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India's Steel production and consumption prospects appear bright

Shri S C Suri
Chairman, IIM-Delhi Chapter &
Hony. Member, The Indian Institute of Metals

The Indian economy is expected to grow much faster in 2015. Development, reforms and infrastructure are perceived to be ready to take centre-stage. With the economy expected to return stronger growth, steel demand is expected to be higher to around 5 percent in 2014-15 and potentially around 10 percent in 2015-16. Outlook for the 12th Plan is on the whole positive and is projected to record infrastructure investment of nearly a trillion dollars and manufacturing growth is projected to spiral.

India's Steel Demand

In 2014, India's steel demand has grown 3.4 percent to 76.2 million tons (mt), following growth of 1.8 percent in 2013. In 2015, structural reforms and improved confidence will support a further 6 percent growth in steel demand.

Domestic growth prospects cannot be isolated from the developments in the rest of the world. In a globally integrated economy and the steel industry in particular, the contour and direction of development of the industry will depend in a significant way on the supply position of raw material in the world market, their cost, technology development, national policies of the governments in respect of trade and investment in raw materials, infrastructure and logistics and importantly, on the competitive growth of the steel industry itself elsewhere.

Forecast of finished steel demand (million tonnes)

	2013-14	2025-26	2032-33
Finished Steel Demand @ 6.5 percent GDP Growth Rate	74	176	273
Finished Steel Demand @ 7 percent GDP Growth Rate	74	186	298
Finished Steel Demand @ 8 percent GDP Growth Rate	74	208	339

Forecast of crude steel production derived from forecast of finished steel demand (million tonnes)

	2013-14	2025-26	2032-33
Crude Steel Production @ 6.5 percent GDP Growth Rate	81	185	287
Crude Steel Production @ 7 percent GDP Growth Rate	81	196	314
Crude Steel Production @ 8 percent GDP Growth Rate	81	219	357

China's experience on Steel Front

China, a country that has been at the forefront of global industrial growth and industrialisation in the last two decades, will not be able to exploit its low labour cost advantage any more as the economy matures and the typical off-shoring manufacturing prospects reduce in the country. The Chinese government has already announced that in the coming years, the country's economic growth will be driven more by consumption. This will lead to new opportunities for other developing and emerging nations, where labour costs are low and peaceful industrial development is possible. Given a valuable experience so far in industrial development, a supportive policy framework may provide strong opportunities for Indian industries to grow.

India's development prospects

Despite the current concerns over growth, there is a strong view within the industry and the government that due to the intrinsic potential of steel demand growth in India, the longer term opportunities for the sector continue to be strong. Steel consumption significantly depends on the overall performance of the economy (GDP) and more specifically on investments made in fixed assets such as housing, infrastructure like railways, ports roads, airports etc. while there is absolutely no reliable information on the share of steel consumption in these areas in India, most of the estimates put the figure at about 65 percent. This is in line with global experiences. In addition, steel is consumed significantly in the production of capital goods, automobiles, etc.

The Indian economy maintained important growth, especially from 2003-2004. It is only recently that the economy has slowed down due a variety of factor, including those externally derived. Despite this economic slowdown in the past two years, the overall expectations on the macro economic performance of the economy in the longer term are generally seen to be strong. Therefore, there are no strong reasons to believe that the current low growth syndrome will continue forever. Although one does not expect a dramatic change within a short span of time for various reasons such as the existing shortages of investible capital due to low savings rates, inadequate development of quality infrastructure to support a strong manufacturing sector growth and a low domestic market base etc., a 6.5-7 percent annual GDP growth rate for the coming 20 years can still be a reasonable expectation, assuming that the country gets into a more dynamic mode to break the low growth syndrome.

In the event of an extremely positive environment, it is also believed that the Indian economy can have a strong annual growth rate of 8-9 percent for the period.

Steel demand pattern

Empirical studies have shown that steel consumption trends in the developed nations have exhibited three distinct phases in the level and intensity of steel consumption. Such nations have started with a low base and then seen exponential growth for a period and then stabilised at a similar or lower level as the economy attained a degree of maturity in industrial growth, development of infrastructure and saturation in housing construction.

Simply because of one's reading, one can live the equivalent of about ten lifetimes of experience.

In the post-peak period, the bulk of steel is consumed either in consumer goods, automobiles or replenishment of housing and infrastructure stocks, with not much significantly added in the form of new fixed capital assets. As one moves from one stage to another, lifestyle changes and the increased requirement to support the manufacturing base raise the share of the services sector

where steel consumption intensity is low. However, given the necessity to have a long-term view from strategic considerations and planning for the future it may be worthwhile to see how the Indian economy will be placed on its own as also in relation to other nations in the world.

Steel demand forecasts

There are many studies projecting a steel demand growth scenario over the next couple of decades. In a recent study, the Boston Consulting Group (BCG) has made the following observations:

a) *Current pattern of growth:* The real GDP of India grew from 2002 to 2013 at 7.4 percent and steel consumption grew 8.2 percent in the said period. Over the next 12 years, at a GDP growth of 6-6.5 percent, and a GDP elasticity of steel demand at 1.1, the likely steel consumption growth rate was estimated at 7.3 percent per year and finished steel was estimated to grow to 155-170 million tons by that year.

b) *Stage of economic growth of India with other countries:* In another model, following established trajectory of growth as seen in other countries, the per capita consumption of steel in India would move from the level of 59 kg in 2013 to 175 kg in 2025-26 and given the fact that the population is projected to grow to 1.43 billion that year, steel consumption in 2025-26 is likely to be around 250 million tons.

c) *The goal of India to increase share of manufacturing to 25 percent of GDP by 2025:* The above target, if achieved, can propel the usage of finished steel from 16 kg/$PPP in the year 2012 to 22-25 kg/$PPP in the year 2025-25. This would mean a growth in steel consumption in 2025-26 is likely to be around 230-255 million tons.

Product-wise Shares of Steel Demand Forecast
(As percentage of total consumption of finished carbon/mild steel)

Year	2010-11	2016-17	2020-21	2025-26	2032-33
Bars and Rods	39.3	39.9	40.2	40.2	39.8
Structurals	9.0	7.6	6.8	5.8	4.2
Rly. Materials	1.8	1.3	1.0	0.8	0.4
Total Long Products	50.1	48.8	47.9	46.8	44.5
Plates	7.7	7.0	6.5	5.9	4.9
HR Coils/Skelp/Sheet (excl. double counting)	21.0	20.9	20.7	20.4	19.4
CR Coils/Sheet (excl. double counting)	9.7	11.4	12.7	14.5	18.6
GP/GC	7.6	7.8	7.9	7.9	7.9
Electric Sheets	0.8	0.8	0.8	0.8	0.8
Tin Plate/TFS	0.6	0.7	0.7	0.7	0.8
Pipes	2.5	2.7	2.8	3.0	3.2
Total Flat Products	49.9	51.2	52.1	53.2	55.5
Total Carbon Steel	100	100	100	100	100

Areas of Concern

While in the forgoing paras a favourable prospect has been projected the positive growth pattern could be hit by following constraints:

Raw Material and Infrastructural Constraints

The country's steel industry could be hit by hurdles relating to raw material linkages, land availability,

inadequate infrastructure and funding. Various polices in these regard are being worked upon. Despite these odds, India holds a lot of promise in the steel sector globally. In this context a specific mention is made for the following two constraints:

Skill gap in steel industry

- We take pride from the demographic advantage predicted for India that by 2025 the country would comprise of more than 65 per cent of people in 18-64 years' age group as the highest in the world, surpassing those in China, Japan and USA. The uncomfortable question relates to the employability of these large numbers of people in manufacturing and service sectors.
- Recent NSSO survey shows that engagement in regular wage/salaried jobs comprise around 18 per cent of the total labour force, while self-employment provides livelihood to 52 per cent and the balance 30 per cent in casual areas. It, therefore, becomes imperative that skill gaps between what the industry requires and what is made available by the existing level of our school/college curricula are identified and appropriate training programmes are drawn up that blend both theoretical and practical aspects of specific skill.
- Steel is one among the 32 sectors under National Skill Development Council (NSDC) that has recently created an Indian Iron and Steel Sector Skill Council (IISSSC) to make a long term plan for meeting the skill gap in the sector. As productivity improvement leads to cost reduction and efficient running of the plant, modern steel plants in India are in much need of skills in singular or multiple disciplines like welding, plumbing, Electrician, crane operators, drivers, operators in Blast Furnace coke oven, sintering plant. Training in skill development not only enhances the employability of the prospect of self-employment which can ultimately act as a ware house of skilled manpower for employment, whenever the need arises in steel and other related industries.

Equipment manufacturing facilities for steel sector in India

Machineries and plant equipments for construction and installation of steel plants are not available indigenously leading to a permanent dependence on foreign suppliers from Germany, France, Italy and China. There have not been adequate endeavours on our part to indigenize equipment manufacturing. It needs an entrepreneurial commitment and zeal effectively supported by the government to set up these facilities in the country for cost saving and technical upgradation.

Conclusion

The paper has discussed the production and consumption aspects for the future. The prospects appear bright. Some of areas of concern which can act as constraints for the growth and development of the steel sector are also discussed.

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JSW journey: From 0.8 mt to world's largest mill

Over the past decade, the private sector in India has invested more money at home and abroad than ever in its history and, perhaps, this is just the beginning.

To get things done, choose a busy person. The other kind has no time.

With domestic demand for fast moving consumer goods, as well as essential commodities growing dramatically, several Indian companies have been able to grow to a scale that 20 years ago was unimaginable.

The JSW Group is one such example. The group, founded by the late O P Jindal continues to drive and inspire the industry. JSW Steel, over the last decade, has grown from a 0.8 million ton (mt) steel mill to India's largest integrated private steel manufacturing today.

JSW not only has interests in steel but is involved in other core sectors such as power generation, infrastructure-building and cement manufacturing.

With a population of 1.2 billion and a fast rising GDP per capita, there is no doubt that steel and power consumption will continue to grow. With more than 7 million tons of steel imported annually, there exists an opportunity for domestic steel manufacturers to capture this rising demand.

And, JSW Steel is the best positioned Indian steel company to capture this growth. Today the company has created a work-force whose loyalty and hard work are envied across the industry, says Sajjan Jindal, Chairman, JSW Steel.

"Investing in technologies has enabled us to remain cost-competitive. In fact, World Steel Dynamics has repeatedly ranked JSW Steel as the lowest cost producer steel in the world. In-house customisation of technologies procured from globally renowned vendors has helped us create efficient operating practices," he says.

