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INTRODUCTION

This News Letter contains the write-ups on the following:

1 Indian Sponge Iron Industry at Cross Road by Mr. Deependra Kashiva, Executive Director, SIMA

2 Alignment of Energy Prices in India with Global Rates to achieve reasonable growth rate by Dr. Montek Singh Ahluwalia, Dy. Chairman, Planning Commission.

3 Indian Economy and Steel Industry Outlook.

4 Unlocking of Potential of India by Mr. Anil Agarwal.

5 Growth of usage of Aluminium in India.

6 Roots of Recovery: Most of the Negative Factors are over, an economic recovery is around the corner.

7 Optimism of Finance Minister on Indian Economy.

8 Various news items relating to Iron & Steel.

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INDIAN SPONGE IRON INDUSTRY AT CROSS ROAD

Deependra Kashiva
Executive Director, SIMA &
National Council Member, IIM

Indian sponge iron industry started in the 80's with the setting up of first generation SL / RN technology based plant at Paloncha, Andhra Pradesh developed by Lurgi Metallurgia. Subsequently, other smelting reduction technologies like CODIR Technology by KRUPP, DRC Technology by Davy and ACCAR by Allis Chalmers and OSIL Process also came into existence in India. These technologies came into existence with clear focus on high quality equipments, specific raw materials, energy and environment emission standard.

> Man learns through experience, and the spiritual path is full of different kinds of experiences. He will encounter many difficulties and obstacles, and they are the very experiences he needs to encourage and complete the cleansing process.
> ...Sai Baba

In 1985, Government of India de-licensed the sponge iron industry. During this time Govt. also encouraged gas based sponge iron industry as there was surplus natural gas. During 1985-1995, apart from few coal based plants, 3 large gas based plants with an aggregate capacity of 6.10 million tonnes per annum were commissioned.

From 2003, coal based sponge iron route dominated because of limited availability of natural gas and fast growing demand of metallics. In fact, no new gas based sponge iron/HBI plant came since last 19 years. During 2003-2008, there had been mushroom growth of coal based sponge iron plants. Rapid growth of sponge iron industry was fuelled due to rise in steelmaking capacity through Induction Furnace / Electric Arc Furnace route to meet the fast growing demand of steel in the country, high price of steel melting scrap and its restricted availability. However, from 2009 onwards there is almost stagnation in the sponge iron industry due to several reasons like de-acceleration in the steel demand, restricted availability of vital inputs like iron ore, non-coking coal, natural gas, environmental related issues etc.

India is the largest sponge iron producer in the world for last 11 consecutive years. Presently, India contributes 33% of global sponge iron production. In the present scenario, it is expected that India will continue to maintain its supremacy for at least another 7 / 8 years in spite of the various problems being faced by the Indian sponge iron industry.

Presently, this important segment of Indian steel industry is passing through its worst crisis. Following are the main problems and challenges being confronted by the Indian sponge iron industry:

- Most smaller capacity plants are performing badly with frequent break down leading increase in maintenance cost with capital repairs of vital equipments within a span of 5 - 10 years.
- Smaller plants are perceived of highly polluting in nature.
- There is threat from imports of steel melting scrap which has increased substantially during 2011-12 and in current financial year.
- Inadequate availability of iron ore in terms of quantity and quality.
- Frequent increase in prices of iron ore - Because of limited availability of iron ore and frequent increase in its prices, import of iron ore has increased substantially. In fact, global rating agency Fitch Ratings in its '2013 Outlook Steel Raw Materials Producers' Report says India stands the risks becoming a net importer of iron ore in 2013-14.
- Inadequate availability of non-coking coal in terms of quantity and quality.
- Ever increasing prices of coal by CIL.
- Inadequate availability of natural gas.
- Inadequate availability of railway wagons.
- Inadequate road network for transporting vital inputs and finished goods.
- Major sponge iron producers are self-power dependent, generating power through WHRB route. Unfortunately, Ministry of New & Renewable Energy does not consider this power "green power" in line of bio-mass energy as such they are not covered under REC mechanism. Thus, they are deprived of financial benefits.
- While gas based sponge iron process is highly eco-friendly and energy efficient, coal based sponge iron process is highly energy intensive activity and lead to higher carbon load on climate especially by

smaller units.

- Techno-economic limitations in the mostly used smaller modules of coal based route as smaller modules are not adaptable to waste heat recovery boiler based power generation system.
- Technological limitations for exploiting inferior grades of iron ore and coal.
- Shortage of trained manpower - as a result plants are run by few trained persons with rest being raw hands.

In view of present raw material & technology scenario, it is felt that:-

i. Indian sponge iron industry will continue to face increasing pressures with respect to raw materials, substitutes (like hot metal), technology and environmental regulations.

ii. Availability of key raw materials like iron ore / pellets, non-coking coal and natural gas at affordable prices is increasingly becoming critical not only for the growth of this sector but also for the very survival of the existing producers.

iii. Our experience indicates that smaller coal based plants of smaller modules / capacities (50 TPD & 100 TPD) who are sourcing power from the grid are highly carbon intensive as compare to large sized coal based plants (300 TPD / 350 TPD / 500 TPD) who can economically generate captive power from sensible heat of outgoing flue gases which also make them eco-friendly.

Combination of some of the following factors / issues may improve the prospects and may lead to the sustainable growth of Indian sponge iron industry: -

- Largest single module of 1000 TPD for coal based route is under development in Germany. This may offer new opportunities in India but its adaptability to indigenously available raw materials will be keenly watched. In case of successful implementation under Indian condition, this will lead the reduction in the carbon load substantially and will improve operating parameters.
- About 30 million tonnes pellet capacity along with the iron ore beneficiation facilities is under various stages of implementation. This will maximize the usage of iron ore fines and will reduce the problems of lump iron ore availability which is being presently faced today.
- R&D initiatives are required to promote development of economically viable and technically feasible technologies for usage of slimes and other grades of iron ore like BHQ/BHJ etc.
- There is tremendous scope of innovations even in the present scenario which can bring sea change in the working of sponge iron plants.
- Limited availability of coking coal in India and abroad will encourage steel production in the country through combination of Sponge Iron and BF e.g Sponge Iron -BF-EAF route.
- There is tremendous scope for setting up of rotary hearth furnaces and vertical shaft furnaces for the production of sponge iron. Adoption of these types of furnaces will lead to effective exploitation of inferior grades of raw materials and also to overcome to technological limitations of presently used technologies.
- Coal gasification based sponge iron plant of Jindal Steel & Power Ltd in Angul, Odisha may become a game changer in coming years. Cost of syn gas and efficient running of gasifiers will be the key of success of this promising sponge iron process route.

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We can't get on a 9% growth path if we don't align energy prices with global rates: Dr. Montek Singh Ahluwalia

A month ahead of the Budget proposals, Planning Commission Deputy Chairman Dr. Montek Singh Ahluwalia says he wants a widening of the tax base, pushing energy prices to align with global levels and favours denationalising of the coal sector. And, sees nothing wrong in trading of telecom spectrum. He talks on these and other contemporary policy matters with *Indivjal Dhasmana & Sanjeeb Mukherjee*. Edited excerpts:

❖ In the run-up to the Budget, various ideas are mooted. One of these is the tax on the super-rich.

