



खनिज समाचार

KHANIJ SAMACHAR

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खनिज समाचार

KHANIJ SAMACHAR



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GLOBAL	Change in %			
	Price	Weekly	Monthly	Yearly
Metals (\$/tonne)				
Aluminium	1791	4.0	4.0	-8.1
Copper	5827	-1.4	3.0	-4.5
Iron Ore	85	-1.3	-8.9	13.6
Lead	2170	-3.0	4.0	12.4
Zinc	2581	1.1	10.6	-0.6
Tin	16485	-0.9	1.6	-13.8
Nickel	16799	0.1	-3.6	43.4

MCX-Zinc can continue to trend upwards



AKHIL NALLAMUTHU

BL Research Bureau

The November futures contract of Zinc on the Multi Commodity Exchange of India, broke out of the resistance at ₹190 this week and marked an intra-week high of ₹191.2. Currently, it is trading above both 21- and 50-DMAs, providing a positive bias for the commodity. But the contract price has softened from ₹190 and slid to ₹188, where the 50-DMA support is poised. Thus, the moderation in price seems to be a minor correction within an uptrend. The daily relative strength index is above the midpoint level of 50 and the moving average convergence divergence indicator is in positive territory showing bullish bias. Hence, the outlook remains positive and the futures price can be expected to take off from the current levels.

On the upside, the contract will face resistance in the band between ₹192.2 and ₹192.7 — the 50 per cent Fibonacci retracement level of the previous bear trend. Beyond that level, the contract has the potential to appreciate towards ₹200 over the medium term. On the other hand, if the price declines, the immediate support is at ₹186.7, with ₹183.7 as the support below it.

The price of the three-month rolling forward contract of Zinc on the LME is in an upward momentum. It has breached a strong resistance band between \$2,483 and \$2,500 and is trading at \$2,530. The likelihood of further appreciation is high which could take the contract price to \$2,574 — the 50 per cent Fibonacci retracement level of the previous downtrend — in the coming days. Above that level, it will face a hurdle at \$2,664.

Global prices of the commodity continue to rise. This is expected to have a positive impact on the price of MCX-Zinc as well. So, moderation in the futures price in the domestic market can be an opportunity to go long. Hence, traders are advised to initiate long positions with stop-loss at ₹183.

Allow banks to trade in bullion: World Gold Council

Submits report to Govt on roadmap to form bullion bank

SURESH P IYENGAR

Mumbai, October 31

The World Gold Council has suggested that the Centre allow Indian banks to trade and facilitate trading in physical bullion and its derivatives to bring in some much-needed transparency in the bullion trade.

In a report 'The need for a Bullion Bank in India' submitted to the government, the Council has suggested that banks with proper checks and balances should be given the flexibility to launch innovative gold-backed products to attract consumer investments.

The Council believes the launch of a bullion bank will bring in transparency in the bullion trade, boost exports and ease credit flow to the sector.

Somasundaram PR, MD, World Gold Council, told *BusinessLine* that bullion banks across the globe build greater

trust through the gold value chain, drive efficiency, provide liquidity, promote transparency and support price discovery. London and New York have a long history of bullion trading, but the Singapore and Shanghai markets have emerged as strong players in the last 15 years.

In 2017, revenue from global bullion banking operations was estimated at \$1.5-1.8 billion.

Being the second largest market for gold jewellery, India leaves much of this potential on the table. Central banks play a key role as regulators, liquidity providers and custodians to a bullion bank, he said.

In India, Somasundaram said the RBI should allow banks to buy back the gold they sell. Jewellers should be allowed to take bullion on loan from banks and repay it back in gold. In this process, the currency risk is completely eradicated and the demand for dollars from the jewellery trade will be reduced while it earns much-needed forex for the country.

MECL gets National CSR Award, 2019



■ Business Bureau

MECL has been awarded with the National CSR Award, 2019 under the 'Honourable Mentions' category recently for its contribution in nation building through its

CSR activities in challenging areas.

The award was given away by Anurag Singh Thakur, Minister of State for Finance and Corporate Affairs in the presence of Nirmala Sitharaman, Union Minister for

Finance and Corporate Affairs. Dr Ranjit Rath, CMD, MECL received the honour along with Ghanshyam Sharma, Director (Finance) and Dr CS Murthy, GM (HR), MECL.

For a better future for the under-privileged society, the major CSR activities of MECL include construction and maintaining toilets, bore wells for drinking water facilities in the remote and inaccessible villages in and around its project sites in the State of Chhattisgarh, Jharkhand, Odisha, Madhya Pradesh, Andhra Pradesh, Rajasthan, Tamil Nadu, etc; providing stationeries, furniture, computers, sport kits, bicycle and skill-development classes to students; providing medical equipments to hospitals.

SCCL to step up production

SPECIAL CORRESPONDENT
HYDERABAD

CMD of Singareni Collieries Company Ltd., N. Sridhar has given instructions to achieve two lakh tonnes of coal production and transport per day from this month. There was a hindrance in coal production and despatch due to the unprecedented rains up to October this year.

The CMD held a monthly review meeting at the Singareni Bhavan here on Friday with all directors and area general managers and said that the deficit in production and transport up to October should be compensated from November onwards along with the monthly targets.

Specific plans and strategies be drawn to achieve the target and proper care has to be taken for safety, he said.

Domestic gold price in consolidation mode

Unless price moves out of the current range, the next leg of trend cannot be confirmed'

AKHIL NALLAMUTHU

After breaking above the important level of 600, the iCOMDEX Composite index—the commodity index of Multi Commodity Exchange of India—remained flat over the past few days.

Falling crude prices, the largest component with 35 per cent weight dragged the index, but it was offset by rising gold, silver and zinc prices that have a combined weight of about 37 per cent.

The index remains above the 21-day moving average indicating a short-term bullish bias. At 603.2, it currently faces a resistance at 604, the 38.2 per cent Fibonacci retracement level of the previous downtrend.

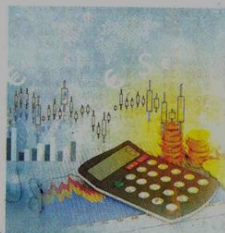
Weakening crude prices are expected to exert downward pressure in the coming days, whereas a surge in the price of bullion and metals could lift the index towards a crucial level of 608. If the index moves beyond 608, it would indicate a medium-term bullish trend.

MCX-Crude (₹3,938)

After testing the resistance at ₹4,000, the November futures contract of crude oil declined last week. This was a dampener, as the commodity has been attempting to recover after its price slumped from the September high of ₹4,504. However, the price bounced back sharply towards the end of the week, after taking support at ₹3,843—the 21-day moving average. An uptick in the daily relative strength index and the rising moving average convergence divergence provide, indicate no threat for the near-term recovery. On the upside, the contract will face hurdles between ₹3,970 and ₹4,000. Above these levels, the price can rise to ₹4,174. Supports below the current level are at ₹3,843 and ₹3,800.

MCX-Gold (₹38,310)

Though the price of December futures contract of gold gained in the latter part of the week, it largely remains within the range



between ₹37,690 and ₹38,650. Since the price has been consolidating for some time, indicators are unable to give a cue on the future trend. So, unless the price moves out of the range, the next leg of the trend cannot be confirmed. Assuming that the contract breaks out of ₹38,650, it will immediately face a resistance at ₹39,000. Beyond that level, it can rise to ₹40,000. On the contrary, if the price breaches the support at ₹37,690, it can find support at ₹37,320.

MCX-Silver (₹46,392)

Like gold, silver prices have largely been moving in a sideways range, oscillating between

₹44,800 and ₹46,440. Even though the December futures contract of silver briefly traded above the upper boundary of the range, it eventually retraced below that level.

But the price action looks slightly bullish which is also supported by the moving average convergence divergence indicator. If bulls gain traction, the contract can appreciate to ₹48,000 in the short term. Above that level, it can test the psychological level of ₹50,000. But if the commodity faces selling pressure it will decline towards the lower boundary of the range at ₹44,800.

MCX-Copper (₹438.4)

October has been a volatile month for copper. The recovery, post the sell-off since the second half of September, was faced with another round of selling. But on a broader scale, one can notice the November futures contract is trading in a range between ₹436 and ₹460. Hence, the next major trend can occur only if the price moves beyond these levels. With Friday's close at ₹438.4, the price is hovering

around the bottom of the range increasing the chances of an uptrend towards the upper band. But it will face hindrances at ₹441 and ₹447. However, a break below ₹436 can drag the contract to ₹422.

NCDEX-Soybean (₹3,874)

After a correction in the first two weeks of October, the November futures of Soybean resumed its uptrend and went past the key level of ₹3,864. After repeated attempts, the futures closed above the crucial level of ₹3,800 on a weekly basis. It also marked a higher peak and the price remains above both 21- and 50-DMA, a good bullish signal. The positive trend is corroborated by the rising moving average convergence divergence indicator.

Hence, the most likely scenario is that the contract will further appreciate from the current levels to ₹4,000, another critical resistance. But this is not without hurdles. The Friday price action has formed a shooting star candlestick pattern indicating a potential bearish reversal. On the downside, support below ₹3,864 is at ₹3,800.



iCOMDEX Composite Index

■ Supports: 600 and 591
■ Resistances: 604 and 608

70% of District Mineral Fund remains idle; miners flag slow progress in spend

SURESH PIYENGAR

Mumbai, November 3

While the Central government is struggling to make its ends meet with falling revenues and rising expenses, the mineral-rich States are fighting a problem of plenty.

The 21 mineral-rich States have managed to spend only 30 per cent of the money collected under District Mineral Fund (DMF) ever since the States started collecting a portion of the value of mineral mined as royalty in the last five years. As of August, these States together had accumulated ₹31,831 crore in DMF but spent only ₹9,555 crore in districts around the mining area, according to government data.

Mining lease

According to the Mines and Minerals Development & Regulation Act, 2015, companies that have acquired mining lease through the auction route have to pay 10 per cent of the value of mineral as royalty to the State government which, in turn,

will set up a DMF. Older mines that are allocated by the government outside the purview of auction chip in 30 per cent to DMF. The leases of these mines will expire and will be auctioned next March.

The mineral producing States have collected ₹13,584 crore as DMF from sale of coal and lignite while contribution from other major minerals and minor minerals were ₹15,241 crore and ₹3,006 crore, respectively. Of the 583 districts that were suppose to set up DMF, only 557 have formed the fund.

Of the 133,214 projects identified, 23,804 projects are yet to start while 6,538 projects have been cancelled. In all 45,523 have been completed and 57,349 projects are ongoing. With ₹8,253 crore, Odisha has the highest DMF corpus. Out of 12,664 projects sanctioned, only 5,438 projects have been completed, 4,130 are on-going, and 3,096 are yet to start. However, Odisha has not scrapped a single project.

Similarly, Jharkhand, the second highest contributor in DMF, with about ₹4,585 crore, has 16,519 projects sanctioned but not a single project has been completed. With a contribution of ₹4,435 crore, Chhattisgarh was the third largest in DMF mop up. It has the highest number of sanctioned projects at 31,657 and has completed 20,025 projects and scrapped 1,448 projects.

Others such as Rajasthan, Telangana and Madhya Pradesh also rank among states with top DMF corpus. RK Sharma, Secretary General, Federation of Indian Mineral Industry, said while the numbers speak for the themselves, the progress of projects has been pathetically slow and communities believe that mining companies are not doing enough.

Government should form a body of mining companies and state governments to make a concrete action plan and spend DMF funds gainfully, said Sharma who heads the apex body of miners.

Stellar Q2 by cement companies despite cracks

Sales volumes fell significantly due to floods in many States. Cost controls saved the day

KEERTHI SANAGASETTI

Cement manufacturers saw healthy growth in volumes for the last eight quarters (till June 2019), led by a surge in construction-led demand. This rally continued despite an expected slowdown during the election months (March-May 2019). Since the demand outlook was driven by the Centre's push for infrastructure and construction spend, cement prices also saw healthy traction during these quarters.