"Our engineers have persistently striven to ensure that the practices and technologies we use are the best in the world. Having said this, we at JSW are never satisfied with what we have achieved and continue to strive for further improvement," he says

Through technical collaboration with our Japanese partners, JFE Steel, the company hopes to further reduce conversion costs. "Not only are they providing us with valuable insight through their technical expertise but also assisting our foray into the value-added segment for automotive and electrical steels. JSW will commission India's largest cold rolling mill complex later this year," he says.

Investing in downturns and reaping the benefits in upturns is a strategy the company has adopted over the past decade.

"Such appetite for risk is deeply ingrained in our DNA. In 2008, amidst the gloom of a global recession, we took the calculated risk of commissioning our fourth and largest blast furnace. No doubt, at the time, global demand was weak and our decision questioned. However, we took the strategic call to divert all our material from the export markets to the Indian scenario. Having a 60:40 domestic-to-export ratio before the recession, to 90:10 during recession, at JSW, we found a way to make the recession work to our advantage. Going forward, we would like domestic demand to continue to drive our production," says Jindal.

There are several factors which have contributed to JSW's growth – cost competitiveness, technological excellence, innovative marketing, high-risk appetite and dedication of the employees.

To put things in perspective, as of 2011, India's per capita consumption of steel per annum was only 57 kg, far below the global average of 215 kg. Not only this, 300 million Indians do not have adequate access to electricity. Such statistics are saddening but they demonstrate the immense potential for growth.

The JSW Group will continue to expand aggressively as it taps this vast potential in the core sectors.

From 0.8 mt to 40 mt!

Currently, JSW Steel is almost a $9-billion global conglomerate spread over six locations in India and with a footprint that extends to the US, South America and Africa.

Flagship of the around $11-billion JSW Group, JSW Steel has become the leading provider of specialised steels in India. It is a pioneer in the use of innovative technology that keeps it ahead of the curve. "Not only do we offer the widest product portfolio in India, we also further leverage our capability to customise offerings to match customer expectations," says Jindal.

He adds: "Our strategy of always staying on the leading edge of technical advancement has led to partnerships with global leaders such as JFE Steel, Marubeni Itochu Steel, Praxair and Severfield Rowen plc. This technological edge has helped our plants rank among the lowest-cost steel producers in the world."

The strong focus on innovation and R&D has led to JSW Steel being recognised worldwide as a purveyor of high-end, value-added steel. Nearly 40 percent of the products today are high value

steels and the company intends to take this figure up to 50 percent. Nearly one-fifth of the products are exported and it is India's largest exporter of coated products with a presence in over 100 countries.

A strategic approach to growth has driven the company's forward and backward integration initiatives. Its steel plants in Karnataka, Tamil Nadu and Maharashtra have a combined installed capacity of 14.3 million tons per annum. With the objective of touching 40 million tons in the next decade, the company is expanding capacities at existing sites and setting up plants in new locations.

The JSW Group's foray into steel manufacturing began in 1982, when it set up the Jindal Iron and Steel Company with its first steel plant at Vasind near Mumbai. The next two decades saw significant expansion and several acquisitions, following the merger of Jindal Iron and Steel Co (JISCO) and Jindal Vijayanagar Steel Ltd (JVSL) in 2005. Today JSW Steel has plants in six locations in India – Vijayanagar in Karnataka, Salem in Tamil Nadu, and Tarapur, Vasind, Kalmeshwar and Dolvi in Maharashtra.

Its global operations include a plate and pipe mill in the US. In order to securitise resources, the company has acquired mining assets in Chile, the US and Mozambique.

Current projects

To continuously challenge every frontier, JSW aims to achieve 40 mtpa production capacity in the next decade, which will garner a 15-20 percent share in India's steel basket.

In Vijayanagar, the existing complex has the infrastructural capability to handle up to 16 mt of projects. The new projects include an electrical steel facility of 0.2 mtpa capacity.

The Salem plant aims to develop the Kanjamalai, Kavuthimalai and Vediappanmalai iron ore mines in Tamil Nadu on receipt of requisite approvals to improve raw material security. This will facilitate expansion of production capacity to 2 mtpa. It will also allow the unit to diversify into the production of value-added products such as annealed, drawn and peeled steel. The plant is continuously working to develop special grades required in critical automotive applications.

The Dolvi unit aims to increase its upstream capacities. Expansion projects include a 1-mt coke oven plant and a 4 mt pellet plant. In the second phase, the unit will be expanded by an additional 4 mt capacity, which will include a sinter plant, a blast furnace, slab caster, a hot strip mill, a coke oven and two power plants of 300 MW each.

In Kalmeshwar, a new cold rolling mill is being added to raise the existing production level to 0.60 mtpa.

Exports

JSW's cutting-edge products have made it India's largest exporters of galvanised steel.

Exports account for 15-20 percent of total sales at the company. JSW Steel exports high-value steel to over 100 countries.

Over the years, the company has capitalised on global competitiveness by increasing the export of value-added steel products to North America, Latin America, Europe, the Middle East, Africa and South East Asia.

Many of our products can be found in the industrial sections of the global retail chains. JSW Steel has major OEM clients in the US and Europe. The company serves the pipe and tube segment in Europe. In Spain, our colour-coated steel is in demand for the construction sector. Africa is a major market for our finished products, including roofing material and corrugated sheets.

Largest single location plant in world at Vijayanagar

JSW Steel, which has already achieved the feat of being the country's third largest steel-maker, has

outlined an ambitious expansion plan in its effort to reach top of the global league. The expansion includes doubling capacity of its Vijayanagar plant to 20 million tons (mt) by 2022.

The Vijayanagar plant, which has a capacity of 10 million tons, will be augmented to 12 million ton shortly.

"Earlier, my dream was to market Vijayanagar the largest steel plant in India. Now I want to make it the largest in the world. Its capacity will gradually go up to 20 million tons," Jindal said when he was in Kolkata recently for inauguration of Ispat Pragati Bhavan of INSDAG.

"It is my dream to make Vijayanagar the largest plant in the world. Earlier, I wanted to make Vijayanagar the largest plant in India. Since we have already achieved it, our next target would be to make it the largest plant globally," Jindal said in Kolkata.

"Expansion of the Vijayanagar plant is due to take place in phases. We hope to achieve 20-mt capacity by 2022," Jindal said, adding that capacity will be raised to 12 mt in "some time".

The group also plans to expand capacity at JSW Ispat's Dolvi unit to 15 mt, he said.

Slurry pipeline for imported ore

The company is also investing Rs 2,000 crore in a 500-km pipeline to transport iron ore from its private port to the plant. JSW's expansion plans come in the face of a severe crisis that affected the Vijayanagar plant when the Supreme Court banned iron ore mining in Karnataka in 2011.

In step with plans for adding capacity, JSW will invest in a 500-km slurry pipeline linking the Vijayanagar plant to JSW's Jaigarh Port, located between Mumbai and Goa.

"We will invest Rs 2,000 crore in the new pipeline project, which will help bring iron ore from the port to the plant. It will ensure savings of nearly Rs 2,000 crore a year on freight costs alone. With a capacity of 20 mt, JSW Steel will require some 35 mt of iron ore every year for Vijayanagar alone," say Jindal.

Considering the uncertainties over the iron ore fines availability issue in the domestic market, this proposal marks a shift in its long-term perspective plan for JSW. Brownfield expansion at Vijayanagar would depend on imported iron ore fines routed through a 500-km slurry pipeline connecting its Jaigarh Port on the Maharashtra coast and Vijayanagar.

The pipeline would have a capacity to carry 25 million tons of slurry a year. The project is slated to go on stream in the next couple of years at a cost of over Rs 2,000 crore and would pay back within a year of operation through savings on railway logistics costs as JSW pays Rs 6,000-7,000 crore every year to Indian Railways to meet its logistics needs. This makes it the second-largest freight revenue contributor to Railways after Coal India Limited.

This will enable JSW to import iron ore from Brazil, Australia and Canada directly to its plant at Vijayanagar.

"We plan to produce CRNO by March next year and CRGO would be the next step," Jindal said.

Dolvi project

The company plans to complete expansion at its Dolvi plant, which would take the capacity to 5 mt shortly. The company plans to take the capacity to 10 mt and then to 15 mt in the future.

"The plant is near the sea and it makes sense to expand capacity there," Jindal observes.

European takeovers dropped

JSW is not pursuing the acquisition proposal for three special steel re-rolling mills of bankrupt Italian steelmaker Lucchini, located in the Tuscany province. It has also dropped the idea of taking over Italian integrated steel from Ilva.

It may be recalled that JSW had bid for Lucchini, Italy's third largest steel group, and was also tipped to be in the race for the country's largest steel-maker, Ilva.

"For the time being, plans for India are much stronger and larger. We want to focus in India… We have deferred our decision to invest in the Italian project," Jindal said.

In September, Jindal had told reporters that JSW has offered less than $100 million for three mills of the insolvent Lucchini and it was in a position to win it.

The company recently also gave a clarification in the bourses saying, "In line with our long-term strategy to acquire finishing mills near to the market, we have submitted a binding bid for takeover of rolling mills of the Piombini plant of Lucchini in Italy subject to certain terms and conditions. We are yet to get the response on this bid."

Lucchini, with a steel capacity of about 2.5 mt, was owned by Russia's Severstal but had to be declared insolvent in 2012 following which the government placed it under special administration and started the process to find buyers.

JSW's West Bengal plant on hold

JSW Steel has put its West Bengal steel and power plants on "hold" over uncertainty over raw material linkages for the proposed Rs 35,000 crore project.

"We have put the project on hold. Without both raw materials (coal and iron-ore) it is very difficult to go ahead with the project," Jindal says.

JSW Bengal has already invested Rs 700 crore into the project at Salboni located in the West Midnapore district of West Bengal and was keen on it. But, given the unclear situation on coal and iron-ore, it was not practical to go ahead with it. JSW Bengal currently does not have either coal or iron-ore linkages for the project.

However, Jindal says the company will bid for the three coal mines, if put on auction, which were offered by the West Bengal government agencies for the proposed 10-million ton integrated steel plant.

Asked whether JSW will go ahead with the power project in case it won back the coal mines, Jindal said everything will be looked afresh and definitely. "We have hope and desire to build industry here (in Bengal)," he says.

He indicates that even the Bellary plant's situation is better as it has at least 50 percent of iron-ore linkages and setting up a slurry pipeline to pump imported iron-ore into the plant was not feasible.