No comment on tax matters. Making the Budget is a complex exercise which involves careful weighing and balancing of different considerations. However, we do have a progressive income tax and if rich people pay the tax that is due, they will be paying a lot more tax. In my view, the real problem is that not enough people are declaring their income and paying the tax. The number of people filing returns showing (annual) income above Rs 10 lakh is far too small. We need to expand the tax net to catch more of the income.

❖ Are you advocating expanding the tax base or tightening the administration?

We need to expand the base. Some of that is a matter of tax administration devising ways in which upper income persons are effectively covered by the tax net.

❖ Of late, there have been moves to correct the under-pricing of energy. Is the government moving the way the 12th five-year Plan document wanted it to?

If prices do not reflect the real cost of energy, why will anyone invest in energy-saving equipment? Also, if prices don't reflect the marginal cost of supply, which is imports, why will people invest to produce energy? Our problem is that energy is generally under-priced. Diesel, cooking gas and kerosene are under-priced. Coal is also under-priced, in the sense that the market price when coal is sold in auction is much higher than the normal price, and the price of imported coal is even higher.

We need a complete rethink on energy prices and align close to world prices. We cannot close the gap at one go but phased adjustment is necessary. Nobody likes to pay a higher price but we must recognise that we cannot expect to get on a nine per cent growth path if we don't align its energy prices with global prices.

❖ Also decontrolling diesel?

That should be our objective. It is not possible immediately and the government has indicated a practical compromise.

❖ What should be the direction in coal?

We need some difficult decisions there. In the Plan, we have clearly said the nationalisation of coal needs to be reconsidered. There is no economic logic in keeping the private sector out of coal if it is allowed in petroleum and natural gas. Why do we allow the private sector in these areas? Because we want to bring in as much investment as possible into energy production and we want new technology.

So, why not in coal? Such constraints on domestic supply are not justified. I am very aware that these are politically sensitive issues but the country needs to consider the matter objectively. If we are importing coal at high prices, it is odd that we will not allow the private sector to mine Indian coal but will allow people to import from private parties in Indonesia and Australia. That doesn't make any sense.

❖ There have been diverse views on whether (telecom) spectrum trading be allowed or not.

In my view we should allow it. I don't think anyone has said we shouldn't have spectrum trading.

❖ But people have said the time has not come to allow it.

Well, the Planning Commission should be ahead of the times and point the way ahead. There was a reason for not allowing spectrum trading when we were giving it through an administrative mechanism. However, we're now auctioning the spectrum; it is a market-determined price. If halfway through the process, the buyer wants to sell it to someone else for the rest of the licence period, why not let him? We can impose a capital gains tax on the sale but allowing trading would only increase efficiency.

❖ You have often talked about infrastructure constraints and the government has set up the Cabinet Committee on Investment (CCI)**.** However, GVK and GMR pulled out of road projects. How do you see the development in terms of the effect on infra projects?

These withdrawals are a negative development but I don't know the details. The reason why we now have the CCI is to prevent this kind of thing…if certain clearances are being delayed too much, then the Cabinet committee will be able to intervene, a very positive development.

❖ The current account deficit (CAD) widened to a record 5.4 per cent of gross domestic product (GDP) in the second quarter. Is it worrisome from a long-term point of view?

There is no question that CAD in 2012-13 is an area of weakness. A lot of this has to do with very high gold import. These are not like normal imports; you don't need gold for GDP growth, unlike oil, fertiliser or other products. To some extent, large gold imports reflect the fact that people think gold prices might rise further. There could be several reasons — global excess liquidity, uncertainty in the Middle East, all of this could create that expectations. But I don't expect large gold imports to continue.

- Will increasing the import duty on gold not result in smuggling?

That is always a danger in the case of gold. I don't think there is anything wrong with a little increase.

- There is a talk of a food security law and there is a five-year map for the fiscal deficit. Can both go hand in hand?

Yes. If food security is a critical programme, we can give it top priority and cut something else. We have talked about reducing subsidies from 2.4 per cent of GDP to 1.5 per cent. We have not said there should be no subsidy. There is enough room in the limit indicated to accommodate a sensible food security bill but it does mean other subsidies will have to be cut more.

- The plan document has said foreign direct investment (FDI) in retail should be supplemented by back-end investments.

Correct. Our focus should be to remove the many constraints which limit the ability of modern retail to operate. Modern retail requires more electricity, better roads, logistics, transport systems, etc, and also a modernised APMC (agri produce marketing) Act. You won't get the full benefits of modern retail until these happen. But you can't wait for all that — if FDI wants to come in at this stage in spite of our system, we should allow them to do so. The constraints are as binding on FDI as on domestic modern retail.

- We ended 2012 on a rather sour note. Do you think by the end of 2013, we will be happier economy-wise?

I think so. I hope the economy will rebound strongly in the next four months. If you interview me this time next year, you will yourself say it has been a much better year.

Source: Business Standard

Indian Economy

India economic growth is expected to be below 6% through the next financial year owing to the slowdown in western markets like the US and Europe. According to the survey jointly conducted by CII and Mckinsey & Co, the majority of the respondents surveyed said they expect the country's gross domestic growth in the range of 5% to 6% in the next year. The survey said that over 50% respondents felt that the crisis in Europe, followed by a slowdown in the US and the surging price of oil will together have the biggest impact on the Indian economy. The growth rate during the Q1 of the current fiscal was 5.5%. In the budget 2012-13, Mr Pranab Mukherjee, the then Finance Minister had projected the economy to grow by 7.6 (±0.25) %. Subsequently, the Reserve Bank of India drastically lowered this fiscal's economic growth projection in its half yearly review of the monetary policy, from the 6.5% estimated earlier to 5.8%. It cited global and domestic factors like poor investments and subdued demand for the move. With the bulk of the year washed out in policy paralysis and economic slowdown, it was widely expected that turn of events was round the corner as the Government forced the pace of political decision to instill confidence in the market. However, the market already weary of speculative lambasting was averse to taking any more risks till the core fundamentals looked-up. The market already limping on tight credit and even tighter raw material availability and capacity closure, became rampant in Raipur, Mandi and other locations. The coming days might augur well for the beleaguered market with FDI in retail finally getting parliamentary nod culminating in construction activity picking up. Moreover, the Government in its overdrive to accelerate economic growth is likely to fast track new projects.

Steel Industry Outlook

World steel production in 2011 was 1.554 billion tonnes. This translates into an apparent steel use per capita of 221 kg crude steel equivalent. At the start of the millennium, the figure was 149.6 kg and in 2016 it is expected to reach 230 kg. This is a clear indication of the increasing importance of steel in the development of the global economy in the next decade. With much of the global growth expected to come from these developing and emerging economies, the future for steel consumption looks bright. The situation in the high income nations is less encouraging. The impact of the banking crisis and tight monetary policies will restrict the rate of growth in steel demand in these countries in the medium term. World

> Human beings, who are almost unique in having the ability to learn from the experience of others, are also remarkable for their apparent disinclination to do so
>
> ...Douglas Adams

crude steel output in 2012 at 1595 Mt. This represents an increase of 2.6% on the 2011 figure. Steady growth in production is anticipated over the period to 2016. By then, the figure is forecast to reach 1850 Mt – an annual average growth rate of approximately 3.5%.

How bad is the Situation in Europe?

