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INTRODUCTION

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Steel ministry to set up Steel Research & Technology Mission of India

It is reported that ministry of Steel will set up a "Steel Research & Technology Mission of India" (SRTMI) to promote collaborative research programmes in steel sector. The Union Minister of Steel & Mines, Mr Narendra Singh Tomar accorded in-principle approval for setting up SRTMI, in a meeting with senior Ministry officials on October 20th 2014. Mr Tomar said that SRTMI will be steel industry's contribution to 'Make in India, Made in India' initiative. Investment on Research & Development in the steel sector must increase from present level of 0.2% to 0.3 % of turnover to international benchmark of 1% to 2% of turnover by the leading companies, he added. The conceptualization of SRTMI was done by a high level task force set up by the Ministry of Steel. The task force had recommended that SRTMI is to be formed as a registered society in close cooperation amongst the steel companies, Ministry of Steel, academia and relevant institutions in the country. SRTMI will be governed by a Governing Board of CEOs of steel and associated companies, domain experts of national and international repute, and one nominee from Ministry of Steel. There will be an Oversight Committee under the Chairmanship of Secretary (Steel) to periodically assess the functioning & performance of SRTMI. SRTMI will carry out R&D in priority areas of national importance covering best usage of available raw materials & conservation of natural resources, optimum energy conservation & minimum emissions leading to innovations and in-house development of design, engineering & manufacturing facilities of key steel plant equipment. The task force further proposed that SAIL, TATA Steel, JSW Steel, JSPL, Essar Steel, RINL, NMDC & MECON will be the initial participating companies who will sign MOU besides Ministry of Steel.

Source: Steel Guru

Excerpts of interview of CMD, RINL, with Rakesh Dubey & Tamajit Pain of Steel Insights

How do you assess the present situation in the steel industry?

Globally speaking, the steel industry, for the last 2-3 years, has been going through a difficult phase. The sector's performance is linked to the GDP growth and with China's GDP growth cooling down the appetite for steel consumption has slowed down. However, now things have started improving and the European zone is showing some signs of stability. As far as India is concerned, a number of proposals have been cleared and several infrastructure investments are lined up in the last 6-7 months. Taking into consideration the lag between ideation and implementation, I presume, there is likely to be significant improvement in the infrastructure segment over the next few months. RINL is at present in the long products space and this should augur well for its growth. Also, the per capita consumption is still at very low levels – around 59-60 kg. If you bifurcate into urban and rural areas, the latter is a mere 10-12 percent of the total consumption. So, there is huge potential for growth. There

are some good developments like a stable government and a reviving global economy. So, the outlook is quite positive.

How is VSP/RINL different from other steel plants? What are its strengths and weaknesses?

In line with our vision to be a continuously growing world class company, we are doubling our capacity from 3 mt to 6.3 mt with an investment of about Rs 12,300 crores. All the units in the Stage-1 of this phase have been commissioned and are under stabilization. The Stage-2 consists of 2 finishing mills which are also in the advanced stage of completion and likely to be commissioned by the end of this year. The present challenge for the company is quick ramp up of production from the new units as it would give a lot of synergy and advantage of scale of operation. It would also give us twin cost advantages. Firstly, we have introduced energy efficient technologies such as Pulverized Coal Injection in Blast Furnaces which would bring down our energy costs. Secondly, the doubling of capacity is planned with an incremental addition of manpower to the tune of 10 to 15 percent. The present manpower cost which is in the range of 15 to 16 percent would therefore come down to a level of around 12 percent and help RINL in improving operating margins. We are also modernizing our existing units with latest and efficient technologies. Recently we have concluded the modernization of our oldest Blast Furnace and the upgradation of the other units would be progressively completed in a couple of years. This would give us a definitive advantage in the long run. We have also embarked on diversification of our business wherein we are setting up the largest Forged Wheel Plant in the country at Rae Bareilly in Uttar Pradesh with an investment of about Rs 1000 crore. It is a good business model with assured off-take by the Indian Railways and pricing on cost plus basis. The unit would be ready in other 3 to 4 years and we hope to see the plant operational by 2017-18. The other welcome factor is the host of investments that have been announced subsequent to the division of the State of Andhra Pradesh. The steel demand is all set to rise in this region and we are in the nearest located steel plant very close to the growing market which would place us in an advantageous position. Our main concern is that we do not have any captive Iron Ore and Coal mine which does not provide us a level playing field when compared to our competitors. However, the global market forecasts indicate that the prices of these materials are likely to soften which would help us to improve our margins. Recently, we have been allocated an iron Ore Mine in Rajasthan with around 200 Mt low grade magnetite reserves. On receipt of mining lease, we would develop the mine and plan to set up a Beneficiation and Pelletization Plant which would give us some security in the long run.

When do you expect to get the mining lease?

The procedure for getting the mining lease has started. The statutory clearances and mandatory requirements would take about 2 years. Developing the mine would take another 2-3 years. So, in all, it will take about 5 years from now to make the mine operational.

Will this mine be sufficient to meet your entire requirement?

No. We have to depend on NMDC. We are also in the process of getting the mining renewals completed for our subsidiary, BGC. Currently the mines are closed as there are some legal issues pertaining to transfer and renewal of mining leases. We are addressing all these issues and hope to get these settled in due course. This would help in meeting our plant requirements.

By when do you expect access to the manganese ore and iron ore from this Bird Group companies?

It all depends on when we get the clearance, since these mines are operational. Once the clearances are in hand, it will not take much time for RINL to restart operations. But the main concern is how quickly we can get the clearances.

But you have environmental clearances for the mines and, for some, even forest clearances...

For some we have second-stage forest clearances. When the matter went to the state government for issuing the mining lease, some legal issues have cropped up with regard to Kolha Roida and two other mines. Kolha Roida is one of the best mines in terms of quality of iron ore. It was also an operating mine. Once the legal issues are sorted out, start of operation will not take much time. However, it is not possible to give a timeline as to when exactly this process will get over.

But you must be having some internal targets regarding this?

Yes. We plan to restart at least one of the mines within this financial year.

Which particular mine?

The Bagiaburu mine. There are no legal issues pertaining to it. Only the renewal process is required and we are hopeful that we will be able to complete it within this financial year and start the mining operations. Similarly, for the Kolha Roida mine, as I said, the clearances are ready from the statutory authorities but because of the legal issues, mining is held up. But we hope to get these issues settled in the next few months and start mining in this financial year.

Recently it has been found that the inventories of various steel-makers have gone up because of the low demand in the market. In that context, what is the inventory level at RINL?

RINL is catering to the long products segment and since the last six months the market has shown a lot of stability. Therefore, our inventory is at normal levels. I am sure, with a stable government in place, the market will continue to show stability. We expect good demand within India, particularly with investments planned in the country. Globally, one factor, of course, is China, where, I believe, consolidation is under way in steel sector with some unviable units getting closed. I also sense that the market in China will stabilise with decreasing levels of production. To that extent the threat from China is expected to gradually ease out.

We have talked about your expansion from 3 mt to 6 mt. What would be the product break-up like?

Basically, it will be bars, rods and structurals. The range of the products would increase post-expansion, particularly size and grades. One new product is rounds up to 400 dia. It has a very good market. There is a huge demand for API grade steel tubes in the Gulf. So there is a good export market. These rounds will also cater to our proposed Wheel plant in Uttar Pradesh.

You are exporting a lot of pig iron... tenders are invited occasionally. What is the scenario with regard to the pig iron market?

In any integrated steel plant, there would be some amount of Pig Iron production due to mismatch in Hot Metal and Liquid Steel, in view of scheduled maintenance and unexpected break downs. As of now, since one of the Blast Furnaces was shut down for modernization, there has not been significant Pig Iron Production. However, the furnace has since started and there would be some amount of pigging till the production in the new Steel Making Shop picks up. But again, the second Blast Furnace would be shut down in the last quarter of this fiscal or first quarter of next fiscal for modernization. During the period of shutdown, say for 4 to 5 months, there would not be any excess Hot Metal and hence no pigging. We have already placed the order for an additional converter to match the steel making facilities when all the three Blast Furnaces go on full stream. There may be some imbalances on daily basis as said earlier, but there are not significant issues relating to Pig Iron.

What would be your total iron ore and coking coal requirements?

Roughly, the requirement is about 1.6 tons of iron ore and 0.9 tons of coking coal for one ton of Hot Metal. By 2016-17, the Hot Metal capacity would be around 7.5 million tons after modernization. The requirement would be around 12 million tons of iron ore and 7 million tonnes of coking coal at that point of time.

At the AGM of the Bird Group, former CMD A P Chowdhury had said that once this phase of expansion is over there will be further expansion. What is the preparation for that?

RINL has already prepared the Feasibility Report for the next phase of expansion to 12 mtpa. RINL is planning to diversify into flat products to enrich its product mix in this phase of expansion. RINL has also a Directional Plan to expand to 20 mtpa by 2032, which would make RINL the largest steel plant in a single location in the country. The growth plans of RINL is being dovetailed with the Master Plan of the country which aims to reach 300 mtpa capacity by 2025. With adequate land available at an ideal location and two ports almost at the backyard of the plant, the Gangavaram Port and the Visakhapatnam Port, the growth prospects of RINL is bright.

How much steel do you expect to produce in 2014-15?

As per the plan drawn up for the MoU, we will produce 4.15 million tons of saleable steel out of the 4.6 million tons of liquid steel. The targets are challenging and we are working on this plan.

What will be your turnover?

Our target is Rs 18,100 crore for the year 2014-15, compared to Rs 13,500 crore achieved in 2013-14.

What was the production volume of steel in 2013-14?

It was 3 million tons.

Are you facing any funds constraint in chasing your targets?

RINL is a financially sound company. We have a working capital liability of Rs 2,000-2,500 crore, which is fairly reasonable. Long-term debt for Capex is around Rs 2000 crore. The total debt that we have today is around Rs 5,000 crore and the net worth is around Rs 12,200 crore. Still we are around a debt equity ratio of 0.4:1. Moving forward, internal cash generation is likely to improve significantly for many reasons; One, efficient technology will bring down the cost of production. Two, fixed cost is coming down. Three, investment in expansion is from internal resources. So, no debt servicing. The current year, i.e. 2014-15, is a transition year where the improvement in the cash flow may not be significantly better than 2013-14, but cash generations would be higher from the year 2015-16. With that kind of cash generation and lower debt equity ratio, we will have sufficient internal funds. Also, raising funds through financial institutions will not be difficult. Thus I don't see any difficulty to fund the Capex required for our modernisation programme and future expansion.

