खनिज समाचार

KHANIJ SAMACHAR

Vol. 3, No-9

(As appeared in National/Local Newspapers Received in Central Library, IBM, Nagpur)

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In continuation of this it is requested that the mineral related news appeared in the Local News Papers of different areas can be sent to Central Library via email **ibmcentrallibrary@gmail.com** (scanned copy) so that it can be incorporated in the future issues to give the maximum coverage of mining and mineral related information on Pan India basis.

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KHANIJ SAMACHAR

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INDIAN BUREAU OF MINES

VOL. 3, NO-9 , 1st – 15th MAY , 2019

BUSINESS LINE DATE : 6/5/2019 P.N.11

GLOBAL		Change in %			52-Week	
	Price	Weekly	Monthly	Yearly	High	Low
Metals ($/tonne)						
Aluminium	1770	-2.9	-5.5	-22.0	2384	1775
Copper	6229	-2.6	-3.9	-8.3	7324	5810
Iron Ore	87	0.7	6.9	36.4	89	58
Lead	1887	-2.7	-5.2	-16.4	2545	1858
Zinc	2871	-0.6	-4.3	-3.9	3253	2285
Tin	19420	-3.1	-8.9	-9.0	21914	18400
Nickel	12137	-1.8	-8.4	-11.6	15749	10437

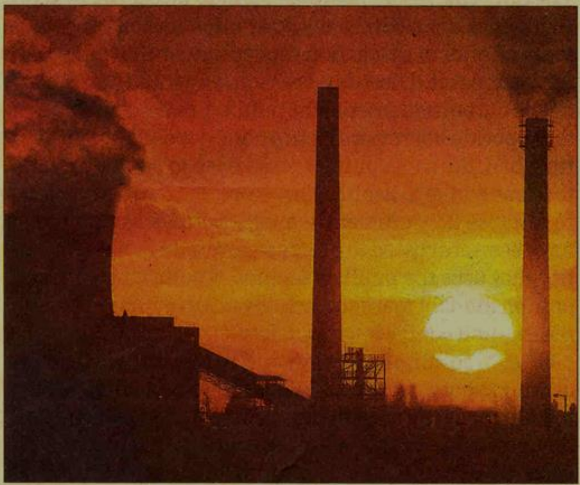
BUSINESS LINE DATE : 13 /5/2019 P.N.11

GLOBAL		Change in %			52-Week	
	Price	Weekly	Monthly	Yearly	High	Low
Metals ($/tonne)						
Aluminium	1777	-1.1	-3.4	-23.8	2331	1760
Copper	6108	-0.9	-5.3	-11.3	7324	5810
Iron Ore	87	-0.6	-0.3	36.1	89	58
Lead	1807	-2.9	-6.5	-21.2	2545	1822
Zinc	2752	-2.3	-6.6	-10.5	3253	2285
Tin	19821	2.4	-5.3	-5.0	21914	18400
Nickel	11885	-1.6	-9.5	-14.0	15749	10437

THE ECONOMIC TIMES DATE : 1/5/2019 P.N.9

IIP RISES 4.7% IN MARCH

Coal, Cement Push March Core Growth to 5-Month High



Higher govt capex boosts cement, steel sectors and helps recovery in infra

Our Bureau

New Delhi: Infrastructure sector growth recovered for the second successive month in March, rising to a five-month high on the back of strong output increase in coal and cement.

The index of eight core sector industries rose 4.7% in March, data released by the government on Tuesday showed, improving from 2.2% in February and 4.5% in March 2018.

The eight infrastructure industries included in the index – coal, cement, steel, electricity generation, crude oil, fertilisers, refinery products and natural gas -- have a combined 40.27% weight in the Index of Industrial Production (IIP), suggesting industrial growth may recover from the 20-month low it had hit in February.

"Core sector data shows some recovery in production of infrastructure industries in March which can be partly attributed to target meeting by most companies in the respective sectors," said Madan Sabnavis, chief economist at CARE Ratings.

Overall, core sector growth for FY19 in 4.3%, same as that for the previous fiscal. India's economy is estimated to have grown at 7% in FY19, slowest pace of rise in five years.

The higher growth was driven by a 15.7% rise in cement output, suggesting some pick up in construction ahead of monsoons as this growth is on a high base of 13.5% rise in the same month last fiscal. A reasonable 6.7% rise in steel production in March also backs the construction recovery.

"It appears that government capex has clearly helped cement and steel sector," said Sunil Kumar, Principal Economist at India Ratings.

Coal production rose 9.1% but there was no commensurate rise in electricity generation, which was up only 1.4% in March, marking third successive month of tepid growth.

Crude oil production continued to decline, falling 6.2% in March over the corresponding month last fiscal. Natural gas production was up 1.4% in March. Refinery products and fertilisers were up 4.3% each in March.

"Given the growth of 4.7% in March in core sector we may expect IIP growth of between 4-4.5% and overall growth for the year also being in this range," Sabnavis added.

THE INDIAN EXPRESS DATE : 1 /5/2019 P.N.13

Essar Steel resolution: NCLAT prepones hearing to May 7

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 30

THE NATIONAL Company Law Appellate Tribunal (NCLAT) on Tuesday preponed its scheduled hearing over the resolution process of debt-laden firm Essar Steel to May 7. The Committee of Creditors (CoC) of the company had moved an urgent plea to seek an early hearing in this matter.

An NCLAT bench headed by Chairman Justice S J Mukhopadhaya directed the matter to be listed on May 7, as per a *PTI* report. The NCLAT was scheduled to hear the Essar Steel matter on May 13, where operational creditors and other stake holders of Essar Steel have moved over distribution of Rs 42,000 crore coming in from ArcelorMittal.

Essar Steel owns a 10-million-tonne steel mill at Hazira in Gujarat. This was among the first 12 cases selected by the Reserve Bank of India to be resolved under the Insolvency and Bankruptcy Code (IBC). In a hearing in this case last month, the NCLAT suggested the CoC should not discriminate against the operational creditors.

The promoters of the company had also approached the NCLAT, challenging the order of the Ahmedabad bench of the National Company Law Tribunal (NCLT), which had on March 9 approved ArcelorMittal's bid for the company. On April 12, in this matter, the Supreme Court had stayed the disbursement of funds to creditors while directing parties to maintain status quo.

It had also asked the tribunal to expeditiously decide the appeals before it. The NCLAT in its orders had asked the resolution professional of the company to call a fresh meeting of the CoC to consider redistribution of funds among financial and operational creditors. Operational creditors of Essar Steel are not satisfied with the CoC over the distribution of Rs 42,000 crore coming from the resolution plan by global steel major ArcelorMittal. The CoC of Essar Steel has divided operational creditors of the company into two types — one with claims under Rs 1 crore and another above Rs 1 crore. According to the resolution plan of ArcelorMittal approved by CoC on October 24, 2018, operational creditors having claims below Rs 1 crore will get their dues and those with claims of over Rs 1 crore will receive almost zero.

Financial creditors would get an upfront Rs 41,987 crore payment against their admitted claims of Rs 49,395 crore while operational creditors were getting Rs 214 crore against their dues of Rs 4,976 crore. Later, the CoC decided to allocate an additional Rs 1,000 crore to operational creditors after NCLT and NCLAT suggested it to rework the distribution of funds.

RCom: NCLAT allows insolvency proceedings

New Delhi: The National Company Law Appellate Tribunal (NCLAT) on Tuesday allowed insolvency proceedings against Reliance Communication (RCom) after the Anil Ambani-led firm withdrew a challenge to such a move. RCom will be admitted back to insolvency proceedings after the NCLAT allowed the debt-laden firm to withdraw its petition challenging a decision of the Mumbai-bench of National Company Law Tribunal to initiate such proceedings. **PTI**

THE HITAVADA (CITYLINE) DATE : 1/5/2019 P.N.12

JNARDDC celebrates foundation day with aplomb

- Jawaharlal Nehru Aluminium research development and Design Centre, Nagpur celebrates its Foundation Day
- JNARDDC Director calls 2018 a successful year as centre completed more than 10 projects and filed 20 patents

Dr Ranjit Rath, G Vidyasagar, Dr Anupam Agnihotri, C S Gundewar, R N Chouhan and Dr S P Puttewar sharing the dais during the event.

Staff Reporter

JAWAHARLAL Nehru Aluminium research development and Design Centre (JNARDDC), Nagpur celebrated the Foundation Day at JNARDDC auditorium in Wadi recently. Dr Ranjit Rath, CMD, MECL, was the chief guest of the programme.

The event commenced with lighting of traditional lamp. Dr Rath talked about mineral security and extraction of Rare Earth Elements (REE) and other valuable elements from industrial waste for sustainable development of country. He thanked JNARDDC for their work and contribution and also appreciated their functioning. He further appreciated the development and achievement of JNARDDC in last 30 years.

G Vidyasagar, ADG, GSI, Central Region was the guest of honour of the event. G Vidyasagar talked about work of GSI and the strong co-ordination between GSI and JNARDDC in the field of mineral exploration. C S Gundewar, Ex-CG, IBM was also present and appreciated the work done by JNARDDC.

Dr Anupam Agnihotri, Director, JNARDDC, talked about financial growth of Centre which was targeted to four crore and centre managed to earn more than the set target. He said that 2018 was a very successful year, centre completed more than 10 projects and filed 20 patents. Once again centre has been nominated as sector experts by bureau of energy efficiency, New Delhi.

Dr Agnihotri encouraged employees of JNARDDC by honouring them with appreciation certificate for their contribution in growth of the Centre.

A panel discussion on the topic 'Resource Efficiency in Aluminium' also held during the programme. Director also appreciated R N Chouhan (Organiser Resource efficiency in Aluminium) for conducting panel discussion. The guests Dr Ranjit Rath, Dr P K Jain, IBM, Dr Rajesh Biniwale, NEERI, Dr Anupam Agnihotri present in the panel discussion. Dr Rath talked about supply and demand of the bauxite and other mineral resources for benefit of the industry.

Dr Biniwale spoke about environmental aspects of aluminium industry and future prerequisite to take action to tackle the issue.

M T Nimje, Dr Suchita Rai, Dr M Najar, Dr Pravin Bhukte, Dr Upendra Singh, Vishwanath Ammu and Priyanka Nayar were felicitated for their work during the event. Dr S P Puttewar was the best employee of the centre.

R Sriniwasan and R Vishakha conducted the program during the foundation day celebration. Dr S P Puttewar, Chairman proposed a vote of thanks

Officials from various organisations such as GSI, IBM, MECL, NEERI, MSME, MINEX CMFIR, and MOIL were present.

THE TELEGRAPH DATE : 3 /5/2019 P.N.10

Gold demand shines

OUR BUREAU

Calcutta: Gold demand in India saw a 5 per cent rise during the January-March quarter of 2019, driven by a fall in prices that boosted jewellery sales during the wedding season, according to estimates by World Gold Council.

Overall gold demand during the quarter was at 159 tonnes against 151.5 tonnes in the corresponding previous quarter. In terms of value, there was a 13 per cent growth during the quarter at Rs 47,010 crore compared with Rs 41,680 crore in the same period last year.

"The strengthening of the rupee and the fall in local gold prices towards the later part of the quarter triggered a rise in

DEMAND GRAPH

Q1, in tonnes	2018	2019
Jewellery	119.2	125.4
Investment	32.3	33.6
Total	151.5	159

Q1 (first-quarter, January to March) gold demand. Growth of 5 per cent in Indian jewellery demand to 125.4 tonnes uplifted global demand and boosted retail sentiment," said Somasundaram P.R., managing director-India, World Gold Council.

