



INDIAN MINING AND MINERALS INDUSTRY ANALYSIS

December - 2023

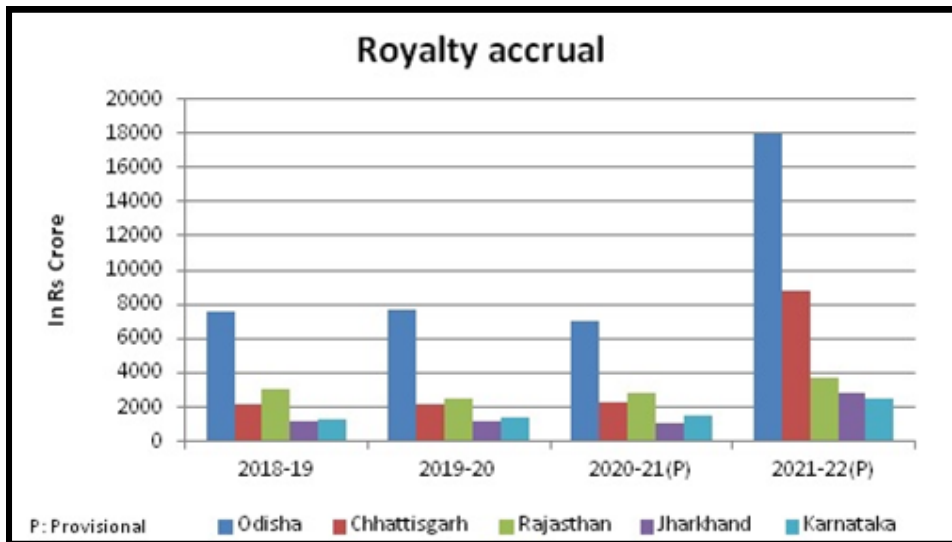


Mining and Minerals industry is the backbone of most industries especially for manufacturing and infrastructure sectors. The industry has important economic, environmental, labour and social effects, as minerals not only serve as raw material for many industries but are also crucial to power global transition to a low carbon-emission economy and renewable energy technologies that will be required to meet the 'Net Zero' commitment. India is a major producer of crucial minerals such as chromite, coal, iron ore and bauxite, among others. Further, the sector plays an important role in the national economy, providing employment and contributing to the country's revenue through exports, royalty, cess, sales tax, and duties.

Recently, the Government has identified a list of critical minerals including new age minerals like Lithium, Cobalt and Titanium, important for meeting the modern needs of cutting-edge technology sectors like telecom, electronics, transport, defence and introduced important reforms to open the mining sector for private participation and in particular mineral exploration. Besides, the Centre is extending substantial financial and technological assistance to State Governments to further promote mineral exploration and to make India self-reliant in mineral production. By adopting renewable energy sources, the mining firms aim to reduce their carbon footprint and promote sustainable practices within the industry for reduction in the environmental impact of mining operations.

