

FICCI Study Suggests Focus on Exploration and Relaxation of FI Norms for Loans to Small Mine Owners

NEW DELHI, October 4, 2013. Despite liberalization of licensing and grant of leases for most of the minerals and introduction of an open sky policy on non-exclusivity for reconnaissance work, large area prospecting license, seamless transfer and security of tenure to the entrepreneurs, the mining sector has witnessed a negative growth for two consecutive years now. In 2011-12, the growth outlook turned negative to register a minus 0.6% contraction. In 2012-13 too there was no significant improvement, and the sector contracted by 0.6%.

This negative rate of growth is having serious repercussions on the economy and contributing to the widening current account deficit and resultant weakness of the rupee.

According to a **FICCI study on 'Development of Indian Mining Industry – The Way Forward'**, India needs an evolving and growth oriented mineral development and mining policy that can foster systematic and sustainable growth in the sector.

The time is therefore right for mineral development and mining to be given its long over-due recognition as a core industry as is the case in developed countries such as Australia, Canada and USA. Emphasis should be on exploration to continuously augment the resource / reserve base of the country and harness the existing resources through scientific and sustainable mining including beneficiation technologies and focusing on zero waste mining. This is possible only through an investor friendly regulatory regime that provides for security of tenure and encourages investment in exploration and critical infrastructure for development of the mineral and mining industry.

The study identifies the critical Issues faced by the Indian mining sector and suggests the following way forward:

- Much greater emphasis is required on development of mineral deposits by way of prospecting and zero-waste mining. The Indian government does not formally define mining as a core industrial activity. Rather it is viewed as more often as an ancillary raw material industry. The mining legislation always gave accent to regulation which emphasized management of the mines rather than on

exploration and development. The exploration within the lease holds were confined to the barest minimum to take care of future production schedule as per the market scenario. This left only the Geological Survey of India (GSI) to do regional exploration whereas the detailed exploration could not be carried out in all identified potential areas. The future therefore now lies on deployment of latest technologies as well as interpretation of geological data to its best advantage for opening up of new mines. As mineral exploration is a key to attracting investment in the mining sector, separate legislation and procedure for grant of prospecting / exploration licenses is required. At present, the same procedure is being adopted as that of a mining lease in grant of prospecting licenses whereas mineral investigation does not involve acquisition of land, it being a temporary activity for a short period.

- 2. A comparison of estimates of mineral inventory of 2005 and 2010 indicates that the reserves of important mineral have decreased and the proven reserves are only 5-10% of the total resources. This reflects lack of exploration efforts to build up additional mineable reserves required for augmentation of production levels in most of the cases. The Government needs to put in a strategy to systematically invest in exploration and build up the inventory.
- The Indian mining sector (non-fuel) consists of large number of small mines and their contribution is significant in total mineral production of metallic and non-metallic minerals, besides having export potential. But somehow, the production is nearly stagnant for the want of capital required for expansion of the mining activity. The banks and financial institutions are generally reluctant to give loans to small mine owners without having heavy equipment and machinery and this is coming in the way of augmentation of mines capacity. Therefore, some relaxation by the financial institutions to small mine owners need to be considered based on the valuation of mineral reserves.
- Large numbers of small miners are not able to employ qualified mining engineers and geologists and this has led to unscientific mining in number of cases in violation of MMDR Act and rules. The respective state governments and Indian Bureau of Mines may have to be proactive in this regard.
- There is a large number of non-working mines in various mining belts in the country due to uneconomic working, high stripping ratio, grade and recovery

constraints and also forest and environment clearances and poor infrastructure facilities. A critical analysis of small mining sector to address various reasons behind non-working and dormant situation of small mines needs to be undertaken by the state governments.

- Though the National Mineral Policy (NMP 2008) has envisaged cluster mining approach in small mines but the same remains unimplemented. Operation of cluster mining over large mineralized areas like limestone, dolomite, bauxite, slate, clay belts, can be considered in respect of following identified type areas – a) Indrawad – Jaitaram Chinaclay belt in Nagaur district, Rajasthan; b) Kolayat - Mudh-kotri – Guda fireclay belt in Bikaner district, Rajasthan; c) Quartz feldspar mica belt of Ajmer - Bhiwara in Rajasthan; d) China clay belt of Singhbhum district in Jharkhand; e) Graphite mines in Bolangir districts, Odisha; f) Jangir – Chopra lime stone belt in Chhattisgarh; g) Limestone of katni – Jhukehi and Satna belt in Madhya Pradesh and Bhagokot area of Karnataka; i) Bauxite leases in Jamnagar and Kutch districts in Gujarat; j) Limestone mines in Yeotmal district and Western Ghat bauxite in Maharashtra; k) Soapstone and Baryties mines in Andhra Pradesh; and l) Gypsum and quartz- feldspar mines in Tamil Nadu.
- A mechanism for amalgamation of small leases into one single lease needs to be evolved along with the modalities for some relaxation in forest and environment clearance. It is noteworthy that till 2010, small mines of less than 5 hectare areas were exempted from environmental clearances. The same rule needs to be applicable again.
- Granting of very small leases by sub dividing of a large deposit should be avoided by the state governments in the interest of mineral conservation and minimum land degradation.
- The minimum area for grant of a mining lease for major mineral needs to be enhanced to 10 hectares.

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