"The increase in auspicious wedding days during the quarter — three times as many as those in Q1 2018 — was also crucial in the rise of demand," he added.

Also, he said, there was a jump in volume as election-related checks controlled the grey market, which benefited the organised retail industry.

Total jewellery demand in the first quarter was up 5 per cent at 125.4 tonnes compared with 119.2 tonnes in the corresponding period of 2018. In value, jewellery demand grew 13 per cent to Rs 37,070 crore against Rs 32,790 crore in the same quarter of 2018.

Total investment demand for Q1 of 2019 was up 4 per cent at 33.6 tonnes from 32.3 tonnes in the same period of 2018.

In value terms, gold investment demand went up by 12 per cent to Rs 9,940 crore from Rs 8,890 crore in first quarter of 2018.

BUSINESS LINE DATE : 3/5/2019 P.N.13

Singareni Collieries eyes 70 mt output in 2019-20

V RISHI KUMAR

Hyderabad, May 2

After a record performance last fiscal, Singareni Collieries Company Limited (SCCL) has planned to produce 70 million tonnes (MT) of coal during 2019-20 by taking up new mines.

N Sridhar, CMD, SCCL, set stiff targets for employees to sustain the growth momentum and said Singareni could aim to become a Navaratna or Maharatna.

As some of the underground and open cast mines are closing, efforts would be made to open new mines, including the Naini coal block in Odisha.

Referring to underground mines where the company continues to make some losses, the CMD said the focus will be on reducing the losses further by improving efficiencies.

With Singareni seeking to set up solar power units across nine locations, the focus is on expediting the implementation of these power units.

Last financial year, SCCL closed with a turnover of ₹25,828 crore, up 21 per cent over ₹21,323 crore it logged a year before.

The mining company had produced 64.4 mt up from 62 mt a year before. It is now aiming at a production target of about 70 mt.

In order to further step up output, it is also looking at opening up new coal mines within the State and also expediting the work on the Naini coal block in Odisha.

Over the past few years, the coal output has been steadily ramped up, and the commissioning of the coal-fired thermal power project has boosted the overall revenues of the mining company.

It is in the process of setting up an 800-mw expansion project of the thermal power plant.

THE HITAVADA DATE : 3 /5/2019 P.N.11

Q1 gold demand up 5% at 159 tonnes

MUMBAI, May 2 (PTI)

INDIA'S gold demand rose 5 per cent to 159 tonnes during January-March period this year on fall in prices that boosted jewellery sales during wedding season, a World Gold Council (WGC) report says. Gold demand stood at 151.5 tonnes in first quarter of 2018, according to WGC's 'Q1 Gold Demand Trends' report.

In terms of value, there was a 13 per cent growth during the quarter at Rs 47,010 crore compared to Rs 41,680 crore in the same period last year.

"The strengthening of the rupee and the fall in local gold prices towards the later part of the quarter triggered a rise in Q1 gold demand to 159 tonnes. Growth of 5 per cent in Indian jewellery demand to 125.4 tonnes uplifted global demand and boosted retail sentiment.

"The increase in auspicious wedding days during the quarter to 21 days from 8 in the same period of 2018 also played a crucial role in increase in demand," WGC Managing Director, India, Somasundaram P R told PTI here.

Gold prices dropped to Rs 32,000 per 10 grams by the first week of March, he added.

Also, he said, there was a jump in volume following stringent checking during the ongoing elections controlled the grey market, which benefitted the organised retail industry. "Smuggling has come down, however structurally nothing has changed. Unless some policy decision is taken like reducing the Customs Duty to a reasonable level the grey market will bounce back after the elections," he added. Total jewellery demand in the first quarter was up 5 per cent at 125.4 tonnes compared to 119.2 tonnes in the corresponding period of 2018.

In value, jewellery demand grew by 13 per cent to Rs 37,070 crore against Rs 32,790 crore in the same quarter of 2018. Total Investment demand for Q1 2019 was up by 4 per cent at 33.6 tonnes from 32.3 tonnes in same period of 2018. In value terms, gold investment demand went up by 12 per cent to Rs 9,940 crore from Rs 8,890 crore in first quarter of 2018. The stronger rupee benefited investors, with demand for gold bars and coins in first quarter, Somasundaram said.

Total gold recycled in the country also grew by 14 pc in Q1 of 2019 to 16.1 tonnes compared to 14.1 tonnes in Q1 2018.

THE ECONOMIC TIMES DATE : 3/5/2019 P.N.8

POSITIVE OUTLOOK after poor March quarter, co expects strong industry consumption in FY20 to support earnings growth

Hind Zinc Growth Hinges on Higher Demand, Steady Price

Jwalit.vyas@timesgroup.com

Earnings Show

Sales	Mar qtr (₹ Cr)	YoY Chg (%)	QoQ Chg (%)
Zinc	3,689	-19	-4
Lead	809	-7	-2
Silver	745	17	10
Others	248	17	27
Total	5,491	-13	-1
EBIDTA	2,797	-23	-2
PAT	2,012	-20	-9

ET Intelligence Group: Hindustan Zinc's (HZL) profit fell sharply in the March 2019 quarter due to lower zinc prices and declining production due to geotechnical issues at one of its mines. The management expects higher demand for the metal in FY20 which should support the miner's earnings growth.

"We expect LME zinc prices to remain above $3,000 per tonne in the coming months," said the company management during the quarterly earnings call with analysts. Average zinc realisation per tonne for the March quarter was $2,702, 21% lower than the previous year.

"Zinc market supplies continued to remain tight. Ramp-up has been slower than expected, limiting the availability of the metal. Historically, LME inventory for zinc is low at 2-3 days, much below the average of 21 days. Consumption remains strong in China and emerging markets," added the management.

In the March quarter, zinc production dropped by 15%. The metal accounts for over two-thirds of the company's revenues, thus dragging the overall performance. Total revenue dropped by 13% to ₹5,491 crore and EBIDTA (earnings before interest tax and depreciation) fell by 23% to ₹2,797 crore. Net profit at ₹2,012 crore was in line with expectations, but it was down 20% year-on-year.

For the entire year, the company made revenues of ₹14,475 crore, down 11% and EBIDTA of ₹10,747 crore, down 13% and a net profit of ₹7,956 crore, down 14%. The performance was impacted by lower zinc prices and lower production resulting from shutdown of open-cast mining.

For the current fiscal, the management has given a positive outlook. "Both mined metal and finished metal production in FY20 will be higher than last year and expected to be about 1.0 million tonnes. We expect to complete the underground expansion plan announced in 2013, quadrupling our mined metal production capacity to 1.2 million tonnes per annum." said the company. In FY19, total mined production increased by 29% to 936 kilo tonnes.

The company has a net cash of ₹19,500 crore, 17% of total market capitalisation. In FY19, it paid dividend of ₹20 per share. At the current price of ₹271, it amounted to 7.4% dividend yields.

THE HINDU DATE : 3/5/2019 P.N.13

Central banks step up gold buying in 2019

Diversification and desire for safe, liquid assets were main drivers of purchases, says WGC

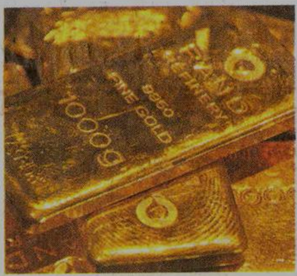
SPECIAL CORRESPONDENT
MUMBAI

Central banks across the globe are building up gold reserves with the first quarter of 2019 seeing significant buying from such entities.

According to the latest Gold Demand Trends report by the World Gold Council, central banks bought 145.5 tonnes of gold in the first quarter – a 68% jump from the same period in 2018 and also the strongest start to a year since 2013.

Meanwhile, the overall global gold demand rose to 1,053.3 tonnes in the first quarter of 2019, up 7% compared to the same period last year.

"This year-on-year increase was largely due to continued growth in central bank buying, as well as growth in gold-backed exchange-traded funds (ETFs)," said a statement by WGC while adding that diversification and a desire for safe, liquid assets were the main drivers of the purchases.



On a different note, the first quarter jewellery demand rose 1% compared with the same period last year, at 530.3 tonnes, boosted by India.

> Despite sharp recovery in investor sentiment in both equity and debt markets, appetite for gold remained solid
>
> ALISTAIR HEWITT
> Head of market intelligence, WGC

Jewellery demand in India

"A lower local rupee gold price in late February and early March coincided with the traditional gold buying wedding season, lifting jewellery demand in India to 125.4 tonnes, a 5% increase on the same period last year and the highest Q1 since 2015," stated the report.

Bar and coin investment softened slightly and was down 1% to 257.8 tonnes.

According to the WGC, this was purely due to a fall in demand for gold bars, as official gold coin buying grew 12% to 56.1 tonnes even as China and Japan were the main contributors to the decline.

"The beginning of 2019 saw a sharp recovery in investor sentiment in both the equity and debt markets, but appetite for gold remained solid," said Alistair Hewitt, head of market intelligence, WGC. "In addition, central banks on both sides of the Atlantic putting monetary policy tightening on hold – and potentially easing – is likely to be supportive of gold," he added.

BUSINESS LINE DATE : 3/5/2019 P.N.4

Yellow metal displaces precious stones, gems as No. 2 commodity in imports

Rural demand helps gold regain sheen

TWESH MISHRA
New Delhi, May 2

Gold has regained its position as the second highest imported commodity in the country in value terms during 2018-19. Crude oil continues to top the country's import basket.

In 2017-18, gold was displaced by pearl, precious stone and semi-precious stones as the second highest imported commodity by value. A hike in import duties has driven this switch.

The Finance Ministry had in September 2018 increased the customs duty on cut and polished diamonds, lab-grown diamonds, cut and polished coloured gemstones as well as semi-processed, half-cut and broken-diamonds from 5 per cent to 7.5 per cent, and increased the import duty on jewellery articles from 15 per cent to 20 per cent.

Imports regaining sheen *($ million)*

Year	Gold	Pearl, precious stone semi-precious stone
2013-2014	28,704.13	23,987.59
2014-2015	34,407.18	22,598.25
2015-2016	31,770.74	20,069.95
2016-2017	27,518.03	23,808.59
2017-2018	33,657.21	34,278.91
2018-2019	32,897.22	27,075.64

Source: Ministry of Commerce

"There has been a higher demand for gold from rural India that has pushed up overall imports. In 2017-18, total gold import was 864 tonnes, which rose to 968 tonnes in 2018-19. Doré (a semi-pure alloy of gold and silver) import was at 377 tonnes in 2017-18 and 444 tonnes in 2018-19," GV Shreedhar, past Chairman at the All India Gems and Jewellery Trade Federation, told *BusinessLine*.

There was a greater dip in the total pearl, precious stone and semi-precious stone imports. "This is because of the hike in import duty levied by the Centre. There is also more liquidity in gold that has attracted higher imports," an official aware of the import patterns said. Analysts had raised concerns as gold import volumes had moderated in 2017-18, but imports of precious stones and pearls did not. "As the latter are hard to value objectively, they hint at capital flight and are worryingly large now particularly given the drop in jewellery exports," a report released by a foreign brokerage in April 2018 had said.

THE HINDU DATE : 6/5/2019 P.N.14

Gold, silver prices in check

Gold dips to near four-month low by April end

B. KRISHNAKUMAR

After an initial up move in the beginning of April, gold prices both internationally and in domestic markets have remained largely subdued.

The gold price at Comex dropped to a near four-month low towards the end of April 2019, driven primarily by the strength in the U.S. dollar and the strong undertone in the global equity markets. The flow of better-than-expected economic data from the U.S. and China also played a key role in keeping the gold and silver prices under check in April.

