

MINES AND MINERALS



SECTOR OVERVIEW AND POLICY

Mining sector is one of the core sectors of economy. It provides basic raw materials to many important industries. Mining sector (including fuel, atomic, major and minor minerals) contributed about 2.4% of GDP in 2014-15 as per the data released by Central Statistical Organization under Ministry of Statistics & Programme implementation. As of 2012, India is the largest producer of sheet mica, the third largest producer of iron ore and the fifth largest producer of bauxite in the world. India has a liberalized FDI up to 100% in mining under automatic route.

India is a mineral rich country and has favorable geological milieu which is yet to be fully explored, assessed and exploited. Its geological setup is similar in many ways to that of resource rich countries like Canada, Australia, Brazil, South Africa, Chile and Mexico etc. Exploration activities in India are mostly carried out by Geological Survey of India (GSI), Mining Exploration Corporation Limited (MECL), various State Directorates of Geological Mining (DGMs), public sector undertakings (PSU) and private sector entities both domestic and subsidiaries of many global companies.

India total land area 3.2875 million sq. km out of which, GSI has identified 0.571 million sq. km. as Obvious Geological Potential (OGP) area for minerals.

Obvious Geological Potential (OGP) Area

Mineral	Area (sq. km.)
Gold	1,02,809
Diamond and Precious Stones	3,00,000
Base Metals	1,81,150
Platinum Group of Elements	8,130
Iron ore	5,135
Manganese ore	4,600
Chromite	2,690
Manganese	6,000
Tin and Tungsten	1,300
Bauxite	32,520

The Mines & Minerals (Development & Regulation Act), which governs the mineral sector, has been amended recently, by the Government. The amendment removed discretion by instituting auction to be sole method of grant of major mineral concessions and, thereby bringing in greater transparency. It also provided the much-needed impetus to the mining sector by deemed extension of mining leases. Transferability of captive leases, allowed by recent amendment in MMDR Act in 2016.

1. The MMDR Act, which governs the mineral sector, has been amended recently, by the Government. The amendment removed discretion by instituting auction to be sole method of grant of major mineral concessions and, thereby bringing in greater transparency. It also provided the much-needed impetus to the mining sector by deemed extension of mining leases.
2. The Salient features of the recent amendments are-
 - Mineral Concessions Grant Through Auctions to bring transparency and remove discretion
 - DMF: District Mineral Foundation (DMF) to address the long time grievance of the people affected by mining and in turn improve the image of the mining sector.
 - NMET: National Mineral Exploration Trust (NMET) for incentivizing regional and detailed exploration to fill the gaps in exploration in the country.
 - Mining Leases for 50 years and even the existing leases deemed extended eliminating any renewals for security of tenure.

- To promote conducive environment for trade, stronger penal provisions for checking illegal mining with higher penalties up to USD 7692.30 per hectare of the area and jail term up to 5 years
- 3. National Mineral Exploration policy, 2016 announced in July, 2016. About 100 blocks have been identified by GSI for auctioning on revenue sharing mechanism for regional exploration to encourage private participation in exploration. The bidders would be protected by way of entitlement for a normative cost in the event unsuccessful outcome after exploration. The mechanism is being formulated in consultation with the stakeholders.

INDIA'S MINERAL PRODUCTION

India produces as many as 88 minerals which includes 4 fuels minerals, 3 atomic minerals, 26 metallic & non-metallic minerals and 55 minor minerals (including building and other materials).

Mineral	India's Production	India's rank	India's Reserves	India's Rank
Iron Ore	6 %	4th	4 %	6th
Manganese	5 %	6th	8 %	5th
Bauxite	5 %	6th	3 %	8th
Chromite	14 %	3rd	12 %	3rd
Barytes	19 %	2nd	13 %	2nd
Zinc	6 %	6th	5 %	5th
Talc	15 %	2nd	8%	6th

Along with 48.83% arable land, India has significant sources of coal (fourth-largest reserves in the world), bauxite, titanium ore, chromite, natural gas, diamonds, petroleum, and limestone. According to the 2008 Ministry of Mines estimates: 'India has stepped up its production to reach the second rank among the chromite producers of the world. Besides, India ranks 3rd in production of coal & lignite, 2nd in barites, 4th in iron ore, 5th in bauxite and crude steel, 7th in manganese ore and 8th in aluminium.