But the latest September quarter has been a dampener of sorts with a higher-than-expected drop in volumes. Cement prices too were impacted, witnessing a sequential fall — though up from last year. We deep dive into the Q2 results of leading cement manufac-

turers to assess their performance and outlook for the rest of the fiscal.

Floods impacted volumes

In the previous June quarter, both volumes and prices grew strongly. This, along with cost savings on account of a decline in the prices of imported fuel (pet coke) and the drop in logistics costs, led to substantial earnings growth. Companies such as Ultratech and Heidelberg reported their highest-ever (quarterly) EBITDA/tonne in the last decade.

With the onset of monsoon, the September quarter is considered a seasonally weak quarter for cement manufacturers. Add to this, the peak volumes of June quarter were expected to plateau. Hence,

Weak volumes y-o-y growth (%)

	Volume	Realisation	EBITDA
		(per tonne)	
Ultratech	-1.0	5.1	36.3
ACC	-1.7	25.4	28.0
Ambuja	-4.2	4.9	28.2
Shree Cement	1.5	9.0	51.2

both volumes and realisations were projected to dip by a notch in 2QFY20.

But companies witnessed a higher-than-expected drop in volumes in 2QFY20. This is because most parts of the country were flooded during the quarter. What made matters worse was the elections and policy paralysis in several states, including Andhra Pradesh. The resultant slowdown in awarding construction contracts have had a huge impact on cement demand and led to a dismal volume growth.

Cement major Ultratech that accounts for 21 per cent of the country's cement capacity reported 1 per cent drop in its domestic



volumes in 2QFY20. Ambuja Cements and ACC posted 4 per cent and 2 per cent dip in sale volumes, respectively, in the September quarter. The only company that saw growth in volumes was Shree Cement — up by 1.5 per cent y-o-y. However, the growth came in entirely from its new plant in South India.

Cement prices — being a function of demand and capacity utilisations — were also impacted in the quarter. However, the blended realisations were still higher, compared to the year-ago period. Hence, most companies reported a 5-9 per cent y-o-y growth in realisations.

Standing out in the crowd, with

an 8 per cent surge in the sale of premium products, is ACC, which reported a stellar 25 per cent spike in its blended realisations. The company's realisation per tonne was ₹5,965 in the September quarter.

Healthy realisations, coupled with continued cost savings, spurred the earnings growth for cement manufacturers in the September quarter. Companies reported growth in their EBITDA per tonne in the 28-36 per cent range y-o-y.

Cost savings

Cement companies continued to witness savings on the energy costs front, led by installation of waste heat recovery plants (WHRS). With imported pet coke prices falling by about 4-7 per cent y-o-y, the savings have been substantial for cement manufacturers.

For instance, Ultratech reported a 12.3 per cent y-o-y drop in its power cost per tonne in the

September quarter. Another important element is the logistics cost. This essentially forms 20-30 per cent of the cost for a cement manufacturer. Thanks to the strategic consolidation in the industry, cement companies

have significantly brought down their lead distances. This coupled with falling diesel prices have resulted in steep decline in their freight cost.

The Railways' move to waive the peak season surcharge came as an added advantage. As a result, in the September quarter, most companies reported a 5-6 per cent drop in their freight cost per tonne.

Fly ash prices

In a move to keep volumes steady during turbulent times, cement companies continued with the sale of premium products. With the mix skewed towards these products, the usage of fly ash also

Bright spots

- Outlook for cement demand positive
- Realisation up 5-9 per cent for most firms
- EBITDA growth per tonne 28-36 per cent



skyrocketed. During the September quarter, fly ash prices spiked 3 per cent sequentially, impacting profits for cement manufacturers.

Positive outlook

Riding on the Centre's continued focus on infrastructural spend, the outlook for cement demand remains positive. After the slackness witnessed in 2QFY20, cement demand is expected to pick up in the quarters ahead. The healthy monsoon witnessed thus far could help drive rural demand as well.

While the volume growth is expected to be healthy, realisations are also likely to remain stable.

On the cost front, benefits of the waived peak season surcharge and further drop in pet coke prices will continue to aid profitability in the coming quarters as well.

For instance, the purchase price of imported pet coke is currently at \$70-71. But the consumption rate reported by cement companies in the September quarter was as high as \$90-94. This indicates a possible drop of 23 per cent in energy costs in the coming quarters.

Metals Watch

Zinc, copper rally on hopes of US-China trade deal

SATYA SONTANAM

Ever since the US-China trade talks began on October 10, the LME prices of zinc and copper have been moving upwards amongst most traded metals.

Zinc was trading at \$2,581 a tonne and copper \$5,827 a tonne on last Friday on LME, up by 10.9 per cent and 3.1 per cent respectively since October 9. The gains were on the back of US and China getting closer to a trade deal and on expectations that the US was considering extending tariff exclusions for some Chinese imports. It was in addition to the supportive fundamentals of these metals.

While prices are still lower than they were a year ago, the northward movement has given a relief to investors. The LME Metal index is still down 18 per cent since initial tariff talks that began in February 2018.



Strong fundamentals

Ravindra Rao, Head of Commodity Research at Kotak Securities, said the backwardation in zinc futures (current difference between the LME zinc's spot and three months forward contract is about \$42 per tonne) indicates that the demand for the metal is high.

A favourable supply-demand scenario in zinc and copper is also a reason for the rally in metal prices. According to ILZSG (International Lead and Zinc Study Group) and ICSG (International Copper Study Group), the consumption of zinc during January-August outpaced supply by 1,19,000 tonnes, while copper witnessed a supply deficit of 2,33,000 tonnes during January-July.

Weaker dollar

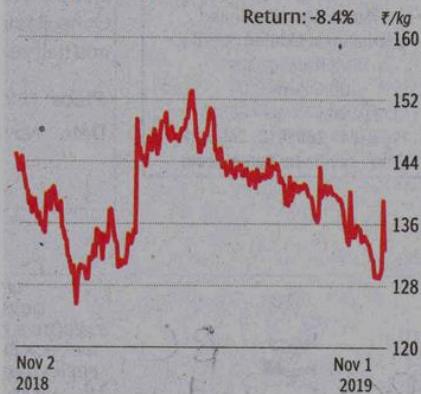
Further, a weak dollar could have aided the prices. The dollar index fell from about 99 on October 9 to 97.23 on November 1.

However, a growth in domestic prices was not equally impressive, which could be due to strengthening of the rupee. The exchange rate of rupee against the US dollar came down from about ₹71.1 to ₹70.8 during the said period. The MCX prices of zinc and copper were trading at ₹194 and ₹441 per kg, up by 5 per cent and 0.3 per cent respectively, during the said period.

Going ahead, Rao said, zinc prices are expected to rise on robust fundamentals, while copper prices are seen moving sideways on strong fundamentals. However, copper prices are said to rise faster than any other metal if the trade deal between the US and China concludes favourably.

MCX-Aluminium continues to appear weak

MCX Aluminium



AKHIL NALLAMUTHU

BL Research Bureau

Bears seem to be pausing in MCX-Aluminium, with the November futures contract of the metal inching up since last week. Though the overall trend still remains bearish, there are a few signs that indicate that bears are losing steam. The daily relative strength index did not follow the price in forming lower low and the moving average convergence divergence indicator is showing a bullish divergence. However, for a sustainable recovery for the commodity, the contract price must breach the resistance band between ₹135 and ₹136. A close above that level can be taken as a confirmation and that would also mean that the medium-term trend will turn bullish; until then the outlook will be biased towards downside.

So if rallies get sold, resulting in further weakness, the contract could retest the previous low of ₹130.5. A break below that level will intensify the sell-off taking the price to ₹125. On the other hand, if the contract breaches the resistance band, it would attract fresh buying interest and hit ₹138.4. The immediate resistance beyond that level is at ₹140.

On the global front, the three-month forward contract of Aluminium on the LME has rallied past an important level at \$1,750. The contract has also moved beyond 50-DMA giving it a bullish bias. Hence, the contract will most likely appreciate to \$1,800 and the subsequent resistance is at \$1,825. But if price starts declining by reacting to the resistance at \$1,800, it might depreciate to \$1,750.

The commodity price in LME has shot up, but price in MCX is unable to emulate the trend and weakening dollar could be the primary reason for this. Since the overall trend for the commodity is still bearish and price in dollar terms is nearing a resistance, traders can short MCX-Aluminium November futures contract on rallies with a stop-loss at ₹137.

High prices pull down Q3 gold demand by 32% to 123 tonnes

This is the lowest September quarter demand for the metal since 2005

SURESH P IYENGAR

Mumbai, November 5

Reeling under high prices ahead of the festival season, gold demand in the September quarter dipped sharply by 32 per cent to 123 tonnes (183 tonnes in the previous-year period), the lowest third-quarter demand since 2005.

The overall demand this year is expected to fall close to 700 tonnes. Over the last three quarters, it hovered at about 496 tonnes, 5 per cent below the 524 tonnes logged in the same period last year.

Intriguing decline

Jewellery demand in the September quarter was down 30 per cent at 102 tonnes (148 tonnes) while investments in gold plunged 35 per cent to 22 tonnes (34 tonnes).

In value terms, jewellery demand slipped 17 per cent to ₹33,851 crore, against the ₹40,686



Jewellery demand in the September quarter was down 30 per cent at 102 tonnes while investments in gold plunged 35 per cent to 22 tonnes

crore logged in the same period last year.

Somasundaram PR, Managing Director of the World Gold Council (WGC), said it is intriguing that gold demand has fallen sharply even while the sales of other luxury items such as premium cars and mobile phones have gone up amid the economic slowdown. Low consumer confidence and a sharp spike in gold prices took a heavy toll on gold demand.

Gold prices failed to lose mo-

mentum during the quarter, breaching the ₹35,000 per 10 gram mark logged mid-July to reach ₹38,795 by the end of the September quarter.

The weak demand and high prices have led to many refineries shutting operations, leading to lower import of dore (a raw form of gold). It fell 90 per cent to 8.7 tonnes (90 tonnes) while gold imports in the

September quarter halved to 133 tonnes (268 tonnes).

Recycling increases

Gold recycling was up 59 per cent to 36.5 tonnes due to high prices. Overall gold recycling is set to touch a new high this year with the country recycling 90.5 tonnes in the last three quarters, exceeding the 87 tonnes recycled for whole of last year.

Despite the weak demand in India and China, global gold demand was up 3 per cent in the September quarter to 1,107 tonnes on record inflow into gold exchange traded funds (ETF). This was largely due to inflows from the US and Europe. Holdings in gold-backed ETF hit an all-time high of 2,855 tonnes with an in-

flow of 258 tonnes, the highest quarterly inflow since Q1 2016.

WGC's Somasundaram said the inflow into global gold ETFs will remain high as there is a fear of the US slipping into a recession

ahead of the presidential election next for the second half of next year,

Scan & Share



Gold demand declines 32% in Q3 2019 on high prices, slowdown: WGC

ENSE ECONOMIC BUREAU
NEW DELHI, NOVEMBER 5

AS GOLD prices touched their highest levels following geopolitical tensions and concerns around economic slowdown, the demand for the precious metal in India fell nearly one-third in the quarter ended September 30, 2019. Releasing the data for gold demand in the last quarter, World Gold Council on Tuesday said that India's gold demand may fall to its lowest level in three years in 2019.

According to the data released by WGC, India's gold demand for the September quarter stood at 123.9 tonnes, a 32 per cent decline in demand over the corresponding quarter of last year. Somasundaram PR, MD of WGC's Indian operations, said gold demand in 2019 could drop 8 per cent from a year ago to around 700 tonnes, the lowest since 2016.

"Along with higher prices, gold demand is getting affected by weak rural sentiment," said Somasundaram.

While India is a big consumer of gold in the form of jewellery, data shows that Indian jewellery demand declined by almost one-third to 101.6 tonnes.

