



India, Hyderabad

Mining Equipment

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Summary

Though the mining industry in India is more than two centuries old, the mining equipment sector is yet to develop fully in the country. The dominance of the public sector and absence of foreign participation in the mining sector is influencing the growth of this sector. With annual growth of around 5 per cent, the mining sector is not attractive enough for major foreign players to set up full-fledged manufacturing units in India. Nonetheless, some players like Komatsu, Sandvik and Caterpillar have a major presence in the country.

Bharat Earth Movers Ltd (BEML) is the largest player in the mining equipment sector. The company is the second largest earth-moving equipment company in Asia, with a 70% market share in India. Being a Government Company, it enjoys preferential treatment from government mining companies in purchases. Since most of the mining companies are owned by the government, BEML's growth is to the extent of 10 per cent of the cost of the equipment.

There is a lot of demand for mining equipment in India as India has been gradually bringing down its import duties over the years (after signing the agreement with WTO) thereby exposing the Indian units to foreign competition. One of the sectors to be affected adversely is the mining equipment sector. The outlook for the Earthmoving segment largely depends upon the growth of the core sector of the industry namely mining and infrastructure. This segment presents a promising outlook but is open to severe competition from within and outside the country. There is a gradual shift in the existing practice of coal companies buying equipments and operating them for mining.

Increased spending in the core sector across the globe has given an indirect push to infrastructure-driven sectors like mining equipment. Mineral Exploration Corporation Ltd and Bharat Gold Mines Ltd are set promote Indian mining and mining equipment industry and are seeking to identify new emerging technologies and possible areas of cooperation.

Market Demand Indian Scenario

Demand for mining equipment is increasing as mining exploration for iron ore, coal, bauxite, gold, etc has increased. India is the 3rd largest coal producer in the world (355 million tons – 2003-04), all consumed internally. 88% is supplied by Coal India Ltd, a state owned company with 390 mines. Other major coal producer is Singerani Collieries. There are also many private companies from USA, Canada and Australia mining in India for base metals, diamonds, mineral sands and gold. Major mining is carried out in Andhra Pradesh, Bihar, Chhatisgarh, Goa, Gujarat, Himachal Pradesh, Jammu & Kashmir, Jharkand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamilnadu, Uttaranchalm, Uttar Pradesh, West Bengal, India also has abundant bauxite, the main mineral source for aluminum. Reserves are estimated at about 2.7 billion tons, or 8 percent of the world total. The State of Karnataka owned Hutti Gold Mines Ltd produces around 90,000 ounces (3 tons) of gold a year and an additional 1,80,000 ounces (6 tons) is produced by Hindalco as a by product of copper mining. India's consumption is around 21,000,000 ounces (700 tons) of gold per year. Indian miners are set to seal more long-term iron ore supply contracts with Chinese steel mills, the world's main buyers. India is the world's third-largest iron ore exporter and is estimated to have sold 68.5 million tons to China in the last financial year ended March 31, 2006.

India has huge reserves of iron ore. As per the Indian Bureau of Mines survey conducted in April 1995, India had recoverable reserves of 10bn tons of hematites. The major iron ore mining companies are National Mineral Development Corporation, Kudremukh Iron Ore and Sesa Goa. India exports its iron ore mainly to Japan, Iran and China. China has iron ore reserves of lower grade and imports higher grade ore from India and other countries.

Coal exploration in India even today is largely being carried out by conventional methods of systematic geological mapping followed by drilling, core drilling playing a dominant role. However, in the recent times modern exploration techniques like photo-geology, remote sensing, non-coring drilling, geophysical surveys etc. are being increasingly used for detailed and precise exploration. India has prognosticated hydrocarbon reserves of more than 17 billion tons of which only about 5 billion tons have been converted into geological in-place reserves. In addition to Coal India Limited (CIL) and Singareni Collieries Company Limited (SCCL), Tata Iron & Steel Company Limited, Damodar Valley Corporation, Indian Iron & Steel Company Limited, Bihar State Mineral Development Corporation Limited, etc.

The total demand for petroleum products is expected to increase by 3 per cent in driven by the rise in the demand for Liquid Petroleum Gas, Motor Spirit (MS) and High Speed Diesel (HSD). While MS demand is expected to grow by 11 per cent, HSD demand is expected to increase by 5 per cent, largely due to sustained growth in industrial activity and higher rural demand, boosted by a growth in agricultural production. While overall refinery capacity utilization is expected to dip marginally due to capacity expansions in 2005-06, there was a 5 per cent growth in the overall supply of petroleum products.