India accounts for 12% of the world's known and economically available thorium. It is the world's largest producer and exporter of mica, accounting for almost 60 percent of the net mica production in the world, which it exports to the United Kingdom, Japan, and United States of America etc.

As one of the largest producers and exporters of iron ore in the world, its majority exports go to Japan, Korea, Europe and the Middle East. Japan accounts for nearly 3/4 of India's total iron ore exports. It also has one of the largest deposits of manganese in the world, and is a leading producer as well as exporter of manganese ore, which it exports to Japan, Europe (Sweden, Belgium, Norway, among other countries), and to a lesser extent, the United States of America.

Mineral Belt	Location	Minerals found
North Eastern Peninsular Belt	Chota Nagpur plateau and the Orissa plateau covering the states of Jharkhand, West Bengal and Orissa.	Coal, iron ore, manganese, mica, bauxite, copper, kyanite, chromite, beryl, apatite etc. India's 100 percent Kyanite, 93 percent iron ore, 84 percent coal, 70 percent chromite, 70 percent mica, 50 percent fire clay, 45 percent asbestos, 45 percent china clay, 20 percent limestone and 10 percent manganese.
Central Belt	Chhattisgarh, Andhra Pradesh, Madhya Pradesh and Maharashtra.	Manganese, bauxite, uranium, limestone, marble, coal, gems, mica, graphite etc. exist in large quantities and the net extent of the minerals of the region is yet to be assessed. This is the second largest belt of minerals in the country.
Southern Belt	Karnataka plateau and Tamil Nadu.	Ferrous minerals and bauxite. Low diversity.
South Western Belt	Karnataka and Goa.	Iron ore, garnet and clay.
North Western Belt	Rajasthan and Gujarat along the Aravali Range.	Non-ferrous minerals, uranium, mica, beryllium, aquamarine, petroleum, gypsum and emerald.

MAJOR PLAYERS

- BHP Billiton (Australia)
- Rio Tinto (Australia)

- De Beers (Anglo American)
- Australian Indian Resources (Australia)
- India Resources Limited (Australia)

REASONS TO INVEST

1. Ease of doing business
 - Mineral concessions (Mining Lease & Prospecting License cum Mining Lease) grant to be done through auctions for the companies interested in mining or for the raw material for their downstream industry.
 - An Inter-ministerial Group facilitator constituted for expediting the clearances and approvals.
 - Exploration companies can venture into the revenue share model being formulated for exploration of blocks identified by GSI. This has been enabled by the National Mineral Exploration policy, 2016 announced in July, 2016. About 100 blocks have already been identified by GSI for auctioning.
2. India has vast mineral potential with mining leases granted for longer and stable tenure of 50 years.
3. The demand for various metals and minerals will grow substantially over the next 15 years.
4. India's strategic location enables convenient exports.
5. India's per capita steel consumption is four times lower than the global average.

INTERNATIONAL COOPERATION

Geology and mining is an evolving field. Various countries have expertise in different sectors of this industry. Through international cooperation, we endeavor to access the expertise across the world. This is through personal exchange and training wherever feasible. Indian expertise in certain area is also been found useful by some countries who have utilized our training facilities to upgrade the skill of their personnel. The Ministry also makes effort to project mining sector of India as an attractive investment destination in various international mining events for attracting foreign direct investment.

1. INDIA- AUSTRALIA

The 8th meeting of the India-Australia Joint Working Group (JWG) on Energy and Minerals was held on 12th June, 2013 at New Delhi. Before that on 11th June, 2013 I three separate Workshops viz.