REVENUE TO STATE GOVERNMENTS FROM MINING SECTOR

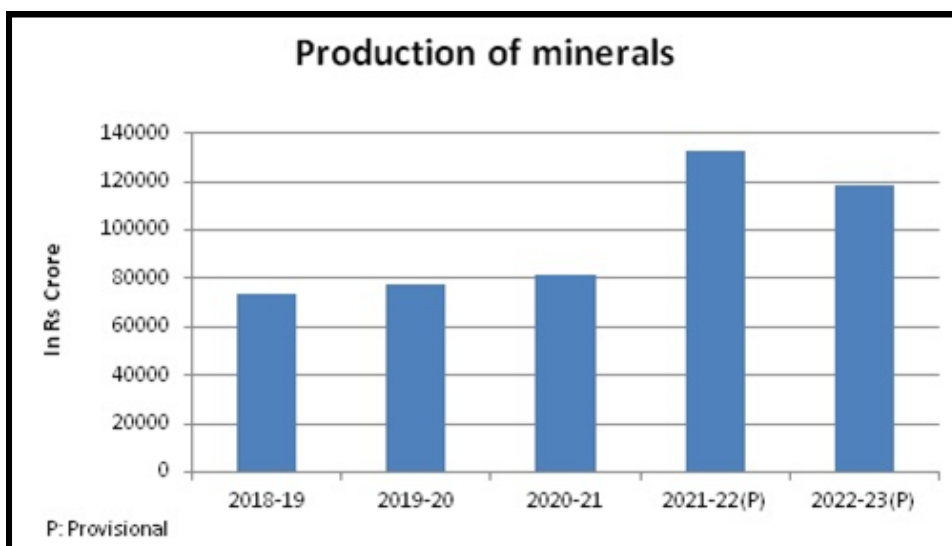
The revenue generated from mining activities viz. royalty, contribution to District Mineral Foundation (DMF), auction premium etc. accrues to the respective state governments. However, only the contribution to the National Mineral Exploration Trust (NMET) accrues to the central government. Odisha topped the list by collecting royalty accrual of Rs 17983.69 crore during 2021-22, while Chhattisgarh came in second by collecting Rs 8838.72 crore, followed by Rajasthan (Rs 3675.97 crore), Jharkhand (Rs 2791.4 crore) and Karnataka (Rs 2542.14 crore) . Apart from this, many other mineral-bearing states receive royalty accrual such as Madhya Pradesh, Andhra Pradesh, Maharashtra, Telangana, Tamil Nadu and Gujarat.



PRODUCTION OF MINERALS

Production of minerals (other than atomic, minor and hydrocarbon energy minerals) decreased 10.92% to Rs 118246 crore in 2022-23 as against Rs 132748 crore in 2021-22. Out of the total minerals production, metallic mineral production was at Rs 106010 crore during 2022-23, while production of non-metallic mineral stood at Rs 12236 crore in the reported year.

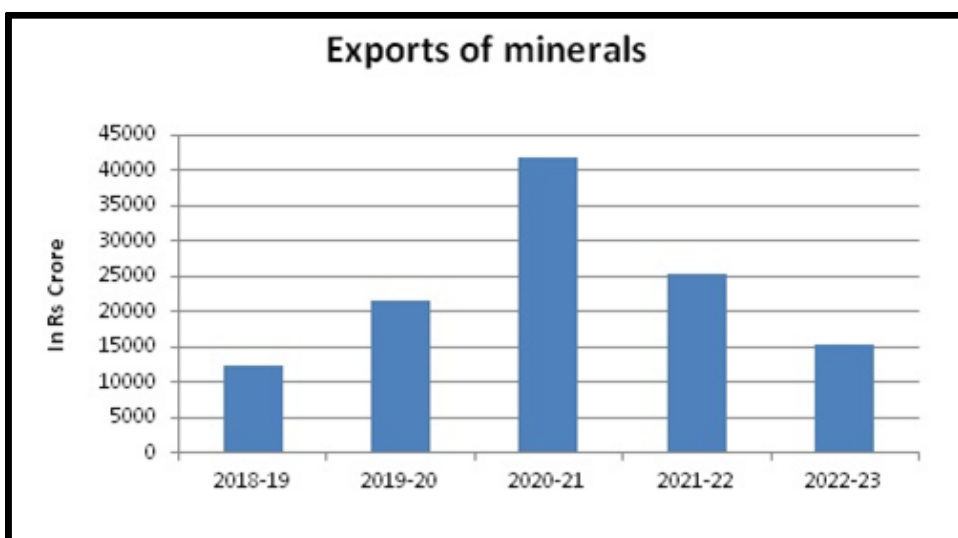
Production of key minerals under the ambit of Mineral Conservation and Development Rules (MCDR) has increased during the last nine years reflecting augmented production capacity of these minerals. Production of most of these minerals is sufficient to meet the requirements of the domestic user industries such as steel, aluminum and cement.