The IPO has not happened for a pretty long time and the fire at the oxygen furnace has also affected you. How do you see the situation in this context?

One of the pre-conditions of our Navratna status given in 2010 was that we had to be listed within three years' time. This time period has further been extended till November'14. As regards IPO, it depends on the Government's policy on disinvestment. If the Government decides, we will hit the market. The market sentiment and environment is now quite better than what is had been a year ago.

So you are in favour of floating an IPO at this point in time?

It will happen when the government decides. We are not going to raise any additional capital. It is basically the government which is planning to disinvest. Therefore, it all depends on the policy of the government.

Are you looking at any borrowing?

This year we have lined up total Capex of about Rs 1,500 crore which includes the balance capex for the 6.3 mtpa expansion and modernisation of existing units. The internal cash generation this year would be roughly Rs800 crore – Rs 1000 crore. So, I expect a gap of about Rs 500 crore to be funded through borrowing.

So, RINL is in a position to seize future opportunities?

The economy is looking up now. From 2015-16 onwards we will have a very robust 6.3 or 7.3 million ton plant to seize all the opportunities. I believe there will be greater clarity on governance and policies. All these should augur well for the steel industry. I strongly believe RINL is uniquely placed with very robust plans to turn these opportunities into performance.

Source: Steel Insights

India's steel demand likely to grow 3.4pct this year – WSA

PTI reported that domestic steel makers, who are facing subdued off take, have something to cheer about now as a premier global industry association has projected India's steel demand to grow at 3.4% during the current year. World Steel Association, in its short range demand outlook, has pegged demand growth for the next year even higher at 6% a significant rise as compared to 1.8% in 2013. WSA said that India's outlook is improving following the election of a new government which is promising pro-business reforms. In 2014, India's steel demand is expected to grow by 3.4% to 76.2 million tonnes in 2014, following a growth of 1.8% in 2013. In 2015, structural reforms and improving confidence will support a further 6% growth in steel demand but elevated inflation and fiscal consolidation remain key downside risks to the outlook. Moody's Investor Service had in August said that steel consumption in India would pick up once the government's infrastructure spending policies are put in place. Continuing with subdued consumption trend for the last couple of years, India's steel consumption grew by just 0.3% to 31.17 million tonnes during the April to August period of 2014 to 2015. Mr A S Firoz, Chief Economist, Joint Plant Committee, a body under the Steel Industry, recently said that consumption of steel would certainly rise in India as a lot of infrastructure projects are already in the pipeline and that was why his assessment of three per cent growth was "not a tall order. Besides, the automotive sector is reviving which will certainly pull the demand up. Capital goods sector and lot of machinery sector have also potential to do well. So, all these will pull demand." WSA forecasts that the global apparent steel use would, however, nearly be halved at two per cent in the current year from 3.8 per cent growth recorded last year mainly due to slowdown in Chinese demand. The growth rate for next year would remain static at two per cent in 2015 to reach at 1,594 MT.

Source: Steel Guru

worldsteel releases Short Range Outlook for 2014 and 2015

The World Steel Association has released its Short Range Outlook (SRO) for 2014 and 2015. worldsteel forecasts that global apparent steel use will increase by 2.0% to 1,562 million tonne in 2014 following growth of 3.8% in 2013. In 2015, it is forecast that world steel demand will grow by another 2.0% and will reach 1,594 million tonne. Mr Hans Jurgen Kerckhoff chairman of worldsteel Economics Committee said that "The positive momentum in global steel demand seen in the second half of 2013 abated in 2014 with weaker than expected performance in the emerging and developing economies. As a consequence we are issuing a lower steel demand growth figure than our forecast released in April this year. The slowdown in China's steel demand reflecting the structural transformation of the economy has contributed significantly to our lower global growth projection. We have also seen major slowdown in South America and the CIS countries due to falling commodity prices, structural constraints and geopolitical tensions. In contrast, the developed economies fared well this year. Recoveries in the EU, United States and Japan are expected to be stronger than previously thought, but not strong enough to offset the slowdown in the emerging economies. In 2015 we expect steel demand growth in developed economies to moderate, while we project growth in the emerging

and developing economies to pick up. In China rebalancing will continue to act as a drag on steel demand." Mr Kerkhoff said that "This outlook is prone to risks coming from various fronts. The US interest rates increase expected in 2015 is likely to impact global capital flows creating instability in the vulnerable emerging markets. At the same time the outlook in emerging markets is constrained both by the need for structural reforms and geo-political tensions and as a result energy prices, globally, have emerged as a new risk factor. In China, the rebalancing and transition towards a consumption driven economy is not without challenges and uncertainties. Lastly, the recovery in the Euro-Area is still constrained by household and government deleveraging."

	ASU	ASU	ASU	Growth	Growth	Growth
	2013	2014 f	2015 f	2013	2014 f	2015 f
European Union (28)	140	146	150	0.8	4	2.9
Other Europe	37	38	39	8.2	1.9	3.8
CIS	59	57	58	2.8	-3.8	1.9
NAFTA	130	138	141	-2.4	6.4	2.2
Central and South America	49	48	50	4.2	-2.4	3.4
Africa	34	35	37	10.8	2.8	8
Middle East	50	52	55	0.2	2.3	6
Asia and Oceania	1032	1050	1064	4.9	1.7	1.4
World	1531	1562	1594	3.8	2	2
Developed Economies	388	405	411	-0.2	4.3	1.7
Emerging and Developing Economies	1143	1157	1182	5.2	1.2	2.2
China	741	748	754	6.1	1	0.8
BRIC	884	893	904	5.5	1	1.3
MENA	65	68	72	1.8	3.3	6.6
World excl. China	790	814	840	1.7	3	3.2

ASU in million tonnes

Apparent steel use in China is expected to slow to just 1.0% growth in 2014 to 748.3 million tonnes with rapid cooling of the real estate sector as the government's efforts to rebalance the economy curtails investment and weakens business sentiment. The weak growth momentum will continue into 2015 and China's steel apparent steel use will grow by 0.8% to reach 754.3 million tonnes in 2015. However, possible use of targeted stimuli and easing of restrictions on the real estate market in response to slower GDP growth could increase the forecast.

India's outlook is improving following the election of a new government which is promising pro-business reforms. In 2014, India's steel demand is expected to grow by 3.4% to 76.2 million tonnes in 2014, following growth of 1.8% in 2013. In 2015 structural reforms and improving confidence will support a further 6% growth in steel demand but elevated inflation and fiscal consolidation remain key downside risks to the outlook.

In Japan following a 2.1% increase in apparent steel use in 2013, steel demand in 2014 is revised upward to increase by a further 2.3% to 66.8 million tonnes aided by governmental economic policies. However, as the positive impact of Abenomics" fades away and with another expected consumption tax hike steel demand is expected to decline by -1.5% in 2015.

In the United States, after a decrease of -0.4% in apparent steel use in 2013, steel demand is seen increasing by 6.7% to 102.2 million tonnes in 2014, a large upward revision, helped by strong growth in the automotive and energy sectors. Steel demand is expected to increase by 1.9% in 2015. In Mexico steel demand is expected to grow by 6.9% in 2014 and moderate to 3.5% growth in 2015.

In Central and South America, apparent steel use forecasts have been revised down with most countries registering a negative growth and is expected to decline by -2.4% to 48 million tonnes in 2014 from 4.2% growth in 2013. The combination of falling commodity prices and the delayed structural reforms is hurting steel demand across the region. Steel demand is expected to increase by 3.4% in 2015. In Brazil, apparent steel use will contract by -4.1% in 2014 to 25.3 million tonnes and will rebound only by 1.5% in 2015 as problems such as high inflation, overvalued currency, high labour costs and infrastructure bottlenecks are curtailing investment activities.

The recovery in the EU (28) has gained further momentum in 2014 and steel demand outlook has improved considerably to grow by 4% to 145.9 million tonnes after increasing by 0.8% in 2013. The improvement reflects a pickup in steel using sectors in most countries, but notably the UK and Poland and those countries that underwent structural reforms. Apparent steel use in 2015 is projected to grow by 2.9%. However, the EU is facing new challenges with disinflation and geopolitical tensions threatening the continued recovery. Apparent steel use in Germany is expected to show 3.2% growth to reach 39.1 million tonnes in 2014 and 2.3% in 2015.

The outlook for apparent steel use in CIS has been revised down significantly in 2014 by -3.8% to 56.9 million tonnes following a 2.8% growth in 2013 due to the crisis in Ukraine. In Russia, the weak trend in steel using sectors in the second half of 2013 continued, and in 2014 weak infrastructure investments combined with the impact of the geopolitical tensions constrained steel demand, leading to -0.5% growth to reach 43.2 million tonnes. In 2015 it will recover by 1.1% to reach 43.7 million tonnes. In Ukraine, the conflict in the eastern part of the country is a severe blow to its economic activities and apparent steel use is expected to decline by -19% in 2014. In 2015, assuming a stabilisation of the political situation, CIS steel demand will grow by 1.9%.

In the MENA region, steel demand in 2014 has been revised down due to the political instability in some countries in the region, but is still expected to grow by 3.3% to 67.6 million tonnes aided by strength in the oil producing countries and again by 6.6% in 2015. Overall apparent steel use in the developed economies will register over 4% growth in 2014, but then slows to 1.7% in 2015. On the other hand the emerging and developing economies excluding China will grow by 1.7% in 2014, followed by a rebound of 4.7% growth in 2015.

Source: Steel Guru

Chinese long-steel imports distorting Indian market

Steel Authority of India Ltd Chairman Mr. Chandra Shekhar Verma is concerned about the fact that in August this year, factory output in China grew the least in about six years. His worries heightened by a slowdown in China's housing market despite new stimulus measures such as easier mortgages to buy second houses, are shared by many in the Indian steel sector. "Considering China's massive steelmaking capacity and the year-on-year rise in production, the mismatches between domestic demand and supply could lead to a marked rise in steel exports. This is proving to be upsetting for steelmakers in countries where Chinese products are shipped in volumes," says Verma. China is reported to have shipped 52.4 million tonnes (mt) of steel in the first eight months of this year, up 36 per cent compared to the year-ago period. And, India has started feeling the pinch. Between April and August, Indian steel imports rose 23 per cent year-on-year. The slowdown in demand from the housing and construction sectors in China has made that country an aggressive seller of long products such as steel reinforcement bars (rebar). The gradual shift in the composition of Chinese exports - from flat to long products - is proving unsettling for India, which has substantial idle capacity in the long-steel segment.