JSW was awaiting "minor changes" in its agreement with the West Bengal government before kick-starting construction at its 600 MW power plant at Salboni.

JSW had proposed to sell power to state utilities to the tune of 60 percent of the generation capacity but the West Bengal government had scrapped the power purchase agreement.

The other demand was a change in the agreement to allow use of captive coal for power generation.

JSW had signed a development arrangement with the government of West Bengal, WBIDCL and WBMDTC to build the 10-mtpa steel plant in phases at Salboni. The environment clearance for the project has been obtained. Along with this, a 1,620-MW power plant is also being envisioned at the location that will cater to the steel unit.

Jharkhand

The company also plans to build a steel plant in Jharkhand and is currently pursuing various approvals and clearances to obtain captive mines that will ensure raw material security. A memorandum of understanding (MoU) was signed with the government of Jharkhand for setting up a 10-mtpa integrated steel plant and 800-MW captive power plant at the location.

Capex plans in place

JSW Steel has planned a capital expenditure (capex) programme worth Rs 7,000-8,000 crore. Jindal

said the company has planned the capex which will continue to grow in the near future. Like the Ispat acquisition, Jindal said the company will be looking at both organic and inorganic growth.

Jindal attributed the marginal growth in the steel industry to projects being stalled, especially due to environmental issues.

Try making every day a day of achievement. Results count, not long hours of efforts.

"The industry has been suffering because of over-capacity the world over, especially in China. In India, the steel industry has not been growing much in the last three years. It is growing at an even much slower pace than India's GDP growth. In the previous government, projects were stalled because of various reasons, including environmental issues that impacted a lot of greenfield projects as well as brownfield expansion. Now, with the new regime there is a rethinking on various environmental issues and they are redrafting the laws. With issues being taken up afresh and with the 'Make in India' campaign, I am sure these projects will develop soon," Jindal said, while adding that it will take about two years before new capacities come up.

Talking about the Government of India's target of 300 mt of steel production by 2025, Jindal reiterated that the 'Make in India' will have to be realised to achieve the same.

"For this, India will have to leapfrog to the next level. As a country, we have to leapfrog the technology if we have to achieve 300 mt," said Jindal while adding that JSW Steel is leapfrogging in technology by planning the world's largest blast furnace of 5,500 cubic metre.

"The blast furnace project is right now on the drawing board and is being designed to create one which will produce 5 million tons of metal. This will be the largest blast furnace, even larger than the ones in Japan and Korea," he said.

The blast furnace is being set up at an estimated cost of Rs 2,500 crore and is likely to come up in three years.

The company has also commissioned at its Vijayanagar plant in Karnataka a 2.3-mt cold rolling complex at an investment of Rs 5,000 crore with very cutting-edge technology which will produce very high strength alloy steel for the automobile industry.

According to Jindal, the strength of the steel can go up to 970 MPa and reduce the weight of the car by 30 percent and thereby reduce fuel consumption.

This is a third of its kind plant in the world as of now, with the previous two being in Japan.

Aggressive at home, cautious abroad

JSW Steel seems on track to meeting its target of raising capacity in India to 40 Mt although it is being cautious of its plans abroad.

According to a media report, Lucchini, Italy's second-largest steel-maker, whose Piombino complex JSW Steel had sought to acquire for less than $100 million, has now decided to sell it to Algerian conglomerate Cevital. This follows the Sajjan Jindal-led company's decision not to pursue its plans of acquiring Italy's Ilva Steel. The Piombino complex employs about 2,000 people can produce up to 2.5 mt of steel a year. The loss-making Lucchini, earlier owned by Russia's Severstal, was declared insolvent in 2012. Following the 2008-2009 financial crisis and stiff competition from Asia, it had recorded slowing demand.

High environmental and pension liabilities had forced JSW Steel to drop its plan to bid for Europe's Ilva Steel, valued at $600 million, sources said.

"It is true. We have decided to move away from Ilva as well," said Seshagiri Rao, Joint Managing Director and Group Chief Financial Officer, JSW Steel.

"It is the company's strategy to make basic steel in India and then send it to finishing mills acquired

abroad to make enhanced finished products. By acquiring such mills abroad, we are basically building the front-end for the product portfolio. I won't say we are aggressive bidders. We are cautious in whichever geography we might be. We are in no hurry and will keep scanning for opportunities," Rao added.

JSW Steel is yet to see a turnaround in its plates and pipes mill in the US. In 2007, it had acquired 90 percent stake in the unit for $900 million to tap demand from the oil and gas sector.

Analysts, however, remain optimistic about the mill's prospects. "Now, the US is in recovery mode and it does have replacement demand for oil pipes, apart from laying fresh ones. This will surely help the company's US mill," said an analyst with a local brokerage firm.

Analysts also say failure on acquisitions in Europe might be a blessing in disguise. While Lucchini was a small-ticket rolling mill and, therefore, wasn't significant, the fact that Ilva wasn't acquired, for whatever reason, is good for the company, said an analyst.

In the domestic market, however, JSW Steel has been quite aggressive on the acquisition front.

Early this year, it had acquired Vallabh Tinplate, which gave it an entry into the tinplate business. This was followed by the acquisition of Welspun Maxsteel.

Thus, only time will tell whether JSW Steel, which mainly runs a 10-mt plant in Karnataka, a 1-mt unit at Tamil Nadu and a 3.3-mt unit in Maharashtra, will be able to achieve its goals of making its mark in the global steel market with combined brownfield and greenfield expansions.

Source: Steel Insights

Challenges and opportunities in Steel Sector

Complex governmental structures, a lack of processing capacity, detrimental exchange rates, an abundance of shale gas, urbanisation and political instability – all factors that present challenges and opportunities for the global steel industry, says worldsteel's director-general Dr. Edwin Basson.

*By Matthew Moggridge**

IN 2012, India produced 77.6Mt of steel and was ranked the world's fourth largest producer by worldsteel. India is beginning to import on a regular basis – "and that is because the Indian economy is still growing," said Dr. Edwin Basson, director-general of worldsteel, adding that India is unlikely to be viewed as 'the new China' in the short-to-medium term. This, he argued, is because India has a much more diversified society and a more complex governmental structure than China. "I don't think we will get the combined single-focus effort to develop the economy that we saw in China between 1978 and 2000," he said. "Be that as it may, India is the world's most populous nation with very industrious people and a very clever society. They will find ways to overcome their obstacles and continue to grow." Basson believes that, at present, India's 'obstacles' have been weighing on the country's steel industry and delaying the construction of new steelmaking capacity and this has resulted in India importing steel. "You could say that economic growth in India is stunted by the fact that there is not enough steel available," he said, but this could be a good thing inasmuch as it mops up excesses elsewhere in the world. It is inevitable that India will develop additional steelmaking capacity in future and become a larger producer. "In the next three to five years we'll start seeing changing conditions in India that could have an impact on the Indian economy," he said, stressing that a lack of steel won't stunt economic growth, but might slow it down.

Brazil

Brazil produced 34.5Mt of steel in 2012 and is ranked the ninth biggest producer in the world. Currently Brazil has an excess supply of steel, but lacks the capacity to process it. "Part of their steelmaking capacity only goes to the slab stage and it comes from a policy about 10 years ago when a number of global steelmakers decided to put the front end of their operations – the steelmaking bit – into resource-rich countries like Brazil and then export steel slabs to places like

Europe for re-rolling prior to being sold in various markets," explained Basson. As a result, Brazil has an excess of slabmaking capacity and just enough rolling capacity to satisfy its own demand. "That in itself has not deterred economic growth," said Basson. A detrimental exchange rate has reduced Brazil's export attractiveness. A lot depends upon how US monetary policy unravels and whether or not it will bring Brazil's exchange rate down, thereby providing growth impetus into the Brazilian economy, which in turn will absorb more steel.

There was a time when exporting steel from Brazil was attractive, but with the exchange rate the way it is, importing has become more attractive, bolstered by global excess capacity that has encouraged steel products to flow towards Brazil. Basson believes this is a natural trend and not a driving force for the underperformance of the Brazilian steel industry. It all begs the question of whether the ultimate goal of most developing nations is to emulate China and become virtually self-sufficient in terms of steel production. Basson believes that it is not an explicit goal, but argues that, since the global crash in 2008, the common wisdom has been that countries with a stronger industrial base have weathered the storm better than those with a weaker industrial base. Basson believes that this has led various governments to talk up 'reindustrialisation'. India and Brazil – as well as the USA – have been vocal in this respect and in Europe the EU has stipulated that 20% of GDP has to come from an industrial base "Whether this will lead to a new approach towards self-sufficiency I don't know – and I don't believe it will at the moment – but certainly at present there is a great liking for the idea of industrial redevelopment, which may create some notion that it is good to be self-sufficient in steel," Basson said. A key reason behind Brazil's currently strong exchange rate – the Real is two or three times stronger against the US dollar, claims Basson – is the nation's success as a raw material exporter. While it could become self-sufficient in terms of its own rolling capacity, it is currently a strong export market for China, the CIS and Spain.

Latin America

Latin America has been a net importer of steel since 2010. While Mexico is part of NAFTA (North American Free Trade Agreement) worldsteel counts it as part of Latin America. "In spirit and in action they appear to be more South American than North American and, therefore, in our figures, when we talk about Latin America, it is South America plus Mexico," Basson explained, adding that the Latin American economy is dominated by what happens in Mexico. Mexico imports a fair amount of high-end steel products for the oil industry and for the automotive sector via the USA. In 2012, Mexico produced just over 18Mt of steel. Chile, Peru and Ecuador are big regional players along with Argentina, which has its own fairly sizeable production capability and produced 5Mt of steel in 2012. All of these countries, however, rely upon imports, particularly for flat-rolled products, but are more self-sufficient in long-rolled steel, which is used by the construction industry. Urbanisation will drive some steel demand growth in the region and, according to Basson, 'there is a lot of infrastructure upgrading that still needs to be done' so expect strong demand growth in the future.

