assets integral to mining processes like environment clearances and geological reports.

However, two aspects were most glaring - limiting compensation for land to the price mentioned in the sale deeds without taking into account fair market value, and limiting compensation based on audited accounts for FY 2013-2014, five months prior to the actual cancellation and takeover of mining assets.

A recent judgment of the Delhi High Court appears to have put to rest (at least for now) some of these issues. In a batch of matters involving industries as diverse as power, steel and cement, a Division Bench of Delhi High Court has held that compensation has to be ?just, fair and reasonable? and not result in unjust enrichment of successful bidders. Accordingly, the High Court has directed that the fair market value of land be taken into consideration.

Similarly, for mining infrastructure, the court has held that the Coal Act provides an inclusive definition of mining infrastructure and prior allottees are permitted to claim all such elements before the Tribunal set up under the Act.

The High Court has also directed that valuation of mining infrastructure has to be done as on the date of issuance of the vesting order, i.e. on the date that the coal mine and all underlying assets were actually transferred to the successful bidders.

The judgment is important as it mandates a fair and just approach to determining compensation. While the Coal Act appears to be well-intentioned, the haste to start with a clean slate led to some glaring omissions in the legal framework which appear to be getting addressed by the Courts.

The war it seems is far from over. When the prior allottees had challenged the valuation process, the government had taken rearguard action by amending the auction terms to make the successful bidder liable for any increase in compensation on account of court orders.

While it is expected that the battle will now move to the Tribunal (and perhaps the Supreme Court), the principle of just fair and reasonable compensation ought to be respected by the government while considering the prior allottees? claims. It should initiate a fair and transparent process where revised compensation orders are passed after hearing the prior allottees and successful bidders.

This judgment, if implemented effectively, may significantly shore up stressed balance sheets of not only affected entities but also banks and financial institutions which had financed these undertakings. Owing to reduced compensation and virtual shutdown on account of lack of coal, the affected entities? ability to service their debt was compromised. Hopefully, they (and the banks) will finally see the colour of money almost three years after the Supreme Court judgment.

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editor@geonesis.org