Global gold mining houses are increasingly looking at India as an attractive prospect for gold exploration and mining, especially in the Deccan region. Although India continued to be the world's largest consumer of gold, with the demand touching 800 tons a year, almost a quarter of the total world gold demand, gold production has been on a low key. This is despite India having significant potential, as there is a close geological and metallogenic similarity between India and the gold producing nations of Australia and Africa.

Since the enunciation of the National Mineral Policy, 1993, India has made good progress in attracting foreign investment in its mining sector, with attractive incentives. The National Mineral Policy was revised in 1994 and as a result, private investment (both domestic and foreign), has been permitted for the exploration and exploitation of the following minerals: Iron – ore, Copper, Manganese, Lead, Chrome ore, Zinc, Sulphur, Molybdenum, Gold, Tungsten ore, Diamond, Nickel and Platinum group of metals. As a result, several foreign companies have begun investing in India, with the majority coming from Canada and the USA, followed by Australia, the UK and South Africa. Most interest has been shown in the base metals, diamond, mineral sands and gold sectors.

India has tremendous potential to develop small mines. It has vast manpower at affordable rates; it has access to international expertise and has lots of pockets capable of delivering small mines. Indian geologists have a very good knowledge and understanding of exploration in India.

Market Data

India has several governmental agencies that have been set up to assist in the development of the country's mineral resources. The Geological Survey of India (GSI) is the principal agency responsible for the assessment of geological and regional mineral resources of the country. GSI was established in 1851 and is one of India's oldest investigative agencies in the field of earth sciences. Its areas of operation encompass scientific surveys and research, for locating mineral resources. GSI operates through six regional offices and four specialized wings - marine, coal geophysics, airborne surveys and training.

The Indian Bureau of Mines (IBM) is the principal government agency responsible for compiling exploration data and mineral maps and for providing access to the latest information in respect of mineral resources in the country. IBM has both regulatory as well as service functions.

West Bengal, Bihar, Madhya Pradesh, Uttar Pradesh, Maharashtra, Orissa and Andhra Pradesh have major coal reserves. Gujarat, Assam, Nagaland, Rajasthan and Bombay have major reserves in crude oil and Natural Gas.

Best Prospects

Mining industry in India has been progressing at an annual rate of 4% to 5% during the last three decades. The leading companies in the oil and gas industry are BPCL, Bongaion Petrochemicals Ltd., Chennai Petroleum Corpn. Ltd., Gas Authority of India Ltd., HPCL, IBP Co Ltd., IOC, Kochi Refineries Ltd., Madras Refineries Ltd., Numaligarh Refinery, ONGC

The Indian mining industry is following the prevailing practices abroad. The latest trend in this industry is that buyers also enter into maintenance contracts with the suppliers who will be responsible for the upkeep and maintenance of the equipments supplied. Most of the Government companies are following this trend nowadays. This will free the buyers from day-to-day worry of maintaining the equipment. Privatizations and entry of foreign companies into mining will affect the mining equipment sector. However, it may affect demand, as the machineries are likely to be used far more efficiently by private miners resulting in lesser demand. On the other hand, entry of foreign miners could lead to the introduction of newer technology in the sector.

Key Suppliers

India has a number of manufacturers and exporters of quality drilling equipment for underground and surface mining. These companies manufacture casting products like concave & mantle for cone crushers, jaw plates & side plates for jaw crushers, shovel tooth points, adapters, apron conveyor liners etc. There are also a number of manufactures for indigenous spares for all imported mining equipments.

The range of machinery produced in India is wide and includes heavy electrical machinery, earthmoving and construction equipment including mining equipment, material handling equipment, diesel engines, electric motors, pumps, instrumentation, oil & gas equipment, metallurgical equipment, chemical & petrochemical, oil & gas exploration, processing and refining, steel and mineral mining, etc. .

Many International brands have collaborated with Indian companies and made their entry into the market. To name a few:

Vikrant Agromines Industries www.vikrant.4t.com
Shakti Mining Equipments Pvt Ltd - www.marsmanltd.net
Ultratech Earthmoving Equipments Pvt Ltd - www.marsmanltd.net
Vikay Mining Equipments - www.vikayindia.com
Rockwell Engineering Company - www.rockwellindia.net
BEML Mining and Construction – www.bemlindia.com

There are also many leading world class American companies who have a manufacturing base in India like GE and Caterpillar.