USA

The shale gas boom in the USA has two potentially positive effects: one is reducing the pure cost of steel production; and the other is the possible revival of US steel production capabilities. The US produces 80Mt of steel per annum, but demand stands at 100Mt. For the last decade or so, the USA has imported 20Mt of steel and, according to Basson, has been 'a consistent and, for the moment, natural net importer of steel'. For Basson, the USA's need to import 20Mt of steel has been the chief cause of trade friction with Chinese and South East Asian steel exporters. While it is accepted that the US needs to satisfy its import requirement, whether it has to rely upon the lowest cost material around is debatable. That 20Mt discrepancy creates a clear opportunity for new production capability, Basson argued – an opportunity that the US shale gas revolution could facilitate. He said that 65-67% of US steelmaking capacity was EAF-based with the remainder being BOF. "Most likely what could happen is that as

A calendar is simply a reminder that our days are numbered and not deeds.

these blast furnaces reach the end of their life cycle they may be replaced by other opportunities, maybe a mix of DRI and EAF, purely because the US has surplus energy and has suitable iron ore resources," he said. "Our current estimation of future DRI production in the USA is higher than it is at the moment, but not outrageously so. We think there's about another 5Mt that will be added into the USA, but at present it seems to be replacing other iron making methodologies," Basson said. For worldsteel, the US shale gas revolution will prove highly beneficial both in terms of energy availability and its extremely positive effect on the US economy. "The US is still a growing economy even if it has many aspects of maturity about it. It's not impossible that steel demand will continue to grow in the US for a number of years," said Basson, arguing that the US will continue to be a net importer of steel – in the region of 10- 20Mt – depending upon the state of the economy.

Japan

Over the past two decades, Japan has reduced its steelmaking ability by about 15Mt, down from 80Mt to something like 67Mt, Basson said. "They've done this in a very controlled way, largely through consolidation of their domestic industry as demand has tapered off," he said. Japan's infrastructure development has slowed considerably due to an ageing and stable population. "It has become more about replacement than new development," said Basson, adding that automotive demand has stabilised. "Overall we see a very stable future going forward at demands that will allow them to probably export between 10-15Mt per year," he said. Where users of Japanese steel are concerned, the last 20 years has seen automotive production moving towards South Asia alongside joint venture agreements and regular exports to Indonesia, Thailand and elsewhere. "That process, I think, will continue," said Basson.

The Middle East

While a thawing of relations between the West and Iran is likely to be beneficial to the Iranian steel industry, Basson said that demand in Iran 'has been pretty robust all along'. "They have been a net importer of 6-8Mt for the best part of five to seven years on top of the 14.5Mt they are producing, so logically one could probably estimate that there is space to expand capacity," he said. Onerous sanctions have prevented Iran from gaining access to technology and resources, as very few suppliers have been willing to risk going against sanctions legislation. "Thawing relations will most likely make it easier for steel capacity developing in Iran and while I haven't heard any specific announcements, there is speculation that Iran is contemplating a substantial increase in its own production capacity," said Basson. The fact that Iran has access to an abundance of clean energy means that it could be an interesting player in a region that is expanding at present. "The whole MENA region has been picking up momentum over the last three to four years and we think it will continue. They're right in the middle of a very vibrant process of urbanisation," Basson said. "Much of what we're seeing in terms of the debate about future capacity in Iran is linked to so-called DRI [Direct Reduced Iron] as a production route. It appears to be going down the route of DRI linked to EAF and DRI with natural gas as one of the reducting agents, which is similar to what we see in other countries in that region," he said. In the 'Arab Spring' nations, Basson argued that the biggest single impact of recent political instability has been an inability to move material from one place to another; this prevents worker mobility and causes project delays. Egypt, he said, was a case in point. There will, of course, be strong future demand when 'peace breaks out' in Syria and the rebuilding process begins.

Going forward, Basson believes that the Middle East steel industry will grow given time, but will be stunted by incidents of political instability. While Iran is showing promise and is close to getting access to international resources, any process of reconciliation with the West will not happen overnight and this casts a shadow of uncertainty over its future growth in steel terms. Political instability is behind Iraq's lack of steelmaking capacity, although Basson said it has always been an importer rather than a producer and is likely to continue that way going forward.

Europe

worldsteel harbours plenty of optimism for the European steel industry based on what Basson

describes as a 'change of mind-set'. "It seems that collectively European industry leaders have come to the point where they've said enough is enough," he said. "There is growing optimism and it's been helped by the fact that Germany – all along – has done pretty well throughout the crisis, partly because Germany is an export-driven economy," he said, explaining how a weak Euro supported German growth. "The European story has turned a corner, but I don't think for a moment that it will be aggressive growth," he said. "But at least it will stop the 3-3.5% annual decline of the last two-to-three years." worldsteel's economic committee estimates that 2014 growth in Europe could be as high as 2% on top of 2013. "Alright, 2013 was a low base – and positive growth from a low base is nothing to shout about – but it's still positive growth and it's a huge improvement in the minds of the industry," he said.

Source: www.steeltimesint.com

India to Steel Its Way to No2 Slot in Production: Study

Planned hike in crude steel production till 2017 is estimated at well over 100MT

India is expected to become the world's second largest producer of crude steel in 2015-16, moving up from the fourth position, as its capacity is projected to increase from 100 million tonne (MT) to about 112.5 MT in 2015-16.

"All indicators suggest that India will soon move up to the second position both in production and consumption," a sectoral analysis by Frost & Sullivan's Metals & Mining Practice said.

With infrastructure development and automotive industry driving steel demand, production is expected to hit 140 MT by the end of 2016, while consumption is expected to grow 6.8% to reach 104 MT by 2017.

According to the analysis, the Indian steel industry is forging ahead despite "chronic handicaps like poor infrastructure".

It said, "The government is working proactively to provide incentives for economic growth by injecting funds in construction, infrastructure, automotive and power, which will drive the steel industry in the future."

Local cos change tack

With nearly all major domestic steel producers in the process of adding a mix of brownfield and greenfield capacity, the total planned capacity hike in crude steel production till 2017 is estimated at well over 100 MT.

While total installed capacity for crude steel in 2013 was 102 MT, capacity utilisation was about 80%.

State-run Steel Authority of India (SAIL) is adding 27 MT, comprising 21.4 MT of brownfield and 5.6 MT of greenfield capacity. Tata Steel, too, is poised to add substantial greenfield capacity. While JSW Steel is adding 12 MT of brownfield capacity, JSW Ispat and Essar Steel will add another 4.5 MT and 10 MT of brownfield capacity, JSW Ispat and Essar Steel will add another 4.5 MT and 10 MT of brownfield capacity, the report said, citing data from ministry of steel and Frost & Sullivan.

State-run Rashtriya Ispat Nigam Ltd (RINL), which runs the Vizag Steel Plant, is slated to add 7 MT of new capacity, while mining major NMDC's new steel plant at Nagarnar in Chhattisgarh will add another 3 MT of new steel-making capacity.

Monnet Ispat, Visa Steel and Electrosteel are also set to add 3.5 MT, 3.75 MT and 2.5 MT of additional greenfield steel capacity.

Frost & Sullivan, however, added in its analysis that domestic producers will face challenges in securing iron ore and coal, two major inputs for steel and issues related to mining.

"Delay in land and environmental clearances, threat of increasing imports from China and Commonwealth of Independent States (CIS) countries may also restraint growth prospects," the report added.

Source: The Economic Times

Stainless steel operating capacity erodes

The operating capacity of India's stainless steel (SS) mills has declined to a low of 55 percent due to cheap imports from China and other free trade agreement (FTA) countries, amidst weak demand. The capacity utilisation was 65-70 percent a year before, according to industry sources.

Speaking on the sidelines of the announcement of Indinox 2015, a two-day stainless steel industry event, scheduled to be held between January 24 and 27, 2015, at Gandhinagar, N C Mathur, President of the Indian Stainless Steel Development Association (ISSDA), said: "The stainless steel mills have steadily invested $5 billion since their peak days of 2006-07, to create an overall installed capacity of around 5 million tons. Against that, we estimate a total production at 2.6-2.7 mt in 2014-15."

This is because of dumping of Chinese goods into India, with some of these of substandard quality, he claimed.

Imports from China, Taiwan and Korea are estimated to have risen 150 percent in about seven months. ISSDA says imports have gone up to around 40 percent of the annual consumption. In 2013-14, total imports from all countries comprised 100,000 tons. However, imports from China alone have been at 250,000 tons in the first half of the current financial year.

"The biggest problems Indian SS mills face are high electricity and logistics costs, an unbearable rate of interest on the working capital and continuous investment on pollution-control equipment. Raw material exports from China attract a high duty of up to 40 percent, to discourage shipment of inputs like SS scrap or ferro nickel. Over and above, the Chinese government is incentivising up to 13 percent on exports of SS, apart from low interest rates on working capital loans and cheap power. The industry will be protected only with a minimum differential duty of 7.5 percent, which currently exists at 5 percent," industry sources said.

Jindal Stainless has invested around Rs 12,000 crore in its 1-mt project in Odisha, currently at 30 percent of its operating capacity. Its Hair facility is currently operating at 60-70 percent capacity, sources say.

"When Prime Ministry Narendra Modi is emphasising on 'Make in India', here is an industry which is bleeding due to imports, despite having enough production capacity. We certainly need protection in terms of anti-dumping duty. The difference between raw material and finished product imports is currently 5 percent in India as against 10 percent in China," said Mathur.

Similarly, Salem steel plant from the Steel Authority of India Ltd (SAIL) has invested heavily on capacity addition.

The industry also wants a relook at FTAs. The industry says imports from countries with which we have signed such agreements are rising significantly, without any jump in our exports. India is the third-largest global producer and second-largest consumer of SS. India ranks as the third-largest producer and second-largest consumer of stainless steel. The market for 2013-14 was at 2.5 million ton of which flat products accounted for approximately 2 million tons. With a low per capita consumption of 2.1 kg (as against the world average of around 5 kg) there lies a huge potential for future growth but slowdown in sectors such as infrastructure, railways, seaports, airports, highways and bridges etc. have been major obstacles.

Urge for import safeguards

The Delhi Stainless Steel Trade Association, a traders body representing the small scale units operating in the Delhi region, has written to the Prime Minister of India to increase the custom duty on finished stainless steel flat products to 15 percent. The letter has requested the Prime Minister to take action on account of the huge surge in imports of stainless steel products, particularly from China, at extremely low rates, which has hit the Indian stainless steel industries, resulting in capacity utilisation of just over 50 percent. This is resulting in huge loss of revenues for this industry as well as job cuts, the trader's body said in a statement.

The letters draws the Prime Minister's attention to how China has increased its production of stainless steel in the last 10 years and today accounts for more than 50 percent of total stainless steel production from just 5 percent in 2004, due to several advantages like zero duty on most of the basic raw materials for the production of the material and 10 percent custom duty, which gives protection to its domestic industry.

In the letter, the association urged the Prime Minister to urgently make the customs duty on nickel and melting scraps to zero, as the industry does not have domestic availability of these crucial raw materials.