Abatement in the Chinese export onslaught in the coming days is unlikely. In its short-range outlook, the World Steel Association has said as Beijing's drive to rebalance the economy is restraining

investment activities, growth in steel demand this year will fall to three per cent (721.2 mt) from 6.1 per cent last year. Next year, growth in Chinese steel demand is likely to fall further to 2.7 per cent. Fitch Ratings has estimated growth in China's gross domestic product will fall from 7.7 per cent in 2013 to 7.2 per cent this year. At Shanghai Futures Exchange, rebar for January is trading at the lowest since trading of the product began in 2009. Trade officials tracking the Chinese market say as steelmakers in that country are selling their products at increasing losses in the domestic market, they are compelled to export to markets, including India, where prices are higher. Bloomberg quotes China-based analysts as saying this year, Chinese steel exports are likely to stand at 85 mt, 44 per cent higher than the record 59 mt in 2007. Verma says it is unacceptable that some Chinese producer-exporters dodge the 23 per cent export duty on carbon steel by adding some boron to it to make the product appear to customs authorities as alloy steel (which does not invite the tax).

Boron is added to fully killed steel to improve hardening.

Imports of steel from China, where prices of many products have fallen to record lows, are distorting the Indian market. As India-made long steel is at least \$100/tonne costlier than its Chinese counterpart, its import surge is inevitable, unless New Delhi revises customs duty. The steel ministry is said to be keeping a watch on import trends. It has given indications of raising import duty from 7.5 per cent to 15 per cent, in conformity with WTO norms. Meanwhile, European producers hopeful about the return of growth in demand for steel in that region are worried about the damaging impact of cheap steel imports, primarily from China. Restructuring of the European steel sector is far from over; the sector is yet to cut a substantial number of jobs for earnings improvement. In such a situation, imports could add to the pains involved in restructuring. "Besides imports from China, growing quantities of steel arriving here from Japan and South Korea, taking advantage of India's comprehensive economic partnership agreements (CEPAs) with them, remain a concern for steelmakers. CEPAs provide for extinguishing customs duty in eight equal annual instalments for steel from South Korea, and in six equal annual instalments for Japanese steel. What is not to be lost sight of is a rise in imports when our steel sector is using only 80 per cent capacity. Much new capacity is also in the pipeline," says Verma. In the first five months of this financial year, Indian imports of Japanese steel rose 64 per cent and South Korean steel 28 per cent.

Source: Business Standard

Big deficit seen in aluminium

Aluminium, the biggest gainer among base metals on the London Metal Exchange last quarter, will fall into a deficit almost four times larger than previously estimated as demand grows faster than expected, according to Standard Bank. Global consumption will outstrip production by 8,06,000 tonnes this year, more than a previous estimate of 2,17,000 tonnes, the bank's analysts including Walter de Wet and Leon Westgate said recently. Industrial metals have the "healthiest fundamentals" among commodities on a three-year outlook and most base metals will be in deficits either this year or next, the analysts said. The metal, used in everything from aircraft to beverage and window frames, has risen 7.4 per cent this year on the LME. Stockpiles monitored by the bourse have declined 15 per cent over the same period to 4.6 million tonnes (mt), the lowest since December 2011. The aluminium market will swing into a deficit this year for the first time in seven years, the bank said. "Our latest changes mostly reflect demand-side revisions," the bank said. "The aluminium market is tightening up from a fundamental point of view and this is lending background support to prices." Standard Bank has also doubled its deficit estimate for next year to 1.27 mt and raised its forecast for 2016 to 8,94,000 tonnes, from 6,24,000 tonnes previously. It also increased its global demand growth forecast for this year to 6.8 per cent, from 6.1 per cent.

Digesting metal

The cumulative deficit from this year until 2016 of 2.97 mt is still above the 5.53 mt that built up during the preceding six years, the bank said. "While aluminium will find price support, there is still a lot of metal to digest before stock levels become a concern," the analysts wrote. The bank remains bullish copper as the market transitions to a small surplus then back toward deficits toward end of decade, they said. Iron ore, which has slumped 42 per cent this year, may weaken further in the fourth quarter

as the seaborne glut overshadows the exit of Chinese supplies, the bank also said. The steelmaking ingredient will be about \$75 to \$85 a tonne in the October-December period before recovering in the first quarter when construction activity restarts. The shuttering of about 260 mt is needed at prices of \$80 for supply and demand to balance, the bank estimates.

Gold 'Binge'

Gold will struggle to rise in the next two quarters even as Asia's physical demand may strengthen in the three months to December, according to Standard Bank. Before prices can begin to rise, China needs to de-stock after the imports "binge" in 2013 while custom duties on gold imports are relaxed in India to spur an improvement in demand. US real interest rates will also have to normalise, the bank said. Bullion, which rallied in the first half of the year amid escalating tensions in Ukraine and West Asia, posted its first quarterly decline in 2014. Demand for precious metals as a protection of wealth has been eroded by the outlook for a strengthening US economy.

Source: Hindu Business Line

Steel utility poles versus wood

The American Iron and Steel Institute (AISI) estimates that approximately 185 million utility poles are in service in North America, and most of them are made from wood. When utility poles need to be replaced or a new distribution line set up, utility managers consider factors such as cost and reliability. But increasingly, they are also considering the impact of the material on the environment and reviewing their options.

By Mark Thimons

It is a common assumption in the electric utility industry that wood poles are more beneficial to the environment than steel poles, but new scientific data suggests otherwise. The Steel Market Development Institute (SMDI), a business unit of AISI, commissioned a detailed life cycle assessment (LCA) study to compare wood and steel poles in 35 independent category indicators. The study, entitled *Environmental Life Cycle Assessment of Southern Yellow Pine Wood and North American Galvanized Steel Utility Distribution Poles*, was conducted by SCS Global Services, a global leader in third-party environmental and sustainability certification and standards development. It compared the use of treated wood poles and galvanised steel poles over a 40-year timeframe.

It applied advanced LCA methods to report the full range of potential environmental impacts associated with both galvanised steel and wood, including local and regional ecological impacts. The peer-reviewed study focused on 45-foot-tall, Class 2/Grade B distribution poles and included their production, installation, maintenance and disposal or recycling. The wood poles were made from Southern yellow pine grown in the south-eastern region of the United States and treated with chromated copper arsenate (CCA). The steel poles were produced using North American hot-rolled steel and were hot-dip galvanised. Two

STEEL POLES IN THE LINE – THE BENEFITS

In addition to environmental advantages, there are several other benefits to using steel poles.

Steel poles are cost-effective. The approximate lifetime of a steel pole is 80 years, compared with 40 years for a wood pole. When reviewing total project cost and life cycle cost, steel poles are the more cost-effective choice.

Steel poles require minimal maintenance, saving pole replacement and labour costs for electric utilities. Steel poles don't shrink, bend, bow or twist, and the hardware remains tight.

Steel poles are reliable, especially when the weather isn't. Steel poles perform well in the harshest environments, including areas that are prone to high winds and ice storms. They can stand up to fires. And when woodpeckers are looking for food, steel poles remain impervious to their best efforts.

Steel poles don't succumb to the "domino effect." Damage to a single pole in a distribution system rarely propagates to the rest of the system. When hit by a car, steel poles deform but typically keep the lines up and the distribution network functional.

Steel poles can be used indefinitely, saving end-of-life transport/disposal costs and eliminating landfill waste. At the end of its useful service life, a steel pole can be recycled indefinitely into new steel products, so it does not end up in the landfill.

different scenarios were compared – a Business-As-Usual (BAU) scenario in which wood poles taken out of service continued to be replaced by Class 2 wood poles, and a Steel Pole Replacement (SPR) scenario in which wood poles taken out of service were replaced with galvanised steel poles. Conducted in compliance with international LCA standards (ISO-14040-series), the study is the most comprehensive environmental assessment of its kind to date, bringing a new level of transparency to the comparative performance of these two material choices.

Summary

The study found that, when wood poles are replaced by galvanised steel poles (the Steel Pole Replacement scenario), there are several significant benefits, including:

❖ **Lower levels of greenhouse gas and aerosol emissions associated with global climate change.**

When comparing greenhouse gas and aerosol emissions, the researchers considered the entire 40-year time span. They compared the emissions of greenhouse gases and aerosols associated with the CCA treatment and installation of wood poles and the short-rotation, even-aged forest management practices used in harvesting Southern yellow pine with the emissions from steel poles during hot-rolled coil steel production, galvanisation, zinc smelting and installation. Short-rotation, even-aged forest management practices result in losses of forest carbon storage of between 20% to 30%, equivalent to the loss of 20 to 40 tons of carbon dioxide per acre. For the steel poles, the largest contributors to global climate change were the production of steel, galvanisation and zinc smelting. When comparing these two processes over the entire 40-year time span, the accumulated greenhouse gas and aerosol emissions associated with global climate change were lower for the Steel Pole Replacement scenario. This result calls into question the assumption that treated wood products have a lower carbon footprint than steel products.

❖ **Lower terrestrial biome disturbance to forests in the south-eastern United States.**

In the south-eastern USA, the Southern yellow pine used to produce wood poles is harvested primarily from Loblolly-shortleaf and Longleaf-slash forests. Most forest management in the region incorporates even-aged forestry in "plantation" stands, where entire stands of forest are cut at one time, allowed to grow again, and then cut again on a regular cycle. In the south-eastern United States in 2007, 159 million out of 200 million acres were in plantations, accounting for nearly 80% of all timberland in the region. This type of forest management results in a landscape consisting of a patchwork of forests in different age classes, significantly altering these plant communities and threatening the long-term persistence of many species in a landscape that is, on average, between 40% to 60% disturbed when compared to a mature forest.

❖ **A lower burden on critical energy resources.**

When steel poles replace wood poles, it results in the use of approximately one-half of the non-renewable energy resources, requiring 300,000 fewer barrels of oil (equivalent) over a 40-year timeframe.

❖ **Reduced impacts on the habitats of many threatened and endangered species.**

The SCS Global Services study considered key species identified on the *US Forest Service Threatened and Endangered Species List* and the *International Union for the Conservation of Nature Red List of Threatened Species*. In the Business-As-Usual scenario, when wood poles replaced other wood poles, almost 90 species were affected, and seven of those species experienced disturbance to terrestrial habitats.