According to ArcelorMittal, demand for steel in Europe has fallen by 8% this year alone, and by around 29% since 2007. Austerity drives by Government, in view of the sovereign debt crises afflicting a number of countries in the region, have dented demand for steel in the automotive and construction sectors. These two segments are the major customers for steel. Also, the economic slowdown in China has compounded problems for the industry. The steel manufacturing capacity in Europe stands at around 210 Mt, of which only 155 Mt is being utilised at the moment. Hence, industry analysts had been expecting some plant closures in addition to the impairment charges announced by ArcelorMittal. The economic conditions in Europe are unlikely to improve anytime soon. The only way out for now seems to be an asset-sale programme designed to get rid of unproductive and non-core assets. Operating costs on these serve as a drag on profitability, which ArcelorMittal can ill-afford at the moment.

ArcelorMittal has announced that it will write down the value of its European business by about US$4.3 billion in the fourth quarter because of the economic downturn that has resulted in gloomy prospects for steel manufacturers in the region. The write down will be recorded in the form of a non-cash impairment to earnings for the quarter. Considering the twin factors that ArcelorMittal has recorded net earnings of more and the industry is not in the best shape right now, it seems likely that it will record an overall loss this quarter. Tata Steel, which came on the global map with the acquisition of Corus (now Tata Steel Europe), continues to make losses in that continent. It is a financial drag on the group's balance sheet due to its sheer size. Usage in China is also forecast to increase by 4% to give a total of 668 Mt as commencement of construction on Government-funded infrastructure projects is expected to increase steel consumption demand in the second half of 2013. Demand for steel in India for infrastructure projects is expected to increase domestic steel consumption by 7% in 2013, whereas EU steel usage is thought likely to remain largely unchanged from its 2011 and 2012 level. India's steel production is forecast to 82 million tonnes.

Source: Steel Tech

Unlocking India's Potential - Mr Anil Agarwal

The United States of the early to mid- 1900's has some striking parallels with the India of today. It was around this time that America began its journey towards becoming the world's largest economy. The biggest factors that propelled the growth and transformation of the US were technology, natural resources, manufacturing and private enterprise; a few men who dreamt big helped create the modern America. Andrew Carnegie, John Rockefeller, Cornelius Vanderbilt, J P Morgan and Henry Ford with their entrepreneurial spirit and innovative approach built businesses that helped make the transition to the modern industrial era. They laid the foundations of the American steel industry, oil and gas, natural resources and mining, manufacturing, finance and infrastructure building including roads, rail and ports. All the five men were also great philanthropists who donated most of their wealth for the larger benefit of society. These were used to set up large universities, hospitals, museums, art and culture centres, libraries and charities. The universities also contributed as powerful research centres and acted as think tanks in areas of technology, material and space research, liberal arts and political science. Moreover, they helped develop political, business and other leaders. These created large employment opportunities and also spawned entrepreneurship. From a societal perspective, there were issues similar to India; poverty, environmental challenges, corruption and crime. It took a set of progressive presidents from Roosevelt to Eisenhower to put in place policies that encouraged private entrepreneurship, better governance, government spending and social security. This led to the gradual rise of the American superpower.

> By three methods we may learn wisdom: First, by reflection, which is noblest; Second, by imitation, which is easiest; and third by experience, which is the bitterest.
>
> ....Confucius

America's growth journey has some lessons for India. Both are large vibrant democracies with abundant natural resources. While America benefited from a large flow of immigrants in search of the American dream, India has a large population in the working age group. More importantly, like the US, India has people with entrepreneurial spirit who can visualize a new India and unleash its potential. Five drivers – private enterprise, exploration of natural resources, development of manufacturing, tourism and simplification of regulatory and approval processes – can be key to developing India as an all-round superpower. Our current import bill is $485 billion, most of which is for our consumption needs like gold, oil and gas, fertilizers and defence equipment. We have the potential and capacity to substantially reduce this huge foreign exchange outgo. It could be made mandatory to have 50% of defence equipment manufactured within the country. Similarly, we could stop imports of phosphate-based fertilizers as they can be easily produced domestically. Gold presents an interesting opportunity. Privatisation of our gold and other assets including large reserves of tailings (which are any way on the verge of closure) through a transparent auction process on revenue-sharing basis would be a good way forward, while ensuring that privatisation does not adversely impact existing employees. India's energy security is paramount. We can domestically produce most of our hydrocarbon and coal requirement. The development and production of the assets can be through joint ventures to source the best global technology as well as foreign investments. This could lead to the creation of 10 to 20 large energy companies and ensure that we meet at least 50% of our oil and gas consumption from our own resources. In the process, it would create a win-win situation wherein India would ensure its energy security while foreign companies could deploy their capital and technology and get best returns. We should, however, be mindful that any auction, sale or divestment process be completely open and transparent. Both public and private sectors should be allowed to bid to ensure competition, a level playing field and the best financial outcome.

The Indian auto industry is a good example of a sector where opening up led to an automobile revolution. This can be replicated in the natural resources sector and in the manufacturing sector, leading to mass employment, eradicating poverty and gainfully utilizing our biggest resource – our population of 1.2 billion. Tourism continues to be one of India's most unsold and underrated assets. We attract just six million tourists annually compared to the 60 million who visit China. An all-round effort to develop tourism by building infrastructure and better marketing would lead to large-scale employment and foreign exchange earnings – a welcome addition to our GDP. We also need to simplify and unify our regulatory and approval process across the board by reducing at least 80% of our processes as well as clearance time. This can be done using technology, automation and simpler policies and rules. A simplified regulatory and approval process could be a good enabler to get the best out of our bureaucracy. Our taxation framework is already amongst the best in the world, including for attracting foreign capital. Taxes need not be increased if we grow alternate sources of revenues through development of our natural resources. The world is looking at India as the next destination after China. Some of the biggest advantages that India has are its vibrant democracy, a vigilant media and an excellent legal framework. These are some of the factors that also enabled America to emerge as an economic powerhouse. India can follow suit as long as all stakeholders have the will and commitment.

Source: Steel Guru

India's aluminium use growth will be next only to China's

Why does Alcoa of the US, the world's third largest aluminium producer after United Co Rusal and Rio Tinto (takeover of Canadian Alcan gave it the volume) get so much attention in India this time of the year? Alcoa neither smelts the metal here nor has it got plans to build a smelter in India anytime in future. It, however, has a service centre here for customers using its offerings of high value products. Our industry officials from Mr. S K Roongta of Vedanta Aluminium to Mr. Ansuman Das of National Aluminium Company (Nalco) will eagerly await Alcoa announcement of fourth quarterly results because of the global demand and supply guidance the company provides. Why only our industry officials, Alcoa, the first S&P 500 company off the block with annual results, is seen as the bellwether of the US industry in general for the white metal's wide application in swathes of areas from aerospace to automobile to packaging. The world aluminium industry struggled through 2012, except for the final quarter with some good macro stories finally emerging from China and the US, and the European recession appearing to be less severe than before. It managed to negotiate volatile metal prices and global economic instability, including whether China would be able to escape a hard landing, as aluminium consumption rose six per cent last year. Alcoa chairman and chief executive officer (CEO) Klaus Kleinfeld has forecast that demand for the metal will accelerate to seven per cent in

> There are three things extremely hard: steel, a diamond, and to know one's self
>
> ...Benjamin Franklin

2013, once again principally on the back of China and to a lesser extent India. In the forecast of nine per cent Indian aluminium demand rise to 3.8 million tonnes (mt), Mr. Roongta and Mr. Das will find vindication of their earlier assessments. Aluminium use in China is to advance 11 per cent to 23 mt.