Comex gold ended the week at $1,279.2 an ounce and silver at $14.91 an ounce. At MCX, gold futures settled at ₹31,453 per 10 gm and silver ended at ₹37,423 per kg.

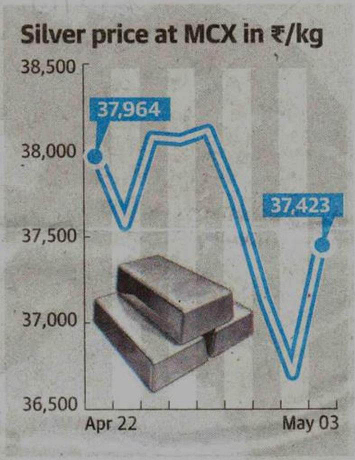
Based on the recent price action, the short-term outlook for gold and silver is not too positive.

The price of gold at Comex is likely to be confined to the recent trading range of $1,260-$1,290 range in the next few weeks.

A decisive breakout past this range is a prerequisite to impart some momentum in the direction of the price breakout. Until then a range-bound action within this price zone is anticipated.

The short-term outlook for silver is slightly weak in comparison to gold. A drift to lower levels of $14.10-14.20 is likely. A break below $14 is likely to impart further weakness and a subsequent fall to $13.50-13.60 cannot be then ruled out.

The upside for silver is likely to be capped at $14.80-$15 an ounce. A move above $15.10 is required to invalidate the negative outlook for silver.



Domestically, MCX gold is likely to ease to the immediate support at ₹30,650-30,900 per 10 gm.

A move past the immediate resistance at ₹31,900 would invalidate the short-term negative outlook for gold.

MCX silver too is likely to seek lower levels. A fall to the immediate support level of ₹36,000-36,100 per kg, is likely.

A move above ₹37,900 per kg is required to infuse some upside momentum to the MCX silver price.

(The author is a Chennai-based analyst/trader. The views and opinion featured in this column are based on the analysis of the short-term price movement of gold and silver futures at COMEX & Multi Commodity Exchange of India. This is not meant to be a trading or investment advice. The author shall not be held responsible for any outcome based on the decision taken on the view / opinion furnished in this column)

THE HITAVADA (CITY LINE) DATE : 6/5/2019 P.N.10

India produces 27 MT steel in Jan-Mar

■ Business Bureau

INDIA'S steel production fell by about 0.3 per cent to 27.33 million tonne (MT) during the first quarter of the calendar year 2019, according to data from the World Steel Association.

During the January-March 2018 period, the country had produced 27.40 MT of crude steel, the data showed. In January, India had produced 9.18 MT steel, down 1.9 per cent as compared with 9.35 MT in the corresponding month of 2018. The country in February 2019 reported a rise of 2.3 per cent to 8.74 MT as against 8.54 MT in the year-ago month.

In the subsequent month, the output fell one per cent to 9.41 MT, from 9.50 MT in March 2018.

In 2018, India's annual production of crude steel had stood at 106.5 MT, up 4.9 per cent from 101.5 MT it had produced in 2017.

India is the second-largest producer of steel in the world after China, which produced 80.33 MT during January-March 2019.

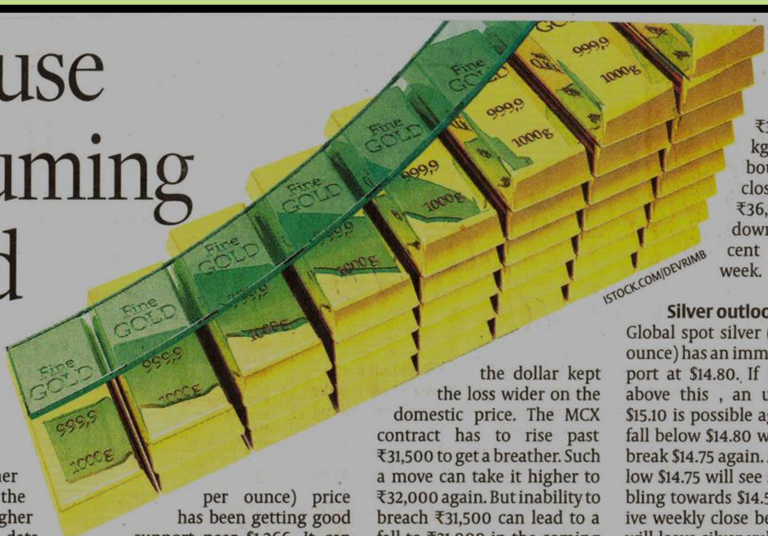
India has set an ambitious target of scaling up its steel production capacity to 300 MT.

In May 2017, the Union Cabinet also the approved two policies, including the National Steel Policy 2017 that envisaged Rs 10 lakh crore investment to take capacity to 300 million tonne by 2030-31, to give a boost to the domestic steel sector.

The World Steel Association is one of the largest industry associations in the world. Its members represent around 85 percent of the world's steel production, including over 160 steel producers with nine of the 10 largest steel companies, national and regional steel industry associations, and steel research institutes.

BUSINESS LINE DATE : 6/5/2019 P.N.11

Gold to pause before resuming downtrend



ISTOCK.COM/DEVRIMB

The dollar's bullish outlook can cap the upside before pulling the yellow metal down again

GURUMURTHY K

It was yet another week of volatile movement for gold. After hovering between $1,280 and $1,290 per ounce in the initial part of the week, the global spot gold prices tumbled below $1,280 on Wednesday. The US Fed's indication that rate cuts may not come by, triggered this fall.

Gold prices touched a low of $1,266. However, the pullback in the dollar index on Friday helped gold recover.It ended the week at $1,279 per ounce, down 0.5 per cent for the week.

Dollar to bounce-back

The US dollar index (97.48) fell initially but, the lesser possibilities of further rate cut, helped the index reverse higher to 98.10. But data showing slow wage growth, coupled with a weak services sector expansion, dragged the dollar index on Friday. The dollar index fell from its high of 98.10 and closed the week at 97.48. The broader picture remains positive. A strong support is in the 97-96.7 region. As long as the index trades above this support zone, the possibility of breaching 98 and rallying to 99 is high. The upside in gold can be capped and the downtrend may resume.

Gold outlook

The global spot gold ($1,279 per ounce) price has been getting good support near $1,266. It can consolidate broadly between $1,266 and $1,292 in the near term. If it manages to breach $1,292, a rise to $1,300-$1,302 is possible. However, a further rally beyond $1,302 looks unlikely at the moment, as the broader picture continues to remain negative. As such, an eventual break below $1,266 will trigger a fresh fall to $1,260 and $1,255.

The gold futures contract on the Multi Commodity Exchange (MCX) was down 1.5 per cent last week. The contract has closed the week at ₹31,447 per 10gm. The Indian rupee strengthening against the dollar kept the loss wider on the domestic price. The MCX contract has to rise past ₹31,500 to get a breather. Such a move can take it higher to ₹32,000 again. But inability to breach ₹31,500 can lead to a fall to ₹31,000 in the coming days.

Silver recovers

Silver prices tumbled over 3 per cent intra-week. The global spot silver prices declined, breaking below the crucial support level of $14.75 after the US Fed meet. It tumbled to a low of $14.54. However, the prices managed to reverse sharply higher on Friday, following the fall in the dollar index. Silver has closed the week at $14.94 per ounce, down 0.9 per cent.

The MCX-Silver futures contract was down 3.6 per cent intra-week. It made a low of ₹36,171 per kg and bounced to close at ₹36,700 per kg, down 2.2 per cent for the week.

Silver outlook

Global spot silver ($14.94 per ounce) has an immediate support at $14.80. If it sustains above this , an upmove to $15.10 is possible again. But a fall below $14.80 will push to break $14.75 again. A break below $14.75 will see silver tumbling towards $14.50. A decisive weekly close below $14.75 will leave silver vulnerable to a fall towards $14.20 and $14.00 over the medium term.

The MCX-Silver (₹36,700 per kg) has an immediate resistance at ₹36,900. A strong break above it can ease the downside pressure and take it higher to ₹37,400 and ₹37,500. But inability to breach ₹36,900 can drag it lower to ₹36,500 and ₹36,200. In such a scenario, there is a strong likelihood of the contract tumbling towards ₹35,500 in the coming weeks.

The writer is a Chief Research Analyst at Kshitij Consultancy Services

MCX-Gold

Supports
₹31,000, ₹30,500
Resistances
₹31,500, ₹32,000

MCX-Silver

Supports
₹36,200, ₹35,500
Resistances
₹36,900, ₹37,400

BUSINESS LINE DATE : 6/5/2019 P.N.6

3 ways to bond with gold

This Akshaya Trithiya, buy gold using digital platforms, sovereign bonds and ETFs

RAJALAKSHMI NIRMAL

Traditionally, families saved in gold by buying jewellery. But with high making charges, investing in jewellery is not the smart thing to do. Making charges, together with the price of the precious stones in the gold jewellery, eat into returns. Aside from all this, gold in the physical form is an illiquid investment — jewellers don't pay cash for old jewellery. And, if you keep the jewellery in a bank locker, there are rental charges to deal with. Here are three best ways to buy gold this Akshaya Trithiya

Buying from MMTC-PAMP

Many players today offer a digital platform to buy gold directly from MMTC-PAMP — a JV between MMTC (a Government of India undertaking) and PAMP (a global refiner in gold). Motilal Oswal's Me-Gold is one such digital platform. You can buy gold for as low as ₹1,000 or 0.3 gm. Orders for buy/sell can be placed at any time of the day and all seven days of the week.

When you place a 'buy' order through the app, MMTC-PAMP purchases an equivalent value of hallmarked gold in your name and stores it in its vault. When you decide to exit, you can sell the gold back to MMTC-PAMP through a 'sell' order in Me-Gold. The refiner will take it back and credit the money to the account with Motilal Oswal. You can also redeem gold in physical form in multiples of 1 gm by paying extra for making charge, and it will be delivered at your registered address.

Payments apps — Paytm, PhonePe, MobiKwik and Google Pay — also offer a digital platform to buy gold from MMTC-PAMP and orders can be for as low as ₹1.

However, there are a few restrictions. One, the maximum period for which you can store gold at MMTC-PAMP is only five years. Also, every platform has a frequency to keep the account active — in case of Me-Gold, if there is no buy/sell/redemption order for 18 months, it will be deemed inactive and the money will be refunded by liquidating the gold at the then prevailing price. And there are transaction charges on these digital platforms.

Sovereign gold bond

For those eyeing returns on investment in gold, sovereign gold bonds are the best option today. You get interest at 2.5 per cent per annum on the face value of the bond.

This means that when the price of the yellow metal goes up, you get the twin benefits of price gain and interest, and when the prices fall, you are not impacted as much as those who invested in physical gold, as you will get the interest on the bond.

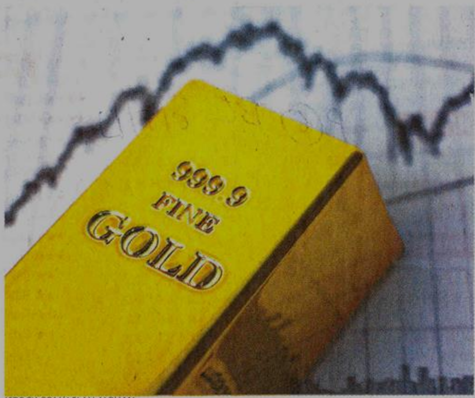
These bonds are issued by the Reserve Bank of India. All except NRIs can invest.

Investment in these bonds can be made through cash (up to ₹20,000), cheque or demand draft. The bonds are issued in denominations of one gm and in multiples thereof.

Maximum investment in a year is capped at 4 kg for individuals.