❖ **Reduced impacts associated with hazardous emissions and wastes.**

The CCA formulation used for wood pole treatment is made from arsenic ore that is mined primarily in China. Arsenic is known to be chronically toxic and carcinogenic at elevated levels. In the United States, old wood poles are exempted from management as a hazardous waste under the Resource Conservation and Recovery Act, although CCA-treated lumber in residential applications is

considered a hazardous waste. When wood poles at the end of their lifetimes are replaced with other wood poles, their disposal results in more than 590kt of waste over a 40-year timeframe, as documented in the study. The ground-breaking study, *Environmental Life Cycle Assessment of Southern Yellow Pine Wood and North American Galvanized Steel Utility Distribution Poles*, provides significant results that challenge common misconceptions held about the environmental benefits of steel utility distribution poles when compared with their wood counterparts. It provides data that will be useful to utility managers who are considering the long-term impacts of their material choices when replacing or updating their electric distribution systems.

Source: www.steeltimesint.com

Tata Steel's recent plans credit positive: Moody's

Tata Steel's decision to sell its long product business in the UK and its bank debt refinance plan will be credit positive and alleviate funding pressure, Moody's Investors Service said. "The sale would be credit positive for Tata Steel UK Holdings (TSUKH) because it would dispose off loss-making assets, while its refinancing alleviates funding pressure for the next six years," the financial research firm said in its Credit outlook for the company. "Moreover, having sorted most of TSUKH's challenges, Tata Steel, its parent, can now solely focus on growing its more profitable Indian business," it added. Tata Steel said recently it has begun negotiations to sell TSUKH's long products business to global commodities giant Klesch Group. The negotiations involve several UK-based assets including its Scunthorpe steelworks as well as other distribution and downstream operations in France and Germany. Scunthorpe, with a capacity of 4.5 million tonnes, has been underutilised compared to its other steelworks, driving down the margins of the group. Prospects for the European long-steel sector are grim, it said, adding TSUKH's other assets are doing better. TSUKH also announced the refinancing of its bank debt through a term loan and revolving credit facilities of Euro 3.1 billion. This bank debt was originally incurred with the Euro 13 billion acquisition of Corus Group plc (unrated) in 2007. "The new financing structure lengthens TSUKH's debt maturity profile, and has no covenant for most of its duration," it said. "With smaller, more specialised operations and completed refinancing, we believe TSUKH's drag on Tata Steel will recede and allow management to focus on growing its very profitable Indian business. We expect Tata Steel India to maintain its volume growth and strong profitability with EBITDA per tonne of around \$260," Moody's Investor Service said. Early next year, Tata Steel India is slated to open the first phase of the Odisha project, which will add 3 million tonnes of crude steel capacity. "This will bring the capacity of the Indian business to 10 million metric tonnes, or 50% of Tata Steel's total capacity. When Tata Steel India acquired Corus in 2007, this proportion was 15%," it said.

Source: Business Standard

Tata Steel faces tough choices in Europe

It has initiated talks to sell its long products business, but the threat of disinflation could dampen the value

Tata Steel announced recently that it has initiated talks with Geneva-based Klesch Group to sell its European long products business. The assets include Scunthorpe steelworks, an engineering workshop and a design consultancy in the United Kingdom, as well as some units in France and Germany. Primary among these is Scunthorpe which accounts for roughly 26 per cent of Tata Steel Europe's production capacity. The sale, if it happens, will help Tata Steel exit a business that is haemorrhaging and has an uncertain future, and give it some cash to deleverage its balance sheet. The question is, how much is Klesch, which has operations in 17 countries and is a turnaround specialist, willing to pay?

With the risk of deflation looming large over Europe, many fear it might become a distress sale for Tata Steel. This could pinch it hard. After all, it has spent large sums of money in Europe. In 2007, when Tata Steel acquired Anglo-Dutch steel maker Corus (now Tata Steel Europe) in a \$13-billion deal, it was the biggest foreign acquisition by an Indian company. Tata Steel subsequently invested another £1.2 billion in the UK operations. Still, the company has struggled for most of the seven-and-a-half years since then. Tata Steel did not respond to a questionnaire seeking comment. "A final sale

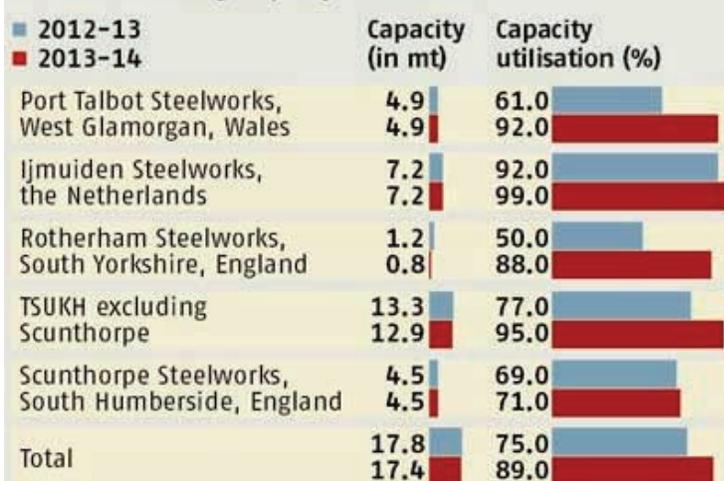
irrespective of the price will be positive for Tata Steel in the long-term. Tata Steel has not been able to bring this asset up to the mark despite investment and restructuring. Perhaps, Klesch will do better as it has a better track record of turning around assets," a Motilal Oswal report says. To begin with, the sale could reduce Tata Steel's European workforce by over 20 per cent: out of the 30,500 people on the rolls of Tata Steel Europe, around 6,500 are employed in the units up for sale.

Hard choices

To be fair, Tata Steel has done a good bit of restructuring of its European operations. In the second half of 2008-09, Tata Steel Europe undertook two cost-saving initiatives: Weathering the Storm and Fit for Future. The latter entailed tough decisions like headcount reduction and asset restructuring, including closure of some unprofitable businesses. In March 2011, Teesside Cast Products was sold to Sahaviriya Steel of Thailand for \$467 million. But the proposed sale of the long products business is by far the most radical of all turnaround plans. Some feel that Tata Steel has put these assets on the block only after exhausting all the options. "The only way to integrate Scunthorpe would be if some of the casting and rolling facilities were physically relocated to India, say to the Kalinganagar project (in Odisha). Kalinganagar then would have to make investments at the primary (steel) end. The other option could be to manufacture semi-finished products in India and finish the rolling at Scunthorpe. Surely, such possibilities were examined by Tata Steel," a former Tata Steel official involved in the integration process of Tata Steel Europe explains. Integration has never been easy for Tata Steel Europe. The Corus group was formed out of the merger between British Steel and Koninklijke Hoogovens in 1999. The mismatch showed up in the company's financials. Reports suggest that Corus group's market value at the time of the merger in 1999 stood at \$6 billion, but fell to \$230 million in 2003.

GROWING MISMATCH

Tata Steel UK Holdings' capacity and utilisation



Source: Moody's Credit Outlook

What could disturb the valuation of the business this time around is that the euro zone is slipping. Recently, Eurostat said that industrial production in the 18 countries sharing the euro fell 1.8 per cent in August from July and the year-on-year decline was 1.9 per cent. "Even a few quarters back, it was believed that Europe was recovering. But now economists are talking about a possible reversal of the trend," ICRA Senior Vice-president Jayanta Roy says. The World Steel Association, in its short-term outlook, also mentions that the European Union is facing new challenges, with disinflation and geopolitical tension threatening its continued recovery. The association, has however, projected a demand outlook improvement of four per cent to 145.9 million tonnes, after increasing by 0.8 per cent in 2013. "But how much of this 4 per cent growth is from flat products and how much is from long products is uncertain," Roy points out. All this will have a bearing on what Klesch pays Tata Steel for the European long products business.

Old assets

Tata Steel Europe's long products division produces rail, rod, plate and other steel products used by construction and excavation companies. An industry veteran, however, points out that some of the assets that are on the block are more like "museum pieces". Given the current uncertainty in Europe, analysts believe that if the deal is valued at anything around \$1 billion, it would be good for Tata Steel. It's another matter that the cost of setting up a new project of that size could be four times that. Without hazarding any guess on the deal size, Moody's Credit Outlook has said the sale would be

credit positive because it would be disposing off loss-making assets. "Scunthorpe, with a capacity of 4.5 million tonnes, has been underutilised compared to Tata Steel UK Holdings' other steelworks, driving down the margins of the group," the report said. If the deal does go through, then Tata Steel would be left with two major facilities, one at Port Talbot in the UK and the other at Ijmuiden in the Netherlands. "These are port-based integrated steel plants and together can produce 12 million tonnes," the former Tata Steel official clarifies. Both the facilities have consistently generated positive EBITDA (earnings before income, taxation, depreciation and amortisation).

Almost back-to-back, Tata Steel has also announced refinancing its bank debt, originally incurred with the Corus acquisition. "The new financing structure lengthens Tata Steel UK Holdings' debt maturity profile and has no covenant for most of its duration. It consists of a five-year loan of euro 370 million, six-year revolving credit facility for working capital purposes of £700 million and a seven-year loan of euro 1.8 million," says the Moody's report which also believes that with the twin announcements most of Tata Steel UK Holdings' challenges were now sorted. In 2013, in an interview to a television channel, Tata Sons Chairman Emeritus Ratan Tata had said if the economy didn't revive, reviving Tata Steel Europe would be extremely difficult and if the economy does start to revive then it will come into its own. A fresh euro zone crisis is the last thing Tata Steel would want.

Source: Business Standard

Unabated boron added steel imports from China ravish Indian steel market

Indian steel market has been in the midst of formidable challenge from cheaper imports originating from SE Asian countries over the last three years under the Free Trade Agreement. But never before the challenge has been more daunting, with sudden surge in import from South Korea, Japan and China during last 1 year. A whopping 111% growth in imports of steel imports in April-September 2014 over last year has numbed Indian mills in silence.