On the grounds that Alcoa, which went about the task of weeding out its high cost smelting capacity with vengeance, posted a net profit of $242 million in 2012 fourth quarter against a loss of $191 a year earlier, we have reasons to hope that our aluminium industry too, will show better working in the quarter ended December. Realisation of average aluminium price of $2,325 a tonne in the quarter when also there was a 12 per cent trimming of costs helped Alcoa to earn profits. Das told this paper earlier that huge tonnage tied up in financing deals and also stable inventories are driving premiums on aluminium. Making price predictions is like playing a game of roulette. Even then, according to a poll of 20 analysts by a leading agency, median price forecast is $2,150 a tonne for 2013, $2,292 for 2014 and $2,400 for 2015 plus premiums. India is in the midst of creating large smelting capacity, largely through Greenfield projects heralded by Hindalco and Vedanta. In this context, Indian investment in new capacity will find justification in the Alcoa forecast that global aluminium demand will rise from 39.5 mt, including 16.5 mt in China and 23 mt in the rest of the world in 2010, to 73.4 mt in 2020 at a CAGR of 6.5 per cent with Chinese requirements racing to 37.7 mt. In retrospect, Alcoa is found conservative in its assessment, as the CAGR run rate of eight per cent in the first three years will bear it out. So, at 2012 end, the world aluminium demand was 46.1 mt, including 20.7 mt for China where CAGR was 12 per cent.

The part of Kleinfeld presentation on China shows the country will remain relentless in building new smelter feedstock alumina capacity as also aluminium capacity. While China produced 36.55 mt of alumina in 2012, this year it will have an incremental local supply of 4.15 mt also to be reinforced by imports of 3.9 mt. China buying alumina in the world market is always good news for Nalco with large exportable surplus. More impressively than rapidly expanding alumina capacity, China this year will have an additional aluminium production of 2.8 mt over 20.8 mt in 2012. Since simultaneously there will be a high cost capacity cut of 250,000 tonnes, a continuing exercise, the country will have metal supply of 23.5 mt against likely demand of 23 mt. Chinese demand may turn out to be better than is forecast as the country is to launch several recently sanctioned infrastructure projects. The North American demand will be up four per cent to 6.2 mt while the negative demand growth in Europe will lessen from two per cent to one per cent to leave a use volume of 6.5 mt. Stacked against a somewhat Alcoa bullish view of prospects, Reuters has reported Hydro CEO Richard Brandtzaeg saying, "It is too soon to say whether 2013 will be better or worse than 2012." At the same time, "as growth (economic) continues and there is less capacity (aluminium) coming on stream, I'm cautiously optimistic about medium term," says Brandtzaeg. In difficult times, companies like Alcoa engage in slimming exercise to make the best of good times. Besides delivering $1.3 billion in productivity and overhead improvement, Alcoa achieved an all-time low working capital employment. This year too, it hopes to achieve productivity gains of $750 million. Here, then, are a few lessons for our aluminium makers.

Source: Business Standard

Roots of a Recovery

Most of the negative factors are over, an economic recovery is around the corner

After almost three years of slowing economic growth and elevated inflation, we are now seeing early signs of a reversal in the stagflation-type environment. Most high frequency indicators are signalling a bottoming out in growth which we expect to extend into a gradual recovery trend from quarter ending March 2013. More importantly, the improving productivity dynamic will finally help correct the macro stability indicators such as inflation and trade deficit. What will help reverse the stagflation-type environment? As we have been highlighting in this column, policy makers' decision to pursue the bad mix of growth (lower private investment and high fiscal deficit/rural wage growth) since the credit crisis was at the heart of most of the macro challenges facing India. This culminated in the macro stability risks of persistently high inflation, elevated current account and trade deficit and a persistent gap between credit and deposit growth, and therefore high credit-deposit ratio. However, we believe that the worst of macro stability risks may now be behind us. We believe there are six factors— three domestic factors (where policymakers can make a difference) and three external factors (which are largely given from the global economy to India)—which will influence the macro outlook. Domestically, we believe that policymakers' efforts to implement policy reforms that will support the investment growth, manage the fiscal deficit and rural wage growth will be critical factors to watch. On the external side, we would be watching for the trend in external demand, capital flows and global crude oil prices. First, the government is taking clear steps to tighten fiscal policy. We have seen encouraging signs of a significant deceleration in growth of central government spending (excluding interest and subsidy) from September 2012 onwards. We believe that the government would continue to control government spending and this will help to ease the demand side pressures in the economy. Moreover, the government has made decisive moves to reduce the fuel subsidy burden since September 2012. Second, rural wage growth has started to moderate after almost five years of acceleration. Rural wage growth had accelerated from an average of 6.5 per cent y-o-y in 2006 to a peak of 22 per cent in September 2011. This, in our view, was primarily driven by government's decision to launch the rural employment scheme which provided wages at a significantly higher level as compared to the prevailing market rate then. High rural wage growth has been one of the key factors resulting in higher food and overall CPI inflation and inflation expectations. Rural wages, which constitute a high proportion of food production costs, have been adversely affecting food inflation. Given that food has a weighting of 47 per cent in the CPI, sharp gains in food prices have been the key driver contributing to persistent prices pressures.

> Do not go where the path may lead, go instead where there is no path and leave a trial
>
> ...Ralph Waldo Emerson

However, rural wage growth has now decelerated to 17 per cent y-o-y for the three months ended Nov-2012. We believe that after the one-time catch-up effect, over the next few months, rural wage growth should continue to moderate unless the government decides to push up MGNREGA benchmark wages aggressively again. Third, the government has also taken a number of steps to prevent the persistent decline in investment to GDP. The government is beginning to implement new transparent institutional processes such as auctioning of mining rights, transfer of land from farmers to entrepreneurs for industrialisation, awarding of public works projects, telecom licenses etc. In addition to the above measures, we expect the newly appointed Cabinet Committee on Investments (CCI) to help accelerate the approval of investment projects in the coming months. On the external front, as the domestic demand outlook in developed economies improves gradually, we are expecting India's exports to grow by 10 per cent y-o-y in 2013, as compared to a decline of 3.3 per cent in 2012. We expect lower volatility in capital flows given that the actions from central banks in the developed world have likely taken away the risk of systematic sudden stops in capital flows. Finally, better supply conditions will likely cap crude oil price gains, thereby helping to contain India's net oil import burden, which incidentally has risen from 4 per cent of GDP in 2010 to close to 6 per cent during the 12 months ending October 2012. We believe that the improvement in these six macro factors will bring about a reversal in the stagflation-type environment. We expect GDP growth to accelerate gradually to around 6.5 per cent by March 2014 from 5.3 per cent in September 2012 and CPI inflation will moderate from around 10 per cent in December 2012 to 6.8 per cent in March 2014. The initial phase of recovery will be driven by an improvement in productivity growth rather than big rise in investment to GDP. Over the next 6-9 months, the starting point of macro stability environment (inflation, current account deficit and high banking sector loan deposit ratio) will still constrain the economy from staging a strong recovery. However, as the macro stability environment improves, it will set the stage for a stronger recovery in growth rates.

