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Minerals and Metals

Weekly Insight

19 July 2011 VOLUME II ISSUE 29

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Mining majors to foray into steel making

As part of their forward integration strategy, large miners such as NMDC, MOIL and Sesa Goa are set to transform into metal and alloy producers. Analysts feel there is a rush to set up steel plants as mineral rich states such as Karnataka and Chattisgarh are looking at value addition as a pre condition for grant of new mining leases and renewal of existing ones. Bhavesh Chauhan, analyst at Angel Broking Ltd said that "Mining firms realise that if they have to get additional mining leases, they need to set up steel plants."

Miners, however, look at diversification as the next logical step for them, while analysts feel that the move would hurt the miners' profitability. NMDC, the country's largest miner, is in the process of setting up a 3 million tonnes per annum unit with an investment of Rs 15,000 crore at Nagarnar in Chhattisgarh. It has also formed a joint venture with Russian steel maker OJSA Severstal to set up a 5 million tonnes per annum specialised steel unit in Karnataka.

Sesa Goa, which operates major mines in Karnataka, recently acquired the assets of Bellary Steel and Alloys Ltd in Bellary for Rs 220 crore. BSAL was building a 0.5 million tonnes per annum unit and has 700 acres of land in Bellary. However, the BSAL acquisition has been challenged by JSW Steel in Supreme Court, which has directed the parties concerned to maintain status-quo till the next hearing.

The Vedanta Group company is expanding its pig iron capacity in Goa, besides planning to set up two small steel mills ranging from 1 to 1.5 million tonnes per annum in Orissa and Jharkhand, where it has prospecting licence to carry out mining operations. MOIL, the country's largest manganese miner, is in the process of setting up two ferroalloy units through joint ventures with SAIL and RINL. It is likely to be operational in June 2012. Ferro alloy is a key raw material for producing steel.

The proposed ferroalloy plant with SAIL in Chhattisgarh will have a capacity of 1,06,000 tonne, while the one with RINL in Andhra Pradesh will produce 57,500 tonnes.

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MMTC's plea for 6 lakh tonnes of imported coal

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CEPT recommends special authority for Joda-Barbil

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COAL

Coal India eyes underground route

Enthused by the model China has adopted, Coal India is working on a mining model that would, to some extent, obviate the need to acquire land — the most contentious issue facing the sector nowadays. The company has undertaken joint development of some underground mines of one of its subsidiaries, Bharat Coking Coal Ltd (BCCL), with foreign mining companies.

If successful, the model — mine developer and operator (MDO) — would be applied to other mining subsidiaries of Coal India as well, BCCL Chairman cum Managing Director TK Lahiri told a newspaper.

The model helps tap resources lying deep underground, which remain unexploited due to high costs. However, it eliminates the need to buy land as the company does underground mining in its existing opencast mines by outsourcing mining to those who have the technology.

Under the MDO initiative, BCCL has recently awarded contracts to four parties, all of which are foreign mining companies, said Lahiri, who is tipped to be the next chairman of Coal India. "We have, so far, finalised deals for four mines, while another 6-7 are in the pipeline. If the strategy is successful, Coal India would be using this for other subsidiaries also," he said.

The four mines are Muradih, which has a capacity of 2million tonne for 10 years, given to China National Coal Mining Equipment Co; Block 4 mine, awarded to another Chinese company, which would mine about 4,50,000 tonne a year for seven years; a 1.5 million tonne a year capacity mine at Munidih given to Joy Global of UK which would mine it for 10 years; and another, called Kapuria underground mine having 2million tone capacity, the contract for which has been awarded to Bucyrus.

"This is the model China is following. They are now capable of going even 1,000 metre underground. They are getting 90 per cent coal from underground while 10 per cent comes from open cast. In India it's just the reverse; we continue extracting coal from overground where production can be sustained only if we procure more land, a difficult proposition in these times. We are now going underground by using foreign technology where we already have opencast mines, thereby eliminating the need to acquire land," he said.

The contractors will supply assured quantities of coal every year, failing which a penalty clause will get triggered. Coal India would be investing in developing the mines, but the contractors would look after all operations, said Lahiri.