- Mining and Coal Workshops;
- Petroleum and Natural Gas Workshop; and
- Power and New & Renewable energy Workshop were held.

The Joint Working Group agreed to the Work Programme for activities during 2013-2015 for the Action Plans on (i) Mining and Minerals, (ii) Petroleum and Natural Gas (iii) Coal, (iv) Power and (v) Renewal energy. Concerned Ministry / Departments signed the Work programme separately on 12th June, 2013 with the authority concerned of the Australian Government.

2. INDIA- ONTARIO PROVINCE OF CANADA.

The 7th Joint Working Group meeting between the Ministry of Mines, Government of India and the Ontario Ministry of northern Development and Mines (MNDM) was held on 7th March, 2014 at Sudbury, Ontario in Canada. During the meeting issues relating to outsourcing PGE analysis and transfer of technology, exposure to modern mining technologies to ensure scientific and systematic mining with focus on proper post mine closure measures etc. were discussed. The Letter of Renewal for the Memorandum of Understanding concerning cooperation in the field of earth sciences and mining between the Ministry of Mines of the Republic of India and the Department of Natural Resources Canada was signed on 13th January, 2014 for a further period of four years upto 27th June, 2018. The 2nd Steering Committee Meeting between the Ministry of Mines, Government of India and Department of Natural Resources Canada (NR Can) was held on 4th March 2014 at Toronto, Canada on the sidelines of PDAC- 2014. Discussed the issues on S&T collaboration in the area of green mining, Canada- India RADARSAT / RISAT Landslide Project, training and capacity building in the field of Platinum Group Elements (PGE) exploration and research.

3. INDIA - RUSSIA

The Second meeting of the Sub-Group on the Mining of the Working Group on the Modernization and Cooperation in the field of industry of the Inter-governmental Russia – Indian Commission on Trade-Economic, Scientific-Technical and Cultural Cooperation was held on 27th September, 2013 in Moscow, Russia. During the meeting, cooperation in the field of ferrous and non-ferrous metallurgy, the mining equipment, and Cooperation with the Geological Survey of India and its counter-parts of Russia were discussed.

4. INDIA- QUEBEC, PROVINCE OF CANADA

The first Joint Working Group meeting between the Quebec Province of Canada and the Ministry of Mines under the Memorandum of Understanding for cooperation in the field of mineral resources signed on 24th May, 2012, was held in Toronto, Canada on 5th March, 2014 on the sideline of PDAC-2014. The JWG meeting discussed issues relating to Institutional Capacity Building, Interpretation of Geochemical Data, Exploration of Rare Earths and Metals, Technological Transfers in the field of Exploration, sustainable development of Mining Resources and Geo-mapping.

5. INDIA- AFGHANISTHAN

A meeting was held between Shri Dinsha Patel, Hon'ble Minister of Mines, Government of India and Afghan delegation led by H.E Wahidullah Shahrane, Hon'ble Minister of Mines and Petroleum, Islamic Republic of Afghanistan on 22nd August, 2013 in New Delhi. Both the Minister reviewed the bilateral relations and development of cooperation in the field of mineral resources. Meeting between Shri Dinsha Patel, Hon'ble Minister of Mines, Government of India and H.E Wahidullah Shahrane, Hon'ble Minister of Mines and Petroleum, Islamic Republic of Afghanistan at New Delhi

6. . INDIA- MOZAMBIQUE

A meeting was held in New Delhi on 16th January, 2014. During the meeting discussions were held to promote mutual cooperation for the development in the mining sector of both the countries specifically in the area of geological mapping and research, mineral exploration including small scale mining, training in identified areas indicated in the MoU signed on 30th September, 2010.