Prospective Buyers

Prospective buyers would be the leading Indian players in the mining industry like Bharat Coking Coal Ltd, Bharat Gold Mines Ltd., Central Coalfields Ltd, Coal India Ltd, Gujarat NRE Coke Ltd, Hindustan Zinc Ltd., India Ministry of Coal and Mines, Mineral Exploration Corporation of India Limited, Mahanadi Coalfields Ltd, Manganese Ore India Ltd., Northern Coalfields Ltd, Sesa Goa Limited, Sesa Group, Singareni Collieries Co Ltd, South Eastern Coalfields Ltd, The Hutti Gold Mines, Uranium Corporation India Ltd., Western Coalfields Ltd, etc.

The following American Companies who already have a collaborative presence in the mining industry in India are Essex Group Inc., Ambassador Group Inc. and Jefferies & Co., Raytheon Engineers & Constructions Inc., Rimtech Corporation, Transworld Garnet Co., Phelps Dodge Exploration Corporation and Volclay International.

Market Entry

Mining equipment can be freely imported into India after paying a basic import duty of 25 percent for most mining equipment. U.S. companies interested in the Indian mining equipment market in India should consider participating in the Minerals, Metals, Metallurgy & Materials 6th International Trade Fair to be held in Delhi from 11 September to 14 September 2006

Indian companies receive automatic approval for technology transfer agreements with foreign companies provided that the term of payment satisfy the following conditions specified by the Government; (1) The lump sum know-how fee payable does not exceed US \$ 2 million. (2) Royalty payments do not exceed 5 percent of domestic sales and 8 percent of exports. (3) The payments are subject to an overall ceiling of 8 percent of total sales over a 10 year period from the date of agreement, or over a 7 year period from the date of commercial production. These payments may be net of Indian taxes. Hence entry by partnerships or franchisees with local agents, distributors and manufacturers is advised.

Indiatimes www.tendercity.indiatimes.com provides the most comprehensive list of Tender documents in India. All government ventures are announced and awarded by tenders.

Market Issues & Obstacles

Being aware of the vast potential of the sector, the Indian Government has been consistently and in a pragmatic manner opening up the previously controlled regime to usher private investment in the sector and infuse funds, technology and managerial expertise. The opening up of the Indian mining sector has, therefore, generated considerable global interest. The Indian mining sector was opened up to Foreign Direct Investment in 1993 after the announcement of the New Mineral Policy. In 1999, the foreign investment policy was further liberalized to promote Foreign Direct Investment (FDI) in the mining sector.

The Mines and Minerals (Development and Regulation Act, 1957, ('MMDR') and the Mines Act, 1952, together with the rules and regulations framed under them, constitute the basic laws governing the mining sector in India. The relevant rules in force under the MMDR Act are the Mineral Concession Rules, 1960, and the Mineral Conservation and Development Rules, 1988. The health and safety of the workers is governed by the Mines Rules, 1955 created under the jurisdiction of the Mines Act, 1952.

Conferences

- 1) MMMM2006: Minerals, Metals, Metallurgy & Materials 6th International Fair + Trade (11 September to 14 September 2006); Location: Pragati Maidan Exhibition Complex, New Delhi, India.

This international trade fair will provide a composite display of the minerals, metals and metallurgy and emerging technologies available in India and abroad. MMMM series is envisaged as a catalysts for the development of Minerals, Metals, Metallurgy, Materials & Mining sectors in India. To register and attend this conference, participants may contact metallurgy@tafcon.com.

- 2) IMME – 22 September to 24 September 2006
IMME 2006, the seventh in the series of successful triennial fairs will witness the convergence of the world mining fraternity on to the historic Maidan of Kolkata, India. This fair specially emphasises on - Aerial Ropeways, Air Compressors, Buckets, Coal Preparation & Mineral Dressing Equipment, Diesel Engines, Drill Bits, Explosives, Fans & Dust Collectors, Hand Tools, Hydraulic Excavators, Industrial Hoses / Pumps / Valves, Locomotives, Lubricants & Greases, Mine Safety Equipment, Power Generation & Distribution, Rock Drilling Equipment, Switch Gears, Tunnel, Vibration Screens, Voltage Regulators, Walking Drag Lines, Welding Alloys, Mining-Related Services. IMME 2006 will feature exhibitors, professionals. Buyers and delegates, both national and transnational can share a common platform towards joint ventures, technology transfers and forge strategic B2B alliances. To participate contact Confederation of Indian Industry

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