"Jewellery demand suffered as consumer confidence fell further over concerns around the slowing economy. Several indicators – such as lower sales volumes reported by large fast-moving consumer goods (FMCG) companies and domestic car/two-wheeler sales – pointed towards a slowdown in both urban and rural demand. Weak sentiment due to a liquidity crunch, excessive monsoon rains in some states, and the absence of any festivals, also influenced demand in the quarter," said WGC in its statement.

Since January 1, 2019 price of pure gold in Delhi has jumped 21.5 per cent. However, as India is the second largest market for the precious metal, a sharp decline in its consumption of the precious metal could result into a softening in the gold prices.

While high gold prices have dented the demand, WGC said that the demand also been impacted by a 2.5 per cent rise in custom duty on gold from 10 per cent to 12.5 per cent. In the Budget announcement in July

EXPLAINED
E.

Fall will arrest flight of capital

A SHARP decline in India's demand for gold, following the rise in prices, may come as a breather for the economy that imports much more than it exports. Over the last eight years, the net import of gold and precious stones amounted to about \$245 billion. Many feel that a decline in gold imports will arrest flight of capital, narrow the current account deficit and strengthen the domestic currency.

2019, the finance minister had announced a hike in customs duty on gold import. The council said that this higher duty hit sentiment amongst both the gold trade and consumers, and fresh jewellery purchases suffered as a result.

The sharp decline in India's gold demand came in sharp contrast to the global demand for gold that witnessed a notable rise.

The worldwide demand for gold grew from 964.3 tonnes in Q3 last year to 1,107.9 tonnes in the quarter ended September 2019. WGC said that a surge in ETF inflows led to a rise in global demand. The holding in gold-backed ETFs grew by 258.2 tonnes to hit an all time high of 2,855.3 tonnes during the quarter.

On the other hand Central banks added 156.2 tonnes to their reserves in Q3 and this was 38 per cent lower than that added in the Q3 of 2018. Jewellery demand was also down 16 per cent to 460.9 tonnes in Q3.

On the supply side, gold supply rose 4 per cent in Q3 to 1,222.3 tonnes and the rise was driven by a 10 per cent increase in recycling as the ongoing price rally continued to encourage selling back by consumers.

BUSINESS LINE DATE : 6/11/2019 P.N.4

Metals sector all praise

OUR BUREAU

New Delhi, November 5

India's decision to withdraw from the Regional Cooperation for Economic Partnership (RCEP) has come as a breather for the metals industry.

"At the end of day, if other countries are allowed to ship their material into India at nil duty, then many of them send in products that are priced cheaply and we come under the threat of predatory pricing. The RCEP is an expanded version of Free Trade Agreements and the threat of Chinese dominance is a vital factor in the RECP. In 2016-17, we saw what steel dumping did to our industry and we live under the shadow of those events. The Indian steel industry is particularly vulnerable to this," the Indian Steel Association said in an emailed response to *BusinessLine*.

Also commenting on the decision, Abhyuday Jindal, Managing Director, at Jindal Stainless, said, "The resolution to opt out of the RCEP agreement is a rational step

to maintain a level playing field for the Indian industry. For the metal sector, which is already under stress caused by global trade wars and protectionist measures, signing up for RCEP would have resulted in further deepening of India's trade deficit with China and other nations."

Highlighting the impact on the copper industry, Pankaj Kumar, Chief Executive Officer at Sterlite Copper, said, "India's decision of opting out of RCEP as the resulting surge in imports would have caused irreparable injury to the Indian copper industry rather than supporting the cause of the Make in India initiative."

"Further, India's adverse trade balance with RCEP nations will come under control...Our country's trade deficit has increased significantly owing to the copper plant shutdown in Thoothukudi, due to the now increased dependence on imports for meeting our country's copper needs," Kumar added.

Iran says uranium enrichment at underground plant to resume

PRESS TRUST OF INDIA
TEHRAN, NOVEMBER 5

PRESIDENT HASSAN Rouhani said Tuesday that Iran would resume uranium enrichment at an underground plant south of Tehran in its latest step back from a troubled 2015 agreement with major powers.

The suspension of all enrichment at the Fordow plant in the mountains near the Shia holy city of Qom was one of the restrictions on its nuclear activities that Iran accepted in return for the lifting of international sanctions.

But Washington's abandonment of the deal in May last year followed by its reimposition of crippling sanctions prompted Iran to begin a phased suspen-



Hassan Rouhani blamed the US's withdrawal from the 2015

sion of its own commitments in May this year.

Rouhani recalled that under the terms of the agreement, Iran had retained more than 1,000 centrifuges at the plant which had been running empty since it

went into effect.

"Starting from tomorrow (Wednesday), we will begin injecting (uranium hexafluoride) gas at Fordo," Rouhani said in a speech broadcast by state television.

Iran said the whole process would be carried out transparently witnessed by inspectors from the UN nuclear watchdog, the International Atomic Energy Agency.

The move is the fourth announced by Iran since it began responding to Washington's abandonment of its commitments.

Iran has repeatedly warned the remaining parties to the deal — Britain, China, France, Germany and Russia — that the agreement can only be rescued if they help it circumvent US economic sanctions.

BUSINESS LINE DATE : 7/11/2019 P.N.3

Tata Steel Q2 net rises 6% to ₹3,302 crore on tax write-back

Business climate remains challenging, weighs heavily on steel prices, says MD

OUR BUREAU

Mumbai, November 6

Tata Steel net profit was up 6 per cent at ₹3,302 crore in the September quarter of the current fiscal, against ₹3,116 crore in the same period last year, even as its total revenue plunged.

The company's turnover was down 15 per cent at ₹34,579 crore (₹40,897 crore). Profit was boosted by ₹4,365 crore write-back of deferred tax as the government cut the corporate tax by 10 per cent to 25 per cent.

If not for the tax write-back, the company would have incurred a loss of ₹6 crore against a profit before

tax of ₹5,411 crore logged in same period last year.

EBITDA of the company halved to ₹4,018 crore (₹8,641 crore) while EBITDA per tonne was at ₹6,156 (₹12,713) as steel prices slipped to historic low. Steel prices declined by over \$100 a tonne in key markets, amidst weak demand.

On a standalone basis, the company's net profit was at ₹3,838 crore (₹3,268 crore) on deferred tax write-back of ₹1,949 crore. Gross sales were down 18 per cent at ₹14,486 crore (₹17,580 crore).

Gross debt during the quarter increased to ₹1.11 lakh crore while net debt



TV Narendran, MD, Tata Steel

stood at ₹1.06 lakh crore. The group has ₹4,596 crore as cash and cash equivalents and ₹7,262 crore undrawn bank credits.

On the efforts to sell overseas assets, the company said Synergy Metals and Mining Fund is carrying out detailed due diligence to pick up 70

per cent stake in Tata Steel Thailand and a final definitive document will be signed shortly.

Early last month, Tata Steel's step-down subsidiary, Natsteel Holdings, signed an agreement to sell 56 per cent stake in Natsteel Vina, Vietnam, to a Vietnam-based company Thai Hung Trading Joint Stock Company and the process is expected to be completed by December.

TV Narendran, Managing Director, Tata Steel, said the business environment continues to be challenging and weighed heavily on steel prices. The end of monsoon season and the onset of festival demand may lead to a pick-up in overall consumption and steel demand, he added.

Tata Steel net rises 6% on tax gain

Firm's revenue, however, drops by over 15% to ₹34,579 crore on fall in steel prices

SPECIAL CORRESPONDENT
MUMBAI

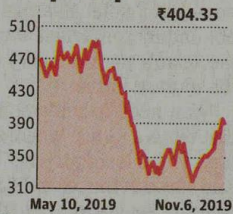
Tata Steel reported a 6% rise in its second quarter consolidated net profit to ₹3,302 crore led by favourable tax impact of ₹4,233 crore.

The company had a favourable tax impact of ₹4,233 crore, of which ₹2,425 crore was on adoption of the new corporate tax rate by Tata Steel standalone and some subsidiaries in India and ₹1,808 crore on account of recognition/reversal of deferred tax assets and liabilities in offshore subsidiaries.

Profit rose despite a 15.4% drop in revenue to ₹34,579 crore on fall in steel prices.

T. V. Narendran, CEO and MD, said, "The business environment in India and other geographies continued to be challenging and weighed heavily on steel prices. Tata

Tepid quarter



Metrics	Q2 FY20	Q2 FY19
Total revenue from operations (₹cr.)	34,579.18	40,897.16
Net profit (₹cr.)	3,302.31	3,116.2
Earnings per share (basic in ₹)	35.71	30.87

We hope the end of the monsoon season and the onset of festive demand leads to a pick-up in overall consumption and steel demand

T. V. NARENDHAN,
CEO & MD, Tata Steel



Steel worked closely with customers across business segments to drive sales and maintain volumes. We are focused on driving productivity improvements across our various operations as well as the supply chain to reduce costs and minimise the im-

pact on margins. We hope the end of monsoon season and the onset of festive demand leads to a pick-up in overall consumption and the steel demand."

Consolidated steel production stood at 6.95 million tonnes and deliveries at 6.53

million tonnes. India steel production stood at 4.50 million tonnes and deliveries at 4.13 million tonnes, contributing 63% of consolidated deliveries.

Gross debt for the quarter rose to ₹1,11,549 crore. The firm borrowed \$525 million in foreign currency loans in the quarter to lengthen its debt maturity profile.

"A very challenging economic environment saw steel prices drop by over \$100/t. While our gross debt has increased during the quarter due to an increase in working capital, we have renewed our focus on cash flow maximisation through operational improvements, working capital reduction and rationalisation of capex which will help us deleverage," said Koushik Chatterjee, ED and CFO, Tata Steel.

Chances of recovery look bleak for MCX-Nickel

COMMODITY CALL

AKHIL NALLAMUTHU
BL Research Bureau

The bull trend in Nickel that started in the month of June seems to be fading away as the commodity has been making lower highs since September. The previous rally of the price of November futures contract of MCX-Nickel from the support of ₹1,155 did not extend beyond the strong resistance at ₹1,209. In fact, the price consolidated for a while after reaching that level and started to moderate since the beginning of November.

The 21-DMA has crossed below the 50-DMA indicating that the near-term outlook remains weak for the commodity. Adding to that is the weakness in the daily relative strength index and the moving average convergence divergence indicator, which is in negative territory.

On the downside, the futures will have support around its previous low of ₹1,155. In case price breaks below that level, price action would confirm a lower low and the futures will most likely depreciate further. Supports are at ₹1,126 and ₹1,066. On the other hand, appreciation from current level will face a stiff resistance at ₹1,209 and at ₹1,265. But for the bulls to regain control, the contract price must close above ₹1,300 decisively. On the global front too nickel price looks unsteady as indicated by the three month rolling forward contract in LME.

The price of MCX-Nickel futures and LME-Nickel asserts the wobbly price action and so one can approach the commodity with a bearish bias. Hence, traders are recommended to initiate short positions on rallies with stop-loss at ₹1,270. Maintain a tight stop-loss until the contract breaks below ₹1,155.

Steel consumption in India set for quantum jump: Pradhan

■ Business Bureau

STEEL consumption in India is set for a quantum jump and investors should come forward and become a partner in the country's growth story, Union Minister Dharmendra Pradhan said on Wednesday.

The minister noted that the steel sector is becoming more vibrant, efficient, environment-friendly and globally competitive supported by various policies of the government and the entrepreneurial spirit of the industry.

He was addressing an event organised by International Chromium Development Association (ICDA) here.

"There is a strong positive correlation between steel usage and a nation's economic growth. As India embarks on its next trajectory of growth fuelled by the government's focus on building infra-



structure for future, creating smart cities, industrial corridors and so forth, the steel consumption in the country is set for a quantum jump," the steel minister said.

India, he said, is on a steady path to becoming a five trillion dollar economy, with emphasis on ease of doing business as well as ease of living.