Coal India is also open to joining hands with power companies like NTPC Ltd, the biggest consumers of coal in the country, to exploit underground mining. "We have proposed going for joint ventures with power producers who can take up underground mining through the joint venture mode. We are also considering vertical distribution of mining rights where excavation at varying depths can be undertaken by us depending upon the risk and the costs we are willing to bear," said Lahiri.

HIL's coal block recommended for expansion

The Expert Appraisal Committee (EAC) of Ministry of Environment & Forests (MoEF) has recommended the Hindalco Industries Ltd.'s (HIL) Talabira-I coal block expansion project for Environmental Clearance (EC). In February 1994, the block was allotted to the company at Sambalpur district of Orissa. In March 2001, the company received the EC for a capacity up to 0.4 mtpa of coal and further in January 2009, to expand the capacity from 0.4 to 1.5 mtpa

In February 2009, the company sought the Term of Reference (ToR) for EC to expand the coal capacity of its existing mine from 1.5 to three million tonnes per annum (mtpa). ToR was received in June 2009 and EC was sought in February 2010. The expansion will be carried out within the existing mining lease area of 420.83 acres.

MMTC's plea for 6 lakh tonnes of imported coal

India's biggest trader of metals and minerals MMTC Ltd is seeking 6,00,000 tonnes of imported steam coal for NTPC-SAIL Power Co.

According to a document inviting bids on a government website, the state owned trader has sought the fuel for NTPC-SAIL's 500MW Bhilai power plant unit III in Chhattisgarh state.

Bids will be opened on July 27. The coal is for delivery during the financial years ending March 2012 and March 2013, with the first shipment scheduled for September. The supplies will range from 40,000 tons to 80,000 tons a month, according to the document.

MMTC is seeking thermal coal with a gross calorific value of 6,300 kilocalories a kilogram, total moisture content of 16 per cent and sulfur content of 0.8 per cent.

URANIUM

AP uranium mine may be largest one in the world: DAE

The Union Department of Atomic Energy has said that the Tummalappalle uranium mine in the Kadapa district of Andhra Pradesh has the potential to become the largest uranium mine in the world. The earlier estimated reserves at the mine were 14,000 tonnes, but it has since been revised to 49,000 tonnes, said Srikumar Banerjee, Secretary, Department of Atomic Energy, on Monday, July 18, during an interaction with the media at a function to mark the start of construction of two nuclear-power reactors at Rawatbhata in Rajasthan.

Banerjee said the survey work was ongoing and that the reserve estimates may even go up to 1.5 lakh tonnes, he said. India's total estimated uranium reserves at present are in the

range of about 1.75 lakh tonnes, Banerjee said

Initial excavation at the Tummalappalle mine, spread over an area of 35 km, began in 2007, and the actual mining of the ore could commence by December this year, he said. SK Jain, Chairman and Managing Director of Nuclear Power Corporation of India (NPCIL), said that the survey undertaken by the Atomic Minerals Division of the DAE showed that the mine could have the largest deposit of uranium.

At present, India has only one functional mine in Jaduguda in Jharkhand, which is managed by the Uranium Corporation of India Ltd (UCIL), a sister concern of the DAE. New deposits have, however, been found in Meghalaya, Andhra Pradesh and Karnataka, but there is opposition from local residents in Meghalaya over the mining of ore due to environmental concerns, he said.

At the Tummalapalle mine, UCIL would start a mill to process the uranium ore into yellow cake by 2012. The ore in yellow cake form is converted into fuel bundles and fed into the nuclear power reactor.

Uranium Corp to set up unit in Karnataka

Uranium Corporation of India Ltd (UCIL) is to set up a uranium processing unit at Gogi village in Yadgir district of Karnataka. UCIL will invest Rs 550 crore in the project. The unit has been cleared by the Karnatatak government. The UCIL has found rich deposits of high-grade uranium (U235) at the village which is used to generate nuclear power. The state-owned firm commenced exploration for uranium ore in this village in 2007.

The state high-level clearance committee (SHLCC) headed by Karnataka Chief Minister, BS Yeddyurappa, recently cleared the company's application for mining uranium and processing, The Deputy Commissioner of Yadgir district recently issued the no-objection certificate to UCIL. However, the company is yet to be issued a mining lease by the government.

According to senior officials from the Mining Department the approval granted to UCIL is only a preliminary one. Before mining at the site can commence, an environment impact assessment report will have to be presented and approval sought from the Ministry of Environment and Forests (MoEF).