The RBI fixes the price of the bond. You can buy these bonds from banks, the Stock Holding Corporation of India, designated post offices, the National Stock Exchange of India and the Bombay Stock Exchange.

The investment tenure of the sovereign gold bonds is eight years. Premature exit is allowed from the end of the fifth year. Investors who want to exit early can sell the bond in the secondary market.



ISTOCK.COM/ASLAN ALPHAN

Gold ETFs

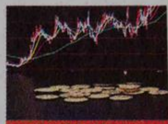
You can also invest in gold through gold exchange traded funds (ETFs). These are units of mutual fund schemes.

You can buy/sell these units through a share broker, provided you have demat and trading accounts. From the time these ETFs list on the bourses, you can sell/buy at the market price.

These ETFs track the domestic price of gold. However, based on the demand/supply of these units in the market, they can trade at discount/premium to the market price or NAV of the fund.

Also note that, though the cost of investment in gold ETFs is cheaper than investing in the physical form, you will need to pay fund management charge and service charge for the broker.

If you are opening a demat account specifically for investing in gold ETFs, the demat account charges will also have to be accounted for in your total cost. You also need to be aware of the high tracking error of these funds because of their cash holdings. Thus, when you sell, you may not be able to exit close to the market price of gold.



Me-Gold advantage

- You can buy gold for ₹1,000 or 0.3 gm...
- ...At any time of the day
- ...All seven days of the week

Pre-requisite

You can buy/sell ETF units through a share broker, provided you have demat and trading accounts

BUSINESS LINE DATE :6/5/2019 P.N.11

The ABC of gold hallmarking

While buying gold, the hallmark symbol helps you evaluate its purity

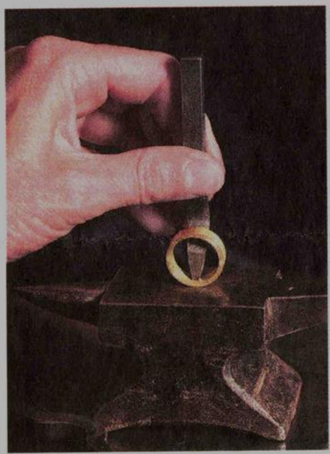
BAVADHARINI KS

India is one of the largest gold markets in the world. Gold is cherished both as an adornment and as an investment, but it is most sought-after in the form of jewellery. Akshaya Tritiya is considered to be an auspicious occasion to buy the yellow metal. But, in a rush to buy at the best rate, don't forget to do your due diligence on its quality, as the value of gold is measured by its purity.

Gold hallmark

The hallmark symbol certifies the purity of gold articles in accordance with the Bureau of Indian Standards (BIS) — the national body for standards. If you are buying gold, look for the BIS-certified hallmark, which ensures you don't get inferior quality. In India, two precious metals — gold and silver — have been brought under the purview of hallmarking. The BIS Hallmarking Scheme is a voluntary scheme operated by the Bureau through its network of regional offices across the country. As per this scheme, a jeweller applies for and is granted a licence that certifies the purity of gold or silver jewellery. Each piece of jewellery he sells is hallmarked through a BIS-recognised assaying and hallmarking centre.

The BIS conducts regular surveillance audit of assaying and hallmarking centres, testing random market samples from licensed jewellers.



ISTOCK.COM/FERMATE

What to look for

A hallmark consists of four key components — the BIS mark, the fineness number, the assaying and hallmarking centre's mark and the jeweller's identification mark. The marking is done using either punches or a laser-marking machine. In accordance with BIS procedures, hallmarking is applied to all parts of the item that can be easily detached, except for lightweight items and bangles, where it is applied only once, says a report on hallmarking from the World Gold Council (WGC).Let's see what each component means.

The BIS mark: Any gold jewellery that is hallmarked by BIS will bear its logo.

Carat and fineness number: Another component to look for is the purity of gold. This is usually measured in carat (KT) and fineness number. A 24KT is considered to be the purest form of gold; however, it is too soft to be converted into any jewellery. Certain metals such as copper and silver are added to make it durable. For instance, if a jeweller says 22 carat (22K) gold, it contains, 91.7 per cent gold, copper, silver and zinc constitutes the rest. Fineness number is also another way to measure gold's purity. It is measured in parts per thousand. According to the WGC, 24KT should be 1 (24/24), but there is likely to be slight impurity in any gold; it can only be refined to a fineness level of 999.9 parts per thousand. So, a 22KT is 0.916 (22/24).According to BIS, from January 2017, the gold hallmark is given for only three levels of purity — 22K916 (22 carat), 18K750 (18 carat) and 14K585 (14 carat).

Identification marks: Another component to look for is the assaying and hallmark centre's mark or number and the jeweller's identification mark. It is important to note that the jewellery is hallmarked by BIS-recognised assaying and hallmarking centres and not by jewellers. There are 400-plus centres in the country, about 40 per cent of them in the South.If you had purchased gold before December 31, 2016, the year of making would also be visible in the jewellery, denoted in the form of a code, as determined by BIS. For instance, there will be 'R' for year 2013

The BIS scheme covers hallmarking for gold medallions (in the shape of coins) of 995 fineness and below. So, every time you purchase gold, proceed with care and caution.

Redressal

If you are not sure of the purity of gold purchased, you can have it tested at an assaying and hallmark centre. The centre is expected to testthe jewellery of consumers on a priority basis and issue a report. If the hallmarked jewellery is found to be of lower purity, the testing charges will be refunded and the jeweller is obliged to replace the item to satisfy the consumer.

Symbolic significance

Hallmarks are official marks used in many countries as a guarantee of purity or fineness of precious metal articles

'Steel companies buffeted by global and domestic headwinds'

The only consolation now is the increasing government spend on infrastructure projects, says JSW Steel's Joint MD

SURESH P IYENGAR
Mumbai, May 6

JSW Steel has chalked out an expansion plan. The slowdown in demand, however, raises many a question. In an interview with *BusinessLine*, Seshagiri Rao, Joint Managing Director, JSW Steel, said he is confident that the expansion plans are on track to meet future demand projection. Excerpts:

THE BL INTERVIEW

How did the last fiscal pan out for you?

The last fiscal was challenging for steel companies, particularly during the second half.

The global slowdown and intensive protectionism led to trade tension and liquidity concern. These three factors had its impact on the global economy.

In India, there was a liquidity crisis, non-performing assets (NPA) issues and banking problems that started hitting the domestic economy from last October.

Overall, we had seen some slowdown in demand.

Despite this, we were close to achieving our production target. We recorded a production of 16.5 million tonnes (mt) against target of 16.69 mt. On sales, we were lower.

How do you see the demand for steel this fiscal?

We are cautious on revival of steel demand this fiscal due to liquidity issues that persist. Lending has slowed down due to the crisis in non-banking financial companies (NBFC) and banking sectors. Credit growth is seen at 14 per cent, but for the industry liquidity is still an issue.

The only consolation now is the increasing government spend on infrastructure projects such as roads, bridges, tunnels, ports, water and gas pipeline. Going by manifestoes of political parties, we expect this momentum to continue even after the new government takes charge.

Steel demand should continue growing at 7-7.5 per cent this fiscal.

How do you see coking coal and iron ore prices this fiscal?

Global iron ore prices have shot up in the last few weeks due to the natural calamity. It went up from $65 a tonne to $85 a tonne. The market predicts that the short-supply of iron ore is not going to be as grave as expected.

Based on this, prices have started falling as the miners do not see a huge shortfall in production. Hence, the global steel demand this year may fall to 1.8 per cent from 3.9 per cent logged last year.

After the lower steel production estimate, the global gross domestic product (GDP) was revised and this will have further impact on steel demand.

Though coking coal and iron ore prices are currently high, there is no structural shift to keep them at elevated levels.

China's dependence on Australia for coking coal is coming down as the supply from Mongolia has increased. Iron ore prices should come down in the second half of this year,.

Have you set a target for iron ore imports this fiscal?

Our iron ore imports have come down drastically. We are not importing as much as we used to in the past.

The domestic availability, particularly in Odisha and Chhattisgarh, has improved even though it was deficient in Karnataka. If the current situation continues, there will be no need for us to import iron ore.

Have the mines that were auctioned started production?

No. One of the major reasons for them not being operationalised is hoarding of mines. Currently, companies come and bid for the mine only to ensure that others do not get it.

With this, they pay a hefty premium. The intent is not to operationalise the mine. There is no hefty penalty on companies that do not honour commitments. The penalty is merely a marginal initial guarantee given by the bidder. There is no blacklisting or banning of these companies from bidding. The premiums are not feasible because the number of mines that are auctioned is less than the demand. If the government wants to enhance the manufacturing sector's contribution to GDP, from 16 per cent to 25 per cent, then auctioning of mines at competitive price is important. This will also ensure that there is no premium at 130-175 per cent which makes the project unviable.

How do you see Karnataka miners' claim that steel companies are not buying them?

This is misinformation. The iron ore stocks in Karnataka have been there since 2008-09. They are of a low-grade, with 40-45 per cent manganese and needs beneficiation. It cannot be exported either. If they have to sell it in the domestic market, they have to price it in such a way that it is viable for the user industry.

The low-grade iron ore in Karnataka has high manganese, silica and moisture, but they are priced the highest. Steel companies are struggling due to high iron ore costs, no access to coking coal and high logistics costs. Iron ore in Karnataka should be sold at ₹1,600-₹2,000 a tonne.

Lending has slowed down due to the crisis in non-banking financial companies and banking sectors. Credit growth is seen at 14 per cent, but for the industry liquidity is still an issue

SESHAGIRI RAO
Joint Managing Director, JSW Steel

THE HINDU
DATE : 8/5/2019 P.N.13

Vedanta Q4 profit falls 46% to ₹2,615 crore

SPECIAL CORRESPONDENT
MUMBAI

Vedanta reported a 46% dip in its fourth quarter net profit to ₹2,615 crore on a 15% fall in its net sales to ₹23,092 crore due to lower commodity prices, rupee appreciation and lower volume at aluminium and zinc India business.

Mr. Navin Agarwal, chairman, Vedanta Limited, said, "FY2019 was a year of production ramp-up alongside robust financials."

For FY19, profit dipped by 15% to ₹6,857 crore on a 1% fall in revenue to ₹90,901 crore mainly due to shutdown of Tuticorin smelter, lower volume at zinc and iron ore businesses and lower metal prices.

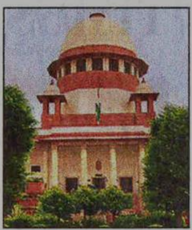
THE TIMES OF INDIA DATE : 8/5/2019 P.N.3

Govt moves apex court to prevent mining of atomic resources by private companies

TIMES NEWS NETWORK

New Delhi: The Centre on Tuesday rushed to the Supreme Court challenging a Delhi high court order which had directed the government to execute exploration licences of atomic and rare mineral bearing blocks granted to private parties despite a policy decision not to allow private players to explore such minerals.

In June 2010, the UPA government had allowed private parties to undertake exploration of 62 offshore blocks having atomic and rare mineral deposits. But noticing large-scale irregularities by several private firms, which had the same directors and were registered just days apart, the government ordered a CBI probe.



In June 2010, the UPA government had allowed private parties to undertake exploration of 62 offshore blocks. But noticing large-scale irregularities, the government ordered a CBI probe

The Centre took a policy decision in 2016 "not to auction atomic and rare mineral bearing blocks in question, either for exploration or for production, to private parties, but considering the nature and strategic importance in defence requirements, to mine only through governmental agencies in consultation with Department of Atomic Energy".

