

## **Policy clarity, green nods imperative for steel sector growth: Tata Steel**

NEW DELHI: As demand for steel is likely to outstrip capacity addition, policy clarity and stability with regard to renewal of mining leases and forest clearances are imperative for the sector's growth, Tata Steel said today.

The steel major, which resorted to iron ore imports this year for first time in its over 100 years of existence facing raw material crunch, said the need of the hour is to steer new [investments](#) with appropriate policy support.

"While the emerging scenario looks positive, steel makers in India face a challenging future, as they may not be able to add capacity to keep pace with the rising demand," Tata Steel said in a statement.

India has a little over 100 million tonnes per annum steel-making capacity while it consumed a little over 74 mt in the last fiscal. "The need of the hour is to steer new investments in the industry with appropriate policy support so as to ensure that production of steel matches growth in consumption," it added.

The company, which has 9.8 mtpa steel making capacity at its Jamshedpur unit, had to suspend a blast furnace for over a month for want of iron ore which would impact production and profitability in the current quarter. The raw material crunch cropped up following suspension of operations of company-owned mines in [Jharkhand](#) and Odisha.

"It is ironical that, as a country, we have to import iron ore despite having some of the best iron ore reserves in the world," the company said. "Policy clarity and stability, especially with regard to renewal of mining leases and forest clearances, are imperative to ensure the growth of the steel industry," Tata Steel added.

Stating that forecasts indicated that domestic [economy](#) would grow at around six per cent, this was good news for the [steel industry](#) and Tata Steel would continue to service the market with innovative products and services. On its greenfield project at Kalinganagar in Odisha, the company said the first phase of the unity with three million tonnes per annum capacity would be progressively commissioned from the early part of 2015.

"Production from the greenfield project will enable us to further consolidate our leadership position in the industry," it said.

## **Budget Update - KIOCL seeks removal of duty on export of iron ore pellets**

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Business Standard reported that the voice for removal of 5% duty on export of iron ore pellets and reduction on import of iron ore fines is getting louder as the Budget day is nearing.

After a host of private miners across the country, the public sector miner and pellet maker KIOCL Ltd has raised its voice in favour of the reduction in duty on export of pellets.

Mr Malay Chatterjee chairman of KIOCL said that "As the Supreme Court has restricted use of Karnataka ore for export purposes, we are bringing iron ore from Chhattisgarh by paying huge cost on freight. Given the current market price for pellets we are unable to even recover our operating costs. We have requested the ministry of finance to withdraw 5% duty on export of pellets and waiver of duty on fines. Besides, we have asked the Railways to remove distance based charges."

Mr Chatterjee said that "Our establishment costs are huge. Due to the differential freight policy of the Railways, we are paying an additional INR 1,800 per tonne of ore as against the normal freight of INR 1,000 per tonne. As a result, during the current fiscal, we have operated our pellet plant for hardly 100 days."

He said that "Whenever we have tried to participate in the Karnataka e-auctions, the price goes up and we cannot use the local ore for export purposes due to the Court direction. Hence, we are totally dependent on ore from Chhattisgarh."

The company is forced to procure iron ore from NMDC's mines at Bailadila in Chhattisgarh and bring it to Mangaluru via sea and rail routes as it cannot use ore from Karnataka for the purpose of exports. The landed cost of iron ore at its pellet plant in Mangaluru works out to INR 6,000 per tonne as it brings ore via 1500 km sea route and 700 km of rail route from Chhattisgarh. The sale price of pellets in the domestic market is also in the range of INR 6,000 per tonne.

KIOCL operates a 3.5 million tonne per annum pellet plant at Mangaluru. Ever since it stopped captive mines in 2006 following a Supreme Court order, it is sourcing raw material from NMDC's mines in Chhattisgarh. - Source - Business Standard - ([www.steelguru.com](http://www.steelguru.com))

## [Coal Block Allocation - Day 2 of coal auctions](#)

On day two of the coal block auctions three blocks were on offer. These were Belagaon in Maharashtra, Kathautia in Jharkhand and Sarisatolli in West Bengal.

Kathautia block in Jharkhand

Reserved for the non power sector

Aditya Birla Group's Hindalco Ltd

INR 2,860 per tonne

Bidders included Monnet Ispat and Energy Ltd, Rungta Mines, SS Natural Resources and another Aditya Birla Group company UltraTech Cement.

Belagaon in Maharashtra

Reserved for the non power sector

Sunflag Iron and Steel

INR 1,785 a tonne

Bidders included Bharat Aluminium Company Ltd, Reliance Cement, Sunflag Iron and Steel and Topworth Urja and Metals.

Sarisatolli in West Bengal

Reserved for the power sector

CESC Limited

INR 470 per tonne

Bidders included Adani Power, CESC Ltd, GMR Chhattisgarh Energy, Haldia Energy Ltd and Sheesham Commercial

Source – Strategic Research Institute, Steel Guru - ([www.steelguru.com](http://www.steelguru.com))

## [Steel sector stares at tough times in 2015, but hope afloat](#)

NEW DELHI: With an above-global average output growth, India has retained its position as the world's fourth-largest [steel](#) producer this year but faces tough times ahead in 2015 amid growing imports and other concerns.

While production has grown at a pace faster than the global average for a significant part of 2014, demand has broadly remained sluggish and the sector is looking for a boost from the new government's stated emphasis on manufacturing and infrastructure sectors.

Hoping to benefit from the 'Make in India' programme, all steel producers would look to expand their capacity from about 100 million tonnes per annum currently.

The total output stood at above 76 million tonnes in the first eleven months of 2014, cementing India's position as the fourth-largest steel producer for fifth year now.

The sector is also looking to benefit from the fall in iron ore prices to five-year low levels, as also from the declining coking coal prices.

The sector, however, continues to lag on a host of parameters, while production cost remains high, particularly for PSUs, limiting its prospects in various export markets.

On the other hand, China is enhancing exports to India and other countries, while there is also a suspicion that the neighbouring country may be circumventing various duties.

Among other Asian countries, Japan and Korea have started to reap benefits of free trade agreements, while imports have been rising from India sharply and exports have been falling.

The problem has got compounded due to sluggish trends in the domestic consumption, which has left a lot of unused [capacity utilisation](#). In the current quarter itself, the steel producers have been forced to cut prices by 5-6 per cent due to higher imports, subdued domestic consumption and non-conductive global pricing trends.

The global prices are unlikely to rebound soon, which may come in way of any potential price hike by Indian steel makers, thus affecting their margins.

India's per capita consumption is around one-fourth of the international average and this keeps the hope afloat for an eventual recovery.

There is hope on the raw material front as well. The closed iron ore mines in [Karnataka](#) and [Goa](#) are expected to start soon, making the situation better for domestic steel makers, many of which had to resort to imports.

[Coking coal mine](#) acquisition by ICVL in Mozambique would also help PSUs and analysts believe that prices of this raw material are also unlikely to rise in the near term.

"The next year could be a 'mixed' year for steel makers if we can resist surge in imports. Demand will be there. With raw material prices set to remain lower, we are hopeful," head of a PSU steel maker said.

SAIL Chairman C S Verma, on his part, hopes for a 8-9 per cent production growth next year even as during April-November period, it grew by just 1.3 per cent.