



# Mining Sector in India

## With Special Reference to Coal Mining

U.S. Commercial Service, India



# BACKGROUND

- **Endowed with significant mineral resources**
  - **Global Rank- 1<sup>st</sup>. in mica, 2<sup>nd</sup>. In barytes, 3<sup>rd</sup> in coal & lignite, 4<sup>th</sup> in iron ore, 4<sup>th</sup>. In chromite, 6<sup>th</sup> in bauxite and manganese ore, 10 in aluminum and 11<sup>th</sup> in crude steel**
  - **Deposits in iron ore at 25.2 billion tons (BT), coal 257.4 BT and bauxite 3.3 BT, constitute three percent, 10 percent, and four percent respectively of the world's resources.**
  - **73% of mining is in coal**
- **Mining sector employs 1.1 million people!**



# ROLE OF GOVERNMENT

## **Mining a predominantly government undertaking till 90s**

- **The public sector contributes over 85 percent of the total value of mineral production. However, it is the avowed policy of the Government to withdraw from the non-strategic sectors. Accordingly, public sector undertakings are being privatized in a phased manner and also private investment, including foreign direct investment, is being allowed for mining and processing of most minerals.**
- **Ministry of Mines- survey and exploration of all minerals (other than natural gas, petroleum, and atomic minerals); for mining and metallurgy of non-ferrous metals like aluminum, copper, zinc, lead, gold, nickel; administration of Mines Act 1957 in respect of all mines and minerals except coal, lignite, petroleum and natural gas**



# MARKET SIZE

- **Produces 90 minerals from 3100 mines**
- **Value of mineral production in FY07- \$21 billion**
- **Report by financial services firm Edelweiss in June 08 states that India's mining industry is projected to touch over \$30 billion, accounting for about 2.5 per cent of the GDP by 2012.**
- **Market for mining and mineral processing equipment is estimated at \$2.4 billion. Global market for this sector is estimated to be around \$20 billion.**
- **During FY07, India's mining sector grew by 4.2 percent compared to 3.8 percent in the previous year.**



# KEY ORGANIZATIONS

**Coal- Coal India Limited (with its 8 subsidiaries) + captive mine lease owners (recently granted)**

**Copper- Hindustan Copper (Sterlite / Hindalco has only smelting and refining operations in India)**

**Aluminum- NALCO/Hindalco/Vedanta (BALCO/MALCO)**

**Iron Ore- NMDC, SAIL, Orissa Mining Corporation**

**Zinc- Hindustan Zinc Limited**

**Uranium- Uranium Corporation of India Limited**

**Survey/Exploration- Geological Survey of India; Mineral Exploration Corporation of India Limited**

**Regulation/Conservation- Indian Bureau of Mines**



# MARKET DRIVERS

- **Growth in energy demand => growth in coal-based thermal power generation**
- **Growth in infrastructure sector => tremendous growth in demand for steel**
- **Government relaxing controls and inviting private participation in mining**
- **Backward integration of manufacturing companies in to mining for security of supply**
- **Easy availability of finance**



# ENABLING CONDITIONS

- **100% FDI allowed in mining and exploration of non-core minerals like gold, silver, diamonds**
- **100% FDI allowed in captive mining of coal and lignite**
- **50% FDI permitted under joint venture with public-sector unit**
- **100% FDI permitted in oil exploration**
- **Tariff for import of equipment coming down**
- **New Mineral Policy expected in next few months**



# OUTCOME

- **The Indian market for mining and mineral processing equipment is estimated at \$2.4 billion**
- **Most of the international equipment and mining companies doing business / taking interest in the India market**
- **Government-owned companies opening up to issues raised by foreign companies regarding restrictive clauses in tenders**
- **Over 160 coal blocks have been allotted to end-user companies**
- **Foreign Direct Investments- \$23 billion in FY07**



# INDIA- COAL

- **Proven geological reserve: 103 Billion T**
- **Coal output FY07: 426 Million T**
- **Projected Demand 2012: 731 Million T**
- **Demand 2032: 1600-2600 Million T**
- **CAGR required till 2032: 6%**
- **Predominantly open cast mining**



# INDIA- COAL

- **High ash content**
- **Investment of \$21 billion in opencast mining and \$5 billion in underground mining required to meet 2025 target**
- **20 coking coal washeries with capacity of 55 million Tons; 28 non-coking coal washeries with capacity of 75 million Tons (total capacity 130 Million Tons per year)**
- **28 coal preparation plants to be added in the coming years on BOO model**



# BEST PROSPECTS

- **Long wall loaders and draglines**
- **Excavators, shovels and coal/rock cutters**
- **Feeder crushers and special stage loaders**
- **Continuous mining technology**
- **Jumbo drills and long wall machinery**
- **Hydraulic/friction props and chocks**
- **Screening, washing, crushing and grinding equipment**
- **Underground communication and safety systems**
- **Coal beneficiation, washeries and gasification plants**
- **Coal Bed Methane**
- **Underground coal gasification**
- **Mine safety equipment**
- **Recovery of coal from abandoned underground mines**



# KEY SUPPLIERS

- **Over 100 manufacturers in the organized sector, both public and private, for underground and surface mining equipment. 71 % of the sector is comprised of PSUs while the remaining 29% comprises of private limited, JVs and closely held private limited companies.**
- **The Indian company, Bharat Earth Movers Limited, has about 50 percent market share in the earthmoving equipment category. Other leading Indian companies include Telcon and L&T**
- **Most of the international suppliers and technology leaders like Case, Caterpillar, Hitachi, Ingersoll-Rand, JCB, John Deere, Joy Mining Machinery, Komatsu, Liebherr, Poclain, Terex, Bucyrus and Volvo are present in India as joint venture companies, or have set up their own manufacturing facilities, or marketing companies**



# NOT AN EASY MARKET

- **Cannot breeze in to the market and start selling overnight**
- **Business environment not similar to what you are familiar with**
- **Market is not homogeneous**
- **Contracts, Intellectual Property Rights not sacrosanct at all levels of the market**

**FOR MOST COMPANIES HOWEVER, PROSPECTS OUTWEIGH PROBLEMS**



# MARKET ENTRY

- **Relationships and personal meetings- V. Imp!**
- **Due diligence recommended**
- **Evaluate market entry options**
- **What about after-sales service?**
- **Understanding Indian business law**
- **Need for local expertise**
- **Selling to Government- 3Ps!**
- **Define exit plan and procedure**
- **Stay engaged**

**READ MORE: [www.BuyUSA.gov/en/ccg.html](http://www.BuyUSA.gov/en/ccg.html)**

- **CS India support available!**



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- **Contact us: [www.buyusa.gov/india](http://www.buyusa.gov/india)**



# LEARN MORE

- **Ministry of Mines:** [www.mines.nic.in](http://www.mines.nic.in)
- **Ministry of Coal:** [www.coal.nic.in](http://www.coal.nic.in)
- **Coal India Limited:** [www.coalindia.nic.in](http://www.coalindia.nic.in)
- **Power Sector:** <http://powermin.nic.in>
- **Asia Pacific Partnership:**  
[www.asiapacificpartnership.org](http://www.asiapacificpartnership.org)
- **Customs Duty:** <http://www.cbec.gov.in/>
- **India Mining:** [www.infomine.com/countries/india.asp](http://www.infomine.com/countries/india.asp)
- **Indian Bureau of Mines:** [www.ibm.nic.in](http://www.ibm.nic.in)
- **USCS Market Research Reports:**  
[www.export.gov/mrktresearch](http://www.export.gov/mrktresearch)



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