Following the policy decision, the Indian Bureau of Mines cancelled its June 7, 2010, order shortlisting 16 private applicants, who had responded to the offer for exploration of offshore blocks bearing atomic and rare minerals. Some of these shortlisted private firms challenged this in the Delhi HC, which on April 25 upheld a single judge bench's order and directed the Centre to execute the exploration licences with the private firms within two weeks.

In the appeal before the SC, the Centre said, "Shocking facts of the present case is that five companies, which applied for grant of exploration licence under the notification of June 7, 2010, had a common director and were registered after the date of notification, that is June 7, 2010, inviting applications for grant of exploration licences... whole process of selection by the screening committee and the subsequent letter for grant of exploration licences on April 5, 2011, lacked transparency and due diligence."

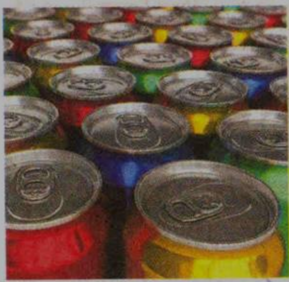
BUSINESS LINE DATE :8/5/2019 P.N.3

Hindalco in consortium to promote use of aluminium cans for beverages

NANDANA JAMES
Mumbai, May 7

Hindalco Industries Ltd, Ball Beverage Packaging (India) Pvt Ltd and Can-Pack India Pvt Ltd are launching a consortium called Aluminium Beverages Can Association of India (ABCAI) with the aim of increasing the use of aluminium cans to pack beverages.

ABCAI intends to partner with governments, corporates, trade bodies and consumers to spread awareness on the economic and environmental benefits of aluminium beverage packaging. It will commission studies to showcase the benefits of such beverage cans in logistics, refrigeration, water and power conservation.



Aluminium packaging is eco-friendly, offers faster cooling and logistical efficiency, and is tamper-proof and easy to carry and dispose

Awareness gap

Prakash Nedungadi, Group Head, Consumer Insights & Brand Development, Aditya Birla Group, said aluminium plays a key role in the burgeoning packaging industry in India and that the consortium sees a need to bridge the awareness gap. "We aim to convert one in every four beverage packages in India to aluminium by 2030," he said.

At just one, India's annual per capita consumption of cans is a far cry from countries such as Brazil (97), China (39), the US (288) and Vietnam (70). Currently, aluminium constitutes about 5 per cent of beverage packaging in India. The number of beverage packages consumed in India is expected to reach 50 billion a year by 2030 from the current 20 billion.

Global benchmarks

"Looking at the global benchmarks — 70 or 40 cans per capita versus our one — there obviously is an opportunity to grow. Therefore, when we say we want to go from one can to eight cans per capita over the next 11-12 years, we think it's a reasonable goal, which we should all work towards. Then we can then see whether we want to raise that further," Nedungadi told *BusinessLine*.

He pointed out that aluminium packaging is eco-friendly, offers faster cooling and logistical efficiency, and is tamper-proof and easy to carry and dispose. Aluminium is also infinitely recyclable, he added.

Gold continues to struggle despite rising global tensions

COMMENTARY

G CHANDRASHEKHAR

It is unclear what will prompt gold to decisively break above the psychological $1,300 a troy ounce because many of the props are already in place: geo-political tensions are rising; trade talks between USA and China are floundering; major economies have either slowed or are slowing; central bank purchases continue; and there is still chance that the US Federal Reserve will cut interest rate possibly in the second half of the year.

Despite several positive factors in its favour, the yellow metal has failed to benefit and continues to languish at around $1,280/oz. This has flummoxed many investors, especially die hard gold bulls. While inflows into gold ETFs were a key driver of gold demand in the last quarter (more pronounced in January), the last several days have seen steady outflows from gold ETFs. So, questions are now being raised about gold's safe haven status.

The answer lies in the demand side, so often overlooked by many. India and China are two of the world's largest markets for the yellow metal.

Without doubt, Indian demand was strong in the first quarter of the calendar year with imports up 20 per cent year on year. Data suggest that India imported $3.3 billion worth gold in March which equates to roughly 76-77 tonnes representing a one-third increase year on year. A fall in rupee price triggered by a stronger currency surely encouraged buying.

While Q1 demand was robust, the trend is unlikely to last beyond April. The next four months – June to September - are seasonally low demand months as the country's rural areas engage in farm related activities. It is a low season for the physical market. What will happen beyond September is anybody's guess as the country risks below-normal rainfall.

At the same time, China's first quarter imports were down by 50 per cent. Chinese demand for gold has been weak in recent months. A cut in VAT from April 1 is likely to potentially support demand. But sluggish Chinese economy will result in demand compression. In other words, looking ahead, the demand side is not looking strong for China and India both.

Interestingly, as of April 30, according to CFTC data, speculative financial investors completely reduced their net short positions in gold. This suggests that investors are still bullish about the yellow metal and expect a price rise sooner or later.

So, what can trigger a price spurt? Risk aversion is expected to return later this year. One, President Trump's higher import tariffs can hurt the US economy which in turn may force the Fed to lower interest rates. ETF buying will also provide a significant support to gold prices.

As it happens often, gold has been dragging other precious metals down in recent days. The gold /silver ratio has risen to 87, its highest level in over 25 years, according to experts. Speculative financial investors remain pessimistic about silver. The price differential between gold and platinum has widened again to $420/oz. Palladium has been rather volatile given its industrial application; but overall the metal is expected to decline from the current levels.

Meanwhile, with a new government likely to assume office in less than three weeks, lobbying for a reduction in customs duty on gold import has started in the country. There is of course little merit in this demand. The new government will need revenue from various different sources; and as a demerit commodity, gold is most unlikely to be favoured with a duty cut.

The writer is a policy commentator and commodities market specialist. Views are personal

THE ECONOMIC TIMES DATE : 8/5/2019 P.N.9 & 10

ALUMINIUM SEGMENT TOO REMAIN UNDER PRESSURE

Earnings, Profit Margins Likely to Remain Subdued for Vedanta

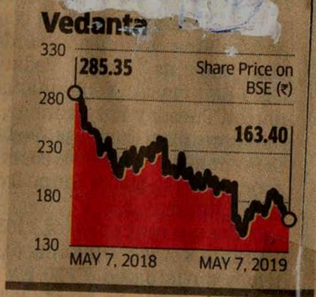
Shutdown of copper smelter at Tuticorin, lower metal prices bring Q4 profits down by 15%

Jwalit Vyas & Rakhi Mazumdar

Mumbai /Kolkata: Vedanta Ltd's profits in FY19 on a consolidated basis fell 15% as a shutdown of its copper smelter at Tuticorin and lower metal prices drove attributable PAT down to ₹6,857 crore from ₹8,025 crore in FY18. Vedanta's FY19 revenue was also lower by 1% year on year at ₹90,091 crore due to the shutdown, lower zinc and iron ore volumes and lower metal prices.

In Q4, Vedanta posted an 8% rise in attributable net profit to ₹2615 crore on a consolidated basis against ₹2420 crore in Q4 FY18. However, net sales in Q4FY19 slid 15% to ₹23,092 crore against ₹27,311 crore in Q4FY18. Production stall at Tuticorin also led to a 4% dip in EBITDA (earnings before interest tax and depreciation and amortisation) for FY19 to ₹24,012 crore, dragged by higher input prices and higher costs of production at zinc business.

Vedanta's earnings and profit margins are likely to remain subdued in the coming quarters as well. On Monday, Chinese yuan dropped the sharpest since 2016 after US President Donald Trump threatened higher tariffs on Chinese goods. The Sino-US trade battle, a feud between two of the world's largest metal consumers and producers, is not a positive for the global commodities industry, industry watchers have cautioned.



Almost a third of Vedanta's consolidated revenues came from aluminium in FY19. LME Aluminium prices are now at multi-year lows at $1795 per tonne, 8% lower than what analysts expected. The segment turned loss making in the last six months.

Lower raw material cost could partially help, however tepid realizations led by weak metal prices will continue to weigh heavy on the company's profitability. Besides, the advantage of a weaker rupee in the last six months may not sustain. LME Zinc, LME Copper and crude prices too are sharply off their highs.

Continued on ▸▸ Smart Investing

Vedanta Earnings, Margins Likely to Remain Subdued

▸▸ From ET Markets Page 1

"Going forward, there will be volatility in prices of commodities in the midst of global trade wars. Prices will rally and keep moving up and down. We are thus focussing on cutting costs and raising volumes to widen our margins," said Vedanta CEO Srinivasan Venkatakrishnan on Tuesday. For instance, in its aluminium business, Vedanta managed to cut down costs of production to $1800/ tonne from $2300/tonne.

At the current price of ₹163.4, Vedanta's stock is trading at 3.5 times anticipated FY20 EV by EBIDTA. This is much lower than its global peers, BHP Billiton and Anglo American, which trade at 5.9 and 4.4, respectively, according to Bloomberg. According to Bloomberg, analysts are expecting the company to deliver a 50% jump in its net profits in FY20. After the March quarter performance, analysts may revise their estimates downward.

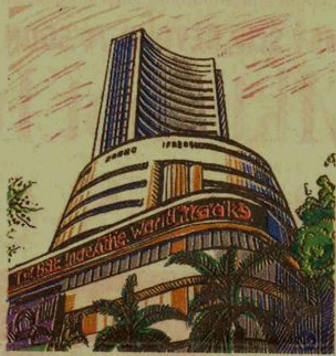
Vedanta's gross debt went up to ₹66,225 crore as on March 31, 2019 an increase of ₹8,066 crore year-on-year, mainly due to acquisition of Electrosteel Steels in May 2018 and borrowings at Hindustan Zinc India, the company said.

CEO Venkatakrishnan said he is hopeful of re-opening the Tuticorin smelter in FY20 and is working with all stakeholders to facilitate the process.

ANALYST PICKS HDFC Bank and NTPC, too have a high share of buy ratings in the 30-share group

L&T Most Preferred Stock Among Sensex Pack, Vedanta Least

Ami.Shah@timesinternet.in



ETMarkets.com: Larsen & Toubro (L&T) has emerged the most preferred stock in the Sensex-pack, climbing 11 positions from a year ago, while Vedanta turned out to be the least preferred.

The analysis includes stocks from the Sensex pack that have the highest percentage of 'buy' or 'strong buy' ratings.

To be sure, this analysis does not take into account absolute numbers of ratings, and the percentages are pegged to the change in the number of analysts tracking a particular stock.

As of April 25, the L&T stock had 93.6% of the total 31 analysts rating the stock a 'buy' or a 'strong buy', data from Reuters Eikon showed. It currently has 29 'buy' ratings, 1 'hold' and 1 'sell' rating. A year ago, the company ranked 12th in terms of most preferred stock. Around 79.5% of the total of 39 analysts that tracked the company rated it a 'buy' or a 'strong buy'. It had 31 'buy', 6 'hold' and 2 'sell' ratings.

In a note on May 20, ICICI Securities maintained a 'buy' rating on L&T and said it estimates the engineering and construction firm's consolidated earnings at 12% CAGR (compounded annual growth rate) over FY18-FY21E and value the company on a SoTP (sum of the parts) basis to arrive at a target price of ₹1,605.

The brokerage was also optimistic on the company's ongoing takeover plans for Mindtree. "We believe, the company's financial position is strong enough to fund the Mindtree acquisition deal and is unlikely to impact growth prospects of other segments," analysts at ICICI Securities said in the note.

HDFC Bank, the most widely tracked stock among Sensex companies with a total of 48 analysts tracking it, was the second-most preferred stock.