Sources said deposits in Gogi village are expected to last at least 15 years. UCIL will take up mining at a depth of 65 metres and excavate horizontally over an area of 109 acres. According to preliminary estimates, the company plans to extract 500 tonnes of iron ore per day and recover 1 kg of uranium per tonne. This will be double the yield from Kadapa mines in Andhra Pradesh.

Apart from Gogi, UCIL has also found rich deposits of uranium in Dharwad and Belgaum districts of Karanataka. The Dharwad deposits are stated to be richer than those at Gogi village, and UCIL is likely to take up open cast mining here. Officials have allayed fears of farmers in Gogi village about radiation levels in and around the uranium deposits, saying these will be within prescribed limits of the International Radiation Commission (IRC).

In its Environment Impact Assessment and Environmental Management Plan submitted to the Karnataka State Pollution Control Board recently, UCIL said an Environment Engineering Cell, comprising officials of both the UCIL and BARC, will be constituted at the project site to implement various mitigation measures.

IRON ORE

Iron ore shortage may force JSW to cut output

Severe shortage of iron ore, the key raw material to make steel, is likely to force JSW Steel to take production cuts at its 10 million tonne per annum (mtpa) steel plant at Toranagal in Bellary district of Karnataka.

The company, which completed the expansion of its steel plant from 7 mtpa to 10 mtpa with the commissioning of its 3 mtpa blast furnace, may operate its blast furnace and corex plants at lower capacity. It had invested Rs 14,000 crore on expansion.

"Our Toranagal plant presently needs 45,000 metric tonnes of iron ore per day to operate the 7 mtpa. We get 20,000 tonnes per day now. Once we reach the rated capacity of 10 mtpa, we will require 67,000 tonnes per day. However, the availability of ore may go down further after the Supreme Court appointed team completes resurvey of the remaining 55 mines," said Vinod Nowal, Chief Executive Officer and Director, JSW Steel.

The Supreme Court had ordered suspension of mining in 40 mining leased area in Karnataka, following a recommendation of its central empowered committee (CEC), which is resurveying the mines on allegations of illegal mining. "We will just keep our furnaces running with whatever ore is available. But, actually, our production may fall below the present capacity of 7 mtpa instead of going up to 10 mtpa," Nowal said. Presently, the company produces 20,000 metric tonnes of steel per day.

JSW Steel does not have a captive iron ore mine of its own in Karnataka and sources it from its joint venture with Mysore Minerals Ltd (MML) and other private mine owners in Karnataka and Orissa. "We cannot depend on ore from Orissa for too long since the cost of transportation is high. The railway freight costs work at Rs 2,000 per tonne," he said.

The supply from MML joint venture has also come down to 4,000 tonnes per day. The company now buys low-grade iron ore from mines in Chitradurga and Tumkur at Chinese prices, he said.

"We have been deferring the commissioning of our new blast furnace for the last two months due to shortage of ore. But, we cannot defer it anymore as it would be uneconomical to keep the plant idle. We have to service the huge debt we have borrowed for our expansion," he said.

The company's current debt is in the order of Rs 15,000 crore. Nowal said the company has been insisting that it be given captive mines as it is the single-largest steel producer in the state.

Iron ore exports from India dip to 8-year low

Due to higher costs and slow efforts iron ore exports from India are likely to fall by more than a quarter, to their lowest level in eight years. Iron ore sales from the world's third-largest exporter are forecast to fall to 71.25 million tonnes in the current year to next March, from 95 million tonnes in the previous year, according to the median estimate in a news agency's poll of 10 iron ore miners, exporters and analysts. That would be the lowest export volume since 2003/04 when shipments stood at 62.57 million tonnes.

"More tariffs and higher costs along with outright bans will further limit exports," said an iron ore trader with an international brokerage based in London. Prices of the steelmaking ingredient rose to record highs above $190 a tonne in mid-February. Karnataka state, which accounts for about a quarter of the country's iron ore exports, banned shipments in July last year to curb illegal mining. In April, the Supreme Court ordered the state to resume shipments but, to date, exports have yet to resume with state officials citing technical problems.

Along with the ban, the federal government, in a bid to conserve the raw material for use by local steel producers, raised the export tax on iron ore fines to 20 per cent from 5 per cent. Indian Railways also hiked freight rates twice this year, making carriage costs five times more expensive than those for ore for local consumption.