Source: Steel Insights

India's crude steel production up 24% in last 5 years

India's crude steel production has gone up by 24 percent during the last five years to 81.69 million tons (mt) in 2013-14, from 65.84 mt in 2009-10, according to Vishnu Deo Sai, Minister of State, Ministry of Steel and Mines.

He said that as per rankings released by the World Steel Association (WSA), India was the fourth-largest producer of crude steel in the world in 2013-14.

However, in last three years, India's steel production has been affected to a certain extent owing to the slowdown in the economy, the minister said. According to data furnished by Joint Plant Committee (JPC). On a year-on-year basis, India's crude steel production growth stood at 5.12 percent, 5.6 percent and 4.2 percent respectively.

He said steel is a deregulated sector and the government does not any direct role in setting up of steel plants to manufacture equipment for steel plants.

The following table gives the production of crude steel in India in last 10 years.

Production of crude steel in India in last 10 years

Year	Qty.('000t')	% year-on-year change
2003-04	38,727	11.58
2004-05	43,437	12.16
2005-06	46,460	6.96
2006-07	50,817	9.38
2007-08	53,857	5.98
2008-09	58,437	8.5
2009-10	65,839	12.67
2010-11	70,671	7.34
2011-12	74,292	5.12
2012-13	78,417	5.6
2013-14	81,693	4.2

Source: JPC

Despite economic slowdown, another data furnished by the JPC said that India's crude steel production capacity is set to increase 15.50 percent by 2016-17.

Vishnu Deo Sai said India's crude steel capacity is estimated to increase 15.50 percent to 149.00 mt in 2016-17 from an estimated capacity of 129.00 mt as on 2014-15. In the coming fiscal, the estimated crude steel production capacity is expected to reach 141 mt.

The minister said the government has taken several steps to increase potential of the Indian steel industry which includes setting up of an Inter-Ministerial Group (IMG) in the Ministry of Steel for effective coordination and expediting implementation of various investment projects in the steel sector, setting up of project monitoring group (PMG) under the Cabinet Secretariat to fast track various issues of investments of Rs 1,000 crore or more in the manufacturing and infrastructure sectors,

including steel, and enhancing rates of custom duty on stainless steel flat products from 5 percent to 7.5 percent in the Union Budget for 2014-15.

Meanwhile, another data by JPC revealed that India's per capita steel consumption dropped slightly y-o-y in 2013-14. Citing this, Vishnu Deo Sai said India's per capita finished steel consumption in 2013-14 dropped slightly to 59.2 kg from 59.3 kg in 2012-13, but increased 1.72 percent from 58.2 kg in 2011-12.

Details of production of iron ore and crude steel, iron ore exports and per capita consumption of total finished steel

Item	Unit	2011-12	2012-13	2013-14
A. Production of iron ore (1)	Million tons	169	136	151
B. Exports of iron ore (2)	Million tons	47	18	16
C. Net production after export	Million tons	122	118	135
D. Per capita consumption of total finished steel (3)	Kg	58.2	59.3	59.2

Source: (1) Indian Bureau of Mines (IBM), (2) Directorate General Foreign Trade (DGFT) and (3) Joint Plant Committee (JPC)

Funds allocated and spent by SAIL and RINL in the last three years and current year (April-Oct) (in Rs crore)

Steel Plant	2011-12		2012-13		2013-14		2014-15 (Apr-Oct Rs 14)	
	Allocation	Utilisation	Allocation	Utilisation	Allocation	Utilisation	RE	utilisation
SAIL								
Bhilai	3,335	2,864	3,700	3,546	4,460	4,002	2,017	1,043
Durgapur	547	533	805	771	675	631	414	235
Rourkela	3,270	2,845	3,050	2,204	2,048	1,862	1,600	710
Bokaro	1,220	913	1,400	907	1,020	1,149	534	282
ISP	2,140	2,487	1,700	1,396	1,432	1,310	1,180	702
Others	366	418	75	169	125	203	22	12
Total	10,878	10,060	10,730	8,993	9,760	9,157	5,767	2,984
RINL	1,965	1,896.47	1,260	1,287.43	1,500	1,512.15	1,535	746.50

Details of techno economic parameters of global steel industry vis-à-vis Indian steel industry

Item	Global Steel Industry	Indian Iron & Steel Industry
Blast Furnace Production (tons/day/m3 of working volume)	2.5-3.5	1.5-2.5/2.8
Coke rate (Kg / Ton of Hot Metal)	300-350	400-520
Blast Furnace Pulverized Coal Induction (BF PCI) (Kg / Ton of Hot Metal)	150-200	50-200
Energy Consumption (Gcal /Ton of Crude Steel	4.5-5.5	6-6.5
CO_2 emission (ton /Ton of Crude Steel)	1.8-2.0	2.0-3.0

Meanwhile, the junior steel minister said that state-owned steel companies like Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL) spent Rs 3,730.50 crore for modernisation till October (April-October) in the current fiscal.

Of the total spending till October 2014, SAIL spent Rs 2,984 crore while the share of RINL was at Rs 746.50 crore during the period under review.

India's estimated crude steel production capacity

Year	Estimated crude steel production capacity of India (in million tons)
2014-15	129
2015-16	141
2016-17	149

Source: Joint Plant Committee (JPC)

"The indicative investment of SAIL for the current phase is Rs 61,870 crore. Besides, a provision of Rs 10,264 crore has been made towards investment in existing mines under Raw Material Division (RMD) and development of the Rowghat mine," he said.

"RINL has undertaken modernisation of the major process units like blast furnaces, steel melt shop converters and sinter plant at an estimated cost of about Rs 2,410 crore, to meet the latest environmental norms, to adopt the latest technology, to conserve energy, to increase the production and productivity and at the same time to upkeep the health of major equipment, which are in operation for more than two decades," Vishnu Deo Sai added.

SAIL and RINL have undertaken modernisation and expansion (at Bhilai, Bokaro, Durgapur, Rourkela, ISP, Burnpur and special steel plant at Salem of SAIL and Vizag Steel Plant of RINL) to enhance its crude steel production capacity in the current phase from 12.84 million ton per annum (mtpa) to 21.40 mtpa and from 3.0 mtpa to 6.3 mtpa respectively.

Despite monitory allocation and efforts towards modernisation, India's steel industry lags in several techno economic parameters such as blast furnace productivity, coke rate, blast furnace pulverised coal induction, energy consumption and carbon emission said Vishnu Deo Sai.

"The pace of modernisation, renovation and expansion in some of the older plants has remained slow. This, together with certain constraints in raw material quality, summarily explains the poor techno-economic performance of these steel plants in the country," he said.

"However, the government is taking various steps for increasing investment, production, research & development and value-addition for the iron and steel Industry," he added.

Source: Steel Insights

Mines & Minerals Act Set for a Revamp

The cabinet will soon consider amendments to the mining and minerals development and regulation (MMDR) Act, which will extend the reforms under way in the coal sector to minerals such as iron ore and bauxite, according to industry sources familiar with proposed changes in the 57-year old law. The changes in the MMDR Act, which would stipulate that minerals other than coal, henceforth will also be allocated though auction have been brought about through promulgation of an ordinance.

The amendments, as per a draft version, will allow a transfer of mining leases. Further, leases will cover a far larger area, 100 sq. km instead of 10 sq. km, and will be for longer periods, possibly 50 years. Also companies, which have applied for renewals, might be exempted from the auction route for between five and 15 years in case of captive mines for players such as Tata Steel, according to officials at mining companies, who are aware of the proposed changes. A levy linked to royalty that will be paid to district mineral foundation for all districts affected by mining, also figures among the amendments.

Sections of industry see these changes as an opportunity for raw material-starved steel and aluminium players to finally secure for themselves assured captive supply, and also allow the entry of global mining giants looking for scalability. The move towards auctioning of leases for minerals such as iron ore, bauxite, and limestone, they say, is unavoidable after the recent Supreme Court judgements, including the one cancelling all coal allocations. Leases had been granted on a first-come-first serve (FCFS) basis for fresh areas. But with decisions open to scrutiny by investigative agencies or courts, unattended applications have been piling up in mineral-rich states. Increasing

the size of the lease area will help companies such as Rio Tinto while allowing sale or transfer of lease will help deep pocked groups such as the Jindals and the Tatas.

But the Federation of Indian Mineral Industries (Fimi), representing some of the country's largest miners such as Aditya Birla Group's Essel Mining and the Rungta Group, describes the amendments as a "retrograde step" that haven't been adopted anywhere else in the world.

"The auction route on the basis of mineralisation instead of fully-explored resources, as recommended by the Hoda Committee, will lead to distortion of the whole process with serious consequences to the government and the buyer. Given the wild fluctuations in global prices, auction will also be viewed with suspicion and be labelled a scam like 2G and coal," says R K Sharma, secretary general of Fimi.

"Auction of prospecting licence, particularly of deep-seated minerals without reconnaissance is unthinkable. When one does not know the grade, depth, quantity of the mineral, how does one auction it. Metals such as gold, copper lead and diamond will never be explored," said Sharma.

The mines ministry, while sharing a draft of the Mines and Minerals (Development and Regulation) (Amendment) Act, 2014, with industry argued that auctions will eliminate delay, bring the government its fair share of the value of minerals and attract private investment. The government proposes to start with minerals such as iron ore, manganese, bauxite and limestone that occur more or less on the surface, have been explored extensively and account for 85% of India's production.

It also extends auction to prospecting-cum-mining lease targeted at harder-to-discover base minerals such as gold, copper and nickel.

Speaking to a news agency, minister of mines and steel, Narendra Singh Tomar had said: "A majority of suggestions that has come, say not to go ahead with the auction route for the allocation of mines, but we are going ahead."

Industry bodies like the CII concede that auction is unavoidable but object to the government's decision to rely strictly on exploration data of state agencies such as Geological Survey of India (GSI) and Mineral Exploration Corporation (MECL). Tuhin Chatterjee, director of CII, also points out that no provision has been made for reconnaissance, which leads to discovery of mineral deposits.

State agencies are ill-equipped and end up underestimating the mineral value, says a second generation iron ore mine owner in Karnataka. "Excluding non-state companies from participation in the virgin area reconnaissance surveys will prove detrimental in the long run. No new discovery will take place," he said.

Given the fact that India's mineral resources are vastly under-explored, the CII is also unsure of how the government proposes to auction prospecting-cum-mining leases. The Odisha government in its feedback has also raised the same concern. "We have also asked for chromite to be included into the scheduled list of minerals. And for the state to have a representation in the committee that will decide the modalities of auction," said a senior state mining department official.