"India's economic growth will be driven by heavy investment in infrastructure, digital economy and job creation in small and medium firms. Our initiatives

such as 'Make in India' aim to support and encourage domestic value addition," he said.

"Our government has been making concerted efforts. To make India an attractive investment destination for businesses by providing investment-friendly governance. Political stability, predictable policies and a huge diverse market make India an attractive investment destination for global investors."

Inviting investors and entrepreneurs to be a partner in India's growth story, Pradhan said structural reforms in the areas of insolvency and bankruptcy, GST and recent major reduction in corporate tax rate are aimed at boosting investment and growth.

He also exuded confidence that stainless steel production and consumption in India will be growing alongside the rising economy.

After many years, De Beers cuts rough diamond prices



SURESH P IYENGAR

Mumbai, November 6

De Beers has cut rough diamond prices by five per cent in its November auction.

De Beers, the largest supplier of diamond, has cut prices for the first time in several years as the demand for roughs at its auction shrank.

The move will salvage the sinking Indian cut-and-polish industry which is struggling under funds crunch as most banks have stopped lending to the industry after a series of defaults by large players. The cut in prices will improve the profit margin for traders and for the cut-and-polish industry.

According to De Beers data, retail demand for diamond jewellery increased by 2.4 per cent last year, whereas in the US market the jump was 4.5 per cent. Reflecting the trend Diamond 1Ct futures contract on Indian Commodity Exchange (ICEX) settled up 0.27 per cent at ₹3,556 per carat. Turnover of diamond trading on ICEX, jumped three times to ₹2,436 crore in October from ₹788 crore in September.

Ajay Kumar, Director, Kedia Advisory, said, "Hopes of resolution of the trade war between the US and China has brightened as both they work to narrow their differences. This will boost global economy and drive demand for diamonds."

BUSINESS LINE DATE : 8/11/2019 P.N.10

MCX-Zinc facing a strong barrier

COMMODITY CALL

AKHIL NALLAMUTHU

BL Research Bureau

The price of zinc has marginally moved up since last week but could not form a new high as bulls seem to be losing steam. The November futures contract of the metal on the Multi Commodity Exchange, trading at ₹190 a kg after bouncing from the 50-day moving average support, is facing a resistance area between ₹191 and ₹192.7 — the 50 per cent Fibonacci retracement level of the previous downtrend.

While the moving average convergence divergence indicator is showing lack of strength through bearish divergence, the crossover of the 21-DMA above the 50-DMA indicates a

potential bullish trend reversal. But for a sustainable rally in the contract, the price must decisively close above ₹192.7.

If the bullish momentum regains traction and the futures rise above ₹192.7, the contract has the potential to appreciate towards ₹200 over the medium term. On the other hand, if the prevailing sluggishness attracts more bears, the contract could depreciate towards the immediate support at ₹186.7. The support below that level is at ₹183.7.

The three-month rolling forward contract of zinc on the LME, trading at \$2,475 a metric tonne, could not continue its uptrend after breaking the resistance of \$2,500 last week. The contract rose to \$2,560 and started to moderate, and it even

slipped below \$2,500. The price seems to be consolidating between \$2,475 and \$2,560, which also happens to be the 50 per cent Fibonacci retracement level. The next leg of the trend can be confirmed along the direction of the break on either side of the range. Beyond \$2,560, resistance is at \$2,650, whereas below \$2,475, support is at \$2,400.

Since zinc seems to be losing momentum on the upside, as indicated by the price action on the MCX and the LME, traders are advised to exercise caution. It is recommended to stay on the sidelines and initiate fresh long positions after the price decisively breaks above ₹192.7.

Note: The recommendations are based on technical analysis. There is a risk of loss in trading.

Slowdown no dampener for district mineral fund mop-up

Contribution jumps ₹1,731 crore to ₹32,551 crore despite lower ore demand

SURESH PIYENGAR

Mumbai, November 7

The contribution to the district mineral fund (DMF) by miners in 21 States have increased by ₹1,731 crore in September despite the economic slowdown impacting demand and metal prices crashing across the board.

Leading miners, who have to set aside a part of the value of mined mineral towards DMF, have contributed ₹32,551 crore in September against ₹31,831 crore paid in August, an increase of two per cent.

The increase in DMF contribution last month was due to higher mine production and a slight increase in value of mined ore, said an analyst.

Funds collected from major minerals other than coal and lignite increased by ₹915 crore to ₹15,605 crore (₹15,241 crore). Similarly, contribution of coal

and lignite mines increased by ₹629 crore to ₹13,850 crore. Mop-up from minor minerals increased by ₹187 crore to ₹3,096 crore.

Odisha, Jharkhand top

In September, Odisha topped the list in DMF collection at ₹8,474 crore (₹8,253 crore), an increase of ₹221 crore in a month. As of last month, the State had spent ₹2,096 crore in 5,885 welfare projects around the mining districts. It has allocated ₹8,146 crore to 3,887 ongoing projects.

Jharkhand collected ₹4,718 crore (₹4,585 crore). Interestingly, the State has announced completion of 5,136 projects and scrapped 107 projects in September against none in August and July. It has allocated ₹4,322 crore towards 10,879 projects and among them 773 projects are yet to start.



In September, Odisha topped in DMF collection at ₹8,474 crore, an increase of ₹221 crore in a month (file photo) RAGHUVIR SRINIVASAN

With a collection of ₹4,524 crore (₹4,435 crore), Chhattisgarh ranked third. The State had completed 868 project as of last month reducing the ongoing projects to 9,740 (10,184) and scrapped 1,576 (1,448). The State had spent ₹2,982 crore in 20,461 projects.

Rajasthan collected ₹3,157 crore (₹3,092 crore) and Madhya Pradesh ₹2,613 crore (₹2,556 crore).

Of the 16,646 projects sanctioned in Rajasthan about 6,610 projects are yet to start

and 2,439 projects have been scrapped. The State has so far spent only ₹667 crore in 3,125 projects and has allocated ₹2,600 crore for 4,472 projects.

In Madhya Pradesh, of the 8,480 projects identified about 2,063 are yet to start while 3,448 projects have been completed. The State has allocated ₹751 crore towards 2,687 projects.

Telangana has collected ₹2,652 crore (₹2,632 crore) and spent ₹214 crore in 3,562 projects.

Expiring mine leases may hit steel sector hardest

329 mines are to be auctioned, but are not seen fetching good prices, given the prevailing low raw material prices

SURESH PIYENGAR

Mumbai, November 7

The leases of 329 mines of private mining companies, including 48 operative and 281 non-operative mines spread across ten States, will expire in the next four months, leading to supply disruptions of key raw materials to various manufacturers.

These mines are slated to be put on auction but may not fetch a good price given the global uncertainties and the prevailing low raw material prices. Also, debt-laden metal companies may not bid aggressively.

Moreover, metal prices, which are in a down-cycle, are not expected to revive any time soon with the US-China trade war persisting despite the talk of imminent res-

olution. While the mining leases of private commercial miners are being cancelled, the government recently renewed, up to 2030, the leases of captive mines allotted to top corporates.

RK Sharma, Secretary-General, Federation of Indian Mineral Industries (FIMI), said one does not understand the logic behind such discrimination. "Nowhere in the world two sets of people from the same industry are treated differently and discriminated under a common law," he said. The bottlenecks are a hindrance to growth and need to be removed, he added.

Odisha worst affected

Half of the 48 operative mines whose leases will expire in March

What works against the auctions

- Raw material prices are ruling low
- Debt-laden metal companies may not bid aggressively
- Metal prices are in a down-cycle, and are unlikely to revive amid US-China trade row

While the mining leases of private commercial miners are being cancelled, the Centre recently renewed, up to 2030, the leases of captive mines allotted to top corporates

are in Odisha, six each in Jharkhand and Karnataka, five in Gujarat, three in Andhra Pradesh, two in Rajasthan, and one each in Himachal Pradesh and Madhya Pradesh.

Among the non-operative mining leases that are expiring, 184 are in Goa, 42 in Karnataka, 12 each in Jharkhand and Madhya Pradesh, nine in Maharashtra, seven in Odisha, six each in

Andhra Pradesh and Gujarat, two in Rajasthan, and one in Himachal Pradesh.

Iron ore supply to the steel industry would be the worst hit since, of the 329 mines, 232 are of iron ore. Of these, 24 are operative. The majority of non-operative iron ore mines are in Goa, where there is a blanket mining ban.

Besides iron ore, the mining leases of 21 manganese mines, 14

of bauxite, 23 of limestone, four of chromite, two of graphite, one of garnet and 32 of other minerals will expire in March.

Working mines, mostly in Odisha and Jharkhand, handle 45 per cent of the iron and manganese requirements of steel plants in the eastern sector.

Material removal

FIMI's Sharma said the situation is alarming because in case a lessee is not able to retain the mine, he gets seven months to remove all material from the site. "How he removes and where he keeps that material is another issue," he said.

Further, the raw material supplies to steel manufacturers will also be disrupted at a time when India is looking to produce about 300 mt of steel in the next five years and become the second-largest producer in the world, he added.

MCX-Zinc facing a strong barrier

COMMODITY CALL

AKHIL NALLAMUTHU

BL Research Bureau

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Coal Ministry triples compensation for fatal mine accidents to ₹15 lakh

OUR BUREAU

New Delhi, November 7

Families of victims of fatal coal mines accidents will now get an *ex-gratia* amount ₹15 lakh for the death of their kin. This 300-per-cent hike in compensation amount was announced by Minister of Coal and Mines Pralhad Joshi.

Speaking to coal miners at Mahanadi Coalfields Limited (MCL) in Odisha, Joshi said that this welfare measure will cover over 3.5 lakh families of miners working under Coal India and its subsidiaries in eight States.

Joshi said, "I announce enhancement in *ex-gratia* from ₹5 lakh to ₹15 lakh for the coal workers, both permanent as well as the contractors, in case of fatal mine accident."

He also announced that the Mahanadi Coalfields would offer employment to over 4,000 land oustees by the financial year 2024-25.

Joshi said that Mahanadi Coalfields will invest more than ₹9,000 crore in years to come for creation of railway infrastructure enabling seamless transportation of coal from across MCL mines.

Powerplus Traders bags Jagannathpur B coal mine

OUR BUREAU

New Delhi, November 7

Jagannathpur B coal mine has been awarded to Powerplus Traders Private Ltd in the eighth tranche of e-Auction for Coal Mines. The block was bagged at a bid price of ₹185 per tonne for the coal mined.

Jagannathpur B is the fifth of the 20 coal mines up for auction in the current round of coal mine auctions that have been awarded till now.

According to a statement by MSTC Ltd, the Bhaskarpara coal mine in Chhattisgarh was awarded to Prakash Industries Ltd at a winning bid price of ₹1,100 per tonne.

The other blocks awarded

till now are Brahmapuri and Bikram in Madhya Pradesh and the Gare Palma IV-1 block in Chhattisgarh. Brahmapuri was bagged by Birla Corporation Ltd at ₹156 per tonne, and also Bikram at ₹154 a tonne.

The Gare Palma IV-1 block was bagged by Jindal Steel And Power Ltd at ₹230 a tonne.

In love over gold, India faces China challenge

TINA EDWIN

New Delhi, November 7

The consumer demand for gold from India in the July-September quarter fell about 32 per cent from a year ago to 124 tonnes, its lowest level in 13 quarters.

Demand was hurt by elevated prices of the yellow metal, dampened consumer sentiment due to the economy slowing, and an increase in import duty in July from 10 per cent to 12.5 per cent. India was not the only country to experience a decline in demand for gold, global consumer demand shrank 28 per cent in that quarter to 611 tonnes, from a year ago, and China's demand contracted 25 per cent, the latest quarterly update of the World Gold Council reported.

At that level, consumer demand for gold was at its lowest in any quarter of the current decade, quarterly demand data beginning from 2010 published by the WGC show. More significantly, China has firmly displaced India as the world's leading consumer of gold.