EXPORTS OF MCDR MINERALS

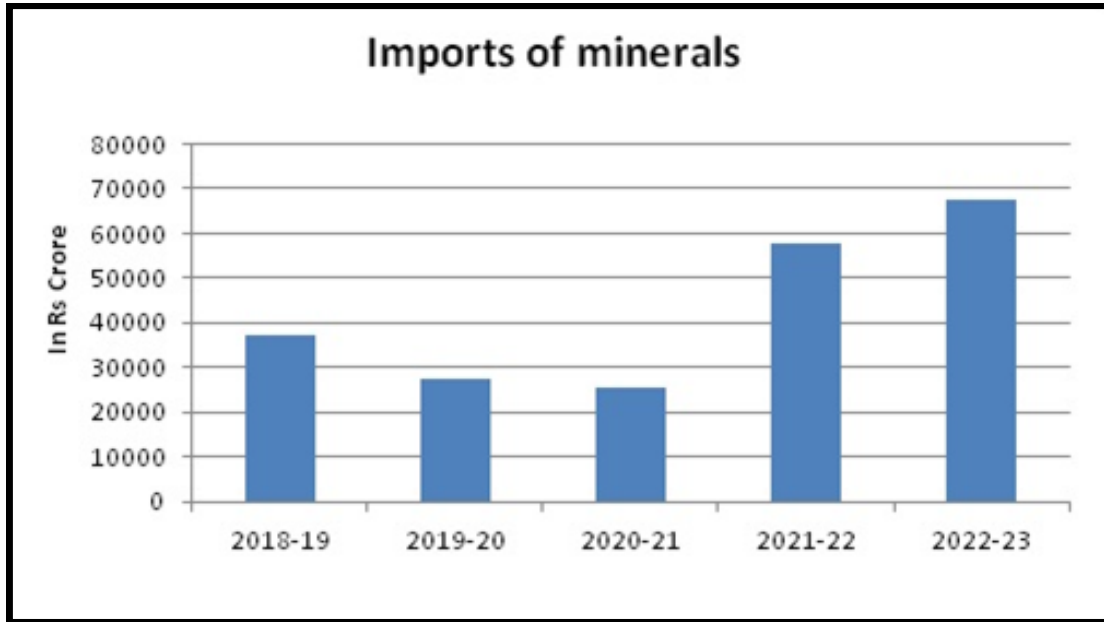
Exports of minerals under the ambit of Mineral Conservation and Development Rules (MCDR) decreased during the 2022-23 by 39.21% to Rs 15424 crore as against Rs 25371 crore in 2021-22, amid the persistent weak global steel demand scenario. Besides, iron ore exports fell as an export tax imposed in May 2022 stalled shipments.

In May 2022, the government imposed a 50% export tax on low-grade iron ore lumps and fines - with iron content below 58% and a 45% export duty on pellets in an effort to meet rising local demand. However, the government restored the status quo as was prevailing prior to May 22, 2022 and withdrawn the export duty on iron ores lumps & Fines below 58% Fe content, iron ore pellets and the specified steel products including pig iron.



IMPORTS OF MCDR MINERALS

India's imports of MCDR Minerals (excluding precious stones) increased 14.63% during 2022-23 to Rs 67449 crore as against Rs 57580 crore in 2021-22, despite being a repository of an array of minerals. The country imports Copper Ores & Concentrates, Limestone, Manganese Ore and Bauxite among others. During 2022-23, imports of copper ores & concentrates jumped 22.31% to Rs 27,374.43 crore from Rs 22,381.43 crore 2021-22. Further, imports of Limestone stood at Rs 6,259.36 crore, while that for Manganese Ore and Bauxite stood at Rs 8,262.10 crore and Rs 2,340.30 crore in 2022-23.



RAIL CONNECTIVITY TO IMPROVE EASE OF DOING BUSINESS, SERVICE DELIVERY FOR THE SECTOR

Mining activities necessitate the development of infrastructure network in the mineral-rich areas, such as roads, railways, and power supply for operations to become effective, economically viable and transportation of minerals. In India, railways are the transport mode of choice for major mining projects and Indian Railways is mapping the mining districts across the country to connect them with the rail network. This initiative will improve railway connectivity in the country which is beneficial for the sector and increase freight transport share for railways. Indian Railways adopts 'Hungry for Cargo' Mantra with an aim to enhance freight traffic.