"Applying coal auctions to iron ore will destroy the iron ore industry. Iron ore doesn't occur in the form of bands like coal, its mineralisation and occurrence is far more complex. Prices are linked to global markets and there is no benchmark pricing like Coal India offers for coal," said a Goa-based mine owner.

"Prices can be linked to global markets, with a graded royalty linked to profit margins for a greater government share of supernormal profits," suggests a former state secretary of mines who is in favour of auctions.

Source: The Economic Times

Recovery of steel demand likely to be gradual: ICRA

ICRA expects a gradual revival in steel demand as recovery of key end user industries remains fragile, despite a growth in the automobile sector in the current year. Domestic steel consumption growth

remained nominal at 1.3 per cent during the period April-November 2014. Although trend in steel production has tracked declining consumption pattern, it has remained higher than the demand growth, at 2.5 per cent during the first 8 months of FY15, ICRA said in a recent report. Moreover, the substantial discount at which imported steel is available in the country has led to a 49 per cent surge in imports of steel between April-November 2014. In this period, steel export fell by around 5 per cent. This has turned India into a net importer of the metal from a net exporter in FY14. Higher production growth relative to consumption levels and rising imports also point towards an inventory build-up in the steel market, the report said. Although pricing pressures from cheaper imports and supply shortages in iron ore are likely to stay in the near term, ICRA expects the profitability of domestic steel players to remain stable on the back of softer raw material prices, and a gradual recovery of demand in some of the end-user industries. However, debt protection metrics are not expected to improve significantly due to the high debt levels of companies, and the fact that interest rates would still remain at elevated levels in absolute terms, notwithstanding an expected moderation in the current calendar year.

ICRA expects international coking coal prices to remain low in the near term, given the oversupply situation internationally. Consequently, domestic steel players producing steel through the blast furnace route will stand to gain, a trend which has already been observed in the financial results posted by a number of companies in the first half of 2014-15 (H1FY15). Jayanta Roy, senior vice-president and co-head, corporate sector ratings, ICRA said: "The average coking coal price in FY15 has been lower by around 21 per cent than that in FY14, reducing the landed cost of imported coal in FY15, despite a depreciation of the Indian currency recently." ICRA added it's coking coal costs of Indian blast furnace operators would reduce by around 15 per cent YoY for every tonne of crude steel produced during FY15. International iron ore prices have seen a sharp decline of over 40 per cent in FY15, driven by a weakening of demand from China, and prospects of higher supply following capacity expansions by large global mining companies. Domestic iron ore production, however, continues to suffer from regulatory restrictions, keeping domestic iron ore prices at elevated levels, notwithstanding some moderations in recent months. This has led to higher iron ore imports in the current year. "Given the steep decline in international prices and economies of scale associated with bulk imports, some of the large Indian players with plants near ports are expected to increase imports till domestic production finally recovers", Mr Roy said.

Source: The Economic Times

Imports and low capacity utilisation to dent Indian stainless steel sector

Business Line reported that Lower capacity utilisation and competition from Chinese imports would dent India's stainless steel industry, which operates at about 55% capacity utilisation of the total installed capacity of 5 million tonnes per annum. Mr Ratan Jindal chairman of Jindal Steel Ltd said that "The stainless steel sector requires Government support in the form of encouragement for exports and import restrictions on finished and semi-finished goods." Raising the issue of increasing dependence on imports and under-utilisation of production capacities, Mr Jindal said that "Our imports of stainless steel have doubled in the past one year. Whereas our capacity utilisation is about 55%." He said that in recent years, stainless steel has found application in areas other than conventional utensils. He added that "Stainless steel now finds application in consumer durables such as washing machines, fridges, ovens, and the entire kitchen. What we are aiming at is to increase India's per capita stainless steel consumption from 1.6 kg per annum to that of some of the developed nations." Europe has an average per capita stainless steel consumption of about 10 kg, while China consumes about 6 kg. Taiwan has among the highest stainless steel consumption levels of about 15 kg.

Source: Steel Guru

Essar Steel commissions pellet complex

Essar Steel announced the commissioning of an integrated pellet complex in Odisha, comprising of an iron ore beneficiation facility at Dabuna (Keonjhar), a 6-mtpa pellet plant at Paradip (Jagatsinghpur) and a 253-km long slurry pipeline with a 12-mtpa carrying capacity connecting the beneficiation facility and pellet plant.

Essar has invested around Rs 6,000 crore in setting up this integrated complex. The beneficiation facility is designed to use low-grade iron ore fines. The slurry pipeline is the most cost-effective and fastest mode of transportation that eases significant pressure on rail and road networks, with reduced carbon footprint and mineral environmental impact.

With the commissioning of this integrated complex, Essar Steel has become the largest pellet producer in the country with an annual pellet production capacity of 14 mtpa – 8 mtpa at its Vizag complex and 6 mtpa at Odisha.

A further 6-mtpa pellet plant at Paradip is scheduled to be commissioned shortly, including the corresponding upscaling of the beneficiation plant, taking the annual pellet production capacity of the Odisha complex to 12 mtpa.

While dedicating the facility to the nation, Chairman of Essar Steel, Shashi Ruia, said: "Essar has always put a lot of emphasis on sustainable development. The way this state-of-the-art complex has been designed puts maximum emphasis on achieving our goals in the state of Odisha. It is a matter of pride that Indian engineers have delivered this challenging project, keeping the balance between growth and sustainability."

Captive infrastructure

The Odisha pellet complex is backed by infrastructure that includes a 120-MW power plant by Essar Power and a captive berth at Paradip Port set up by Essar Ports. The pellet plant is connected by a 9.5-km conveyor belt to the fully mechanised berth at Paradip Port, owned and operated by Essar Ports. This enables seamless transportation and loading of pellets from the plant into the ship.

Firdose Vandrevala, Executive Vice-Chairman, Essar Steel India said, "It is our policy to make a meaningful contribution to the development of the state and the communities we operate in. With the commissioning of this integrated facility, we will be putting this policy into practice. We are committed to a long, sustainable and fruitful partnership for the growth and prosperity of the state."

Why Odisha?

Odisha possesses the largest reserves of iron ore and has been its largest producer in the country. A large part of this production is in the form of fines which can be used in iron making only after converting into pellets. Paradip is endowed with a deep draft all-weather port and is strategically located with access to both the eastern and western markets.

Essar Steel's integrated pellet complex was executed by Essar Projects India Ltd and reflects its expertise in putting up such mega and challenging projects.

Odisha has emerged as one of the most investor-friendly states for mineral-based industries in India. Rajendra Mittal, CEO, Essar Steel, Odisha, said, "We are happy that we have commissioned the pellet facility, which is capable of using low-grade iron ore fines to produce value-added products, a critical input for iron/steel making. This has been possible only with persistent support and industry-friendly policies of the government of Odisha. We thank the government of Odisha for the same."

Essar Steel's global standing

Essar companies, with a pellet capacity of 27 mtpa, shall be amongst the world's top three pellet producers once its 7-mtpa pellet plant in Minnesota, US, becomes operational by the second half of next year.

Producer	Capacity (MTPA)
Vale, Brazil	54
Samarco, Brazil	30
Essar	27*
LKAB, Sweden	27
IOC, Canada	13**
GIIC, Bahrain	11

(* 8 mtpa – Vizag, 12 mtpa – Odisha, 7 mtpa – Minnesota)

Pellets are a critical and reliable raw material for iron-making and find usage across all iron-making processes including blast furnace, Corex and DRI. Iron ore fines cannot be generally used directly in their physical form and the only way to use the fines is to convert them into pellets.

Essar Steel India is one of India's leading integrated steel producers with an annual production capability of 10 mtpa. The state-of-the-art facility comprises iron ore beneficiation, pellet- making, iron-making, steel-making, and downstream facilities, including a cold rolling mill, a galvanising and pre-coated facility, a steel-processing facility, an extra-wide plate mill and 3 pipe mills with coating facilities.

Essar Steel uses information technology extensively for its operation to ensure consistent quality of its products. It produces over 300 grades of steel conforming to quality standards of international certification agencies like API, ABS, NACE, Lloyd's Register to name a few.

The products cater to the requirements of a wide cross-section of industries, many of which are import substitute products.

Essar Hypermart, a pioneering initiative of Essar Steel, caters to the requirements of the SME segment, which normally does not have access to mill material directly.

Sustainability has been given due importance and the company is on course to becoming a zero-waste company.

Source: Steel Insights

Jindal Stainless to split business into three verticals

In a bid to reduce its mounting debt and to ensure better management of its business verticals, Jindal Stainless Ltd – India's largest stainless steel producing company – said few days back that it would demerge its ferro-alloys, coke oven and stainless steel businesses into three different entities via the slump sale route.

According to the demerger plan, shareholders of Jindal Stainless Ltd will be issued shares by the resulting de-merged company, Jindal Stainless (Hisar), under the share entitlement ratio of 1:1, the company said in a BSE notification.

The company's stainless steel business has been hived off to Jindal Stainless (Hisar) for a lump sum of Rs 2,809 crore. Under this, the parent company will part with its stainless steel manufacturing unit at Hisar in Haryana. Jindal United Steel will get the company's hot strip plant in Odisha for a lump sum of Rs 2,412 crore, while the coke oven plant will go to Jindal Coke for Rs 492 crore.

Analysts said the demerger would only distribute the hefty debt of Rs 11,600 crore as on March 31, 2014 to the three demerged entities, which does not really resolve the company's issues. However, the demerger opens the door for the company to sell-off some its assets – those that are relatively stable such as coke oven and generate fresh cash, which could help reduce debt.

Jindal Stainless, which is among the top 10 stainless steel producers in the world, has been recording losses for the past two years and has also witnessed negative margins despite rising revenue stream, mainly because of higher expenditure and increasing finance costs.

High cost of power and difficulty in sourcing raw material for its ferro-alloys unit has been making it difficult for the firm to run the plant, while increased imports of cheaper stainless steel form china has put the company's stainless steel unit under lower capacity utilisation.

Source: Business Standard

Scrap in European markets

Christmas is the most awaited festival in Europe and as per our knowledge an important sentiment driver too. As we have observed, Scrap exports in Europe during Christmas & winter vacations usually slow down then picks up with the re-opening of the market. But witnessing the current global disparities, especially the damages in Russian economy that's making headline already, as well as

poor steel trades, the market ahead seems difficult. To get more clarity on Scrap markets in Europe, we interviewed Mr. Ved Prakash, Director – Steel Division, Gemini Corporation NV.

