Cabinet clears SAIL divestment, 21% import duty on power gear

Fair and Remunerative Price for sugarcane hiked to Rs 170/quintal

Our Bureau
New Delhi, July 19
Within hours of voting for the Presidential elections, the Government swung into action and announced big bang economic decisions. The decisions come at a time when the Government is facing flak for its policies.

SAIL DISINVESTMENT
The Cabinet Committee on Economic Affairs has approved offloading 10.82 per cent government's equity in steel major SAIL.

This is contrary to its earlier decision on April 8, 2010, when it approved offloading 10 per cent government equity (in two tranches) and raising additional resources by issuing 10 per cent fresh shares (in two tranches) for SAIL.

Now, there would be offloading of 10.82 per cent of government's equity and there will not be fresh issuance by the company.

This is expected to yield over Rs 4,000 crore to the Government. The Finance Ministry has set a target of Rs 30,000 crore to be mobilised through disinvestment.

Though it is believed that the auction method will be used for offloading the share, no timeline has been set for the process.

SAIL's share ended flat on Thursday when the price closed at Rs 93.10.

IMPORT DUTY ON POWER EQUIPMENT
The Cabinet cleared the proposal for raising duty on power equipment for projects with a capacity of over 1,000 MW.

Now there will be a basic custom duty of 5 per cent, countervailing duty of 12 per cent (CVD levied in lieu of central excise duty on same kind of domestic products) and a Special Additional Duty (SAD) of 4 per cent taking the total levy to 21 per cent.

At present, power equipment for projects under 1,000 MW attract basic custom duty of 5 per cent. Projects of over 1,000 MW do not attract this levy. This was done at a time when there were not enough ultra mega power projects (with a minimum capacity of 4,000 MW). This boosted cheap imports, especially from China.

The Cabinet decision is expected to benefit domestic producers such as BHEL and L&T.

CANE PRICE REVISED
The CCEA is understood to have hiked the 'Fair and Remunerative Price' (FRP) for sugarcane by nearly 17 per cent.

The price for 2012-13 will be Rs 170 a quintal from the earlier Rs 145. The FRP is linked to a basic recovery rate of 9.5 per cent, subject to a premium of Rs 1.46 for every 0.1 percentage point increase in recovery above 9.5 per cent. The recovery rate is the quantity of sugar that is produced from the crushed cane.

The FRP is the sugarcane price fixed by the Centre but there are some States like Uttar Pradesh and Tamil Nadu that announce their own rate called state advisory price (SAP). The SAP is higher than the FRP. In Uttar Pradesh, for example, the SAP for the current year stands at Rs 250 a quintal, compared with the Centre's FRP of Rs 145 a quintal.

EDIBLE OIL IMPORTS
The Cabinet also decided to remove the base price on edible oil imports for valuation of import duty. With this the base import tariff, which hitherto stood at $484 a tonne, will be linked to the international prices.

The Government had not revised the base import tariff, since 2006, at which the reference rate was calculated for imposing the import duty on edible oils. The imports of crude edible oils are duty free, while the refined edible oil imports attract a customs duty of 12 per cent.

FCRA BILL DEFERRED
The Cabinet deferred the Forward Contract (Regulations) Amendment or FCRA Bill. It is understood to have given an extension to the M. B. Shah Commission probing illegal mining. shishir.s@thehindu.co.in
PRICE CARD

<table>
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<tr>
<th>As on July 19</th>
<th>International</th>
<th>Domestic</th>
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<tbody>
<tr>
<td></td>
<td>Price</td>
<td>%Chg</td>
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<tr>
<td>METALS ($/tonne)</td>
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<td>Aluminum</td>
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<td>ENERGY</td>
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<tr>
<td>Crude Oil ($/bbl)</td>
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<td>Natural Gas ($/mmBtu)</td>
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<td>Wheat</td>
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<tr>
<td>Cotton</td>
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Conversion rates: 1 ounce = 31.3323216 gm, 1 US Dollar = Rs 57.14
*(as on July 19, 1800 hrs SST) Change over three months