"Production has come down and dispatches have also come down and everyone is losing, the railways, ports and the government," said David Pichamuthu, head of the Federation of Indian Minerals and Industry (FIMI) southern region. Iron ore trade in India is worth about $15 billion a year and the country is the biggest supplier of the raw material after Australia and Brazil . Most of its shipments go to China, which has the world's largest steel industry.

Before the Karnataka ban, India's shipments had been rising steadily from a low of 37.27 million tonnes in 2000/01 to 105.86 million tonnes in 2008/09. The Union government estimates iron ore exports of up to 118 million tonnes for the current fiscal year, including government-to-government deals. Excluding those deals, FIMI has said it expects exports to reach 85-90 million tonnes.

Apart from higher taxes and restrictive policies, Indian iron ore exporters also have to contend with limited infrastructure. Because of relatively small roads in Goa, the biggest exporting state in India, miners are only allowed to move shipments from six in the morning until six in the evening, said Glenn Kalavampara, Secretary, Goa Minerals Ore Exporters Association.

Miners in Orissa undercut prices of iron ores

Orissa State government has got huge revenue loss royalty as 17 lessees in the state have been found to be selling iron ore lumps and fines at prices lower than the all-India average. The miners in the list include Serajuddin & Company, Sarda Mines Pvt Ltd, Kalinga Mining Corporation Ltd, Tarini Minerals Ltd, Penguin Trading & Agencies Ltd, K C Pradhan and Lal Traders & Agencies to name a few.

"It is not clear as to why the lessees are quoting prices of iron ore prices and lumps at prices lower than the all-India average. Location of the mine and high transportation cost can be one of the reasons for under reporting of prices but a thorough enquiry is needed. We have asked the Mines Directorate to probe into the matter and cross check prices", a top official source told a business newspaper.

It may be noted that against the all-India average price of Rs 4,407 per tonne for iron ore lumps with Fe content of 65 per cent and beyond, the price quoted by Serajuddin & Company stood at only Rs 1,100 per tonne, Tarini Minerals Ltd at Rs 3,494 per tonne, Kalinga Mining Corporation at Rs 3,028 per tonne and that of Ghanshyam Mishra & Sons at Rs 2,774 per tonne.

For iron ore fines with Fe content in the range of 60-62 per cent, the price quoted by Sarda Mines Pvt Ltd stood at only Rs 1,248 per tonne compared to the all-India average of Rs 1,973 per tonne. Similarly, for iron ore fines with Fe content of 62-65 per cent, while the average all-India price stands at Rs 1,978 per tonne, Sarda Mines and Tarini Minerals Ltd are selling it at Rs 1,248 per tonne and Rs 1,099 per tonne respectively.

On review of the IBM sale prices of iron ore for March 2011, it has been observed that while the rate of iron ore lumps having Fe content of 58-60 per cent, 62-65 per cent and above 65 per cent are higher than the all-India average, the rate for lumps with 58 per cent Fe content is nearly one-fourth of the all-India average.

In case of iron ore fines, it is seen that 60-62 per cent Fe fines, 62-65 fines and 65 per cent above Fe fines rate for Orissa is the same whereas it should be increasing with Fe percentage. The prices for these categories are below all-India average and in case of below 55 per cent Fe fines; the price is only one-fifth of all-India average.

CEPT recommends special authority for Joda-Barbil

Ahmedabad-based Centre for Environmental Planning and Technology (CEPT) University has an answer to the mining woes of the Joda-Barbil area situated near the Orissa-Jharkhand border. Having prepared a regional environmental management plan (REMP) for Joda-Barbil area, CEPT has recommended formation of a 15-member special area authority to manage the bio-diversity and mining activities of the region.

Come August, the CEPT University will be submitting the REMP on the area that contributes around nine per cent to Orissa's mining revenues.

"We have recommended the creation of a special area authority whose decision-making will be localised and it would be headed by a core team of specialists. This will ensure that the decision-making process is localised and that there can be single-window clearances for the area and the committee will also regulate the illegal mining activities in the region," said Saswat Bandyopadhyay, head of the Department in the Department of Environmental Planning, Faculty of Planning and Public Policy and project coordinator from CEPT.