Here are five significant trends that have emerged in the demand for gold.

1. Sharper fall in India

The overall consumer demand for gold from China was 61 per cent higher compared to that from India in the July-September quarter, even though China, too, experienced a 25 per cent drop in demand to 199 tonnes.

Clearly, the distress in the

farming sector and muted wedding season buying due to elevated prices of the yellow metal pulled demand down to the level last seen in April-June 2016.

Gold prices had soared from ₹34,000 per 10 grams at the end of June 2019 to ₹39,000 by the first week of September.

China's demand, too, was dented by soaring prices and weaker consumer sentiment. However, the sequential rise in prices of gold in China was a slower 8.7 per cent compared to 15.6 per cent in India.

2. China demand higher

The demand for gold from China exceeded that of India for the first time in 2013 when the Indian govern-

ment tamped down demand with higher duties and various import restrictions amid a worsening current account. The same year demand from China jumped 57

per cent to 1,345 tonnes while demand from India grew a tame 5 per cent to 959 tonnes. Demand has declined in both countries since that year.

Overall demand in the current calendar year in both the countries is anticipated to settle much lower.

3. China loves jewellery

The demand for gold for jewellery from China was over 20 per cent higher than from

India for the first nine months of the current calendar. China's demand for gold for jewellery was estimated at 476 tonnes, compared

with 396 tonnes from India. The gap in demand between the two countries was the widest in 2013, with China's demand being 52 per cent higher at 939 tonnes com-

pared to 628 tonnes from India.

4. Bars & coins lose sheen

Back in 2010, Indians' demand for gold in the form of bars and coins was about 50 per cent more than China's. Indian consumer demand was estimated at 340 tonnes compared to 184 tonnes from China.

In 2018, it had fallen to about half of China, with demand at 162 tonnes compared to 308 tonnes from China.

For the nine months of this calendar, India's demand for gold as coins and bars was 38 per cent lower at 100 tonnes compared to 163 tonnes from China.

5. China's huge reserves

China's official holding of gold, with its central bank, the People's Bank of China, is more than three times the holding of India, kept with the Reserve Bank of India.

The WGC report estimates that China held 1,948 tonnes of gold as of September 2019. In comparison, India held 618 tonnes, of which 40.5 tonnes was acquired in 2018.

China's demand for gold for jewellery was estimated at 476 tonnes, compared with 396 tonnes from India

Scan & Share



Why gold is now below \$1,500/oz, and why it may face more pressure

Even as signs of easing trade tensions between the US and China have increased the risk appetite in financial markets, propelling equity markets higher, they have sent gold prices hurtling downwards.

On Tuesday, the yellow metal fell well below the psychological \$1,500 a troy ounce mark, and for

a while, lost as much as \$25/oz. Speculative capital had for some time, and especially during October, propped up gold prices above \$1,500/oz as evidenced by the build-up of long positions on the bourses and inflows into ETFs. This fickle capital has now begun to move out, wiping out the price gains of last month.

Investors jittery

If anything, less-committed investors have turned somewhat jittery. The rate cut by the US Fed

is now seen as supporting the equity market.

Exacerbating the sentiment was the World Gold Council's quarterly report that confirmed the anecdotal evidence that was widely available – that physical demand in two of the world's largest importers and consumers – China and India – has slumped. In the third quarter, Indian consumption was down by a whopping 32 per cent year-on-year and in China down by 12 per cent.

As mentioned in these columns in the past, enervated physical demand is sure to catch up at some stage, notwithstanding that gold is treated as a financial and safe haven asset. Gold bulls cannot 'talk the market up' all the time. High local prices have resulted in demand destruction.

Beyond the biting point of around ₹32,000 per 10 grams, demand tapers off rapidly. It is, of course, well recognised that India is a price-sensitive market

and Indian consumers are price-conscious.

Imports into India have fallen in successive months from the highs seen in April and May this year. In October, imports stood at an estimated 38 tonnes, down a third from last year.

The festival season in India witnessed subdued demand, belying the fond hopes of many punters.

In China too, weaker currency and slowdown in economic activity have taken a toll on physical

demand as evidenced by slowing imports.

Recycled gold coming in

If anything, high prices are encouraging recycled gold to come into the market, which has added to supplies and helped reduce imports. Looking ahead, the yellow metal is likely to continue to be under pressure for the rest of the year. One can expect demand conditions to continue to remain enervated in the next several months as economic conditions

in India and China remain far from supportive. Attempts to lobby the Indian government to reduce the rate of import duty have yielded nothing.

However, central bank buying is likely to come as a saving grace for the precious metal. In the first three quarters, purchases by central banks aggregated 548 tonnes and indications are that for the full year it may touch 650 tonnes.

On balance, it is possible the yellow metal may test \$1,450/oz

in the coming weeks as we move towards the year-end.

Silver prices too have been buoyant with the support of strong investor demand. Net long positions in the futures market have been rising. Silver has the potential to continue to stay in the vicinity of \$18/oz in the coming weeks.

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

बिना रॉयल्टी की 10 ब्रॉस रेत जब्त, सभी पर दंडात्मक कार्रवाई अवैध रेत दुलाई : दो दिन में पकड़े 4 वाहन

ब्यूरो | कामठी/कन्हान, कामठी में पिछले कुछ दिनों से चोरी की रेत ले जाने के मामले काफी बढ़ गए हैं। उसी प्रकार घाटों से अवैध रेत उत्खनन की खबरें भी लगातार चल रही हैं। इन पर लगाम कसते हुए तहसीलदार अरविंद हिंगे ने लगातार दो दिन कार्रवाई को अंजाम देते हुए तीन ट्रकों सहित एक ट्रैक्टर पर क्षमता से अधिक रेत दुलाई करने और रेत चुराने के खिलाफ दंडात्मक कार्रवाई की। कार्रवाई से अवैध रेत उत्खनन और रेत चोरी का कारोबार करने वालों में हड़कंप मच गया है।



गुमथला में ट्रैक्टर, लिहीगांव-कन्हान में पकड़े 3 ट्रक

उसी प्रकार गुरुवार को सुबह 7 से 8 बजे के बीच लिहीगांव पेट्रोल पंप के पास रेत से भरे दो ट्रक तहसीलदार ने पकड़े। इनमें एक ट्रक क्र.-एम.एच.-36-ए.ए.-1043 में तीन ब्रॉस और एम.एच.-36-ए.ए.-1077 में तीन ब्रॉस रेत लदी हुई थी। ट्रक क्र.-एम.एच.-36-ए.ए.-1043 के मालिक भंडारा निवासी गोविंद राऊत और चालक जयकिशोर ठाकरे, भंडारा निवासी तथा ट्रक क्र.-एम.एच.-36-ए.ए.-1077 के मालिक चंद्रशेखर भुते और चालक रोशन राऊत, दोनों भंडारा निवासी के खिलाफ दंडात्मक कार्रवाई की गई। इस बीच गुमथला शिवार के सोनेगांव राजा मार्ग पर ट्रैक्टर क्र.-एम.एच.-40-बी.जी.-1639 को भी पकड़ा गया। इसमें एक ब्रॉस बगैर रॉयल्टी की चोरी की रेत पाई गई। पुलिस ने ट्रैक्टर मालिक सुनील डाफ, निवासी गुमथला और चालक राहुल रामकृष्ण नाकतोडे, सोनेगांव राजा निवासी के खिलाफ दंडात्मक कार्रवाई की गई। हालांकि, खबर लिखे जाने तक कार्रवाई जारी होने से इन पर कितना जुर्माना किया गया, यह स्पष्ट नहीं हो पाया है। कार्रवाई से रेत माफियाओं में भय के साथ-साथ खलबली भी मची हुई है। कार्रवाई तहसीलदार अरविंद हिंगे सहित अमोल पोंड, शेख शरीफ, राम गोरले, दिनकर गोरले आदि ने की।

Global Steel Co in Talks for \$4-b India Plant

KR.Balasubramanyam
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Bengaluru: A global steelmaker is considering investing \$4 billion (₹28,000 crore) to set up a plant in India and is in preliminary discussions with the Karnataka, Andhra Pradesh and Gujarat governments for the proposed project.

The company plans to set up a 4 million tonne per annum steel plant in the near term and progressively take it up to 12 million tonnes, according to officials. Building a 1 million tonne capacity requires an investment of \$1 billion.

The company's India plans are part of its strategy to diversify its steel mills across the world, the officials said, re-

questing anonymity because the discussions are in a preliminary stage.

Ballari district in Karnataka is the company's preferred location for the plant because the region has abundant deposits of high-grade iron ore, a key steel-making ingredient, and is home to steel, sponge

iron and pellet units. The JSW Group has a steel mill of 12 MTPA capacity in the district.

The Karnataka government will do its best to facilitate investments in the steel sector as it would add thousands of jobs, state industries minister Jagadish Shettar told ET. The government will meet investor needs as per the state's industrial policy, he said.



WCL dedicates 11 specific mines for power sector

■ Staff Reporter

IN ORDER to augment sustainable coal supply to power plants, Western Coalfields Limited (WCL) has dedicated 11 out of its 63 existing mines exclusively for power sector consumers linked to the company.

WCL has identified these 11 mines as specific mine source to provide maximum volume of coal to its linked power consumers. These mines consist of eight greenfield projects opened during last five years and three brownfield projects. All linked power consumers taking coal under different schemes will be offered almost full volume of production from these mines. As a mine specific source, WCL will be sharing Rs 450 per tonne from the savings of the consumers on account of making cheaper coal available almost at their doorstep. This will also be helpful for financial sustainability of WCL and will be a win-win situation for both. Non-power linked consumers and spot auction consumers will continue to take sufficient quantity of coal from remaining sources of WCL other than these mine specific sources.

WCL has taken this initiative to dispatch assured maximum volume of coal from these mines to all linked power plants drawing coal under different schemes from WCL. Special focus will be on to provide help in enhancing dispatch of quality and crushed coal both through rail and road modes. This will be in addition to supply from other mines as per defined quantity. Maximising assured coal supply to these plants to meet their requirement will not only help in sustained more power generation but will

‘WCL heading for over 60 MT coal production in 2019-20’

IN LAST five years, WCL could possess 8,364 hectares of land and opened 20 projects comprising of eight greenfield and 12 brownfield projects with an investment of Rs 6,543 crore. Now, during 2019-20, WCL is heading for coal production of more than 60 million tonnes (MT).

In between, 22 projects contributing 22 million tonnes of production closed down due to exhaustion of coal reserve. Production of WCL would have come down to almost 17 million tonnes by 2018-19, but 20 new projects started adding production on year to year basis from 2014-15 onwards and WCL

could achieve its highest ever production of 53.18 million tonnes during 2018-19. Contribution from these new projects was 35.82 million tonnes during 2018-19.

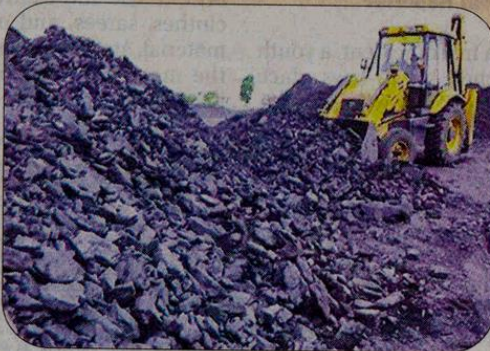
Further, WCL has also planned to open another 20 mines in the first phase in next 3-4 years followed by further 11 mines in second phase to reach upto a level of 100 million tonnes of production in next 7-8 years. The plan is to make available sufficient volume of non-coking coal from nearby source to consumers of central, western and southern parts of the country to stop import of thermal coal.

Coal production from WCL had come down to an alarming level of 39.73 million tonnes during 2013-14 from a peak of 45.74 million tonnes during 2009-10. Non-availability of land in possession and non-viable projects posed a threat to the future of the company. Mahagenco along with other consumers of central, western and south-

ern India were depending on coal supply from eastern India based coal companies bearing higher rail freight resulting in high landed cost of coal, claimed WCL press release.