Baltic:
1. International metal are LME spot prices and domestic metal are Mumbai local spot prices except for steel.
2. International crude oil is Brent crude and Indian crude oil is Indian basket.
3. International coal is LCOI near month futures.
4. International wheat, white sugar & coffee robusta are LCHI futures prices of nearest month contract.
5. International metals are LME near month futures, rubber is TSIBOT near month futures and palm oil is MOUT.
6. Domestic wheat & maize are MEXIN Mark of prices of nearest month contract, palm oil & rubber are MIBOT spot prices.
7. Domestic coffee is Indonesia robusta and sugar is MTOB near month futures.
8. International coffee is London No. 2-AMERICAN near month futures & domestic coffee is MTOB near month futures.
9. International metals, export market crude, Malaysia palm oil, wheat and coffee are American prices of previous day's price.

BALTIC EXCHANGE INDICES

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<td>Baltic Dirty Tanker</td>
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<td>Baltic Suezmax</td>
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ELECTRICITY TRADING AT IEX

Market price in Rs/MWh
Govt looks to mobilize ₹10,000cr

Cabinet Clears 11% Stake Sale In SAIL, VSNL Surplus Land Demerger

NewDelhi: The government on Thursday set the stage for mopping up nearly Rs 10,000 crore from disinvestment in SAIL and demerger of surplus land with VSNL, a company it had sold nearly a decade ago.

The Cabinet approval for sale of nearly 11% stake in SAIL is expected to fetch the government over Rs 4,000 crore. The VSNL demerger will see the transfer of 773 acres with the company in prime locations in Delhi, Chennai and Pune to a special purpose vehicle, Hemisphere Properties, where the government intends to hold over 51%. This exercise could net the government another Rs 6,000 crore.

The disinvestment department will decide on the timing of the issue, depending upon market conditions, said a source. The government currently holds 85.8% in SAIL whose shares rose 0.6% to close at Rs 93.8 on the Bombay Stock Exchange on Thursday. The VSNL land deal had been in the pipeline since 2005 when the Cabinet approved the setting up of an SPV as the plots were not part of the deal and have been lying vacant.

The twin decisions come at a time when the government is battling a widening fiscal deficit as it has not managed to cut down on expenditure and revenues have been hit due to the worsening slowdown across sectors. With rains being deficient, the government could be staring at higher spending and lower tax collections at a time when its ability to prune the subsidy bill is limited. Even the government's disinvestment target of Rs 30,000 crore looks ambitious as market conditions are subdued and several public issues have been postponed or shelved. Even the proposed share sale in Rashtriya Ispat Nigam, the first among the 15 public issues lined up for the current financial year, has been deferred. Last year, the government failed to achieve its disinvestment target of Rs 40,000 crore and ended the year with a tally that was just one-third of what it had hoped for.

Bharat Heavy Electricals (BHEL), Nalco, National Mineral Development Corporation (NMDC) and Hindustan Copper are among companies on this year's sell-off list. In several cases, the government plans to sell stake along with a fresh issue of shares by the public sector companies to expand their capital base and fund expansion. Finance ministry officials are concerned over the deteriorating fiscal condition and are hoping that the proposed auction of 2G telecom spectrum, for which the government has budgeted Rs 40,000 crore, will help them out.
Coal India can now extract coal mine methane, but with riders

Commercial sale to be governed by Oil Ministry norms

Siddhartha P. Saikia
New Delhi, July 19

The tussle between Coal and Petroleum Ministries over extraction of coal mine methane (CMM) has been sorted out, with the Petroleum Ministry now agreeing to the proposal of allowing Coal India Ltd to explore CMM. But, the approval comes with a rider.

“Yes, we have agreed to this. Since, the mining lease is with Coal India, they can extract CMM,” the Petroleum Secretary, Mr G.C. Chaturvedi, told Business Line on Tuesday.

But, for commercialisation of the gas, Coal India will have to seek the Petroleum Ministry’s nod. Mr Chaturvedi said that things such as pricing and allocation had to be governed by existing norms decided by the Petroleum Ministry.

The issue was discussed between Mr Alok Perti, former Coal Secretary and present Advisor to Coal Ministry, and Mr Chaturvedi on June 27. This was followed by discussions between the Additional Secretaries of the Ministries.

The Coal Ministry is of the view that since Coal India is into mining, it is appropriate for the company to extract CMM too. Two companies working simultaneously in the same block is not advisable from both the financial and technical angles.