Product	Apr-Sep'13	Apr-Sep'14	Increase	% Surge
Rebar	9,162	27,544	18,382	201%
Wire Rod	102,125	214,770	112,645	110%
HR & Plates	265,863	560,225	294,361	111%
CR	31,534	66,131	34,597	110%
HDG	8,612	13,290	4,678	54%
PPGI/PPGL	41,407	89,882	48,475	117%
ETP	5,212	7,875	2,663	51%
Total	463,914	979,716	515,802	111%

In tonnes

Source – Custom Data Dump

Indian mills were left in tatters even before the halo of new regime could translate into demand. The nightmare of imported finished steel being offered at price of semis from domestic mills became reality and compounded the misery. The deluge has posed a serious threat to the Indian mills who had been struggling with slow domestic demand owing to lack of infrastructure projects and high lending rates starving the economy and buyers of credit. Chinese economy and steel industry has undergone radical change over last 1 year spelling devastation for global steel mills. It has changed tact from buying driven by high growth model to modulating investment driven balancing model. Growth has plummeted to 7.3% lowest in the last 5 years and portends to be no better in Q4. China has got 1.1 billion tonne steel capacity whereas it is projected to produce 820 million tonnes in 2014. Even at 75% capacity utilization the steel industry is left with surplus volume owing to lack of domestic demand. With near demise of property market and construction activity ebbing in China, mills are

running helter skelter to liquidate volumes. Incidentally, production pruning is the last word in China owing to compelling social obligations of employment. Domestic mills in China have diverted volumes to export with twin objective of liquidating surplus volume and quest for better realization propped by rather dubious export incentive structure.

Although surge in imports into India has happened across all categories, let's look at modus operandi taking wire rod as an example. It is learnt that approximately 80,000 tonnes of wire rod has been booked for imports into India from China recently at price levels ranging USD 460 per tonne to USD 470 per tonne CFR by a host of clients. The landed prices at these levels considering 5% import duty and port expenses are at par with domestic levels of billet and pencil ingot in India throwing all parity calculations to wind. Billet and Pencil ingot price level at Mumbai are at in the range of USD 495-500 per tonne basic. A quick look at parity level for imported WRC v/s domestic shows that there is unbridgeable gap of INR 4000 per tonne.

Source: Steel Guru

Modest strengthening steel demand in 2015 despite weakened sentiment – EUROFER

Economic growth in the EU remained soft so far this year, with particularly a disappointing performance of the Euro area in the Q2. Exports were the key driver of growth rather than domestic demand. Indicators losing strength over the third quarter suggest that the EU economy will continue to struggle to gain momentum. Confidence has gradually come under pressure again due to geopolitical unrest and more specifically on concerns about the impact on trade sanctions imposed by Russia. But there are also concerns that the sluggish economic performance of France and Italy could stall the recovery in the EU. Moreover, slowing growth in the large emerging economies is acting as a drag on exports. Despite business conditions currently being rather opaque, the scenario of a modest recovery still seems plausible, with investment and private consumption gaining some momentum once confidence stabilises. Activity growth in the steel user sectors slowed sharply in Q2 2014. EU steel demand growth decelerated in Q2 2014 to 4.4% YoY. The rise in demand was however taken by imports as total steel imports grew 26% y-o-y and long product imports even by 49% YoY. Meanwhile, shipments of EU mills to the domestic market stabilized around the year earlier level which implies that they are losing out to third country suppliers.

Sluggish final steel demand and destocking will result in a slight drop in apparent steel demand in H2 2014. For 2014 as a whole this results in a year-on-year growth of 2.6%. While lower than the July forecast, it still confirms the view of a moderate recovery of the EU steel market. Fairly similar growth is forecast for 2015. Mr Axel Eggert acting DG of EUROFER said that "Q1 activity growth was temporarily boosted by a base year effect. More recent data and indicators unfortunately signal that in most sectors underlying momentum is still rather slow. Most companies have not seen much of an improvement in new orders, output and capacity utilisation rates whereas confidence came under pressure. We expect total output growth to be around 2.3% in 2014. Growth in 2015 is not foreseen to be much higher, but more balanced over the year and more harmonised across the steel using sectors." Mr Axel Eggert said that "Steel market conditions are foreseen to remain muted in 2015, although a moderate strengthening of demand is to be expected in line with the mild further rise in activity of the steel using sectors in the EU. However, imports are to remain on a high level, thereby exerting severe margin pressure on EU steel mills. Difficult business conditions for the EU steel sector will continue as long as demand growth remains dull and imports remain on an elevated level."

Source: Steel Guru

Steel majors form Indian Steel Association

Major steel producers from India have come together to formally launch the Indian Steel Association (ISA) at a meeting that was attended by the chiefs of Steel Authority of India Limited (SAIL), Tata Steel, JSW Steel, Rashtriya Ispat Nigam Limited (RINL), Jindal Steel & Power (JSPL) and Essar in the presence of Secretary, Ministry of Steel. C S Verma, Chairman, SAIL, was unanimously elected as the

first President of the ISA while JSW Chairman & Managing Director Sajjan Jindal, Tata Steel Managing Director T V Narendran and RINL Chairman-cum-Managing Director P Madhusudan, will be apex committee members. Open to any steel producer with a yearly capacity of at least 2 million tons per annum (mtpa), the Indian Steel Association aims to transform the segment, which faces various challenges in terms of growth, markets, raw materials and technology. The association aims to work towards transforming the Indian steel industry into a global leader acclaimed for its quality, productivity and competitiveness. Steel producers with capacity of less than 2 mtpa can become affiliate members.

World Steel Association nod

It was a shot in the arm for the Indian Steel Association to receive recognition from the World Steel Association during its first meeting. A certificate to this effect was presented on behalf of the Chairman and Board of Directors of the World Steel Association. Dr Edwin Basson, Director General, World Steel Association, was present at the meeting and he outlined the role and responsibilities of such an association in a competitive scenario. At the meeting, Steel Secretary, in his address, stressed that the members of the association were expected to work with cohesion, collaboration and coordination to deal with the common concerns of the Indian steel industry. The Indian steel industry is the fourth-largest in the world and is poised to become the second largest producer in the coming years with capacity expected to reach 300 million tons by 2025. The industry, however, faces various challenges in terms of growth, markets, raw materials and technology. The industry leaders have often felt the need of a forum where they could deliberate on the issues. The decision to set up the association, brainchild of JSW Steel Chairman Sajjan Jindal, was unanimously approved at a meeting of the steel-makers. Steel-makers sat down to give their new grouping a name and to choose the office-bearers.

The secretariat of the association would be based out of Delhi, sources said.

The formation of the group comes after the Indian Steel Alliance dissolved in 2008 as leading members such as Tata Steel and SAIL opted out.

Incorporated in October 2001 as an umbrella body of leading domestic steel makers, ISA's objective was to promote the usage of steel and development of the industry, among other goals. "This association will not be a copy of the Indian Steel Alliance. It would be different," an industry source said. The major challenges that the industry is facing include low per capita consumption, rising imports and shortage of raw materials. The source said the grouping would also strive to promote consumption, which is low in India, and campaign for "infrastructure" status for the industry. India's per capita consumption of steel in 2012 was about 57 kg, compared with the global average of 217 kg, according to the World Steel Association. The steel-makers will seek exemption for steel from free-trade agreements, especially with Japan and South Korea, to ensure that the alloy is not "dumped" in the country. The association would also pitch for banning exports of mineral resources and use of asbestos.

Source: Steel Insights

Steel consumption set to improve: Rating agencies

Credit rating agencies expect performance of steel companies to improve in the coming months. "Fitch expects steel demand growth to start improving from the second half of fiscal 2014-15, supported by a pick-up consumption, following rising consumer sentiments and an expected improvement in economic growth," said Fitch Ratings in a statement. Fitch added that the improving consumer sentiment is reflected in the passenger vehicle sales data compiled by the Society of Indian Automobile Manufacturers (SIAM) which has shown sales volumes increasing in June-July, 2014 compared to a fall last year. "Steel demand was weak in the last fiscal due to slow growth in the key steel-consuming industries of automobiles, infrastructure, construction and engineering," Fitch stated. In fact, Fitch expects steel-makers to pass on the increased costs due to the hike in iron ore royalty rates to customers because of the improved demand environment. "The higher royalty rates will raise

the input costs of Indian steel producers by \$2-5 per ton of steel produced, depending on the type and grade of iron ore used. Fitch expects steel producers to be able to pass on their higher costs to consumers because of a likely improvement in steel demand in India," the rating agency stated. Meanwhile, ICRA pointed to the lower international prices of coking coal aiding steel producers. Coking coal is almost entirely imported with very little domestic production.

According to the rating agency, coking coal prices have declined by 16 percent in the first quarter of 2014-15 as compared to the same quarter last year. This drop follows a 13 percent decline in coking coal prices over the course of fiscal 2013-14. "We expect domestic players manufacturing steel through the blast furnace route to benefit from the continuing weakness in international coking coal prices. The trend has already been observed in the financial results posted by a number of steel companies in the first quarter of 2014-15," said ICRA in a research note. Global audit and consultancy firm Ernst & Young expects India's steel consumption to grow to 83 million tons by the end of 2014-15. Steel consumption in India is set to pick up once the new government's infrastructure spending policies are put in place, according to Moody's Investor Service. "The new Indian government's inaugural Budget announced on July 10 included a number of proposals that we consider credit positive for Indian steel-makers. In particular, we expect steel consumption in India to pick up once the government's infrastructure spending policies are put in place," it said. Indian steel consumption grew by just 0.6 percent in fiscal 2013-14, its lowest in four years, to 73.93 million tons, mainly impacted by a slower expansion of the domestic economy and lower imports. Higher consumption would benefit the Indian business of Tata Steel, which is ramping up its steel capacity. The first sales of steel from Tata Steel's new plant at Odisha will come on stream in the spring of 2015, which will add 30 percent more capacity to its highly profitable operations, it said. "While we do not expect the company's EBITDA per ton to improve, we expect the additional shipments to increase the group's overall profitability," Moody's Investor Service said. The agency has also revised its outlook on the Asian steel industry to stable from negative.