All out effort was made for immediate augmentation of coal production by giving dispensation for land possession and in-depth technical revisit of unviable mines for their viability. With the solution in hand, WCL could get immediate possession of land resulting in opening of new projects from early 2015 onwards.

WCL press release pointed out, “This effort of WCL is even after having the toughest mining condition in comparison to other subsidiaries of Coal India Limited. Presence of black cotton soil, old loss-making underground mines, high stripping ratio in opencast mines making coal extraction deeper and deeper, and inherent low grade of coal results in critical financial condition of the company.”



also restrict thermal coal import in national interest, stated a press release issued by WCL on Thursday.

Dispatches of coal from WCL to power sector have gone up significantly from 62 per cent in 2013-14 to 81 per cent in 2018-19. Of 55.5 million tonnes of total coal dispatch during 2018-19, over 45 million tonnes of coal was dispatched to power sector. Prominent power consumers of WCL include State-run power generation utilities of Maharashtra, Madhya Pradesh, Gujarat, Karnataka, Haryana, and

National Thermal Power Corporation (NTPC) along with private power consumers. A major share of coal dispatch is consumed by Maharashtra State Power Generation Company Limited or Mahagenco (50 per cent), followed by power generation utility of Madhya Pradesh (12 per cent). Share of the other three generation companies and NTPC is 7 per cent, and the private plants consume 12 per cent of coal. WCL supplied about 5 million tonnes of coal each under spot auction and non-power linkage auction during 2018-19.

With sustainable rise in pro-

duction, WCL could slowly bring back to its fold the nearby consumers earlier taking coal from SECL, MCL by providing coal almost at their doorstep resulting in less rail freight and cheaper landed coal cost. Coal dispatch to Mahagenco rose from 16 million tonnes in 2013-14 to 28 million tonnes in 2018-19. Similarly, more coal could be made available to other nearby State-run power generation utilities and other non-power consumers during last five years resulting in huge savings to their entity on freight account.

नई स्क्रेप नीति घोषित

खुलेंगे नए उद्योग

दिल्ली कार्यालय दिल्ली. इस्पात मंत्रालय ने अपनी स्क्रेप नीति घोषित कर दी है और उम्मीद जताई है कि वित्त मंत्रालय ने नए उद्योगों को लगाने पर जो 15% का कंपनी का घोषित किया है उसका लाभ उठाते हुए देश में इससे संबंधित सैकड़ों नए उद्योग खुलेंगे.



मंत्रालय ने शुक्रवार शाम इसे जारी किया और कहा कि हाइवे, औद्योगिक गलियारा, रेलवे साइडिंग और सागरमाला परियोजना के आसपास स्क्रेप कलेक्शन सेंटर खोले जा सकेंगे. पर्यावरण पर विशेष ध्यान देते हुए सरकार इस उद्योग के विस्तार में मदद करेगी. इसके तहत वाहन निर्माताओं पर भी यह जिम्मेदारी डाली गई है कि पुराने वाहनों को लेने या वह खुद स्क्रेप सेंटर खोलने की तरफ ध्यान दें.

MoEF queries delay work in new mine of SCCL

Information sought on environmental management plan

B. CHANDRASHEKHAR
HYDERABAD

The commencement of coal mining in the Kakatiya Khani opencast mine (KTK OC-III), which includes an opencast and an underground mine with a capacity of 4.23 MTPA together, by Singareni Collieries Company Ltd (SCCL) is likely to be delayed further.

According to the company officials, they were hoping to take up mining operations during the current financial year in the project so as to improve upon the last year's production of over 64.4 million tonnes, particularly in the backdrop of impact rains on mining during the last three months. The State-owned company has set an ambitious target of achieving over 5% increase in the production this year since it was

only 3.87% last year compared to the year before.

Details of impact

An expert appraisal committee of the Ministry of Environment and Forests (MoEF) looking into the proposal seeking environmental clearance for the project has sought more information on the environmental management plan for the impact areas.

The mine includes a 3.75 million tonnes per annum (MTPA) capacity opencast mine and a 0.48 MTPA underground mine in an area of nearly 1,337 hectares in Baswarajupalli village of Ghanpur mandal in Jayashankar-Bhupalapally district.

Diversion of stream

After deliberations, the com-



Life of the mine is 31 years including developing period - 30 years for OC, 9 years for UG mining

Cost of the production is ₹1936.86 per tonne

Total geological reserve estimated in the mine lease area is 120.37 million tonnes

Cost of the project is ₹414 crore

Environmental management cost is ₹37.29 crore; R&R cost is ₹71 crore

It would have 89.16 million tonnes of mineable reserves

3 villages fall in the project area fully and 2 partly

Out of mineable reserve 77.45 million tonnes is available for extraction including 1.56 million tonnes already extracted in Kakatiya Longwall project lying in the KTK OC-III

mittee has sought clarifications about the permission for diversion of a seasonal stream, Gundlavagu, in the mine lease area from authorised statutory body, permission of Director General of Mines Safety for blasting as the distance of a habitation

along the quarry (mine) boundary is only 160 metres and number of villages/houses/population from the mine boundary and proposed environment mitigation measures.

Further, it has also asked for more information on the

traffic impact assessment and mitigation measures for transportation of coal from mine to thermal power plant located about 90 km away, number of villages in 100 metres and 500 metres from the end of road getting affected and necessary mitigation measures, on the commitment for developing railway siding in the next five years to stop coal transportation by road and others.

The manpower required to operate the proposed KTK OC-III project is estimated to be 252 in the open cast and 1,113 in the underground mine.

Further, the project requires deployment of additional manpower to an extent of 960 by way of outsourcing for removal of the overburden.

'100% FDI in coal mining to help India achieve 300 MT steel output target'

NEW DELHI, Nov 10 (PTI)

INDIA'S move to allow 100 per cent foreign direct investment in coal mining is a "positive move" and a good policy enabler towards the country's long-term ambition of producing 300 million tonnes of steel per annum, a Deloitte official has said.

"I think it is a positive move on the part of the government... The global macro-economic environment is softening and it is a step in the right direction," Andrew Swart, Global leader, Mining & Metal, Deloitte, told PTI.

In August, the government had allowed 100 per cent foreign investment in coal mining and contract manufacturing. "You get a real opportunity to bring in technical skills in the exploitation of these particular deposits and that's

where a lot of international players can add a lot of value to the sector," Swart added.

There is an opportunity to partner with some of the global miners specifically in the area of technology transfer, he said and added that this would be an important step in advancing the competitiveness of India's mining sector, particularly in the area of digitisation. Digitisation in mining is an important productivity lever with key advances in automation and analytics which is transforming mining, he said. It will be critical for India to embrace these technologies which will also facilitate the creation of new skills and the creation of new sources of value to communities, he added.

"At the end of the day, India has a significant base of resources which make it a very

attractive place for global mining companies to invest," he noted. "There is lot of global uncertainty around the trade and that is weighing on consumer confidence all around the world. There are a lot of stable geographies such as India which has got large resources which are yet to be exploited... There are many global companies which are looking for opportunities as they look for security of supplies," Swart further said.

"Foreign investment brings in new technologies, which bring in new techniques, new mindset. And I think that raises the overall competitiveness of industries. So foreign direct investment has a positive effect on the industry as a whole. That's why this move on the part of the government is really a step in the right direction," he further said.

THE HITAVADA (CITY LINE) DATE : 11/11/2019 P.N.10

Coal imports at major ports slip 18 pc to 51 MT in Apr-Oct

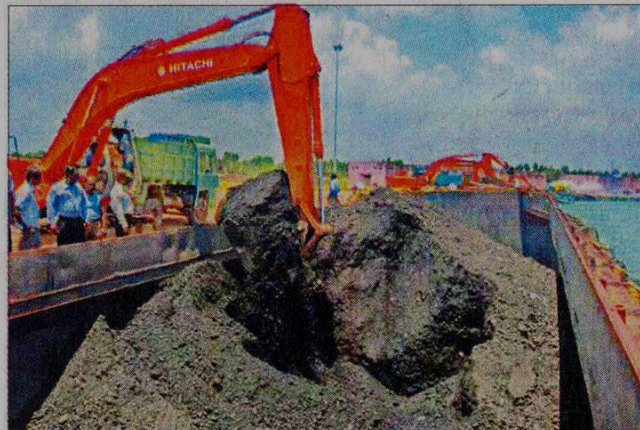
■ Business Bureau

THERMAL coal imports declined by 17.69 per cent to 51.10 million tonnes at the country's top 12 major ports during April-October this fiscal, latest Indian Ports Association report has said.

The Centre-owned ports had handled 62.08 MT of the thermal coal in the same period previous year. The Indian Ports Association (IPA), which maintains cargo data handled by these 12 ports, in its recent report said "percentage variation from previous year" in thermal coal handling was at 17.69 per cent.

As far as coking and other coal is concerned, its handling recorded a rise of 6.88 per cent at 33.43 MT during the seven months period. These ports had handled 31.28 MT of coking coal in the corresponding period last fiscal.

Thermal coal is the mainstay of India's energy programme as



70 per cent of power generation is dependent on the dry fuel, while coking coal is used mainly for steel-making.

Earlier, mjunction services -- a B2B e-commerce joint venture between Tata Steel and SAIL -- has reported 9.3 per cent rise in India's coal imports to 126.91 mil-

lion tonnes (MT) in the first six months of current fiscal.

The provisional compilation by mjunction is based on monitoring of vessels' positions and data received from shipping companies. The country had imported 116.04 MT of coal in April-September period of 2018-19,

according to mjunction - which publishes research reports on coal and steel verticals.

"On a progressive basis (April-September 2019) (provisional), total coal and coke imports were recorded at 126.91 MT, which is 9.36 per cent higher than 116.04 MT imported for the same period (April-September 2018) last year," it had said.

India is the third-largest producer of coal after China and the US and has 299 billion tonnes of resources and 123 billion tonnes of proven reserves, which may last for over 100 years.

India has 12 major ports Kandla, Mumbai, JNPT, Marmugao, New Mangalore, Cochin, Chennai, Kamarajar (Ennore), V O Chidambarnar, Visakhapatnam, Paradip and Kolkata (including Haldia) which handle approximately 61 per cent of the country's total cargo traffic.

Tough Market Softens Up De Beers

Once-inflexible diamond co allows traders to return rough stones, cuts prices

Sugata Ghosh & Ram Sahgal

Mumbai: For the first time, De Beers — once known for its formidable clout — is changing a quaint practice that marked the secretive world of diamonds. In a major shift, the 131-year-old De Beers is letting diamond houses return some of the rough stones sold by the group. It's a sign, traders say, of a slow market and a probable decline in De Beers' control over the supply of roughs. For decades, representatives of

chosen diamond houses assembled in a room, and each was given a box of diamonds — a mix of good and lesser-quality rough stones. The buyers, called 'sightholders', took the box without a word — accepting whatever stones De Beers offered. The ritual, which took place in London, later moved to Botswana

after the family that controlled the group sold a chunk of its stake.

According to industry circles, De

Beers has recently allowed sightholders to return around a fifth or more of what they purchased across certain categories at its 'sight' (as the ritual is called), besides cutting prices of the roughs by 5% on average, to support them amid a crisis in India's mid-stream, or diamond polishing, industry.

India is the global hub for cutting and polishing roughs, with an estimated 9 out of 10 diamonds processed by the country being polished in Surat, and to a much lesser extent in Mumbai.