Currently 91.67% of the analysts rating it have a 'buy' or 'strong buy' rating on it. The stock currently has 44 'buy', 3 'hold' and one 'sell' ratings. At the end of April 2018, it had 45 'buy', 3 'hold' and 2 'sell' ratings.

"HDFC Bank remains the safest play in the current macro scenario with adequate bandwidth to capture market opportunities. It has best in class return ratios, robust retail franchise, healthy growth rates, superior asset quality and value unlocking opportunities from subsidiaries," Axis Securities said in a note on April 23, reiterating a buy rating on the stock.

NTPC, shared the rank, with 91.67% of analysts rating it a 'buy'. However, it was relatively thinly-tracked with only 24 analysts tracking it.

According to Jefferies, NTPC should see twin benefits of operational improvement and capacity addition in next five years, and potential earnings upside of 5-6% from power demand driven PLF (plant load factor) recovery could be an additional benefit. It maintained a 'buy' rating on the stock, and said it was a good near-term and medium-term portfolio holding.

Metals and mining firm Vedanta emerged the least preferred stock in the pack. The company on Tuesday reported a 45.54% drop in the March quarter profit at ₹2,615 crore.

"Despite impending cost efficiencies in key divisions, we find the upside capped in the stock owing to impending lower LME Zn (Zinc) prices," Edelweiss said in a note, as it maintained a 'hold' rating on the stock with a revised price target of ₹175 compared with ₹200 earlier.

THE ECONOMIC TIMES DATE :10/5/2019 P.N.3

Titan Expects 20% Growth Despite Slowdown in Jewellery Industry

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ET Intelligence Group: Bucking the trend in the midst of a slowdown in Indian consumption, Titan maintained a growth guidance of 20% for the current fiscal. India's largest jeweller said last fiscal was not so good, but things have started to change from the beginning of the current fiscal said the company management in a call with the analysts. Beside consolidation from structural changes is also helping.

Titan is the fastest growing large consumer company and could outperform the industry with such growth. In terms of valuations, at 50 times FY20 expected earnings, Titan's stock is slightly higher than the industry average of 45 times.

"We have seen a visible slowdown in the jewellery industry over the last two years. We know that most jewellers are in distress, which is a positive for organised player like us. Market share gain has been our story for the last two years," said Subbu Subramaniam, CFO, Titan. "The market is so large, and we are only 5%."

Subramaniam refrained from giving any guidance on the margin front though he said with 20% growth he expects operating leverage benefits to kick in. The company added a total of 115 stores with 130,000 square feet in FY19. Analysts expect a 34% earnings growth for FY20.

Titan saw sales grow 23% and net profit jumped 26% in FY19. The company has been gaining on the back of higher sales from wedding jewellery. "Wedding jewellery is now 20% of the total jewellery sales from less than 10% three years ago. We intend to take this to 35%," said Subramaniam. Wedding jewellery making involves higher complexities and margins are also higher. In FY20, there are 40% more auspicious wedding dates than last year. Jewellery was 81% of the revenues and 89% of the total profit.

BUSINESS LINE DATE :10/5/2019 P.N.2

Tata Steel to sell 19% stake in Oman limestone mine arm

OUR BUREAU

Mumbai, May 9

Tata Steel is planning to sell 19 per cent of its shareholding in the Oman-based limestone mining company, Al Rimal Mining LLC, to Oman National Investments Development Company (Tanmia).

In a statement, Tata Steel said it has signed a definitive agreement to induct Oman National Investments Development Company as a shareholder in Al Rimal Mining LLC.

The mining company a step-down subsidiary of Tata Steel.

The company was formed with the objective of limestone mining in Oman. Consequent to the deal, the indirect shareholding of Tata Steel in Al Rimal Mining LLC will reduce to 51 per cent from 70 per cent.

The other existing shareholders of Al Rimal Mining LLC will also sell their part stake of 11 per cent to Tanmia.

After the transaction, Tanmia will hold 30 per cent in Al Rimal Mining LLC.

The closing of the transaction is subject to fulfilment of some conditions precedent under the agreements.

The parties shall jointly work towards fulfilment of the same, said Tata Steel.

THE HINDU
DATE :10/5/2019 P.N.6

SC defers NGT levy over sand mining in A.P.

LEGAL CORRESPONDENT
NEW DELHI

The Supreme Court on Thursday deferred an National Green Tribunal (NGT) order directing the Andhra Pradesh government to deposit ₹100 crore for not checking illegal sand mining in the Krishna river.

The decision was based on a civil appeal filed by the State.

In its appeal, the State argued that the Tribunal went beyond the provisions of the law and initiated *suo motu* proceedings on the sole basis of a letter containing "vague, false and misleading allegations" about illegal sand mining.

The Tribunal had even asked the Central Pollution Control Board and the State Pollution Control Board to conduct an inspection on the basis of the allegations levelled about illegal mining in Prakasam Barrage in Krishna river.

THE ECONOMIC TIMES DATE :11/5/2019 P.N.1

Tata Steel, Thyssenkrupp Call Off Union of European Ops

Cos expect European Commission to block deal over fear of high prices after merger

Our Bureaus

Kolkata | Mumbai: Tata Steel and Thyssenkrupp abandoned plans to merge their steel businesses in Europe as they expect the deal to be blocked by the European Commission. Tata Steel fell 6% as it needs to look for another way to spin off the European steel unit and cut debt.

While "the proposed JV was an important strategic initiative to create a sustainable portfolio, help deconsolidate the European business and deleverage its balance sheet, Tata Steel remains committed to the strategy and would explore all options to achieve similar outcomes in the future," the company said.

Tata Steel fell 6% as it needs to look for another way to spin off the European steel unit & cut debt

Tata Steel Europe had debt of €2 billion as on March 31. "Every option for Tata Steel Europe will be considered and pursued," Tata Steel CEO TV Narendran said in reply to a question about a possible Plan B.

The two companies had signed definitive agreements on June 30, 2018, to create a 50:50 JV. The EC had raised concerns over high prices for electrical steel, automotive steel and packaging, among others, in the event of the merger.

The companies announced they were scrapping the plan in official statements on Friday.

Thyssenkrupp said making further concessions over EC concerns "would adversely affect the intended synergies of the merger," adding "the economic logic of the JV would no longer be valid".

Tata Steel added: "Consequently, with deep disappointment, the partners assume that EC will not approve the joint venture."

'Plan to Cut Debt won't Change' ▸▸ 3

BUSINESS LINE DATE :11/5/2019 P.N.9

Tata Steel cracks 6%, leads market fall

SENSOR

PRESS TRUST OF INDIA
Mumbai, May 10

Falling for the eighth straight day, the BSE Sensex slipped 96 points while the NSE Nifty ended below the 11,300-mark on Friday amid rising trade tensions between the US and China.

After a highly volatile session, the 30-share BSE benchmark closed 95.92 points, or 0.26 per cent, down at 37,462.99. The index hit an intra-day low of 37,370.39 and a high of 37,721.98.

Similarly, the broader NSE Nifty shed 22.9 points, or 0.2 per cent, to settle at 11,278.9. During the day, the bourse hit a low of 11,251.05 and a high of 11,345.8.

Tata Steel was the biggest loser in the Sensex pack, tumbling 6.1 per cent, following reports that German industrial conglomerate Thyssenkrupp expected the European Commission to "block" its plan to merge its European steel business with the Indian steel giant.

Other losers included HCL Tech, YES Bank, IndusInd Bank, TCS, ONGC, Bajaj Finance, PowerGrid, Vedanta, Asian Paints, NTPC and Hero MotoCorp, which shed up to 4.07 per cent.

SBI was the top gainer, up 2.94 per cent, after the country's largest lender reported a net profit of ₹838.4 crore for the fourth quarter of 2018-19 on a standalone basis as non-performing assets declined.

Bharti Airtel, ICICI Bank, HDFC twins, Axis Bank, Kotak Bank, M&M and Tata Motors too ended in the green, rising up to 2.09 per cent. Earlier in the day, the US hiked tariffs on $200 billion worth of Chinese imports, prompting Beijing to threaten retaliation. According to Joseph Thomas, Head — Research, Emkay Wealth Management, the market see-sawed through the day, indicating the difficulty in taking a specific direction, mainly due to three factors—expectations of strong counter tariffs from China against the US action, high oil prices and the country moving into the last phase of the elections.

Most banking stocks fared better on Friday amid trade war worries. The country's largest lender SBI led the sector with a gain of 2.94 per cent on the BSE REUTERS

THE TIMES OF INDIA DATE :11/5/2019 P.N.11

Tata Steel, German co Thyssenkrupp call off JV

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Mumbai: Tata Steel and German conglomerate Thyssenkrupp have decided to call off their steel joint venture (JV), expecting the deal to be rejected by the European Commission over competition concerns.

The JV, announced in September 2017, was supposed to create Europe's second-largest steel company with a turnover of 15 billion euros, behind ArcelorMittal. The deal was expected to stabilise and cut down the debt of the Tatas' loss-making European steel business. The collapse of the JV is a setback to Tata Group chairman **N Chandrasekaran**'s restructuring initiatives.

The European Commission will announce its decision by June 17. Tata Steel and Thyssenkrupp had tried to offer "significant concessions" to assuage the commission's concerns, but those didn't help. If further commitments were made, then it would "affect the basic foundation" of the venture, making it uneconomical, Tata Steel said.

The commission was expecting substantial concessions in the form of sale of assets of the JV.

With the merger now abandoned, Tata Steel said it will work towards improving the performance of Corus besides exploring other options for the unit (which is now known as Tata Steel Europe). The focus is to make the European operations cash-positive this year, said Tata Steel CEO T V Narendran.

Tata Steel acquired Corus for $13 billion in 2007, which marked its foray into Europe and which was the biggest merger & acquisition by an Indian corporate at that time. The acquisition, however, never made money for Tata Steel and it had to write off billions of dollars due to losses.

THE HINDU DATE :11/5/2019 P.N.13

Tata, Thyssenkrupp JV may not get EC nod

'Adjustments would negate synergies'

VIDYA RAM
LONDON

The European Commission is unlikely to give the go ahead to the European steel joint venture planned by Tata Steel and ThyssenKrupp, the two companies said on Friday following conversations with the regulator.

The firms said while approval might have been possible were they to offer further remedies to allay concerns around the impact of the joint venture on the market, such solutions would negate the deal's synergies and "adversely affect the basic foundation" of the joint venture. Tata Steel said it assumed the deal would not be approved, and as a result it would explore "all options" for maintaining a sustainable business in Europe. ThyssenKrupp said it would scrap plans to split its business in two and will instead seek to spin off its elevator business.

The European Commission, which has conducted two market tests based on the companies' remedy proposals, said the case was ongoing, with a provisional deadline for a decision by the Commission of June 17.

Unions have urged Tata Steel to give workers assurances on their future.

The acknowledgement of the problems facing the deal – which Tata Steel had said would give the structural strength it needed to combat the headwinds facing the European steel industry – follows concerns already expressed by unions and politicians about the lengths that the companies would have to go to, to get the deal through.

Last month, Tata Steel's European Works Council expressed "profound concerns" about the package of remedies, accusing Tata Steel of failing to honour agreements struck with unions and warned that they were "unconvinced" the JV was in the best interests of Tata Steel Europe.

Among their concerns was the potential sale of Trostre, a Welsh plant that produces packaging material supplied by the Port Talbot steel works, the Tata Steel-owned plant, which is at the heart of its British operations. In addition, unions had been concerned about the consequent impact on Port Talbot.

However, following another market test by the European Commission, based on the concessions offered by the companies, the Commission told the company its concerns remained.