Source: The Economic Times

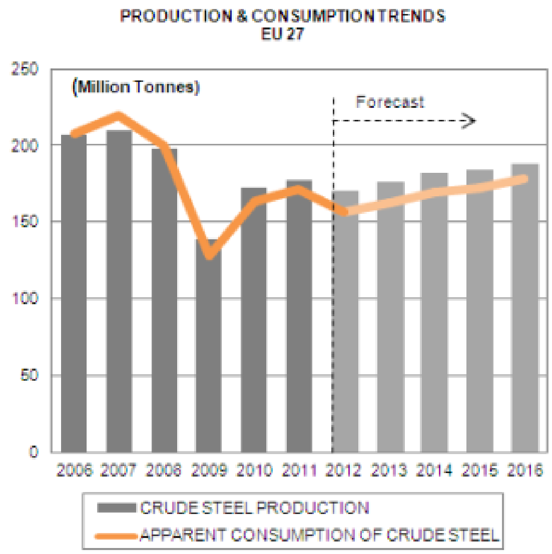
Finance Minister optimistic on growth of Indian economy

Mr P Chidambaram the Union Finance Minister has expressed optimism that the Indian economy will continue to grow at a healthy rate even as the global economies face recession. He said that this is because our economy has strong fundamentals and factors such as high savings rate, growing services sector, a large middle class which continues to create demand and technical and qualified manpower and the youth. Mr Chidambaram said that it was imperative to contain the fiscal deficit by augmenting resources and controlling expenditure. He said that some measures may cause immediate pain but this was necessary to ensure that the fiscal deficit came down to 3% in the next 3 years. Steps were also being taken to contain the Current Account Deficit. He said that there was need to control gold imports which contributed US USD 64 billion to the CAD. He lauded the States for containing the fiscal deficit to 2.1% of the GDP and also for generating revenue surplus of 0.75%. He said that all States to adopt the Direct Benefit Transfer scheme as it provided a technology enabled platform to transfer benefits in an efficient manner directly to the people. He added that in the initial phase subsidies relating to petroleum, food and fertilizer would not be distributed through this scheme and only those schemes which are amenable will be taken up. The Direct Benefit Transfer will be a game changer and it will be a transform the way in which subsidies are managed and will be past breaking for governance.

Source: Steel Guru

EU Steel Demand Crashes in 2012 but Small gain Forecast for 2013

Apparent consumption of finished steel in the EU-27 is expected to slip in 2012 by more than 13 million tonnes (8.7 percent) according to MEPS (International) Ltd. The banking crisis created tight credit restrictions. Steel prices were in decline. Customers reduced their inventories and were not prepared to order significant quantities of material for the fear of lower prices in the future. High rates of unemployment and subdued household consumption added to the difficult market conditions. A modest increase in demand is anticipated in 2013. A degree of inventory building is expected and price increases are a real prospect. In 2011, crude steel output expanded to 177.7 million tonnes from its low point a year earlier. Sovereign debt problems, suffered by many member states, started to reduce economic activity and with it steel demand in 2012. Economic growth in the short term is likely to be sluggish. Public sector finances are expected to be tight for some years ahead. Private sector borrowing will be restricted as the banks try to shore up their balance sheets. Investment in infrastructure projects will be limited. Any upturn in the consumer goods sector is forecast to be quite modest. MEPS expects the outturn for 2012 production of crude steel to be just below 170 million tonnes. Slow but steady growth is anticipated to 2016. A figure of 188.5 million tonnes is anticipated at the end of the forecast period. Pig iron outturn will follow a similar pattern.



Source: MEPS News

Demand for steel to touch 75 mn tonnes in 2012-13: Tata Steel

Tata Steel_expects an increase of about 5.5% in the net demand for steel in the Financial Year 2013. The figures for the demand, is the rise does occur is all set to touch about 75 million tonnes. "In the fiscal 2012-2013. Growth in domestic steel demand is expected to be around five and a half per cent. Total demand is expected to be around 75 million tonnes, up from 71 million tonnes in 2011-2012. In 2013-14, demand is expected to be higher at around 7%. Reforms announced by the government will provide a fillip to growth in the economy," announced the Managing Director of Tata Steel, Mr. HM Nerurkar. Apart from other proposed changes in the field of steel production and sales, Mr. Nerurkar predicts the changed status of India in the coming two years. Judging by the expansions in the Greenfield and brownfield sectors, the Managing Director claims that India will turn out to be the second largest crude steel producer in the world. This announcement is all set to benefit the SME industry as well.

> Everything has been said before, but since nobody listens we have to keep going back and beginning all over again
>
> ...Andre Gide

Source: Indiamart SME News

Indian steel demand to grow by 6.7pct till FY17 - CARE Research

According to a report on steel industry by CARE Research, domestic steel demand is likely to grow by 6.7% annually till 2016-17, faster than the expected growth in Chinese demand during the same period. CARE Research in the report said that "We expect the domestic steel demand to grow at a CAGR of 6.7% during FY12 to FY17, much faster than the expected growth in Chinese demand during the same period." It said that domestic steel capacity increased at a CAGR of 8% in 2004-05 to 2011-12. In line with the domestic steel capacity, steel production in the domestic market also recorded a similar increase during the same period. However, in near terms, the domestic steel industry would remain in a deficit state for the next 2 years. It added that increase in the demand is likely to be offset by the rise in supply of the metal, thereby, keeping the domestic demand stable in the near term. CARE said that the demand for flat products in the domestic market is likely to be supported by the automobiles and the pipe manufacturing sector, although at a timid pace, demand for long products will continue to increase on the back of modest growth in demand from the construction sector. The global supply of steel is expected to continue to adjust itself with the change in demand. It said that the global steel industry witnessed a rather structural shift in its consumption pattern as the demand for steel in the European Union and the US failed to reach the consumption levels it achieved in calendar yea2001. However, steel appetite from the emerging economies like China and India increased significantly. Globally, steel production is likely to increase at a CAGR of around 2 per cent during CY11 to CY14.

Source: Steel Guru

SAIL to reach 24 million tonnes in 2 years - Mr Verma

Telegraph India cited Mr C S Verma Chairman of Steel Authority of India Limited as saying that the company has pumped in INR 40,000 crore, part of the targeted INR 72,000 crore, for expansion and modernisation of its units to raise the output to 24 million tonnes from 14 million tonne in 2 years. Mr Verma said that "The entire modernisation and expansion will be completed in a phased manner at all the steel plants of SAIL, which aims to raise its capacity to 40 million tonne annum after about 8 years, according to our 2020 vision document." He said that INR 10,500 crore would be spent in the raw material division, while INR 56,000 crore will be invested in purchasing machinery for the expansion and modernisation.

Source: Steel Guru

> Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future.
>
> ...John F. Kennedy

High iron ore prices wont last long – Analysts

The West Australian reported that as the iron ore price jumps to 15 month highs, some analysts have sharpened their warnings that Australian iron ore miners have become overvalued on the back of the price surge. With the benchmark iron ore price well ahead of market projections, analysts have rushed to revise their commodity outlooks. But most are saying elevated prices won't last and that trading in iron ore shares risks overheating. Describing their call on iron ore as "bearish", Deutsche analysts still said they expected the current round of Chinese stockpiling to push spot prices as high as USD 170 per tonne but said they expect a "meaningful price reversal" towards the middle of the year, with iron ore prices likely to dip back below USD 120 per tonne. Based on early price buoyancy, though, the research house upgraded its 2013 average price up 8% to USD 125. Credit Suisse analysts said the price spike may be "one last hoorah", and are also tipping a slide in the second half of the year and USD 90 average prices by 2015. Other analysts also revised their commodity outlook, with Hartleys lifting expectations for average iron ore prices by 4.6% to USD 120, and Patersons Securities by 10% to USD 128.