"The improved outlook mainly reflects our expectation that the profitability of Asian steel manufacturers will increase moderately year-on-year in the next 12 months," the agency said. The improvement would be mainly driven by faster demand growth than net capacity increase in China. This will result in higher utilisation rates. Moody's expects steel demand growth in China to slow to about three percent during the next 12 months from about 9 percent in 2013 because GDP growth, fixed-asset investment and housing construction will slow down. Steel consumption in the country grew at a slower pace during April-July, 2014 at 0.6 percent, but a 30 percent growth in exports helped swing the demand-supply balance in favour of demand. Domestic consumption during the first four months of fiscal 2014-15 stood at 25.72 million tons as compared to 25.57 million tons in the same quarter last year, data from the Joint Plat Committee of Ministry of Steel showed. In India, over two-thirds of the total consumption of the metal is in the construction sector. While domestic demand grew slowly, demand for the metal produced at Indian blast furnaces was supported by the growth in exports. During April-July, 2014, exports grew nearly 30 percent to 1.84 million ton as compared to 1.42 million ton. Steel production too kept pace with the consumption growth. During the four months, steel production grew 0.9 percent to 27.39 million ton as compared to 27.15 million tons. More than half of this production came from Steel Authority of India Ltd and Tata Steel's plant. The two companies had over 15 million tons of production during the four months. The improved market dynamics reflected on the financials of the companies. SAIL reported an 18 percent increase in net profit to Rs 529.88 crore for the first quarter of fiscal 2014-15 while JSW Steel reported a net profit Rs 801 crore, turning around a loss in the same quarter last year. Tata Steel's business from India also improved with the company's net profit growing 67 percent to Rs 2,267 crore.

Source: Steel Insights

Steel Cleanliness & Inclusion

There are many sources of inclusions like de-oxidation, re-oxidation slag entrapment, chemical reactions and other exogenous inclusions. Steel cleanliness depends greatly on the size distribution,

morphology & composition of Non-Metallic Inclusions (NMI), in steel. The inclusion size distribution is particularly important because of large macro inclusions, which are most harmful to steel's mechanical properties. One kg of Low Carbon Aluminium Killed (LCAK) steel may have about 107-109 inclusions, 400 inclusions of size 80-130 μm , about 10 inclusions of size 130-200 μm and less than one inclusion of size 200-700 μm . Making clean steel involves not only controlling mean inclusion content in steel, but also avoiding inclusion of larger than the critical size, which is harmful for the product.

Classification of Non-Metallic Inclusions

1. Indigenous Inclusions

Indigenous inclusions are de-oxidation products or precipitated inclusions during cooling and solidification of steel.

De-oxidation Product: Alumina (Al_2O_3) inclusions in LCAK and Silica (SiO_2) inclusions in silicon killed steel are generated by reaction between dissolved oxygen and added aluminium & silicon. Alumina inclusions are dendrite like, when formed in high oxygen environment.

Precipitated Product: Precipitated inclusions are formed during cooling and solidification of steel. During cooling, the concentration of dissolved oxygen, nitrogen & sulphur in the liquid steel increases, while solubility of elements decreases. Thus, inclusions such as alumina, silica & sulphide are precipitated. Sulphides forms interdendritical inclusions during solidification and after nucleate on oxides already present in the liquid steel. These inclusions are normally small (<10NM).

2. Exogenous Inclusion

These inclusions arise primarily from the incidental chemical reactions such as re-oxidation and mechanical interaction of liquid steel with its surroundings (slag formation & erosion of lining refractory). In machining they produce chatter, causing pits and gouges on the surface of machined sections frequent breakage as well as excessive tool wear.

Characteristic of Exogenous Inclusions

- ❖ Large size Inclusion form refractory erosion are generally larger those from slag entrainment.
- ❖ Compound composition are multiphase and they're caused due to
- ❖ The reaction between molten steel & SiO_2 , FeO & MnO in the slag and lining refractory.
- ❖ As exogenous inclusion are of large size, they may trap de-oxidation inclusions such as Al_2O_3 on their surface.
- ❖ Exogenous inclusions act as heterogeneous nucleus site for precipitation of new inclusions during their motion in molten steel.
- ❖ Slag re-oxidation inclusion may react with refractory linings or it can be further dissolved into steel.
- ❖ Small number compared with small inclusions.
- ❖ Sporadic distribution in the steel and not well dispersed as small inclusions.

3. Air

Air is the most common source of re-oxidation. Molten steel in the tundish mixes with air from top surface during initial pouring due to strong turbulence. Air is sucked into molten steel at joints between ladle & tundish and between tundish & mould. During this kind of oxidation, de-oxidation of elements like Al, Ca, Si, & other's take place. These oxidized elements further develop into non-metallic inclusions.

Parameters Affecting Steel Cleanliness

- ❖ Flotation of inclusion
- ❖ Method of Calcium addition
- ❖ Method of Aluminium addition

- ❖ Slag control: Steel making slag has three main goals
- ❖ Preventing atmospheric re-oxidation
- ❖ Thermal insulation
- ❖ Take up of non-metallic inclusion

Various slag like synthetic ladle slag, tundish slag and mould slag can affect steel cleanliness.

Source: Steel 360

Union Government Positive on Proposed SAIL-NINL Merger: Tomar

The union Government is looking into the proposal on SAIL's takeover of Neelachal Ispat Nigam Ltd (NINL) and a suitable decision in this regard will be taken in appropriate time, Union Steel & Mines minister Mr Narendra Singh Tomar said. After his meeting with Odisha Chief Minister Naveen Pattnaik today, he said that the Odisha CM brought up this issue during the meeting and his ministry regards this as a positive proposal. NINL, jointly promoted by MMTC and the Odisha Government's Industrial Promotion & Investment Corporation (IPICOL) is a leading Pig iron producer of the country and has started producing Billets since last year. On POSCO issue, the minister said that his government is taking the project positively and his ministry will take all necessary steps to facilitate it. The state government has recommended the Khandadhar Mines for the project. Since the mining area involves both notified & non-notified areas, the union government is carefully examining the proposal and a suitable decision will be taken looking into the prospects of the projects. On the amendment of the MMDR Act, the minister said that the union government has started talks with the state governments on the issue and mineral bearing states like Odisha have already submitted their written and verbal proposals on the issue. However, he declined to give any timeline for the new act. "Till the act is amended, we are also trying to expedite things under the current law", he said.

Source: Steel 360

Iron Ore Risks Extending Collapse on Supplies, Moody's Says

The collapse in iron ore prices may have further to run as global supply increases and steel-demand growth slows, according to Moody's Investors Service, which said it may reduce ratings on producers. About 300 million metric tons of new and expanded supply will come on stream over the next few years, analysts including Carol Cowan said. Global steel-production growth in 2014 remains muted with China, the key driver of consumption, continuing to slow, Moody's said. Iron ore tumbled 40 percent this year after companies including Rio Tinto Group (RIO), BHP Billiton Ltd. and Vale SA raised low-cost output in Australia and Brazil, spurring a global glut. The market is in the midst of a transition without precedent in recent commodity history as supply surges and some higher-cost mines are displaced, according to Macquarie Group Ltd. "Iron ore prices have collapsed," Moody's said in the report, which was dated Oct. 17. "With slowing global steel-production growth rates, iron ore prices remain vulnerable to the downside and we expect continued volatility." Ore with 62 percent content delivered to Qingdao rose 0.6 percent to \$80.82 a ton on Oct. 17, according to data from Metal Bulletin Ltd. The price fell to \$77.97 on Sept. 29, the lowest since September 2009. "Downward rating actions for iron ore producers could result as Moody's reassesses the impact of a protracted pricing weakness," it said. The so-called price sensitivity for iron ore was revised to a range of \$75 to \$85 a ton through 2016, according to the report. Lower Prices While low-cost producers such as BHP, Rio and Vale have more tolerance to absorb lower prices in the near term than Cliffs Natural Resources Inc. (CLF), Fortescue Metals Group Ltd. and Atlas Iron Ltd., the compression of earnings and cash flow is nonetheless value destructive, it said. Stockpiles in China are contracting, which shows demand is outstripping supply and high-cost production is leaving the market, Fortescue Chief Executive Officer Nev Power told reporters on Oct 16. The world's fourth-biggest exporter said shipments rose 66 percent in the three months to Sept. 30 as it expanded output from Western Australia mines. "We shouldn't panic when there's a blip in iron ore prices," Rio Chief Executive Officer Sam Walsh told reporters in Sydney on Oct. 15, dismissing suggestions that the company wouldn't boost returns. In August, Rio raised its dividend and flagged further returns, saying it's on its way to becoming a "cash machine" as it cuts costs and raises production.

Source: Metaljunction

NMDC-CMDC JV to mine 1 million tonne iron ore per annum from Bailadila deposit

The JV Company between the NMDC and state-owned Chhattisgarh Mineral Development Corporation would explore 1 million tonne iron ore every year from the new deposit of the Bailadila mines in state's Dantewada district. Both the mining companies had formed a JV in 2008 to develop and explore the deposit 13 in the Bailadila mines where the NMDC has two deposits namely Kirandul and Bachel. The third mine in Bailadila that had been endowed with rich and world-class iron ore deposit would be developed after nearly 54 years. In late 60s, the NMDC started the two mines in Bailadila that shared the major share of company's total production. For developing and mining in the deposit no13, the company had joined hands with the state-run CMDC. The NMDC would have 51% stake in the JV while the CMDC would enjoy 49% share. According to officials, the CMDC would sell the iron-ore from its share to the steel units located in Chhattisgarh. The Ministry of Environment and Forest (MoEF) had recently given environment clearance for the first phase of deposit 13 in the Bailadila iron ore project. The mine had been spread over an area of 316 hectare. The state officials said that a few formalities were left in connection with the forest clearance before the lease of deposit 13 would be handed over to the NMDC that would later transfer it to the JV.

Source: Steel Guru

Fall in prices of coking coal, iron ore will aid Indian steelmakers

The prices of a wide range of industrial and agricultural commodities have plunged to their lowest since the global financial crisis. While rising supply in the US and decelerating growth in China have dragged down the price of Brent crude oil from 15 fields in the North Sea from a high of \$115 a barrel in June to \$92, the dollar climbing to a four-year high due to the strengthening US economy is chipping away at gold and silver prices. Of all commodities, iron ore remains the worst performer. In the longest series of losses since Metal Bulletin started compiling data of price movements of the steel-making ingredient in 2009, the mineral has fallen every quarter since the beginning of this year. The drop in the third quarter for benchmark ore (62 per cent iron content) for delivery at China's Qingdao port was 17 per cent, at \$78.05 a tonne. The average price of the mineral stood at \$135 a tonne in 2013. The loss in ore is a lot more than the 11 per cent retreat in the Bloomberg Commodities Index of 20 items for the same quarter.

Iron ore does not figure in the Bloomberg Index.