THE TIMES OF INDIA
DATE :11/5/2019 P.N.1

Green activist confirms illegal sand mining in Vena lake

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Nagpur: While water resources department (WRD) may not have found anybody excavating sand from bed of Vena dam, off Amravati Road, environmentalists say evidence is there for all to see. Green activist Seema Sahu had visited the dam on May 8 and seen labourers loading sand on three tractors. She visited the site on May 10 too and found that sand had been excavated from a large number of spots.

TURNING BLIND EYE

A citizen Sunil Degwekar alleged officials were hand in gloves with the sand mafia. "Their vigilance action will continue for two or three days and then it will be back to square one," he wrote on Facebook.

WRD section engineer Rajiv Wasu, however, claimed his staffer had visited the dam and found no one digging the bed for sand. "Our staffer went to Vena on Thursday and Friday but did not witness any illegal activity," he told **TOI**.

Countering Wasu, Sahu said activity must have stopped after it was highlighted by **TOI**.

▶Continued on P 4

CONTD...ON PAGE 26

THE TIMES OF INDIA
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CONTD...FROM PAGE 25

'Sand shouldn't be excavated under any circumstances'

▶Continued from P 1

Green activist Seema Sahu said, "What was the department doing all these days? If no illegal activity was going on where has all the sand gone," she asked.

WRD had permitted the local tehsildar to allow villagers to take away silt from the dried up reservoir. Removal of silt has dual benefit. The water body's capacity increases and farmers get fertile soil for their fields. However, many people are taking away sand after removing the silt.

Sand is in heavy demand in the construction sector and fetches a good price. Illegal sand mining is rampant in the district and elsewhere. Recently, sand smugglers had tried to run over revenue officials when they were checking a truck.

Environmentalist Shrikant Deshpande said that while removing silt increased the storage capacity of the water body, taking away sand reduced its water holding capacity. "Sand should not be excavated under any circumstances. Officials should immediately take action to stop illegal sand mining," he told TOI.

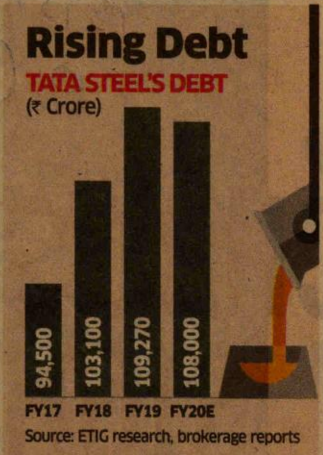
THE ECONOMIC TIMES DATE :13/5/2019 P.N.1

MERGER WITH THYSSENKRUPP SCRAPPED

Debt-laden Tata Steel may Have to Sell Assets

Europe unit to need support from domestic ops; move likely to slow down co's growth

Kala Vijayraghavan & Jwalit Vyas



Mumbai: With the plan to merge Tata Steel Europe (TSE) with Thyssenkrupp's steel unit in the continent abandoned, the brass at Tata Sons and Tata Steel may seek to recalibrate the latter's highly leveraged balance sheet through sizeable asset sales that may include exiting some international markets, said top officials close to the development.

The other immediate option would be to offload Tata Consultancy Services (TCS) shares as has been done before, one of them said. Analysts are concerned about the minimal options available to Tata Steel, which has a total debt of over ₹1 lakh crore. Having banked on transferring TSE's debt of ₹17,500 crore to the JV from its own balance sheet, Tata Steel's growth plans could get disrupted, they said.

THE HINDU DATE :13/5/2019 P.N.4

Kistaram open cast mines set to boost SCCL coal output

MoEF gives environmental clearance for new mine

B. CHANDRASHEKHAR
HYDERABAD

After suffering some setbacks in getting environmental clearance for its proposed new mines and expansion of existing ones earlier this year, Singareni Collieries Company Ltd (SCCL) has received a boost for its plans of increasing the coal production to 70 million tonnes in 2019-20 by getting the green nod for Kistaram open cast mine recently.

The coal company has achieved a production of 64.4 million tonnes in 2018-19 and getting the environmental clearance for Kistaram open cast mine, with a capacity of 2 million tonnes per annum (MTPA), in Sathupalli mandal of Khammam district is expected to go a long way in its plans to jack up the production by nearly 6 million tonnes. The green nod to the proposal has come three years after public hearing conducted on it.

According to SCCL officials, a committee of experts in the Ministry of Environment and Forests (MoEF) that has gone through the proposal has recommended clearance to the mine earlier this month and has stipulating several conditions to keep impact of the mining activity under check on air, water and local people.

Appraised separately

Environmental conditions in and around Sathupalli town were also appraised separately by the panel before giving its nod.

Major conditions stipulated by the experts committee for taking up excavating coal in the mine include transportation of coal from mine face to coal heap through trucks by covering the coal, use of mist type sprinklers to control dust at source, crusher and in-pit belt conveyors and provision of water sprinklers all along the roads to control dust and other fugitive emissions.

Further, the committee asked the coal company to control dust emissions through mechanised sweeping, water sprinkling/mist spraying on haul roads and loading sites, long range misting/fogging arrangement, wind barrier wall, vertical greenery system, green belt and dust suppression arrangements at railway siding were among other specific conditions stipulated. The committee also asked the coal company to take specific measure to minimise the mining impact on air, water, noise, vibrations, stability of structures, health of people in nearby villages and their socio-economic conditions and relief and rehabilitation operations. The panel was particular on giving training in livelihood activities and skill development to persons of nearby villages to make them employable, conducting medical camps at least once in six months to ensure health and welfare of people in the nearby villages.

"We are expecting green nod for expansion of a few of our existing mines this year as also the commencement of production in coal block allotted to us in Chhattisgarh," sources in SCCL stated.

Call to change work timings

SCCL miner unions raise concern over heat wave

SPECIAL CORRESPONDENT
BHADRADRI-KOTHAGUDEM

With most parts of the coal belt region reeling under severe heat wave conditions ahead of mid-May as mercury hovers around 45 degree Celsius, the demand for rescheduling the work timings of coal workers in the Singareni Collieries Company Limited (SCCL)'s coal mines in Kothagudem region is becoming shriller.

Almost all the trade unions operating in the coal belt region have urged the management of the State-owned SCCL to change the work timings of the coal workers in view of the extreme heat conditions prevailing in the coal mines particularly the opencast projects.

The CITU affiliated Singareni Collieries Employees Union (SCEU) and the AITUC affiliated Singareni Collieries Workers Union (SCWU) have raised the issues facing workers engaged in surface mining operations such as their vulnerability to extreme heat conditions, during various programmes held to mark the World Labour Day on May 1.

Miners want change in their working hours in view of heat wave conditions. • FILE PHOTO

The leaders of the other major trade unions also expressed their concern over the gruelling heat wave that gripped the coal mining areas and sought change of shift timings of workers to protect them from the risk of heat related ailments.

'Protect workers'

The opencast mines continued to sizzle with the temperatures soaring to near 50 degree Celsius making it arduous for the workers to perform surface mining and other allied operations in the OCPs, general secretary of the SCEU M. Narasimha Rao said.

Coal miners are susceptible to heat stroke, exhaustion, dizziness, cramps, and other heat related ailments and as such they urgently need succour from the blistering heat wave sweeping across the coal mining areas, insisted K Srinivas, a Kothagudem-based activist of the INTUC. The SCCL management had rescheduled the work timings in OCPs in May first week in 2017 when similar heat wave swept across the Kothagudem coal belt region, he recalled.

A slew of heatwave mitigation measures such as provision of ORS and butter milk sachets and makeshift shelters at the work sites to provide shade for the coal workers have already been initiated in all the coal mines, said an official of the SCCL. All the heavy earth moving machines those deployed in OCPs are equipped with air-conditioners in the operators' cabins, he added.

BUSINESS LINE DATE :13/5/2019 P.N.11

How to read the runes of LME inventory

Observing the inventory movement of a metal at warehouses can give a fair picture of its price trajectory in the short term

SATYA SONTANAM

The prices of base metals diverted from its 2017 upward trajectory, and fell steeply in 2018 following the tariff impositions by the US. Such volatility is an inherent risk in the commodity markets. Whether you are a producer/trader or a buyer of base metals, it is essential to gauge the price movements to avoid being in hot waters.

While understanding the global market and analysing the supply-demand dynamics of a metal is one way to predict its future price movements, observing the inventory movement of the metal at warehouses also gives a fair picture of the trajectory of prices in the short term.

Here, we look at how the London Metal Exchange (LME) prices take cues from the inventory levels at its warehouses. Price discovery at LME is underpinned by a global physical network of about 700 warehouses.

In case of physical delivery contracts, LME is usually considered the 'market of last resort'.

Inventory=supply

Though the volume of non-precious contracts traded on LME was just about 20 per cent of what was traded on the Shanghai Futures Exchange in 2018, LME is prominent as its warehouses are spread all over the world, unlike the former.

Producers/traders put their surplus in LME warehouses when they cannot sell it in the physical market directly.

Therefore, rising inventory in LME warehouses represents lack of demand in the market for the metal, and prices subsequently fall. Inversely, dwindling inventory implies increased number of buyers for the metal on the exchange, which pushes up the prices.

For instance, when LME inventories of copper were at a yearly low of 2,96,000 tonnes in February 2011, prices hit a record high of $10,170 per tonne. Then, as copper inventory

ISTOCK.COM/ENVIROMANTIC

touched a record high of 6,78,000 tonnes in June 2013, the price hit a then multi-year low of $6,637 per tonne.

For each lot of the metal held in an LME-approved warehouse, the exchange issues a warrant, which is a bearer document. When a producer/trader wants to sell the metal stored in an LME warehouse to an buyer outside LME, he/she cancels the warrants issued, and the metal is moved from the warehouse. This means that cancellation of warrants is a sign of rise in demand, and prices go up on such cancellations.

For example, in March 2009, the cancelled warrants of copper in LME grew from 3 per cent to 12 per cent of the total inventory in a week's time, and in the period, prices rallied over 12 per cent.

Thus, considering the closing stock and the cancelled warrants of a metal at LME warehouses is vital to forecasting the prices. One can check daily reports on the inventory movement of metals on the LME website itself.

Note that the closing inventory includes volumes of cancelled warrants, too, until it is loaded out from LME warehouses. While analysing the inventory, it is advisable to consider the closing inventory after deducting cancelled warrants. The net quantity is termed 'open tonnage', which is available for trade on LME. (Open tonnage = closing inventory - cancelled warrants).

Say, a daily inventory report of copper shows a closing stock of 1,000 tonnes, open tonnage of 900 tonnes and cancelled warrants of 100 tonnes. Here, it is more appropriate to consider the open tonnage of 900 tonnes for analysing the inventory, as it represents the actual stock after excluding the stock earmarked for delivery.

Global factors, a caveat

It is equally important that users of the metal look at other factors that also dictate prices in the metals market — mainly, the USD exchange rate. In November 2012, despite a drop in cancelled warrants in copper, prices continued to move up because of a drop in the value of the greenback.

Even now, while inventories across base metals are low compared with a year ago, the market is taking cues from the US-China trade tensions and keeping prices low. For example, though copper's current inventory in LME is less than 41 per cent over what it was in March 2018, the prices haven't moved up. In fact, it has dropped 8 per cent to $6,130 per tonne from an average of $6,800 per tonne in March 2018.

Did you know?

The London Metal Exchange is the oldest trading exchange for base metals

Will gold's time *aayega*?

Indians are buying less gold; globally, too, demand has been weak. And the metal's long-term return track record has been poor

RAJALAKSHMI NIRMAL

India's love for gold has been losing its sheen. Over the past decade, the annual demand for gold jewellery and bars has dropped from about 1,000 tonnes in 2010 to 760 tonnes in 2018.