Source: Steel Guru

NMDC cuts iron ore price, steelmakers to gain

India's biggest iron ore producer, has cut the price for its most common grade by almost 6 percent in January, company sources said, a n unexpected move that will help lower the costs of steelmakers. India used to be the world's third-largest exporter of iron ore, but a government-led clamp down on illegal mining has cut domestic production, forcing steel makers such as JSW Steel and Essar Steel to resort to expensive imports. State-run NMDC this month cut prices for 65-percent-grade lumps by 5.8 percent to about $99 per tonne, said a source at the company. "Since there was a decrease in domestic iron ore prices in November, we've adjusted to the price fall," said another company source. Both sources declined to be named as they are not authorised to speak to media. NMDC benchmarks its prices to weighted average rates for the previous two months offered by a number of local sellers, including Rungta Mines and Essel Mining, based in the biggest iron ore producing state of Odisha. An analyst said the pressure from local steelmakers, who have complained of high prices, could have triggered the cut. "The economics are not supporting a price cut, but this could be done due to pressure from steel makers," said the analyst at a trading firm, who also declined to be named. India imported about 9 million tonnes of iron ore between April and November. Imports for the fiscal year ending in March could total 15 million tonnes, industry body Federation of Indian Mineral Industries estimates. In the international market, 62-percent-grade iron ore is selling at about $144.90 per tonne, after a 24 percent price rise in December. Shares of NMDC, which produces about 15 percent of the iron ore mined in India, fell more than 3 percent after the price cut, while steel makers such as JSW Steel gained as much as 1.2 percent. The Sensex ended up 0.26 percent. Separately, JSW Steel, India's No. 3 steelmaker, said it would raise prices by about

2 percent, or 750 rupees a tonne, effective to account for an increase in raw material costs and higher global prices. "We haven't increased steel prices in last three months whereas input costs and steel prices in international market have gone up significantly," a JSW Steel spokesperson said.

Source: Business Standard

Iron ore supply to steel mills likely to take more time

The iron ore-starved steel industry in and around Karnataka might have to wait longer for the smooth supply of key raw material for its blast furnaces as the opening of Category B mines, which contain larger deposits, is getting delayed. The delay is due to non-fulfilment of certain conditions imposed on these mines by the Supreme Court. The Supreme Court (SC) appointed Central Empowered Committee (CEC) has approved the reclamation and rehabilitation (R&R) Plans of 23 mines under Category B in Karnataka. These mines, which can together produce over six million tonnes of iron ore per annum, are presently awaiting the apex court's nod to resume mining. Opening of Category B mines is very vital for the steel industry in Karnataka, as the annual permissible production expected from these mines is relatively larger. Currently, the industry is dependent on only four mines in Category A that have started mining and produce close to two million tonnes per annum besides 12 million tonnes from National Mineral Development Corporation (NMDC).

> A good leader takes a little more than his share of the blame, a little less than his share of the credit.
>
> ...Arnold H. Glasow

There are 63 mines under Category B.

SC's permission to these mines is delayed, as these mines are yet to submit an undertaking to pay additional amount as penalty for violating mining norms. The apex court, in its order in September 2012 directed that before considering resumption of mining operations in Category B, these mines should pay a compensation of Rs 1 crore per hectare for the areas under illegal overburden dumps roads, among others, outside the sanctioned lease area and Rs 5 crore per hectare for illegal mining pits outside the sanctioned area. Each lease holder besides making payment as directed above must also give an undertaking to CEC for payment of additional amount, if held liable on the basis of final determination. The SC directed constitution of a committee to determine the amount of compensatory payment to be made by each of the leaseholders with regard to the value of ore, illegally extracted from forest and non-forest land, falling within or outside the lease area and the profit made from such illegal extraction and the resultant damage caused to the environment and the ecology of the area. The committee would decide the guarantee money for implementation of the R&R plan in the respective sanctioned lease areas, the SC said in its order. "Even after two months, the committee is yet to be constituted. Many of the Category B mines leaseholders are yet to submit the undertaking to pay additional amount as finally determined," Mr. Vinod Nowal, President, Karnataka Iron and Steel Manufacturers Association and Director of JSW Steel said in a representation to Karnataka government. The road map for opening the Category B mines is absolutely unclear as the initial step itself is taking longer time. These mines can resume the operations only after implementation of R&R plan in the encroached area, which is likely to take considerable time, he said. However, till now, none of the Category B mines have submitted any undertaking to the CEC for payment of additional compensation.

Source: Business Standard

NMDC in talks for coking coal mines in Russia, Mozambique

State-owned iron ore miner NMDC is engaged in active discussions to acquire coking coal assets in Russia and Mozambique to feed its upcoming steel-making plant in Chhattisgarh. "NMDC is in active discussions to acquire coking coal assets in Mozambique and Russia. It is scouting for coking coal assets in the US also," the company said in a recent presentation. NMDC is setting up a 3 million tonnes per annum steel plant at Nagarnar in Chhattisgarh with Rs 15,525 crore outlay. Coking and iron ore are two basic raw materials for steel. While being the country's largest iron ore producer, NMDC can ensure uninterrupted supply of the raw material, it will have to partially depend on imported coal to fuel the blast furnace. Meanwhile, NMDC has taken "all necessary steps" to start production from the Shahpur West coal block in Madhya Pradesh in 2014, coinciding with the commissioning of the steel plant. Coal Ministry had allotted two blocks -- Shahpur East and Shahpur West in Shahdol district of Madhya Pradesh -- to NMDC in 2007 with reserves of 52.7 million tonnes and 63.6 million tonnes, respectively. The mine plan for Shahpur West has already been approved and the detailed project feasibility report is currently under preparation. NMDC has also applied for nine coal blocks for captive use. Sources said NMDC is also looking for buying iron ore assets in Brazil and Russia. It sealed its maiden overseas buy by acquiring 50% stake in Australian firm Legacy Iron Ore last year. The company has also initiated steps to increase its iron ore production capacity to 48 million tonnes per annum by 2014-15 from the current installed capacity of 32 million tonnes.

Source: Business Standard

April – May take steps in budget to boost investments and revive economy – CII

Industry body CII has asked the government to take steps in the Budget to boost investments as economic growth has slowed. In its pre-budget memorandum to the Ministry of Finance, CII has asked for measures that can help in revival of growth momentum of the economy at the earliest. CII said that "The recent reform measures have, no doubt, rekindled business confidence but much more needs to be done to provide a fillip to the investment cycle in the present milieu of uncertain domestic and global economic environment." It has suggested various steps to restart the investment cycle and that includes allowing accelerated depreciation rate on plant and machinery from the present level of 15% to 25% for the next 3 to 5 years period. The report said that at a time when new investments have reduced to nearly half of the last year level, raising depreciation rate will incentivize industry to make fresh investments. It also asked for abolition of surcharge and cess from corporate tax and exempting infrastructure and SEZ companies from the levy of minimum alternate tax. CII has also suggested reduction of Central Sales Tax rate from 2% to 1%. It added that the industry body has resisted from asking for stimulus package involving reduction in excise and service tax rates in view of already high level of fiscal deficit.