Orissa's rich mineral reserves constitute 28 per cent of India's total deposits and the state has more than 35 percent of the country's iron ore reserves with 5231 million tonnes of iron ore. The REMP report is an outcome of a consortium between CEPT, Environment Management Centre (EMC), Pune and SS Environics India Pvt Ltd in October 2009 given by Orissa State pollution control board (OSPCB).

Annually 1.56 million tonnes of iron ore is exported from Joda Barbil through the ports of Haldia and Paradip to different states and even countries like China and Korea.

"There is a lot of infrastructure stress on the region because of its huge iron ore reserves. We want to primarily set up a control mechanisms as the region has a lot of illegal mining activity, set up a coordination committee dedicated to the region to govern and implement the plan. There has to be a planned CSR fund to be earmarked for local economic development and rehabilitation packages for the people in the region by the mining companies. Also there is a bio-diversity corridor in the region so the mining areas have to be controlled in such a way that the ecological balance of the region remains unspoiled," Bandopadhyay added.

STEEL

Govt tells ArcelorMittal to pay more for land

ArcelorMittal

Jharkhand State Revenue Department has asked ArcelorMittal to buy land for its proposed 12 million tonne per annum project in Jharkhand by paying two-and-a-half times more than the government rate. After a review of mega industrial projects, chaired by Chief Secretary SK Choudhary, Jharkhand Industries Secretary AP Singh elaborated on the state's latest stance on land acquisition. Singh said, "ArcelorMittal officials have been told to go for a 'consented award route' while purchasing land. The company will need to pay two-and-a-half times more than the government approved rates for a particular mauza. The Revenue Department would then assist the company with bulk registry."

ArcelorMittal, which signed an MoU with the Jharkhand state in 2005, has promised investment of over Rs 40,000 crore for setting up a 12 million tonne per annum steel mill and a captive power plant. However, so far it has bought only a few acres in Kasmar and Petarwar blocks of Bokaro.

Tata's Kalinga Nagar steel plant phase-I by 2014

The six-million-tonne steel plant being setting up at Kalinga Nagar in Orissa by Tata Steel, will concentrate entirely on flat steel products, catering to the needs of the automotive industry and white goods. The first phase is expected to be commissioned by February 2014. The first phase will see a total investment of up to Rs 25,000 crore, of which the steel maker has already invested over Rs 10,000 crore.

"The entire six-million-tonne-per-annum production at the Kalinga Nagar plant will be flat products. Phase-I of the plant is expected to be commissioned by January/February 2014 and this would see an investment of Rs 25,000 crore. Work is going on at the site and mostly foundation work is in progress. We had discussions with the chief minister and I apprised him on the status of our projects at Kalinga Nagar and Gopalpur," Tata Steel Managing Director HM Nerurkar told reporters after meeting Orissa Chief Minister Naveen Patnaik.

Tata Steel has already re-settled 915 out of the 1,200-odd affected families at the company's rehabilitation colonies at Gobarghati, Tirjanga and Sunsilo.

Asked on the company's proposed industrial park at Gopalpur, Nerurkar said: "We have got the CRZ (Coastal Regulatory Zone) clearance for the industrial park and hope to get the environmental clearance by the end of October this year. The number of investors for the industrial park is growing considering that Tata Steel is the anchor investor for the project. The total potential for investments in the industrial park ranges from Rs 10,000 to 15,000 crore."

Work suspended on Posco's proposed unit

An uneasy calm prevailed in the troubled Nuagaon panchayat of Orissa in the proposed Posco project site on Monday, July 18, as the district administration, different village forest committees and irate villagers reassessed the situation after the day before's police action during the felling of trees in the area.

Police had resorted to lathicharge on Sunday on the members of Sanghaipai Mathsahi village forest committee and land losers at Polang while they were opposing the cutting down of trees on the land acquired for the Posco project demanding compensation and rehabilitation. Eight persons including six women were injured in the incident.

The situation was, however, normal on Monday as the district administration has suspended the ground leveling and boundary wall construction work of the Posco project for two days to avert any untoward incidence in the project site. There are seven village forest committees in Nuagaon panchayat engaged in the protection of forest in their respective villages. The members of these committees and aggrieved land losers today held meetings at Nuagaon and other places to take stock the situation and console the injured. They reaffirmed their resolve to oppose the Posco project and stop forcible cutting down of trees till all their demands are fulfilled.