HOTELS UP DISCOUNTS TO DRIVE CHECK-INS
▶ PAGE 6

Missing Sparkle

Diamond industry hit by oversupply of rough stones and tight liquidity

Indian diamantaires welcome flexibility given by De Beers

Discovery of new mines has loosened De Beers' hold over the market

Trade unsure whether De Beers' measures are temporary



Illustration: ANIRBAN BORA

BUSINESS LINE DATE : 11/11/2019 P.N.7

After a weak Q2, what lies ahead for Tata Steel

Expected pick-up in demand and cost benefits, among others, will help the firm improve earnings

SATYA SONTANAM

Indian steel companies have had a bumpy ride over the past year. A weak demand globally, primarily due to the overhang of Brexit and trade tensions between the US and China, and persisting challenges in the domestic market impacted the performance of all steel companies. The story of Tata Steel is no different.

The stock has fallen about 30 per cent over the past year, and a weak operational performance in the latest September quarter suggests that the pain could last for a few more quarters. That said, an expected pick-up in domestic steel demand in the second half of the fiscal year,

possible bottoming out of steel prices and raw material cost benefit in the coming quarters should improve the prospects of steel companies gradually.

For Tata Steel In particular, the merger of Bhushan Steel (acquired under IBC through its wholly owned subsidiary Bannipal Steel), is expected to bring in synergies on the cost front. Also, the increased focus on domestic business to improve profitability will aid earnings in the long run. Tata Steel is in the process of simplifying its structure, the benefits of which are expected to be seen from the next fiscal.

While the long-term prospects of the company are sound, given near-

term uncertainties on the global front, slow demand recovery and high debt levels, a significant improvement in earnings may happen only from the next fiscal. Hence, investors can hold the stock for now and wait for sustained signs of recovery.

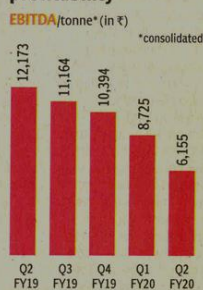
Weak demand

Tata Steel's consolidated sales volumes in Q2FY20 stood at 6.53 million tonnes (mt), up by 3 per cent sequentially and down by 4 per cent y-o-y.

The demand for steel in India, a major market for Tata Steel, has been tepid. Activities in the infrastructure and construction sector, which contributes significantly to steel demand, continues to be modest. The automotive sector, from which the realisations are higher for the steel industry, has decelerated sharply.

Tata Steel increased its exports to offset the loss of demand in the do-

Weak demand and prices impact profitability



mestic market. The share of exports increased to 15 per cent in the second quarter of FY20 as against 8 per cent in the previous quarter

and 11 per cent during the same quarter last year. This, however, has not aided revenues much as the realisation (sale value) in the export market is less than that in the domestic market.

The blended realisation of the group fell to ₹52,954 per tonne in the recent September quarter from ₹60,142 per tonne a year ago.

While the group's revenue fell 15 per cent y-o-y to ₹34,579 crore in the second quarter of FY20, the net profit at ₹3,302 crore is optically better (due to tax adjustments), recording a growth of 6 per cent compared with the profit in the year-ago period. If not for such tax adjustments, the company would have recorded a loss during the quarter.

Profitability under pressure

As per various reports, the costs of iron ore and coking coal, the key raw materials of steel, have softened in the second quarter of

FY20. Tata Steel has pointed out that gains from lower cost will benefit it only in the coming quarters. With low volumes, weak realisations and reduced cost benefits, the operating profit and margins were under pressure in Q2 FY20.

The operating profit of the group fell more than 50 per cent y-o-y to ₹4,018 crore. This led to the weakening of EBITDA per tonne (operating profit per tonne), which stood at ₹6,155 in Q2FY20 against ₹12,173 a year ago. As a result, the operating profit margins also fell from 21 per cent to 12 per cent during the said period.

That said, the operational performance of Tata Steel's Indian operations (standalone) has been decent with EBITDA per tonne and EBITDA margins of ₹11,200 and 21 per cent, respectively, in the September quarter. The European operations have been the worst impacted with an EBITDA per tonne of ₹720 in Q2FY20 against ₹4,862 a



CONTD...ON PAGE 25

tonne recorded a year ago.

The demand for steel is expected to improve in the second half of the fiscal. The management believes the prices have bottomed out for now and would be stable going forward. Also, cost benefits on the raw material front are expected to flow in the coming quarters and could aid the margins.

Trimming capex

The consolidated debt went up from about one ₹1-lakh crore as on March 31, 2019 to ₹1.11-lakh crore as on September 30, 2019, primarily on account of acquisition of Usha Martin's steel business in April 2019 and the recognition of leases as per the new accounting standard for leases — Ind AS116.

The net debt to EBITDA of the company stood at about 4.6 times as of September 2019. This has prompted the company to cut down its capex for the year from ₹11,000 crore to ₹8,300 crore.

THE HINDU DATE : 12/11/2019 P.N.13

India Cements Q2 profit rises on cost reduction

Profit up despite sales volume in A.P. and Telangana halving to 1 lakh tonnes per month

SPECIAL CORRESPONDENT
CHENNAI

Leading cement manufacturer The India Cements Ltd. (ICL) has posted a standalone net profit of ₹8.72 crore for the second quarter ended September 2019, due to improved realisation on sale of cement and reduction in cost of power and material, among others.

This compares with a lower ₹1.43 crore net a year ago but a significantly higher ₹72.21 crore for the quarter ended June this year.

In the recently closed quarter, the company's capacity utilisation declined to 68% from 77%. Overall, cement and clinker volume for the quarter declined to 26.67 lakh tonnes from 30.77 lakh tonnes.

India Cements' total in-

Awaiting turnaround



The cement industry, which grew 13% last fiscal, had to be content with flat growth for the first 6 months of this financial year, as per DIPP statistics

N. SRINIVASAN
Vice-chairman & MD



Metrics	Q2 FY20	Q1 FY20	Q2 FY19
Total Income (₹cr.)	1,248.94	1,472.00	1,390.84
Net profit (₹cr.)	8.72	72.21	1.43
EPS (in ₹)	0.29	2.34	0.05

come declined to ₹1,284.94 crore from ₹1,390.84 crore due to a sharp fall in demand in Andhra Pradesh and Telangana.

"The cement market was languishing a bit in the

South. There was a steep fall in demand in Telangana and Andhra Pradesh," said N. Srinivasan, vice-chairman and MD, The India Cements Ltd.

He added that together, Andhra Pradesh and Telan-

gana used to witness about 2.1 lakh tonnes per month in sales but that the figure had recently plunged to 1 lakh tonnes per month.

"We are waiting for the markets to revive and will sell in places other than A.P. and Telangana. Over the next five months, we will optimise the volume to make up for what we have lost. We will get into aggressive sales when the prices are good," he said.

Asked about the next few quarters, he said ICL expected Q3 to be better than Q2, while expecting a better fourth quarter due to expected pick-up in demand for infrastructure projects.

Mr. Srinivasan said that despite the tough market conditions influenced by lower demand, ICL was able

to post a profit before tax (PBT) of ₹113 crore for the first six months of the current fiscal against ₹28.12 crore for the corresponding year-ago period.

For FY19, India Cements recorded PBT of ₹93.42 crore.

Input costs to stay muted

He added that he expected input costs to remain tempered due to the anticipated softening of fuel prices and the company's planned reduction of manpower.

As of October 2019, ICL had a non-management workforce of about 1,200, which was expected to halve by 2022 as per an understanding with the unions, he said. He added that the company planned to focus on multi-skilling of its staff.

THE HINDU DATE : 12/11/2019 P.N.13

Hindalco net falls 33% to ₹974 cr.

Revenue declines 9%; yet to see domestic orders, says Pai

SPECIAL CORRESPONDENT
MUMBAI

Hindalco Industries reported a 33% fall in its second quarter consolidated net profit to ₹974 crore due to fall in aluminium prices.

The fall in profit was reported on a 9% decline in revenue to ₹29,657 crore.

Satish Pai, MD, Hindalco Industries, said, "Stronger operational efficiencies in upstream business and our rising share of value-added products have led to a stronger and derisked business model. Globally, consumer demand for sustainable packaging options and automotive closed-loop recycling systems continues to grow. A special call out to Novelis which has once again turned in a record performance."

When asked about falling



Satish Pai

demand in the Indian business, Mr. Pai said, "We have seen lots of announcements so far but we are not yet seeing orders coming. Post-Diwali, we are yet to see demand picking up. November to March will be a crucial time for us."

The company's EBITDA for the quarter fell by 8% to ₹3,918 crore.

The company is in talks

with two prospective European buyers to sign a definitive agreement for sale of Aleris Corp.'s Belgium plant to get approval for the \$2.6 billion deal.

"Novelis received conditional approval for the Aleris acquisition from the European Union, and a clear path forward for approval in the U.S. The company expects to close the transaction by January 21, 2020, the outside date under the merger agreement," the company said in a statement.

Hindalco's gross consolidated debt stood at ₹54,154 crore and net debt at 40,710 crore. When asked about the debt reduction, Mr. Pai said, "At current LME prices, we won't repay any debt. We will continue with our capex of ₹2,000 crore."

NMDC Q2 net rises over 9% to ₹691.94 cr.

SPECIAL CORRESPONDENT
HYDERABAD

Public sector miner NMDC has posted a consolidated net profit of ₹691.94 crore for the quarter ended September, an increase of 9.40% from the ₹632.46 crore registered in the year earlier period.

The increase came amid a decline in revenue from operations to ₹2241.76 crore (₹2,437.92 crore) and total income declining to ₹2,369.39 crore (₹2,569.05 crore).

On a sequential basis, the net profit, however, declined. The company had posted a net profit of ₹1,171.56 crore during the quarter ended June.

The net profit, on a standalone basis, increased 10.51% to ₹703.27 crore (₹636.37 crore). The company said it had provided ₹112.06 crore towards Expected Credit Loss (ECL) during the quarter.

Mining officer in ACB net

Mazhar Ali | TNN

Chandrapur: A team of Anti Corruption Bureau (ACB) arrested district mining officer of Gadchiroli Shrikant Shelke (31) for taking bribe of ₹1.20 lakh from a contractor, on Monday evening. Accused Shelke had sought the bribe to issue a license for transport of sand to the contractor.

Shelke has sought bribe of ₹1.20 for issuing a licence for transport of minerals.

The complainant was sent with the bribe money after which the raiding team caught the accused red-handed as soon as he accepted the bribe amount.

Vedanta highest bidder for Jamkhani coal block

PRESS TRUST OF INDIA
NEW DELHI, NOVEMBER 13

VEDANTA ON Wednesday said it has emerged as the highest bidder for Jamkhani coal block in Sundargarh district, Odisha, in the 10th tranche of captive coal block auction conducted by the government.

The coal block is in proximity to the company's Jharsuguda aluminium smelter.

The Jamkhani coal block is one of the most attractive coal blocks for the company's Jharsuguda

plant in terms of location, annual capacity, reserves and readiness to produce.

The approved per annum capacity of the mine is 2.6 million tonnes, it said in a release.

"It has an extractable reserve of 114 million tonnes. Once operational, it will provide fuel security, improve power availability and further strengthen the company's aluminium operations and performance".

This is the company's second coal block after Chotia coal block in Chhattisgarh that has an annual capacity of 1 million tonne.

Slowing Aluminium Demand Has Impacted Hindalco in Q2

Q&A

Hindalco exported a lot of metal, but now is feeling the impact of the slowdown in

demand in India, said managing director **Satish Pai**. Edited excerpts from an interview with **Mubina Kapasi** of ET Now:

How has the slowdown impacted Hindalco?

Our international businesses have done very well but the Indian businesses of course have felt the impact of the slowdown that we have seen in demand in the country. As a result, in the second quarter we have seen that aluminium demand degrew 6% whereas in the first quarter it had grown by about 7%. That had quite an impact on our business. As a result, we have exported a lot of metal but it is fair to say that we are feeling the effects of the slowdown in demand in the country right now.

Is it unusual to have such a sharp fluctuations?