Following this Mantra, it has made sustained efforts to improve the service delivery at competitive prices which has resulted in new traffic coming to railways from both conventional and non-conventional commodity streams. As per the data released by Ministry of Railways, during April 1, 2023 to August 31, 2023, the freight loading of Iron Ore was 70.84 MT which was 15.56% more than 61.30 MT achieved in the corresponding period of last year, while in the same period, Pig Iron and Finished Steel loading was 28.42 MT over 26.16 MT achieved in the corresponding period of last year, which recorded a growth of 8.63%.

RECENT DEVELOPMENTS

- **Strengthening of mineral supply chains**

India has become 14th member of the Mineral Security Partnership (MSP) in June 2023. The other member countries are United States, Australia, Canada, Finland, France, Germany, Italy, Japan, Norway, the Republic of Korea, Sweden, the United Kingdom and the European Commission. The MSP seeks to bolster critical minerals supply chains to support economic prosperity and climate objectives. It seeks to ensure that critical minerals are produced, processed and recycled by catalyzing investments from governments and private sector across the full value chain.

- **Mines Ministry unveils list of critical minerals for India**

The Government of India, through the Ministry of Mines, has unveiled for the first time 'the list of Critical Minerals for India' to ensure reduced import dependencies, enhance supply chain resilience and support the country's net zero objectives. The release of the Critical Minerals List marks a milestone in India's pursuit of self-reliance and security in the domain of mineral resources.

The meticulously compiled list is designed to identify and prioritize minerals that are essential for various industrial sectors such as high-tech electronics, telecommunications, transport and defence. The list will serve as a guiding framework for policy formulation, strategic planning and investment decisions in the mining sector. This initiative aligns with the larger vision of achieving 'Net Zero' target for India through Government's commitment for creating a robust and resilient mineral sector.

- **India - Australia Critical Minerals Investment Partnership**

India and Australia have reached a major milestone in working towards investment in critical minerals projects to develop supply chains between the two countries. Investments under the Partnership will seek to build new supply chains underpinned by critical minerals processed in Australia, that will help India's plans to lower emissions from its electricity network and become a global manufacturing hub, including for electric vehicles.

Australia produces almost half of the world's lithium, is the second-largest producer of cobalt and the fourth-largest producer of rare earths. With the expected increase in global demand for low-emissions technologies over the next three decades, this partnership will go a long way towards securing mutually beneficial critical mineral supply chains.

- **Mines Ministry approves Rs 154.84 crore to NMET for exploration & enhancing capabilities**

Mines Ministry has approved Rs 154.84 crore to National Mineral Exploration Trust (NMET) for exploration & enhancing capabilities. The mineral exploration project includes Graphite, Iron, Coal, Zinc & associated minerals, Bauxite, Basemetal (Pb, Zn & Cu), Phosphorite/Glauconitic sandstone, PGE & associated minerals (Chromium, Nickel, Cobalt), Tin & associated minerals, Manganese and Limestone to boost the mineral exploration in the country. Financial assistance for enhancing mineral exploration and institutional capabilities of Geological Survey of India (GSI), Indian Bureau of Mines (IBM) and State DGMS/DMGs was also approved.

OUTLOOK

India's growing automotive and infrastructure sectors will provide attractive business opportunities for the mining and minerals industry especially for steel, zinc and aluminum producers, while encouraging indigenous mining with support from the government would lead to reduction in imports and increase generation of employment in the mining sector. Further, involvement of private agencies in exploration will bring advanced technology, finance and expertise in exploration for deep-seated and critical minerals. Mineral exploration projects and financial assistance to the exploration agencies will provide auctionable mineral blocks to the nation and will also help in realizing the Aatmanirbhar Bharat in mining sector.

Further, the mining firms are constantly working towards reducing their carbon footprint and lowering the impact of their businesses on the environment, which will improve efficiencies, ensure optimal utilisation of natural resources and increase the use of renewable energy in their operations. Investments being done by firms in advanced operational methods and tools may accelerate mine development, improve productivity and optimize cost. Automation, artificial intelligence and data analytics in mining operations may also improve productivity, save costs, and boost safety. However, the industry will remain vulnerable to laws and regulations, as the central government regulates mining and mineral development in the country.

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