7. INDIA- MONGOLIA

A meeting between Dr. Anup K. Pujari, Secretary, Ministry of Mines and the mining delegation of Mongolia led by Mr. O. Erdenebulgan, Vice Minister of Mining, and Mongolia was held on 29th March, 2014 at Shastri Bhavan, New Delhi. During the meeting, it was discussed to revitalize the activities for cooperation between the two countries and to revive the MoU for cooperation on geology and mineral resources signed between the two countries in September, 1996.

GROWTH IN THE SECTOR

1. With the Indian economy expected to grow by approximately 7% in the years to come, sectors such as infrastructure and automobiles will receive a renewed thrust, which would further generate demand for power and steel in the country. This is expected to provide a major thrust to the demand of minerals like coal and iron ore.
2. The growth in the mining sector in terms of production of minerals has significantly improved in comparison to recent past. It is pertinent to recall that the sector recorded a negative growth of 0.6% for two consecutive years (2011-12 and 2012-13).
3. There has been a notable turn around ever since Government has taken initiative for policy reforms. This turnaround is very much visible in terms of growth in Gross Value Added (GVA) in mining and quarrying sector. The sector grew by 5.4% and 2.4% in 2013-14 and 2014-15 respectively. During 2015-16, so far the sector has recorded a growth of 3.6% in comparison to similar period last year.

4. The results of Index of Industrial Production for 2015-16 up to the month of Mar, 2016 indicate that during the period, mining and quarrying segment showed an increase of 2.2% in comparison to same period last year.
5. There is a noticeable surge in mineral production in India. Production of major minerals during the current financial year up to March has recorded the growth of 9 % in comparison to same period last year. The real contributor to this growth have been Bauxite (27%), Chromite (33%), Copper Conc. (30%), Iron ore (21%) and Lead Conc. (32%) in the metallic segment. This growth story is significant as international commodity market is in state of turmoil owing to weak signals coming from the Chinese economy.
6. Minerals like manganese, lead, copper, and alumina are expected to witness double digit growth in the years ahead. There is significant scope for new mining capacities in iron ore, bauxite, and coal.
7. India has an advantage in the cost of production and in conversion costs of steel and alumina.
8. Sustained growth in India's automotive sector has been driving demand for steel and aluminium.
9. Infrastructure projects continue to provide lucrative business opportunities for steel, zinc and aluminium producers.

FDI POLICY

FDI upto 100% under Automatic route is allowed in:

1. Mining and Exploration of metal and non-metal ores including diamond, gold, silver and precious ores but excluding titanium bearing minerals and its ores; subject to the Mines and Minerals (Development & Regulation) Act, 1957.
2. **Coal & Lignite**
 - Coal & Lignite mining for captive consumption by power projects, iron & steel and cement units and other eligible activities permitted under and subject to the provisions of Coal Mines (Nationalization) Act, 1973.
 - Setting up coal processing plants like washeries subject to the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized

coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.

FDI upto 100% under Government route is allowed in:

- Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities subject to sectoral regulations and the Mines and Minerals (Development and Regulation Act 1957).

FINANCIAL SUPPORT

KEY PROVISIONS OF THE 2015-2016 UNION BUDGET:

1. The export duty on Iron ore fines with Fe content below 58% has been reduced from 10% to nil;
2. Iron ore lumps with Fe content below 58% reduced from 30% to nil.
3. Export duty on Bauxite has been reduced from 20% to Nil.
4. Custom Duty on Primary Aluminium increased from 5% to 7.5%
5. Other Aluminium Product import duty increased from 5% to 7.5%
6. Bauxite export duty reduced from 20% to 10%.
7. Zinc alloys import duty 5% to 7.5%
8. In addition to above, in respect of Chromium ores and concentrate export duty has been reduced from 30% to nil as well.
9. Basic Customs Duty (BCD) on steel grade limestone and steel grade dolomite is being reduced from 5% to 2.5%.
10. The variation level and the parameter of measurement with respect to re-import of cut and polished diamonds after certification/grading from a foreign laboratory/agency are being increased as a trade facilitation measure.
11. Under the existing provisions of Section 35 AD of the Act, an investment – linked tax incentive is available by way of allowing deduction of the whole of any expenditure of capital nature (other than expenditure on land, goodwill and financial investment) incurred wholly and exclusively for purpose of the “specified business” during the previous year in which such expenditure was incurred.
12. In order to promote investment in new sectors, few more businesses have been added under the above section. Those related to the mining sector are:
 - Laying and operating a slurry pipeline for the transportation of iron ore.