Q. *How is the European Scrap market in terms of supply?*

A. This is usually a time when the scrap collection in Europe goes down significantly because of holidays. However, this year (2014) the story is little different, big scrap merchants have sold good amount of cargoes in exports during November, anticipating a further price decline across the board. Thus, the material that was sold in November might've loaded by December. This has created additional shortage of the material in the market especially for January'15. Therefore, we are witnessing higher scrap prices currently.

Q. *How are the prices now? Are suppliers still study about their offers?*

A. Prices are inching up everywhere in Europe. The expectations are that prices will strengthen further.

Q. *Do you see scrap offers rising post-Christmas & winter vacation? Will resumption of trade in January'15 pump in new demand or the slowdown in Steel industry still dominate?*

A. Due to lack of material on the ground, suppliers kept their offers limited in the market. There is a good demand for scrap from south of Europe as well, especially from Italy. We can safely say that there is fair demand of scrap in domestic European market as well as export markets such as Turkey.

Q. *How is the Scrap buying sentiment in Turkey now and how will it be in the coming weeks?*

A. Turkey is heavily dependent on imported scrap; hence it can't stay out of market for a long period. Buying can be different each time owing to currency, freights and finished steel prices, but the underline is; Turkey has to import. The current deals are in levels of USD 310-320 CNF depending on the mixture of the cargo. Shredded & Bonus are currently traded between USD 320-325 levels.

Q. *Global Iron ore prices are consistently falling, what will be its impact on overall scrap prices?*

A. Theoretically yes, there can be an impact. But we have seen that scrap prices and iron ore prices are not in sync. The trend is of course, followed. Looking at the current situation, ore prices are still under stress but scrap prices have rebounded in Turkey from USD 285 to current levels of USD 310. This is purely due to high availability of ore and fair availability of the material. Scrap cycle; you would notice that it short rebounds at a good interval.

Q. *How is depreciating Russian currency affecting global steel trade? Do Turkish buyers currently prefer Russian/Ukrainian Billet over scrap?*

A. Currently yes, it is surely more interesting to buy Russian scrap that anywhere else. However, Russia does not have enough amount scrap availability for exports like Europe & US. Ukrainian billets are interesting too, but recently their prices have also increased in line with the scrap prices. CIS market is closely linked to Turkish scrap purchase prices and follows suit very fast.

Source: Steel 360

The Future of DRI

There seems to be a worldwide reorganization of scrap & DRI use as inputs to steelmaking. The global scrap market is facing issues of demand recession owing to the falling prices of Iron ore; the latter of which is crucial in the manufacturing of Sponge Iron. It is clear that across the world, countries which hitherto consumed Steel scrap for purposes of their electrical steel furnaces, namely the Electric Arc Furnace (EAF) and Induction Furnace (IF), are presently shifting towards the use of Sponge iron as a substitute for scrap. The shift from Steel scrap to Sponge iron as feed for electric steel furnaces took place in India right back in the 1990s. Indeed, the technologies for adaptation of steel furnaces from scrap to almost a total replacement by directly reduced iron emerged for the first time in India. Expectedly then, a fall in Iron ore prices and a relative downward rigidity in the prices of Steel scrap was just the right condition for the proliferation of DRI, as it is taking place in the world at the moment.

There is an important difference between the DRI boom in India of the 1990's and the rise of the DRI in the world during the present time. Today, DRI is not merely a feed in Ifs but it is also a feed for the Blast Furnaces (BFs). With China's gargantuan steelmaking capacity and the predominance of the Blast Furnace therein, topped by almost a sudden drop in domestic iron production, mill sin China are forced to import large quantities of Iron ore from Australia & Brazil followed by India & Canada; India's exports having almost disappeared presently. It can only be expected that the quality of Iron ore cannot be uniform for large volume. BFs need to adapt to a lot more variety in the raw material feed and which is why, iron needs to be processed for homogenous quality. This is where the DRI appears. While the increased use of sinter in BFs helps in improving energy & specific units of raw material consumption, and therefore is used for greater economy; the use of the DRI in the BFs is to ensure the metallurgical properties of the hot metal, which may be affected because of variations in the Iron ore quality. Therefore, there is an export need for DRI, which is why there is a rise in exports and therefore, of merchant production.

The rise in DRI facilities in Canada & Venezuela emerge precisely out of the falling Iron ore prices and the rising possibilities for DRI export. DRI cannot be exported without briquetting because of its rather fragile chemical composition. Therefore, India is in an enviable position with the world's largest capacity in DRI production.

However, countries like Libya where Iron ore deposits have been discovered and hence, there is a growing desire to use the same for its indigenous Steel industry. Libya is one of the most important steel producing countries of North Africa and has been importing Iron ore from Brazil & Canada. Due to the hectic Chinese buying, countries like Libya have faced high prices of raw material and very often poorer qualities, for the best would first go to China. This is rather similar to what happened in India, where the better quality of ore would be exported to China and the poorer ones left back for India. Libya imports pellets from Brazil & Canada; now pellets can help in use of fines but for metallurgy one needs DRI. With the discovery of Iron ore deposits and existence of generous natural gas, Libya is now not only a producer of DRI, but an exporter of its surplus stocks. Similarly, Iron ore from Central Asia is flowing into Oman, Saudi Arabia and Iran to be converted inti DRI, then to be used in the mills of the MENA (Middle East and North Africa), where capacities are growing. Ukraine & Iran are the new entrants in DRI merchant manufacturing.

Where is India in times of renewed interest in the DRI? Indians insist that the developments are taking place through a single technology provider, Midrex, which uses Shale gas in regions of its natural occurrence and manufactures gas based DRI. Shale gas being cheap, it makes sense to produce DRI in those countries. But this is only an excuse and not the real story. The real story lies in the relative margins of the Iron ore miners and the Sponge iron producers. Those investing in DRI in the newer locations namely Canada, Libya, Ukraine and Venezuela are the Iron ore miners, who wish to add value to their now increasingly price softened ore. This was exactly how the DRI industry came to be in India. However, after the Chinese started buying ore in 2004, huge profits were possible in Iron ore export and miners lost interest in processing ore because just selling virgin mineral fetched such high margin with relatively low efforts. The DRI manufacturing capabilities were ruined by the owners themselves, who found Iron ore to be better business. Excess mining also compromised the Iron ore quality and generated not only fines but ultra-fines that led to increase in pollution; but also made miners look towards trade of raw material and thus deprived their own DRI making units. Having tasted high margin in Iron ore exports once, Indians are no longer in a mood to concentrate on less pay and harder work, which is involved in manufacturing DRI. There is a need to change the present set of entrepreneurs wholly to seize the newer opportunities in the DRI market.

Indians also appear to have convinced themselves that DRI production only makes sense if produced out of natural gas and that there is no future for the coal based ones. While there is no truth to such an assertion, it is possible that the reason for such misconceptions arise out of the papers and publicity of Midrex, a technology firm that presently has monopoly of gas based DRI facilities. Coal based technologies are as good and in fact, have some better properties in carbon

management of hot metal as compared to the gas based units. Indeed, ArcelorMittal Group, which is increasing its presence in the Iron ore sector, in Mexico & South Africa is setting up coal based DRI facilities in Mexico, Trinidad & Tobago and South Africa. Mittals are uncomfortable in Iron ore, have almost no idea of dealing with banded & magnetite iron ore and cannot handle gas based DRI may face vis-à-vis the gas based units. Indians also need to briquette their DRI in order to enhance merchant production so to make their products suited for ocean transportation.

While there is an increase in the scope for DRI especially in countries of newly emerging steel making capacities, the market for scrap remains lodged among the established steel producing nations. DRI is used more for production of basic grade and mild steel. It is useful for either the BFs or the Ifs or both. Scrap is best used in the Electric Arc Furnaces dedicated to the making of high grades of Alloys & Stainless steel. It appears that the countries, which use scrap in order to produce high grades of steel, are now stagnant and hence, the demand for scrap is stable. In other words, scrap has entered a steady state with very little chance of prices to move. We have images of Scrap dumps in the US ports without the traders from Turkey lifting the same. This stagnation is despite the fact that Russia & Ukraine have decreased their exports of scrap.

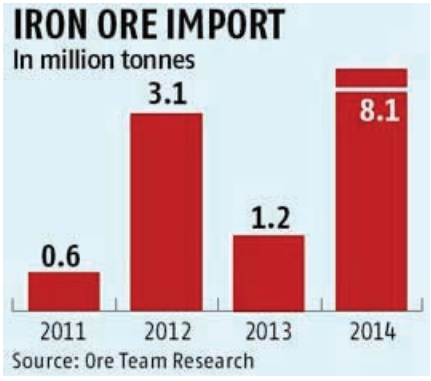
Scrap appears to have entered into a competition from the DRI in Central Asia and in the Middle East and North Africa. Russia is presently increasing its exports of Iron ore to the MENA region diverting much of its outflow from European countries. The MENA countries have increased their production of billets which can go straight into the conversion agents & the service centres of Turkey, Egypt and Saudi Arabia to produce long products. There is thus a decoupling of the Scrap-EAF routes into a DRI-IF route. Also, the emergence of standalone conversion agents, especially in Central Asia, MENA and in Mexico region, which is taking the markets away from steel scrap to the DRI and the billets. A possible reason for this shift is the vital presence of the Indian investors and the equipment suppliers in Oman, Saudi Arabia, UAE, Bahrain, Iran, Libya, Algeria, Kenya, Ethiopia, Mexico, Venezuela, Georgia, Latvia and Trinidad & Tobago. There is also a shift in the ArcelorMittal's various facilities to produce more of Mild steel billets by using DRI especially those produced out of Trinidad & Tobago and Mexico in order to supply to its steel mills across the world. Mittal's reduction of scrap demand depresses the scope for rise in prices for steel scrap.

Source: Steel 360

India turns net importer of iron ore in 2014

As against exports of around 7 million tonne, the country imported over 8 million tonne of key steel-making raw material in 2014

India turned a net importer of iron ore in calendar year 2014, as import far exceeded exports. Domestic steel mills imported little over eight million tonnes (mt) of the key steel-making raw material, as against export of around seven mt. Major producers such as JSW Steel, Tata Steel and Essar Steel resorted to import of high quality ore, available at almost the same cost as domestically produced lower grade material. Imports during the year were 8.05 mt. The previous record was 3.1 mt in 2012. Lack of stocks in the domestic market and falling prices in foreign markets encouraged ore-starved mills to look for imported material. Domestic production has been steadily declining from a high of 220 mt in 2009-10 to about 150 mt in FY14.