MEL merges with SAIL

Maharashtra Elektrosmelt Ltd (MEL), the 99.12 per cent subsidiary of Maharatna Steel Authority of India Limited (SAIL), has been merged with SAIL. The process of merger of MEL with SAIL was started in April 2006 and culminated with the receipt of the final order from the Ministry of Corporate Affairs on June 14, 2011. The final order of amalgamation of MEL with SAIL has been filed with the Registrar of Companies at Delhi and Mumbai. It has been decided that all the public shareholders of MEL shall be allotted SAIL shares in a swap ratio of 1.7:1.

Located at Chandrapur in Maharashtra, MEL is a strategically important unit for SAIL as it meets the requirement of manganese-based ferro-alloys, a key input for iron and steel making. MEL presently has the capacity to produce about 1 lakh tonnes of manganese based ferro-alloys through the submerged arc furnace (SAF) route. The merger of MEL with SAIL is expected to align the development of MEL and related investments in line with the ferro-alloy requirements of SAIL.

SAIL has already made plans for the expansion of MEL. In this regard, SAIL Chairman CS Verma said that Commensurate with SAIL's further expansion plans, MEL's expansion will be pursued for meeting the full requirement of ferro-alloys of the SAIL steel plants."

No decision yet on RINL's sponge iron project

Rashtriya Ispat Nigam Ltd (RINL) is yet to take a final decision on its pellets and sponge iron project in Chhattisgarh. During a tele- discussion on the status of the project on July 18 , according to V Phaneendrudu, Deputy General Manager-Corporate Communication of the company. The company was yet to take a concrete decision on the same and the project was still on the drawing board, Phaneendrudu added.

The company had announced the project in

September 2005 and had signed a memorandum of understanding (MoU) with the Chhattisgarh government at the same time.

Firestone, Sekoko Resources JV cancels Jindal MoU

Firestone Energy and Sekoko Resources have called off their negotiations with India's Jindal Steel over the development of two new coal properties in the Waterberg area of South Africa's Limpopo province.

The development followed the Firestone and Sekoko JV in February entered into a non binding MoU with Jindal, whose interest in the projects was based on the Indian giant's need to secure coal for its power and steel operations in India. It was also considering investing in an independent power generation plant. Sekoko Chairperson Timothy Tebeila said a transaction would have meant an adjustment of the ownership interests in the two properties.

Firestone Chairman David Perkins said, "The primary focus of Firestone will continue to be bringing the Smitspan project into production to supply coal off take to Eskom and developing the metallurgical coal deposit which we have identified on our southern farms."

At present, Sekoko holds a 40 per cent interest in the JV, with Firestone holding the remaining 60per cent. However, Sekoko also holds a 38 per cent stake in Firestone, giving it an effective 58 per cent share in the projects. The JV in January secured an off take deal with Eskom to supply contract coal to the power utility from April 2012. According to the agreement, the JV would deliver 5,25,000 tonnes per annum to Eskom until March 2015 and 1 million tonne per annum thereafter for another three years. The parties were continuing to negotiate the further supply of up to 2.3 million tonne per annum until 2032.

COPPER

Copper gains in India on industrial demand

Copper futures slightly gained on Monday, July 18, on increased demand from consuming industries and on tracking firm global cues.

At MCX Copper August contract was trading at Rs.435.30 per Kg, higher by 0.07 per cent against the previous close. In the earlier sessions the contract traded at a range of Rs.434.20-436.75 per Kg. Open interest of the contract was 29396 lots and volume traded is 38469 Kg as of now.

Market men said increased demand from consuming industries and firming trend in overseas markets mainly helped Copper prices to strengthen.

New Minerals & Metals Projects announced this week

Company Name	Project Name	Location
Rampia Coal Mine & Energy	Rampia Dip Side Coal Block	ORI
Jharbihar Colliery	Urma Paharitola Coal Block	JHA
Jharkhand States Mineral Devp. Corpn.	Patratu OC Coal Block	JHA
Jharkhand States Mineral Devp. Corpn.	Robodih OC Coal Block	JHA
Hindalco Industries	Talabira-I Coal Block Expansion	ORI
Jharkhand States Mineral Devp. Corpn.	Pindra-Debipur Khowatand Coal Block	JHA
Karnataka Ferro Concentrates	Iron Ore Pelletisation Plant	KAR