Sovereign gold bonds (SGBs), which were launched amidst a lot of fanfare, have also seen their demand drop over the years.

After raising about ₹3,451.5 crore in the issues in 2016-17, collection via SGBs dropped to ₹1,872.7 crore in 2017-18 and ₹643.3 crore in 2018-19. For the current fiscal year, there has been no issue of SGBs till date. While an issue is usually opened around Akshaya Tritiya, this year, there was none.

Since the first issue in 2015, a total of 27 SGBs have been issued; they have collected a total of ₹7,285.7 crore, which translates into 24.8 tonnes of gold.

Gold ETFs — the exchange-traded funds in gold run by fund houses — have also been witnessing a drop in assets under management with every passing year. The AUM of gold ETFs dropped from ₹11,648 crore in March 2013 to ₹4447 crore this March. While gold prices in this period were ₹2,800-3,000/gram, investors selling units and taking out money explain the drop in AUM.

The world continues to see increasing geopolitical risks but gold is not drawing any benefit from being a safe-haven metal. Gold prices have been moving in a narrow range, leaving investors who are holding the metal with conviction, puzzled. Across the globe, despite trade wars and fear of global economic slowdown, investors' risk appetite is still high and they are preferring equity to gold.

The fundamentals in gold are not encouraging. While central bank buying has been strong, demand from consumers in two key markets — India and China, which contribute a large chunk to the annual demand for the metal — is nothing to write about.


GETTY IMAGES/ISTOCKPHOTO

In 2018, consumption demand for gold in India dropped 1 per cent y-o-y to 760 tonnes and in Greater China, it was up just 3 per cent to 1,058.3 tonnes. For the first quarter of 2019, China's demand slid 3 per cent over the same period last year, while India's was up 5 per cent.

It is doubtful if India's consumption demand will sustain, given the rising gold prices on a weak rupee and the poor monsoon outlook.

Investment demand for gold, too, has been sagging. In 2018, the net inflows into gold ETFs globally was only 69.3 tonnes, a drop of 66 per cent over the previous year. In the first quarter of 2019, gold ETFs did see some good inflows, but there have been outflows from these funds over the last few weeks.

Supply in gold, on the other hand, has been rising. This is despite new gold deposit discoveries getting rarer and rarer. Mine supply has risen at a CAGR of 3 per cent over the past eight years. In 2018, total mine production was 3,502.8 tonnes, up from 3,441.8 tonnes in 2017 and 2,748.5 tonnes in 2010.

Lacklustre returns

Gold prices have been moving in the $1200-1300/ounce band for last five years, and the long-term return track record of the metal is poor. The five-year compounded annual return of the metal measured in USD has been 1.6 per cent. The 10-year CAGR has been 1.57 per cent and 20-year CAGR, 7.8 per cent.

For Indians, the weaker rupee helped gold's value grow. In rupee terms, the five-year CAGR in gold has been 3.3 per cent and 10-year CAGR, 6.5 per cent.

However, returns still have not been covering even inflation. In comparison, equity markets have been delivering handsome returns. The five-year CAGR in equity funds (large-cap) has been 12.73 per cent and 10-year CAGR, 13.28 per cent.

Gold may gain its lost lustre if the tide turns for equities, and given that paper currencies will only see their value erode with time, it makes some sense to invest in gold. Investing a portion of your portfolio — say, 10 per cent — in gold, is still not a bad idea. For Indian investors, buying SGBs in the primary market or gold ETFs listed in bourses are an option.

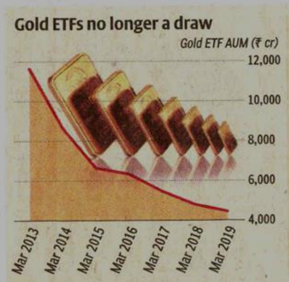
SGBs can be bought in the secondary market, too, but it's currently a challenging process. Being a government security, inter-depository transfer has not been happening in SGBs. Despite RBI allowing it, depositories haven't sorted out the operational challenges. If a client buys these bonds online, and the broker gets the credit in his pool account with NSDL (National Securities Depository) but the client has his/her de-mat account with CDSL (Central Depository Services), the units cannot be transferred. Some brokers let clients buy SGBs online only if they have both NSDL and CDSL de-mat accounts.

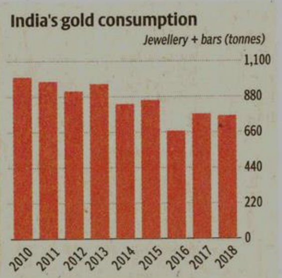
India's fading love for gold

- Demand for gold jewels and bars has dropped
- Sovereign gold bond collections have also fallen
- Gold ETF AUM the lowest in the last six years

Diversify

Gold can still be bought as a portfolio diversifier to reduce risks from equity investment





BUSINESS LINE DATE :13/5/2019 P.N.11

Gold stays afloat, but struggles to gain strength

GURUMURTHY K

Gold moved up and managed to sustain relatively higher within its sideways range, last week. The global spot gold made a high of $1,292 per ounce and fell back to close the week 0.5 per cent higher at $1,286 per ounce.

On the domestic front, a weak rupee helped the gold futures contract on the Multi Commodity Exchange (MCX) gain more than the global price. The MCX-Gold futures contract rallied 1.5 per cent and closed the week at 31,904 per 10 gm.

A strong sell-off in the global equities helped global spot gold remain at the upper end at of its $1,266-1,292 sideways range last week. US President Donald Trump tweeting on May 5 to increase the import tariffs on Chinese goods from 10 per cent to 25 per cent triggered this sharp fall in the global equities all through last week. All major indices such as the Dow Jones Industrial Average (-2.1 per cent), Nikkei 225 (-4.1 per cent), Shanghai Composite (-4.5 per cent), and India's Sensex (-3.9 per cent) and Nifty 50 (-3.7 per cent) were knocked down last week. The developments on the US-China trade talk will need a close watch. Any positive development in it will trigger a sharp bounce-back in the equities, which in turn can pull gold lower.

MCX-Gold
Supports:
₹31,150/30,600
Resistances:
₹32,135/32,500

MCX-Silver
Supports:
₹36,200/35,500
Resistances:
₹36,900/37,400

Lacking strength

Though the sell-off in equities helped gold stay afloat, the yellow metal is still struggling to breach the range above $1,292. This is something important to watch out for, which might reflect the inherent weakness in gold.

A dip in the US dollar index also failed to support gold gaining momentum. The US dollar index (97.32) inched lower but at a slower pace. Though it can dip further in the near term, the key supports at 96.90 and even 96.70 can limit the downside and trigger a reversal. A bounce from 96.90 or 96.70 can take the index higher to 98 levels again. As such, the upside in gold is likely to be limited in the coming days.

Gold outlook

In spite of the strong sell-off in equities, gold could not decisively rise past $1,292. This reflects the inherent weakness in it. The global spot gold ($1,286 per ounce) is retaining its $1,266-12,92 sideways range. Though there is still a possibility of gold breaking above $1,292, the upside is likely to be capped at $1,297-1,300. A strong rally beyond $1,300 looks unlikely. An intermediate support is at $1,280. A break below it can take gold lower to $1,270-$1,266 in the coming days. An eventual break below $1,266 will then increase the likelihood of the fall extending to $1,255.

MCX-Gold (₹31,904 per 10 gm) futures contract has been stuck in a sideways range between its support at ₹31,150 and resistance at ₹32,135 (21-week moving average) over the last few weeks. A breakout on either side of this range will determine the next move. A strong break above ₹32,135 can take the contract initially higher to ₹32,500. A further break above ₹32,500 will then increase the likelihood of the contract extending its up-move to ₹33,000 or even higher over the medium term. On the other hand, if the contract breaks the range below ₹31,150, a fall to ₹30,600 is possible.

Silver underperforms

The global spot silver extended its fall for the second consecutive week. The global spot Silver prices fell 1 per cent last week and closed at $14.79 per ounce, thereby underperforming gold. On the domestic front, the weak rupee helped the MCX-Silver futures contract close 1.8 per cent higher at 37,354 per kg.

The global spot silver ($14.79 per ounce) remains bearish as it failed to rise past the psychological level of $15 per ounce. A fall to $14.60 and $14.50 is possible in the coming days. The medium-term picture is more bearish. There is a strong likelihood of silver tumbling to even $14 over the medium term on a break below $14.50.

MCX-Silver (₹37,354 per kg) looks mixed. It has a key support at ₹37,200 and resistance at ₹37,700. A breakout on either side of these levels will decide the direction of the next move. A break below ₹37,200 will take the contract initially lower to ₹36,900. A further break below ₹36,900 will increase the likelihood of the contract tumbling to ₹36,300 in the coming days. On the other hand, if the MCX-Silver contract breaks the range above ₹37,700, a rally to ₹38,150 and ₹38,450 is possible.

THE HINDU DATE :15/5/2019 P.N.4

SCCL achieves enviable growth in 5 years

Turnover up by 116.53% and profit by 282%, better than many Maharatna companies

SPECIAL CORRESPONDENT
HYDERABAD

Singareni Collieries Company Ltd (SCCL) has achieved a growth enviable to even 'Maharatna' companies, eight Central Government public sector undertakings, during the last five years as reflected in the numbers put out by the management.

According to officials of the 130-year-old coal company, SCCL has achieved a turnover of ₹25,828 crore in 2018-19 against ₹11,928 crore in 2013-14 with a growth rate of over 116.53%. Similarly, the company has clocked increase of nearly 282% in its profits as its profit after tax has gone up to ₹1,600 crore in 2018-19 from ₹419 crore in 2013-14.

Comparing the performance of Singareni with the figures of sales and profits of the Maharatna companies the SCCL officials explained that Indian Oil Corporation was the best performer among the eight companies by achieving a growth rate of 104.5% in profits.

Other Maharatna companies - Gas Authority of India (49%), Oil & Natural Gas (36.5%), Bharat Petroleum (31.2%) Coal India (0.6%) - could achieve much less.

Other companies

Similarly, in terms of sales/turnover Coal India has achieved 55.1% growth followed by ONGC (30.9%), GAIL (28.6%), NTPC (26.5%), BPCL (24.4%), IOCL (23.8%) and BHEL (2%), the officials of SCCL claimed.

"The growth trajectory of SCCL has increased sharply after formation of Telangana State with the cooperation and support of the State Government. The numbers reflect the hard work of every employee of Singareni. Their welfare has also been on the rise with the support of the Chief Minister", a senior executive of the company stated.

Further, the company was also paying fee for higher studies to children of workers, corporate medical services up to ₹5 lakh for retired workers and spouse, 27% of profit share as bonus to workers and interest-free house loans, were some other welfare measures taken up during the last five years, he noted.

Reacting on the the achievement of the company, Chairman and Managing Director of SCCL N. Sridhar said: "The achievement of growth rate of nearly 282% in profits and over 116.5% in sales was possible only with the team work of workers and other staff."

THE TIMES OF INDIA
DATE :15/5/2019 P.N.11

India fears dumping of Chinese steel

New Delhi: India fears China could soon start flooding excess steel into its market after the US raised tariffs on Chinese products due to the escalating trade war between the world's two largest economies, according to three government sources and four industry officials.

As a result, the Indian steel industry has asked the government to put in safeguard duties of as much as 25% to protect it from growing imports. These would be imposed on steel that the government determines has been dumped in India at prices below the cost of production.

"China has excess (steel) capacity and there is a concern they could re-route it through other countries like Vietnam and Cambodia into India," an Indian government source with direct knowledge of the matter said. "Steel sector is vulnerable," the source said, declining to be identified due to the sensitive nature of discussions. REUTERS