- The above business shall begin operations on or after 01.04.2014. It also has the condition of lock-in period of 8 years for use of assets.

Fiscal Incentives:

1. One-tenth of the expenditure on prospecting, extraction and production of certain minerals during five years ending with the first year of commercial production is allowed as a deduction from the total income.
2. Export profits from specified minerals and ores are eligible for certain concessions.
3. Minerals in their finished form are exempt from excise duty.
4. There is low customs duty on capital equipment used for minerals on nickel, tin, pig iron and unwrought aluminium.
5. Capital goods imported for mining under the Export Promotion Capital Goods (EPCG) scheme qualify for concessional customs duty subject to certain export obligations.

State Incentives

1. Each state in India offers additional incentives for industrial projects, related to specific sector. Incentives have been provided in areas such as subsidized land cost, the relaxation of stamp duty on the sale or lease of land, power tariff incentives, a concessional rate of interest on loans, investment subsidies and tax incentives, backward areas subsidies and special incentive packages for mega projects.

AGENCIES INVOLVED IN THE MINING SECTOR

- The Ministry of Mines, Government of India
- Federation of Indian Mineral Industries
- The Geological Survey of India
- The Indian Bureau of Mines
- The Aluminium Association of India

INVESTMENT OPPORTUNITIES

- Mineral blocks are being put up for auctions by the States for Mining or Prospecting cum mining, depending on their level of exploration. The grant process is to be completely transparent through a competitive bidding on an e-auction portal. An Inter-ministerial Group, Post Auction Mining Clearances and Approvals Facilitator (PAMCAF) has been constituted which will expedite the requisite clearances to enable the early start of mining activity.

- The e-Auctions of Mineral Blocks in the country has been started after the MMDR Amendment Act, 2015-
 - 66 major mineral blocks already notified in 9 States for auction
 - After the amendment of the act - 7 mineral blocks have been successfully auctioned in the following States-
 1. Jharkhand -2 Limestone blocks on 12th Feb, 2016
 2. Chhattisgarh- 2 Limestone blocks on 18 &19th Feb, 2016 & 1 Gold block on 26 Feb, 2016
 3. Odisha- 1 Iron ore block on 2nd Mar, 2016
 4. Andhra Pradesh -1 block of limestone on 8th Jun, 2016
 - Minerals with estimated value of USD 4.58 billion disposed of in a transparent manner.
 - Currently 29 blocks are under auction by different State Governments as on 30 Aug, 2016 and about 50 more mineral blocks will be put up to auction in 2016-17
- Under the newly announced National Mineral Exploration policy, 2016, about 100 blocks have been identified by GSI for auctioning for regional exploration. The States to auction the blocks for exploration with revenue sharing mechanism. The bidders would be entitled for a normative cost in the event of unsuccessful outcome. The mechanism is being formulated in consultation with the stakeholders.
- Iron & steel:
 - The iron and steel segment offers a product mix which includes hot rolled parallel flange beams and columns rails, plates, coils, wire rods, and continuously cast products such as billets, blooms, beams, blanks, rounds and slabs as well as metallic and ferro alloy.
- Aluminium:
 - The aluminium segment includes alumina chemicals, primary aluminium, aluminium extrusions and aluminium rolled products.
- Base metals:
 - The base metals market consists of lead, zinc, copper, nickel and tin.
- Precious metals & minerals:
 - The precious metals market includes gold, silver, platinum, palladium, rhodium and diamonds.

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