If the global demand for steel stays flat, metallurgical coal, the other steel ingredient, can't avoid a hit. It isn't surprising that Australian miners agreed to supply coal to Japanese steel mills at \$119 a tonne during the last quarter of this year; the price is a dollar less than the contract price for the third quarter. Coal prices are down 65 per cent from a high of \$330 a tonne in 2011, owing to floods-related supply disruptions in Australia. That Chinese coal imports fell about 40 per cent in August on a year-on-year basis helped Japanese mills secure a cut in coal prices this quarter. Many will not rule out further downside to coal before, prices start recovering slowly. As the quarterly benchmark price is at a six-year low, miners have already effected a production cut of about 30 million tonnes (mt), about 10 per cent of global seaborne trade in metallurgical coal. To address the adverse market conditions and emerge with minimum damages Major mining groups remain engaged in cutting production at high-cost coal mines.

Explaining major retreats by iron ore and coal, Confederation of Indian Industry steel committee chairman Chandra Shekhar Verma says, "China, which had a share of 48.5 per cent in the global crude steel production of 1.607 billion tonnes in 2013, accounts for two-thirds of the global seaborne trade in iron ore. The nine per cent decline in Chinese ore imports, at 74.88 mt, in August accelerated the fall in the mineral price at a time when mines expansion and opening of new mines are underway in Australia, Brazil and Africa. Similarly the cut in coking coal import by China heightened market bearishness. So far, the rapid falls in the prices of the two commodities have not stoked China's import appetite. This is because Chinese steelmakers are beset with falling steel prices, as the manufacturing sector hits a wall and the property market stays sluggish." Low coking coal prices are,

however, proving to be major relief for the Indian steel sector, which is becoming increasingly import-dependent for the fuel needed to smelt iron ore. Without captive iron ore mines and sufficient supplies from merchant miners, steelmakers here are importing at attractive rates.

Financial Times quoted Anglo American chief executive Mark Cutifani as saying miners had "overbaked the supply pie" during the commodities boom. This is most evident in the case of iron ore. While leading miners Vale, Rio Tinto and BHP Billiton plan to raise supply of ore to about one billion tonnes in the next few years from about 700 mt three years ago, Anglo American has secured a licence from Brazilian authorities to start operating its long delayed \$14.5-billion Minas-Rio iron ore project. Supply from Minas-Rio, to begin by the year-end, will increase up to 15 mt next year and to 26.1 mt in 2016. Australian miner Fortescue Metals, which claims to have brought back iron ore to a "more long-term and sustainable pricing" from "unsustainable peaks", as well as a few others, remain engaged in commissioning new capacity. Current ore prices have rendered considerable mining capacity unviable. Rio Tinto chief executive Sam Walsh says by the end of this year, 210 mt of iron ore will be taken off the market.

Source: Business Standard

Modi government unlocks coal jam

After the landmark decision of Supreme Court, Indian government has decided to pass an ordinance to address the coal situation by giving effect to the SC order, enable auction of coal blocks and incorporate enabling provision for denationalization of coal sector.

Some of the important announcements are

- ❖ Coal bearing land will be taken back from private companies whose mining licenses were cancelled by the Supreme Court last month. It will also address valuation of the land to be taken over from those who have lost coal blocks.
- ❖ For state owned companies such as NTPC, as well as state electric boards, coal mines will be allocated on a need basis
- ❖ To kick start the process, the 42 operational cancelled mines, along with 32 mines in different stages of production, will be put up for e-auction for actual users in the power, cement and steel sector. An e-auction of coal blocks for private companies will be held in three to four months
- ❖ Companies that will give up some of mines after the court order will also be able to take part in the auctions. But any company convicted by the court would be barred from taking part in the auctioning process.
- ❖ No foreign companies will be allowed to do commercial mining. No changes will be made to the structure of Coal India. A plan to increase production quickly remains in force.
- ❖ The industry will be opened as and when required, but no timeline has been set. A provision to allow commercial mining is part of an executive order known as an ordinance.

The ordinance must get the president's approval, which is a formality. It must be approved by parliament within a few months, otherwise the order lapses. Mr Piyush Goyal, minister of state for coal, power and renewable energy, said private players would bid for the coal blocks at a reserve price, which would be decided by the authority overlooking the proceedings. He added "Also, there will be separate sectoral auctions for the power sector, which is in want of coal."

Source: Steel Guru

World Steel Dynamics predicts short lived gains for aluminum

World Steel Dynamics' report Auto Body Warfare: Aluminum Attack, based on WSD's independent consultation with steel, aluminum and automotive experts, concludes that steel can easily deliver the weight savings required to meet federally mandated fuel economy targets for most vehicles. The report is formally being presented to steel executives at the worldsteel Annual Conference in Moscow.

Other key findings of the WSD study include

- ❖ Advanced high strength steels will offer more than sufficient light weighting opportunities to automotive companies in the next decade and from 2021 to 2025, automotive designers will be implementing an array of higher-strength steels;
- ❖ Once engineers decide to redesign steel-intensive vehicles from the ground up, they will implement sizable and relatively low cost weight savings with advanced high-strength steels, enabling continued supply of steel closures;
- ❖ Advanced high-strength steels, even if priced substantially higher than other auto sheet are quite attractive given their weight savings relative to aluminum, and will rise to 23.7 million tonnes in 2025, a 330% gain displacing mild steel and alternative materials; and
- ❖ Automakers will not widely adopt aluminum or other alternative materials during their next round of design, and the growth in aluminum sheet in cars, SUVs and light trucks will peak about 2018.

Mr Lawrence W Kavanagh, president of the Steel Market Development Institute, a business unit of the American Iron and Steel Institute said that "This timely analysis demonstrates the value of advanced high-strength steel designs in meeting the needs of automakers while exposing the cost penalties of switching to aluminum." Mr Kavanagh said that "We are enthusiastic about the findings, which confirm our extensive research showing automakers can meet their weight reduction goals with advanced high strength steels. The report's conclusions, and forecast for steel, are good news for customers and consumers as they demonstrate that automakers can and will continue to depend on the performance of steel and the safety, fuel efficiency and sustainability it provides."

Source: Steel Guru

Novelis opens world's largest AI recycling facility

Novelis, the global leader in aluminium rolling and recycling, recently officially opened the world's largest aluminium recycling center. Located adjacent to the company's rolling mill in Nachterstedt, Germany, the \$258 million (200 million) recycling center will process up to 4,00,000 metric tons of aluminium scrap annually, turning it back into high-value aluminium ingots to feed the company's European manufacturing network. "The Nachterstedt Recycling Center is a significant step toward our goal to be the world's low-carbon aluminium sheet producer, shifting our business model from a traditional linear approach to an increasingly closed-loop model," said Phil Martens, President and Chief Executive Officer of Novelis. "This new facility further strengthens Novelis' leadership in Europe, and together with our major recycling operations in Asia, North America and South America, solidifies Novelis' position as the global aluminium recycling leader." Since 2011, Novelis has invested approximately \$ 500 million to expand its recycling network, doubling its recycling capacity to 2.1 million metric tons per year and raising its recycled content from 30 per cent to 46 per cent. The company's goal is to achieve 80 per cent recycled content by 2020. Recycling aluminium saves 95 per cent of the energy and emissions associated with the production of primary metal.

Source: MMR

Nalco to invest Rs 660 cr on 100 MW wind power plant

The state-run aluminium major National Aluminium Company (NALCO) is planning to set up a 100 Mw wind power project with an investment of Rs 660 crore. "The project will be set up shortly at a suitable location in India", Ansuman Das, chairman cum managing director (CMD) of Nalco said at the company's 33rd annual general meeting (AGM). Selection of wind power developer is underway, he added. Nalco has already commissioned two wind power plants in Andhra Pradesh and Rajasthan. The 50.4 Mw plant in Andhra Pradesh was commissioned in 2012-13 while the Rajasthan unit of 47.6 Mw, built at an investment of Rs 283 crore, was put to operation in January 2014. About 150 million units of electricity were generated from these two plants in 2013-14. In Orissa, the aluminium major also plans to put up a 14 Mw wind power project in mined out area of its bauxite mines at Damanjodi. The central PSU is also planning to set up a solar power plant at a suitable location in the country to meet its solar purchase obligation.

Source: MMR

Copper futures fall 0.28% on global cues, subdued demand

Copper prices fell by 0.28 per cent to Rs 408.10 per kg in futures trade recently as speculators reduced their positions amid weak overseas cues and subdued domestic demand. At the Multi Commodity Exchange, copper for delivery in November fell by Rs 1.15, or 0.28 per cent, to Rs 408.10 per kg in a business turnover of 715 lots. Similarly, the metal for delivery in February next year traded lower by Re 1, or 0.24 per cent, to Rs 414.40 per kg in nine lots. Analysts attributed the fall in copper futures to subdued domestic demand and weak trend at the London Metal Exchange (LME) where the metal traded at nearly six-month low after stockpiles in exchanges from London to Shanghai increased and as Goldman Sachs Group Inc forecast inventories will rise further over the next six months. Globally, copper for delivery in three months slid 0.6 per cent to \$6,599 a tonne at the LME.

Source: The Economic Times

Record tin exports by Indonesia

Tin shipments from Indonesia, the world's largest supplier, advanced the most in four months in September, according to the Trade Ministry. Exports rose 51 per cent to 5,441.6 tonnes from 3,594.9 tonnes in August, ministry data showed recently. That's the biggest increase since May and compares with sales of 786 tonnes in September 2013, data compiled by Bloomberg showed. The ministry didn't provide reasons for the increase.

Source: Hindu BusinessLine

Tin shortage seen at 60,000 tonnes

Tin production will lag behind demand by as much as 60,000 tonnes for the next five years because costs are still too high to encourage investment, according to industry group ITRI Ltd. About five million tonnes (mt) of production is being explored, equal to about 218,000 tonnes a year of capacity, St. Albans, England - Based ITRI and Greenfield Research in Harrogate, England, said in a statement recently. The estimated cost of developing the projects is \$8.4 billion, or \$38,000 a tonne before operating costs, they said. Supply and demand will be probably balanced this year, Peter Kettle, an ITRI research manager, said. A shortage of as much as 60,000 tonnes between now and 2018 would be about 12,000 tonnes a year. The deficit this year will be 2,000 tonnes compared with 7,000 tonnes last year, according to Standard Chartered plc. Global output will rise 3 per cent next year to 366,000 tonnes as demand advances 4 per cent to 369,000 tonnes, Standard Chartered said in a report. In Indonesia, the biggest supplier, a reliance on artisanal mining can't last, Kettle said. Indonesia, in April, issued trading regulations that curbed supplies. Inventories of the metal in warehouses monitored by the LME dropped 12 per cent this year. The nation last year mandated that refined tin be traded through a local exchange before shipment, seeking to challenge the LME as the global price setter. Indonesia issued new rules in July, setting standards for packaging, labelling, size and shape of exports of tin products.