Well it is unusual but you have to remember that the monsoon quarter is generally a slower quarter. But it is fair to say that the contraction may be a little bit more than what I would have expected. I would have at least thought we would see a 2-3% demand growth but if you look at construction and infrastructure and even the auto sector, everywhere, the demand has been quite weak.

So how much of the total deliveries are to the auto sector?

We are not very exposed to the auto sector. Our extrusions are heavily dependent but we sell about 328,000 tonnes a quarter. Less than 5% of that is to the auto sector. For us, the electrical



sector takes 40%; overall transportation sector, which is commercial vehicles etc. takes another 10-15%, packaging takes about 20%. In all those sectors, the demand has been slowing down.

Imports featured heavily as a key complaint for not just the aluminium, but the steel industry also. Is that still a problem?

It is still a problem see and on absolute level imports have gone down by 8% but as a percentage of the total consumption, they remain at 60% because the overall demand has come down in the country and as a percentage, imports are still taking 60% and scrap is still more than 50% of that import.

There was a shutdown at Muri. The issue was solved but it has still not resumed operations. Why is that?

We are going through the regulatory approval processes because we had to do certain amount of clean up. We had to resolve the technical issues of why the breach happened and that has what has taken time. So we are hoping that in this quarter we will reopen Muri because as you said the issues are behind us. Until

we restart the plants, I have quite a lot of fixed costs that is still hitting me.

Overall what are your volumes for copper and aluminium looking like in Q2? How much of it was impacted because of Muri?

The aluminium volumes were not impacted at all. We had sales of 328 KT at our full capacity. For copper, we were at about 82 KT. We could have been a bit higher but Dahej and that whole area of Bharuch had probably seen the most severe monsoon in the last 10 or 20 years. Our operations were impacted for nearly five to six days because of the heavy rains. That is why the copper volumes were a bit lower than what they could have been.

For the last many months, aluminium prices have stayed below \$2000. How are you seeing the entire demand supply situation?

In the last couple of weeks, aluminium started to trend a little bit higher. That is because there has been very encouraging noises coming out of the US-China dispute. When you look at the fundamentals of supply demand, inventories of aluminium are at all-time lows. The supply-demand is quite tight but people are worried about the demand side. China is a big part of that demand. The Chinese aluminium demand this year so far has grown by only 1% whereas normally it grows 5-6%. I think people are waiting to see if the Chinese economy picks up.

You have taken certain price hikes in some of your products?

Well as the price of aluminium has gone up, we have been hiking the prices in the last few weeks.

MCX-Nickel may continue to drop further

COMMODITY CALL

AKHIL NALLAMUTHU

BL Research Bureau

The price of nickel continued its downtrend in the past week. The November futures contract of the metal has broken below the support at ₹1,155, which has confirmed a lower low in daily chart. This is a bearish indication, potentially hinting a change in the medium-term trend to the downside. Currently it is trading at ₹1,139. A minor support is available at ₹1,126.

The daily relative strength index continues to show weakness and the moving average convergence divergence indicator is in the neg-

ative territory. Adding to that, the 21-DMA remains below the 50-DMA, another sign of bearishness.

On the back of prevailing weakness, the contract will most likely fall below the support at ₹1,126 and decline to the subsequent support at ₹1,066 in the upcoming days. On the other hand, if contract appreciates from the current level, it has a hindrance at ₹1,155 — a support-turned-resistance. Beyond that level, it will face a strong resistance in the band between ₹1,200 and ₹1,209. Until the futures breakout of those levels, the chances for a recovery is less likely.



The price of nickel on LME has also been in downtrend. The three-month rolling forward contract of the metal has slipped below a crucial support of \$16,000 and is currently trading below the support at \$15,450. The likelihood of depreciation from

current level is more and the contract has its next support at \$15,000. Below that level, the support is at \$13,930. On the upside, the contract will face significant hurdle at \$16,050.

Trading strategy

The price of MCX-Nickel futures and LME-Nickel has broken below a key support level, and thus has opened the door for further depreciation in the medium-term. So, one can continue to hold bearish view and make use of the rallies to take short positions. Hence, traders are recommended to sell MCX-Nickel November contract on pull-backs with a stop-loss at ₹1,210.

MCX-Zinc breaches key resistance band

AKHIL NALLAMUTHU

BL Research Bureau

The November futures contract of zinc in Multi Commodity Exchange of India (MCX) went past the resistance band between ₹191 and ₹192.7 (which now acts as a support band) last week and closed at ₹194.7. But after marking an intraweek high at ₹196.25, the

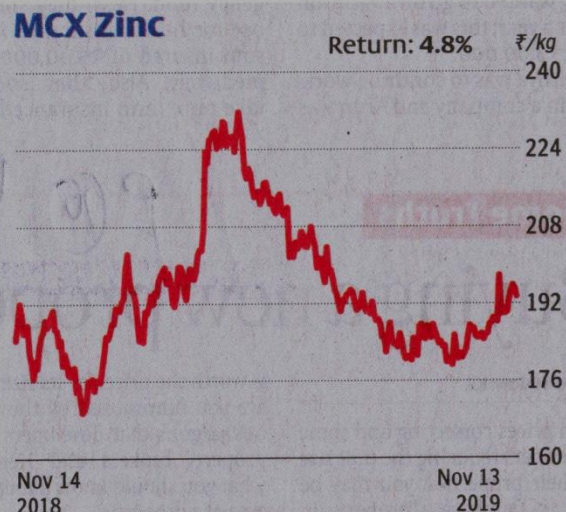
COMMODITY CALL

contract softened and is trading at around ₹193. The 21-day moving average has crossed over the 50-day moving average indicating a potential reversal in the medium-term trend to bullish. The moving average convergence divergence indicator continues to show strength and the daily relative strength index too corroborates the bullish price action. But the moderation in price that the contract is undergoing might get extended to the earlier mentioned support band. Notably, until the price stays above those levels, the

short-term outlook for the commodity is positive.

If the contract attracts buying interest on the price correction and the uptrend resumes, it has the potential to appreciate to ₹200 in the near term. On the other hand, if the correction results in price slipping below the support band, it could possibly trigger substantial sell-off dragging the price to ₹186.7. Below that level, the support is at ₹183.7.

On the global front, the three-month rolling forward contract of zinc in London Metal Exchange (LME) have broken below the support at \$2,460 and is currently trading at \$2,422. Thus, the contract has moved below the 21-day moving average. The contract has a support at \$2,400 where the 50-day moving average coincides, making it a significant level. Support below \$2,400 is at \$2,330. Alternatively, if the contract bounces off from the sup-



port and appreciates, the resistances on the upside lies at \$2,460 and \$2,500.

Trade strategy:

Even though the price of November futures contract in MCX is moderating, but it is trading above the important support band. Also, the correct-

ive rally in LME zinc price is nearing a support. Hence, traders can take a bullish view and initiate long positions with a tight stop-loss.

Note: The recommendations are based on technical analysis. There is a risk of loss in trading.

Steel companies hike prices by ₹500-750/t for first time this fiscal

However, domestic prices are still at a discount to international rates

SURESH P IYENGAR

Mumbai, November 14

Steel manufacturers hiked prices for the first time in the last seven months in November, as the inventory at both the consumer and steel manufacturers' end shrank after the recent pick-up in demand.

Most steel companies, including JSW Steel, have hiked prices of hot-rolled coil by ₹500-750 a tonne to ₹35,500, and that of TMT bars by ₹750-1,000, depending on quality specifications.

Jayant Acharya, Director (Sales and Marketing), JSW Steel, said that globally steel prices have gone up by \$20-30 a tonne due to a production



Globally, steel prices have risen due to production shut-down

shut-down by most steel companies, as their selling prices had fallen below production costs.

Inventory in China has also come down by 18 per cent or two million tonnes in the last two months.

Steel production in China is also expected to slow down

with the winter setting in. While the cost index had re-

mained more or less similar to the 2017 levels, steel prices have fallen by over \$100 a tonne to \$430, from \$545 that prevailed two years back, he said.

Domestic prices

Despite the ₹500-750 hike, domestically, HR coil is being sold at a discount to imports, he added.

In India, inventory at the dealer level dropped by 0.5 million tonnes in October, as steel demand increased by 3.9 per cent.

Post-monsoon, construction activity has picked up with higher allocation for both State and Central government-funded projects.

On the packaging side, Acharya said the ban on single usage plastics has stoked demand for tin plates, where JSW Steel hiked capacity recently.

On steel imports, he said, globally, steel prices have fallen below the anti-dumping duty price of \$489 a tonne and some shipments booked at higher levels were hitting Indian shores.

It will not make business sense for the user-industry to import steel when domestic prices are trading at a discount to the import price.

Scan & Share



Coal-mine auctions see significant variation in prices of winning bids

TWESH MISHRA

New Delhi, November 14

The auction of coal mines under the eighth, ninth and tenth round has come to a close with winning bid prices showing significant variations.

The highest winning bid, at ₹1,674 per tonne, was quoted by Vedanta Ltd for the Jamkhani coal mine in Odisha. Prakash Industries' winning bid, at ₹1,100 per tonne, for the Bhaskarpara coal mine in Gujarat was the second-highest winning bid. For all other mines auctioned, the winning bid amounts ranged between ₹154 and ₹230 per tonne.

Commenting on the differences in winning bid price, Kameswara Rao, partner at PricewaterhouseCoopers (PwC) India, said, "The bids are generally lower due to improved sup-

ply situation. The differences too are largely cost-reflective. The cost of underground mines and the smaller mines is high, and so the bids received are lower."

None of the mines offered under the ninth tranche could attract an adequate number of bidders.

6 mines auctioned

In total, the Ministry of Coal was able to auction six out of the 27 coal mines it intended to bid out in these three rounds.

Birla Corporation Ltd won two mines (Brahmapuri and Bikram) in these rounds. Powerplus Traders Pvt Ltd, Jindal Steel and Power Ltd, Prakash Industries Ltd and Vedanta Ltd won one mine each.

Prakash Industries said the coal from the Bhaskar-

para mine will be used in the company's Integrated Steel Plant at Champa in Chhattisgarh. For Vedanta, the Jamkhani coal mine would be handy for operations of the company's Jharsuguda aluminium smelter.

The Ministry of Coal is now gearing up to conduct another round of auctions but will be further relaxing the bid guidelines. Some of the measures being considered to attract more investment in the coal mining sector include having larger coal mines and allowing the auction of mines with less than three bidders.

One of the reasons for disinterest in the rounds that just concluded could be expectations from commercial coal mining, the auctions for which are projected to begin from December.

Vedanta Q2 profit rises 61 pc to Rs 2,158 crore

NEW DELHI, Nov 14 (PTI)

MINING baron Anil Agarwal-led Vedanta Ltd on Thursday posted a 60.6 per cent rise in consolidated profit to Rs 2,158 crore for the quarter ended

September 30, mainly on account of deferred tax gain and higher other income.

The company had posted a consolidated profit "attributable to owners of Vedanta Ltd" of Rs 1,343 crore in the year-ago period, Vedanta said in a Bombay Stock Exchange filing.

However, the consolidated income in the July-September period dropped to Rs 22,814 crore from Rs 23,279 crore in the year-ago period, the filing said.

When asked about the reasons for the rise in profit, Vedanta Chief Executive Officer (CEO) Srinivasan Venkatakrishnan in a conference call that "One is robust

operating performance. We did have a significant movement on the tax line. Thanks to the lower tax rate announced by the Government. It has resulted in the release of a lot of deferred tax liability as well."

The company had a net deferred tax gain of Rs 1,891 crore during the September 2019 quarter, the filing said.

"Revenue (from operations) in Q2 FY2020 was at Rs 21,739 crore, lower 3 per cent year on year (Y-o-Y), primarily due to lower commodity prices partially offset

by additional volumes from commencement of Gamsberg operations and higher sales at Iron Ore Karnataka," the company said in a statement.

The company's consolidated other income during the July-September period increased to Rs 856 crore, over Rs 574 crore in the year-ago period.



Srinivasan Venkatakrishnan