Along with the discussions between the two Ministries, the Government has also set up an inter-ministerial panel headed by Member Planning Commission, Mr B.K. Chaturvedi, to formulate long-term strategies for exploiting CMM and CBM.

The panel has met only once so far on May 16 and is yet to come up with a roadmap. Currently, CMM is not tapped in India and is blown out of coal mines with the help of fans. CMM is available on the coal bed surface, which has to be simultaneously extracted while mining out coal unlike CBM. The CBM is extracted from virgin coal mines after drilling at least 250-300 metres.

At present, there are no estimates for CMM reserves in the country. CMM may be utilised to fire captive power units installed on the pit head of mines. Industry experts tracking the sector say that it is found in all coal blocks where mining is undertaken. There are several blocks in Raniganj where large volumes of CMM have been detected. In some cases, Coal India has abandoned mines due to the higher concentration of CMM that is considered harmful.

Earlier, Coal India had sought permission to extract CMM from five blocks in the leasehold areas of BCCL and CCL.
US, China housing data boost copper

Reuters
London, July 19

Copper surged more than 2 per cent on Thursday to its highest in over two weeks on a weaker dollar and after stronger housing data from the US and China bolstered sentiment about demand for industrial metals.

Three-month copper on the London Metal Exchange touched an intraday peak of $7,813 a tonne by 12.24 GMT, up 2.3 per cent, after trading at $7,760 in official rings. LME lead, which has shed 6 per cent so far this year, rose 0.9 per cent to $1,927.50 a tonne.

LME nickel gained 0.8 per cent to $16,775 a tonne in official trading. In other metals, aluminium added 1.3 per cent to $1,934 a tonne, zinc increased to $1,888 and tin did not trade in official rings but climbed to $19,200 a tonne in later trading.
Talathis all over Maharashtra to go on strike

Staff Reporter

NAGPUR: The Talathi (village official) Union of Maharashtra threatened on Thursday that all the Talathis in all districts of the state would stop their work, if the suspension of Vinod Khobragade was not revoked by July 23.

Mr. Khobragade, the Talathi of Baranj village, was suspended earlier this week when he complained to the State Revenue minister about the illegal mining worth Rs. 587 crore in Chandrapur and accused top district officials, including District Collector Vijay Waghmare, of involvement in the scam.

Meanwhile, hundreds of protesters from Prahar, a social organisation, protested in front of Chandrapur District Mining office, locking it on Wednesday, to express their anger on Mr. Khobragade’s suspension.

“Apart from Karnataka Enala Coal Mines Limited (KECML), there are many companies involved in illegal mining in this district,” Mr. Khobragade had complained.

“Instead of rewarding him, the government has suspended him, so we protested today in his support,” Pappu Deshmukh, Chandrapur district president of Prahar told The Hindu over the phone.

Pappu Deshmukh and many of his supporters were arrested by the police for forcibly locking the District Mining office.

BJP MLA Devendra Fadnavis and Achalpur MLA Bachechu Kadu have already come out openly in support of Mr. Khobragade.
Director, NMDC conferred Baldota Award

N.K. Nanda, Director of NMDC was conferred with Abheraj Baldota Memorial Award 'Mining Engineer of the Year' for 2010-11 by Mining Engineers Association of India in its Annual General Meeting held recently at Ahmedabad. The award is given every year in recognition of meritorious contribution to the mining industry by a mining engineer. Nanda has been one of the few mining engineers in NMDC whose contributions have played a key role in growth.
JSPL to expand India, Oman production

New Delhi: Jindal Steel and Power Ltd (JSPL), India’s second-biggest steel maker by value, will spend ₹5,000 crore ($6.3 billion) to expand production at home and in Oman after scrapping a deal to develop a Bolivian iron ore mine.

“Factory capacity will more than quadruple to 13 million tonnes (mt) by 2015,” V.R. Sharma, chief executive officer of the steel business, said in a phone interview. The company, which runs a 3 mt-a-year mill in Chhattisgarh, is building a 5 mt plant in Orissa, a 5 mt mill in Jharkhand and a 2 mt facility in Oman, he said. BLOOMBERG