Source: Hindu Businessline

Global rare earths market to reach \$8.19 bn by 2018

Global rare earths metals market is expected to reach \$8.19 billion by 2018, as per latest Study by Transparency Market Research. According to the Study, the global rare earth metals market will grow at a CAGR of 13.0% from 2012 to 2018. This market was valued at \$3.93 billion in 2012. The rare earth metals market is expected to grow at a steady rate in the coming five years. The factors driving its growth are demand for rechargeable batteries that are preferred for being recyclable, portable equipment, electronics, permanent magnets, and computers. Increasing demand for clean energy and action taken by the government to ensure the same is another factor driving this market. Clean technology also a reason for growth in the rare earth metals market. However, in the same period, the rare earth metals market is likely to witness a few challenges such as dominance of China in the market and fluctuating costs.

Source: MMR

Govt aims to make \$15-bn IoT industry in India by 2020

The government is working on an ambitious plan to create \$15 billion 'Internet of Things' industry in the next six years. Internet of Things, or IoT, can be loosely described as a network of inter-connected devices that can be accessed through the Internet. For instance, with IoT, street lights will automatically go off when they sense no traffic on the roads and consequently save power. Another application could be a smart band that will automatically alert physician when body vitals go to abnormal levels. "Among other things, IoT can help automate solutions to problems faced by various industries like agriculture, health services, energy, security, disaster management etc. Through remotely connected devices," the draft IoT policy document says. Some of the proposed concepts under the policy include development of tools to monitor quality of water flowing in taps and levels in reservoirs, smart environment to monitor quality of air, technology to monitor changes in body vitals and send alerts to hospitals. Human role will be limited to setting up parameters for alerts and other activities expected from the objects. The policy has the objective "to create an IoT industry in India of \$15 billion by 2020. This will also lead to increase in the connected devices from around 200 million to over 2.7 billion by 2020."

The number of internet-connected devices (12.5 billion) surpassed the number of human beings (7 billion) on the planet in 2011, and by 2020, Internet-connected devices are expected to number between 26 billion and 50 billion globally, the draft policy document said. The proposed policy is in line of government's plan to develop 100 smart cities in the country, for which Rs 7,060 crore has been earmarked in the current year's Budget. Devices or objects under IoT, will be connected seamlessly on networks and communicate with least human intervention. The IoT policy excludes phones, tablets and personal computers. The Department of Telecom has already floated a draft policy on technical communication among machines but is yet to finalise guidelines. To boost IoT, the government has plans to fund creation of resource centres and test-beds as a common experimental facility to conduct experiments with an allocation of Rs 18 crore as 100% fund with Rs 1 crore for each partner and Rs 3 crore for nodal agency over a period of five years. The government will set up incubation centres that are proposed to be called National Centre of Excellence in partnership with IT industry body NASSCOM and other industry associations at an estimated cost of Rs 35 crore for 5 years to execute a centre with capacity of 40 people.

Source: Business Standard

Present Imperfect, but Future is Bright

Odisha may not derive desired benefit from the royalty rate hike in the current fiscal

On June 2nd, just few days after Narendra Modi took oath as the Prime Ministry of India, Odisha Chief Minister Naveen Pattnaik, along with his MPs flew to New Delhi to reiterate his demands – raising mineral royalty to at least 15% and impose mineral resource rent tax on windfall profits made by the miners. So, when the union cabinet cleared the proposal to hike royalty on 20th August, anyone would expect Mr. Pattnaik to be excited. Only the reality is different. For a state where only 31 Iron ore mines are operating from a total of 187 and out of the 31, only 13 are large mines, a hike in royalty rate from 10% to 15% is no news of excitements. Odisha gets a major chunk of its non-tax revenue from the mining sector and Iron ore contributes about 60% of the mining revenue. In the FY14, total mining revenue was INR 55.19 billion less than a previous year's collection of INR 53.14 billion. Of this, 37 major minerals contributed INR 51.52 billion and of this royalty revenue collected

from Iron ore was INR 33.2 billion. On the other hand, royalty revenue collection from chrome ore & Bauxite was INR 2.91 billion and INR 0.95 billion respectively.

However, in the current financial year, Odisha expects a major drop in its mining revenue owing to closure of many Iron ore mines, following the Supreme Court order in the month of May. Although, 8 Iron ore & Manganese mines belonging to companies like Tata, SAIL & OMC were later permitted to operate through an express order by the Odisha government. Remaining 18 standalone Iron ore mines are still waiting for government clearance to start operation. Apart from these, several other Iron ore mines including Sarada mines is shut due to various reasons. Apart from these, 3 Chrome ore mines have also been asked to stop production including Tata's Sukinda Chrome mines. The closure of so many mines would drag down state's annual Iron ore output to below 30 MnT which was more than 73 MnT in the last financial year. Accordingly, state's total mining revenue is also expected to fall below INR 30 billion in the current financial year, which was INR 55.1 billion in the last financial year. According to information provided by the Odisha government, the state's mining revenue fell by 22.33 percent to INR 10.35 billion in the first quarter of the current financial year. In the remaining months of the year, the government does not have big expectations from the mining sector. The state steel & mines department has estimated that in the August-March period, the mining revenue collection might limit to INR 10 billion. In December 2009, when the central government enforced a new market price linked royalty rate from the then existing fixed royalty rates, Odisha was a major beneficiary. Odisha Iron ore revenue jumped by almost 164% to INR 17.6 billion in 2010-11 from INR 6.7 billion in 2009-10. The total mining revenue of major minerals also jumped by about 70% to INR 30.4 billion in 2010-11 from INR 17.9 billion in 2009-10.

Future Bright

Though, Odisha is not going to get the expected benefit it desired from the latest royalty hike, the future is full of hopes. When normalcy will restore in the state's mining sector, Odisha could be the major beneficiary of the royalty rate hike. As per an estimate, Odisha would get an additional INR 20 billion from the mining sector, which would take its total mining revenue to more than INR 80 billion. But, till then we have to wait for the Supreme Court order based on the CEC order based on the CEC report somewhere in the month of September. The verdict would decide the immediate future of the mining sector in Odisha.

Source: Steel 360

**STATEMENT SHOWING MINERAL-WISE COLLECTION OF MINING REVENUE
(from 2009-10 to 2013-14)**

(000 Rupees)						
Sl. No	Ore/Mineral	2009-10	2010-11	2011-12	2012-13	2013-14
1	Asbestos	59	0	0	0	0
2	Bauxite	489269	568230	640504	662803	958720
3	Chinaclay	838	863	1061	360	791
4	Chromite	1272974	2194765	2917132	3234313	2919829
5	Coal	9002200	9508537	10377115	12452559	13785848
6	Dolomite	82253	74063	88476	73876	52013
7	Fireclay	3252	575	228	595	1518

8	Gemstone	659	694	815	333	421
9	Graphite	3412	4901	8980	1964	2116
10	Iron ore	6684458	17670420	28534249	36038190	33221899
11	Kyanite	160	0	30	0	
12	Lead ore	28	0	0	0	
13	Limestone	194152	244454	201138	312824	193029
14	Mica	0	0	0	0	0
15	Mn. Ore	156899	79669	92909	289260	309541
16	Min. Sand	31914	32101	67832	76258	70935
17	Pyrophyllite	969	458	883	629	289
18	Pyroxenite	18474	16780	1683	0	
19	Quartz	1144	1273	572	231	3195
20	Quartzite	2783	5835	1358	2004	1972
21	Sand(Slow)	461	519	509	355	381
22	Serpentinite	386	283	257	0	
23	Silica Sand	223	108	34	0	1
24	Soapstone	69	4	25	4	109
25	Magnesite	0	0	0	0	
26	Columbite & Tantalite	0	0	0	0	
27	Chinaclay & Fireclay	0	0	433	0	
28	Quartz & Silica Sand	0	0	0	0	
29	Qtz. &Qtzite	0	0	0	0	
30	Tin Ore	0	0	0	0	
31	Atomic Minerals	0	0	0	0	
32	Iron & Manganese	0	0	0	0	
33	Talc	0	0	0	0	
34	N. Syenite	25	20	14	10	16
35	Red – Oxide	0	45	0	0	
36	Galena			26	36	
37	Other Minerals	0	0	0	0	
	Total Major Mineral	1794706	30404597	42936263	53146604	51522623
		1				
	Minor Mineral					
	(a) Decorative Stone	105961	34235	48249	22258	25117
	(b) Other than Decorative Stone	1920491	2231357	2508748	3227312	3018357
36	Total Minor Mineral	2026452	2265592	2556997	3249570	3043474
37	Other Receipts	233686	634478	373225	397367	629658
	Grand Total	2020719	33304667	45866485	56793541	55195755
		9				

Source: Steel 360

xxxx 000 xxxx

Do More...

Do more than exist	→	Live
Do more than hear	→	Listen
Do more than agree	→	Cooperate
Do more than talk	→	Communicate
Do more than grow	→	Bloom
Do more than spend	→	Invest
Do more than think	→	Create
Do more than work	→	Excel
Do more than share	→	Give
Do more than decide	→	Discern
Do more than consider	→	Commit
Do more than forgive	→	Forget
Do more than help	→	Serve
Do more than coexist	→	Reconcile
Do more than think	→	Plan
Do more than dream	→	Do
Do more than see	→	Perceive
Do more than read	→	Apply
Do more than receive	→	Reciprocate
Do more than choose	→	Focus
Do more than wish	→	Believe
Do more than advise	→	Help
Do more than speak	→	Impart
Do more than encourage	→	Inspire
Do more than add	→	Multiply
Do more than change	→	Improve
Do more than reach	→	Stretch

This is the fifth of series of “Nuggets of truth” which are our sound food for soul. Get ready to blow the lid off our limited Thinking & create your recipe for happiness & success.

Compiled by Shri K L Mehrotra
Vice Chairman – IIM-DC & Former, CMD – MOIL

Steely strategies to accelerate growth



▲ Loading system at SAIL Bolani Mines



▲ Wire rods at SAIL Burnpur



▲ Torpedo ladle at SAIL Rourkela

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