Source: Steel Guru

RINL plants 1 tree for every tonne of steel it produces

The Business Line reported that the Rashtriya Ispat Nigam Limited has received the CII-ITC sustainability award 2012. President Pranab Mukherjee presented the award to Mr A.P Choudhary CMD of the RINL, at a function held recently at Vigyan Bhavan in New Delhi. A commendation certificate for “strong commitment” of RINL to CSR and environmental conservation was given on the occasion. The sustainability award was instituted to identify and recognise industries for their exemplary performance in economic, environmental and social dimensions by the CII-ITC Centre of Excellence for Sustainable Development. Mr Choudhary said that “The award is a great encouragement for RINL at this juncture to meet the future challenges. RINL believes that the ability to integrate sustainability with business outcomes and the ability to manage and live up to the expectations of stakeholders is the key for its success." On the environment front, RINL-VSP’s operational efficiency and overall excellence has won many accolades like “3 Leaves Rating” by the Centre for Science and Environment under the Green Rating Project and “Excellent Water Efficient Unit" award by CII. The RINL pioneered in adoption of green technologies, with an investment of INR 1,283 crores (10% of the project cost) on pollution control systems and utilisation of waste energy in the ongoing 6.3 million tonne expansion and through other modernisation projects. 41% of the total land had been earmarked for afforestation with the motto “One tree for every tonne of steel produced”.

Source: Steel Guru

India steel consumption up by 3.9pct during Apr-Dec

PTI reported that the country's steel consumption grew by only 3.9% in the first nine months of the current fiscal to 54.8 million tonnes due to subdued demand from the end users such as construction and automobiles. A Steel Ministry data said that finished steel consumption stood at 52.7 million tonne in April to December period of the last fiscal. A steel industry official said that "The poor growth of steel consumption is because of the subdued demand from the end users and if we go by projections by various sectors, it is not going to dramatically go up in the remaining period of the current fiscal." However, official said that added that steel consumption generally gains momentum following the festival season in October and reaches its peak during the January to March quarter when construction activity gains pace and sales of consumer durables pick up. India's steel consumption grew by nearly 7% in 2011-12 to 73.42 million tonne from 68.62 million tonne in the previous fiscal.

Source: Steel Guru

Steel industry players plans adding 24 MT capacity by 2018

Steel industry players plan to add about 24 million tonner of capacity every year by 2018.This could need investments of around Rs 1 lakh crore. The present capacity of all leading steel industry players in the country stands at 54.5 million tonnes per year. Most of the suggested expansions could come from Rashtriya Ispat Nigam (RINL) and Steel Authority of India. Currently, Jindal Steel and Power comes with a low capacity tag but is targeting brownfield expansion by 2018. The total amount of steel produced by this sector in India in the last fiscal stood at 89.29 million tonnes per annum. The SME sector could also be part of the industry in the coming years.

Source: Indiamart SME News

Future sustainability of Indian steel sector highly depends on efficient supply-chain management

The competitiveness and future sustainability of the Indian steel sector highly depends on the efficient supply-chain management in steel plant operations, as maintained by Malay Mukherjee, former Director, Group Management Board, Arcelor Mittal.He was speaking at a seminar 'Challenges facing Indian steel industry – A supply chain perspective' organised by the Indian Institute of Materials Management (IIMM), Durgapur branch on December 23. Mukherjee, who is also former Global CEO of Essar Steel Ltd said, "India is emerging as a leading steel making nation in the world. In this context, efficient supply-chain management in steel plant operations will add to the competitiveness and future sustainability of the Indian steel sector." PK Singh, CEO, DSP said, "An efficient supply-chain management is playing the most crucial role in improving the competitiveness of the steel industry. It ensures availability of right quality inputs at optimum cost at right time to facilitate operations and minimises holding cost of inbound inventory in the steel plants." At the seminar, several papers on issues including 'Ensuring raw material availability' and 'Challenges in shipping, transportation & logistics' were also presented.

Source: Indiamart SME News

Steel industry faces ore supply worries

In a further setback to the domestic steel industry, iron ore production is expected to fall by 40 per cent to 100 million tonnes this year compared with 167 million tonnes last year. Last year's production also represents a steep decline as compared to 208 million tonnes (mt) produced in 2010-11. "According to the Indian Bureau of Mines (IBM) statistics, iron ore production during April-September this year was to the tune of 72 million tonnes. According to the Federation of Indian Mineral Industries (FIMI), the production will not cross 100 million tonnes," said R K Goyal, managing director, Kalyani Steels Limited. After a crackdown on illegal mining, there was a drop between 2010-11 and 2011-12 in iron ore production of 65 per cent in Karnataka, of 12 per cent in Odisha and 6.2 per cent in Goa. The clampdown on iron ore mining in Karnataka and Goa and the difficulty in developing new mining assets in the country have led the steel industry and the economy into a disadvantageous position, according to representatives of the mining and steel industries. The decision to sell iron ore through e-auctions and limiting the mined quantity in Karnataka had led to price speculation. This, in turn, led to closure or lower capacity utilisation of steel units there, Goyal said. He said the present cap of 30 mt in total production from the state was less than the current requirement of the industry, of 33 mt in Karnataka. The procedure laid down by the Supreme Court for necessary clearances and approvals to open the mines would take at least two years from now. So, there is no respite in sight for the industry.

Iron ore export had come down to 57 mt last year from 102 mt the previous year and could further decline to 30-35 mt this year. The 100 mt of lost export and a potential import of 15 mt of high-quality ore would cost at least $13 billion, he said. The situation was in complete contrast to what the country was aiming for in the next five to seven years, according to G Srinivas, former joint secretary of the mines ministry. India will be requiring 200-220 mt of ore to feed the domestic steel industry by 2020 and the mining industry and the government have to find ways to accelerate the development of new mines, he said. N K Nanda, director (technical) of NMDC, the central government-owned mining company, said it had been focusing on possible tie-ups with various state governments on exploration for new ore reserves. Mining companies also need to focus on beneficiation of low-grade ore, besides looking for production-grade reserves in new areas to meet the domestic demand, he said. Jindal Steel & Power's senior vice-president, G S Mittal, said his company would require 34 mt of ore when it achieved the target of 20 mt steel production capacity by 2020; it currently operates three mt of capacity and is adding another three mt soon. He said efforts to secure new mining leases faced difficulties. To facilitate additional capacities in the steel sector, the government should develop a model wherein three to five mt capacity plants with the required land and mineral resources are offered to companies through e-auction, according to Goyal.

Source: Business Standard

New MoU guidelines to hit steel investments in Odisha

Business Standard reported that the Odisha government decision to withdraw the commitment on raw material supply in the MoU of steel projects, which have not made substantial progress, has put INR 0.14

million of investment involving about 2 dozen companies, including the big ticket ones like POSCO and ArcelorMittal in uncertainty. While the government has ruled out giving assurance of raw material linkage in fresh MoUs, in the case of existing 1, a guideline, issued by the steel and mines department of Odisha on extension of validity of MoUs signed for steel projects, explained, No clause committing grant of/recommendation for grant of Mineral Concession will be retained. It, however, added, "Related clauses of the original MoU may be suitably revised providing that the commitments made in the original MoU will be honored subject to and as far as consistent with the provisions of MMDR Act and MC rules applicable on the date of recommendation." Sources said that the MMDR Act does not provide for reservation of resources for private companies. Though the grant of prospecting license or mining lease under the act is based on the first come and first served principles, the government often goes around this rule to pick and choose beneficiaries by invoking Section 11 of the Act which allows it to recommend the case of particular company whose project stands to benefit the state most. Armed with this special clause of the MMDR Act, the Odisha government had been recommending PL or ML for companies, including POSCO, for captive use of the mineral in their projects. But with it getting increasingly difficult to justify which project is in the larger interest of the state and invocation of Section 11 being challenged in various courts, the new guideline of the government is likely to dash the hopes of MoU signed companies, which are yet to take off from the drawing board, to lay their hand on captive mines. Among the big ticket projects in Odisha, POSCO and ArcelorMittal proposed to set up 12 million tonne each with investment of INR 54,000 crore and INR 40,000 crore respectively. Both the companies are yet to acquire the land earmarked for their project due to stiff resistance of the locals. Besides, the other important announcement of the government in the guideline barring the companies to export or swap minerals allotted for captive use is likely to create further hurdle in the renewal of POSCO's MoU, whose validity has expired since June, 2010. During discussion with the state government on MoU renewal, POSCO had agreed to tone down the swapping clause in the original MoU and said it is ready to swap iron ore within the country, not send it outside and bring in higher quality ore from abroad for blending purposes as proposed earlier.

Source: Steel Guru

Steel Minister congratulates Indian steel industry on best growth

India's minister of steel Mr Beni Prasad Verma congratulated the Indian steel industry on being the number one in terms of growth rate in steel production amongst the top ten steel producing countries. Congratulating the Steel Industry he said, "I take pride in announcing that the growth rate achieved by India is five times the world average growth rate of steel. I congratulate the industry stakeholders on achieving this feat and sustaining this remarkable growth." Further exhorting the industry to step up its performance Mr Verma said, "Today, India is the 4th largest steel producer in the world. It is my dream to see India become the second largest in the world. All the main and major Public and Private sector steel plants must gear up to achieve this goal in the coming years." During April to November'12, the Indian steel industry achieved a growth rate of 5.36% which was the highest in the world. During the said period China stood third with a growth rate of 3.36%. The World's Average growth rate of steel was just 0.97% during this period.

Source: Steel Guru

Steel Makers Investing in Pellet Capacities

Steel Makers such as SAIL and Jindal Steel are stepping up investments in beneficiation and pelletisation capacities. Such a move is aimed at utilising the low grade iron ore fines, which hitherto were considered as a mining waste. The move assumes significance as pellets made by fines, a by-product of iron ore mining, could help alleviate raw material shortage of steel makers seen as an environmental hazard and pelletisation would help avoid that. Indian companies were increasingly investing in mineral processing technologies for beneficiating and pelletising iron ore fines expressed Sudhir Srivastava, Senior Vice-President, Metso Minerals (India) Pvt. Limited. Moreover, the gradual depletion of high grade iron ore reserves is prompting the steel makers and mineral companies to go for processing technologies, he said. SAIL is in the process of setting up four million tonnes a year pellet plant at Gua mines to utilise the iron ore fines.

Source: JPC Bulletin

Imports, Material crunch hurt secondary steel makers

Domestic steel makers, reeling under a raw material crunch, are feeling the pinch of soaring imports, aided by free-trade agreements (FTAs) with countries like Japan and South Korea and export rebates given by China which makes its exports cheaper. The most affected are the secondary steel makers producing through the induction furnace route in Karnataka, Odisha and West Bengal. Consider this: if steel is imported from Russia, it attracts a customs duty of 7.5 per cent, but if the same is imported from Japan or South Korea, it attracts a duty of 3.1 per cent. Domestic steel makers say this difference is hurting them. Besides, China offers an export rebate of 9-13 per cent. This makes Chinese steel cheaper by $72 a tonne, if one takes the ruling international prices of HR coils at $550 a tonne. Iron and Steel companies had the largest chunk of debt that has been referred to the corporate debt restricting (CDR) cell as on June 30, 2012. Thirty four of these companies which are in the CDR cell had an aggregate debt of Rs 39,714 crore, accounting for 24 per cent of the total debt that is being restructured. Steel produced through the induction route is being sold in Karnataka at Rs 33,000 per tonne compared to three years ago. But raw material prices have also shot up. While scrap metal is being sold at an average of Rs 25,000 per tonne, power prices have gone up. The induction furnace units can make profit if they can sell at Rs 35,000 per tonne, and make a profit margin of Rs 2,000 per tonne.

> Depend upon yourself. Make your judgment trustworthy by trusting it. You can develop good judgment as you do the muscles of your body - by judicious, daily exercise. To be known as a man of sound judgement will be much in your favor
>
> ...Grantland Rice

Source: JPC Bulletin

Odisha not keen on full ban of iron ore exports

The state steel and mines department is not in favour of a complete ban on export of iron ore to help curb illegal mining activities. The M. B. Shah Commission of enquiry probing into large scale mining activities without lawful authority had recently sought the views of the state government on whether export of iron ore should be prohibited to control illegal mining. The department was not in favour of a complete ban on iron ore export as it would not be in the interest of the state government as well as leaseholders. The department was of the opinion that a limit on exports can be fixed. But nothing has been decided yet and a final decision will be taken at the highest level said a source at steel and mines department. The Shah panel which was on a visit to Odisha during October 3-11 for verification of records of all lease, had sought responses from the state government on different areas including a ban on iron ore export shortly after winding up its state visit.

CONGRATULATIONS!

Dr. G N Mohanty, Member, Executive Committee, IIM DC, has been conferred the following honours by the International Agencies:

(i) Sir Isaac Newton Scientific Award for Excellence for 2012

(ii) International President's Award for Iconic Achievement &

(iii) Charter Fellowship of the World Congress of Arts, Sciences & Communications

The Sir Isaac Newton Scientific Award has been instituted by American Biographical Institute, England, to recognise those who have dedicated themselves to the study of the physical world and its manifestations. The International President's Award for Iconic Achievement has also been instituted by American Biographical Centre, England. His name will be inscribed in the IBC annals as an Iconic Achiever and recipient of the International President's Award for Iconic Achievement. The Charter Fellowship has been introduced by The World Congress of Arts, Science & Communications, Great Britain.

The Delhi Chapter of IIM conveys its heartiest congratulations to him on the above conferment of recognitions by the International Agencies.

Source: JPC Bulletin

SAIL ISP to start commercial production at five units

The Business Line reported that Steel Authority of India Ltd's IISCO Steel Plant has decided to commission units which are now ready and start selling their products in the market or send to other units of SAIL. As per report, at least five packages are ready for commissioning between January and March 2013. While the ore handling plant has already been commissioned and the sinter plant is ready, the coke oven battery and the wire rod mill are expected to be commissioned shortly. It has now been decided that instead of leaving the ready plants idle, they would be commissioned and IISCO would go for merchant sales of some of the products wire mill and send other products from coke oven and sinter plant etc to its sister units such as Durgapur Steel and Bokaro Steel. SAIL ISP's new BF with a daily capacity of 8000 tonnes is also ready and will give a 2.5 million tonne output against the less than million tonnes being produced at the old unit.

Source: Steel Guru