JSW Steel imported around six mt out of about 10 mt it plans to import in 2014-15, the financial year having three months more to go. Tata Steel brought in 2.2 mt, while Essar Steel imported half a million tonnes. State-owned pellet maker Kudremukh Iron Ore Company Ltd imported around 100,000 tonnes from Iran, JSPL imported 120,000 tonnes of pellets from its Oman plant. In 2013, import of ore stood at a mere 1.2 mt. CY 2012, had seen the previous highest level of imports at 3.1 mt. CY 2011, though, had witnessed just about 600,000 tonnes, according to data compiled by Delhi-based Ore

Team Research. "Conditions have changed through the years and in the process of correcting the illegalities and regularising the mining industry, the judiciary and state governments had to take hard decisions, which has led to these circumstances," said Prakash Duvvuri, head at Ore Team Research. As a result, India has turned out to be a net importer of iron ore, as exports have dipped amid declining global prices. India exported barely 7.27 mt in calendar year 2014 against 8.12 mt of imports, he pointed out.

Source: Business Standard

India needs to boost iron ore output to propel economic growth - Mr Agarwal

Mr Anil Agarwal, Chief of Vedanta Resources, said that India needs to boost iron ore output and invest in developing natural resources to propel its economic growth and eradicate poverty. He also said that a hit in production is one of the causes behind sliding rupee. Besides, he said that the production cap on iron ore needs to be removed. Mr Agarwal said that "Today the rupee has gone down. One of the reasons has been told is iron ore production is not coming up." On production cap, Mr Agarwal said that "All over the world they encourage to increase the production subject to environmental approval but in India we have put in a cap but this cap should be removed and iron ore industry to run." Mr Agarwal said that India has enough potential, worth USD 400 billion to USD 500 billion, in natural resources like oil & gas, gold, silver, iron ore, copper, coal, calcium, rock phosphate. He exuded confidence in restarting ore mining soon in Goa. He said that "The state government has already reinstated everything. It is the question of few days and everybody is looking including the government. It depends on the government, how we get the approval. The moment we get the approval within 30 days it will start." Vedanta Group firm Sesa Sterlite is the largest private sector exporter of iron ore in India, which has the seventh largest iron ore reserves in the world. Sesa Sterlite had 14 to 15 iron ore leases in Goa. Before the mining activity was stopped there, it used to produce about 14 million tonne of the key steel-making raw material out of a total of 40 million tonne produced in the state. Domestic iron ore production has been on the wane and has declined to 151 million tonne in 2013-14 from 213.25 million tonne 6 years ago. Exports of iron ore used to be about 100 million tonne. It declined to 62 million tonne in 2011-12, 18.37 million tonne in 2012-13 and 14.42 million tonne in 2013-14 on account of a number of factors. India, once world's third largest exporter of iron ore, is expected to become a net importer in the current fiscal.

Source: Steel Guru

NMDC revises target of iron ore production to 100 million tonnes by 2020-21

Indian Express News reported that Mr Narendra Kothari CMD of NMDC told Ms Sunitha Natti that NMDC is set on achieving its revised target of 100 million tonne production by 2020-21 and is simultaneously stepping up work on its first overseas acquisition, Legacy Iron Ore.

Q: How do you plan to achieve your revised production targets?

A: Production and sales of iron ore during the last financial year stood at 30.02 million tonne and 30.50 million tonne respectively. We are expecting to achieve 31 million tonne production and 32 million tonne sales this fiscal. We are revising our targets and looking at achieving a production of 65 million tonne by 2018-19 and 100 million tonne by 2020-21. Earlier, the target was to increase annual production to 50 million tonne by 2019-20 and 100 million tonne by 2024-25. We are working to prepone our targets and in order to achieve this, we will take mines in JV. We already have a JV with Jharkhand State Mineral Development Corporation. With restrictions in states like Odisha, Jharkhand, Chhattisgarh, Karnataka and Goa being eased, things will open up.

Q: Where is the price of iron ore headed?

A: International prices touched a low of about USD 70 per tonne for iron ore fines. Currently, fines and lumps are priced between Rs. 2,910 and Rs. 4,500 a tonne respectively. We look at price revision every month and depending on the demand-supply scenario, international factors and steel market, determine price cuts. Last month, we reduced prices of lumps and fines.

Currently, our prices of ore is about '4,200 per tonne, while for fines, it is about Rs. 3,060 per tonne. By and large, we will maintain our prices and keep them less than import costs.

Q: Will the company look at increasing exports?

A: Our key focus is the domestic market. We export just 10% of our total produce that too because of obligations like bilateral trade treaties. For instance, the agreement to export for Japan and South Korea will come to an end in 2015. Though we sell based on international market prices, exports aren't beneficial. There's an export duty of over 25%.

Source: Steel Guru

Government hints at allowing private players in mineral exploration

The Centre is keen to get private sector into mineral exploration as government agencies entrusted with the job are unable to meet desired output levels. This was stated by Union Steel and Mines Minister Narendra Singh Tomar at an interactive session on 'Development of Mineral-Based Industries in Vidarbha' organised by Manganese Ore India Ltd (MOIL) here recently. "We have plenty of natural resources and sufficient manpower but exploration has not been to the desired extent all these years. Therefore, private players would be entrusted with the job of mineral exploration," he said. Mineral exploration in the last 66 years had been quite meagre in India as compared to China and South Africa. Therefore, there was a need for carrying out more exploration in near future, the minister said. Tomar said his ministry is setting up a National Mineral Exploration Fund from the royalty collected from respective states and some money will also be allocated from the Union Budget. Tomar said the amendment in the Mines and Mineral Development Regulation Act, 1957 via an ordinance recently has paved the way for putting in place transparent policies for the key sector. Union Shipping and Transport Minister Nitin Gadkari said chances of reduction in power tariff in Maharashtra are slim as all energy companies are facing financial problem. He said Chief Minister Devendra Fadnavis was exploring the possibility of giving some subsidy to the sector. The Centre was considering providing police protection to industries in Gadchiroli, the worst Naxal affected district in the State, Gadkari said. Also, skill development programmes will be organised in the left-wing extremism affected districts in Vidarbha to wean the local youths away from Naxalism.

Source: The Economic Times

Iron Ore output likely to rise by 10% in 2015

More mines are set to restart operations in Karnataka, Goa and Odisha towards the second half of this year.

Even as the mining industry is facing several hurdles to secure approvals for restarting operation at mines in Goa, Karnataka and Odisha, the domestic iron ore production is likely to see a modest 10 percent growth this year.

The production, which recorded a marginal growth to touch 140 million tonnes (mt) in 2014, is expected to touch 150-155 mt in 2015. This is possible as more mines would start operations in Karnataka, Goa and Odisha in the coming months.

"All the mines closed in Odisha, Goa and Karnataka are unlikely to open this year. We can expect some mines to start operations in Goa only by September. There are many challenges in all these states. In Karnataka, government approvals are limping. There may not be any big growth in the domestic production but we can hope to achieve last year's levels or see marginal growth," said Basant Poddar, vice president, Federation of Indian Mineral Industries.

However, the mining industry is looking forward to some positive developments in 2015. The renewal of leases in Goa, formation of new government in Jharkhand, issuance of clearance and permits in Odisha and restarting of mines including auction of category-c mines in Karnataka are expected in 2015.

"The worst seems to be over and rebuilding exercise is in progress. Though the capacity enhancement is happening very slowly, the production forecast for iron ore in 2015 would be

definitely better and an addition of 10-15 mt of iron ore through the year cannot be neglected," said Prakash Duvvuri, Head of Research at Ore Team, a Delhi-based iron ore research firm.

Odisha and Jharkhand have been closed for nearly 5-8 months now but the major steel companies have been able to earn their mining rights from time to time. The other medium and smaller steel companies dependent on local iron ore now have MoUs with the state governments or processing their requirement from the private miners. Amidst a crawling steel demand, these plants are not feeling the heat of restricted iron ore availability, he said.

With the global prices of iron ore hitting their low in the recent months, the steel industry is likely to continue their imports in 2015. JSW Steel and Tata Steel are major importers. Though JSW imported the majority volume in 2014, Tata Steel was a silent player with nearly 2.5 mt of imports through the year.

"In 2015, India is likely to completely vanish from the export market as the prices have been very low. Unless the government withdraws export duties at least on low-grade Iron ore, we cannot export from India anymore." Poddar added.

In addition to Tata Steel and JSW Steel, other smaller mills like Kalyani Steel are actively considering the import of iron ore. "We are continuously evaluating the possibility of imports this year. The landed cost of imported ore and Odisha material is almost same. Once we are sure of better quality in imported ore, we will start importing," said R K Goyal, Managing Director, Kalyani Steel.

It's easy to start a business. But to continue and keep it growing, one needs initiative, talent, ambition & hard work.

Comparing the domestic situation with the export scenario, it is more beneficial for the miners to sell iron ore in the domestic market and make good profits, Duvvuri said.

Indian iron ore at Rs 3,500 a tonne (63 percent Ex-Mines) in Odisha versus, global price of $65 a tonne (Rs 4,000) has made it almost impossible for short term importers to purchase it. Only the big producers or those plants which are based on the port are in the position to import the material and use at the prevailing costs.

Source: Business Standard

Odisha allowed to increase iron ore output by 16.5 mt

The Union environment ministry has approved a proposal from the Odisha government to allow the request of two iron ore mining groups to raise their output by a combined 16.56 million tonnes (mt) a year.

This would not affect the overall cap set by the state government, presently at 58 mt a year. The two groups are Rungta Mines (two mines) and Serajuddin & Co (one mining lease). The Rungtas have now got environmental clearance (EC) to extract an extra 5.91 mt of ore a year; their cap till now was 3.5 mt. Serajuddin can now extract up to 15.15 mt a year, against 4.5 mt till now.

The Centre's nod should double the monthly iron ore production target of the state to mt in the three months which are left in the ongoing financial year. However, government officials are not sure whether the target can be achieved.

"For December, the target was set at 6.9 mt and actual production was 2.6 mt," noted a senior government official in the know.

Iron ore output in Odisha was hit in May last year, when the Supreme Court ordered the shutdown of 26 mines operating without a valid lease. The state government has allowed operation of eight mines and eased restrictions on sale of old stock. The upgraded EC adds 16 mt to the 42.36 mt of existing approvals in favour of non-captive mines. Still, traders and experts feel the non-captive ore production target cannot be achieved.

"Even if they have received the EC, it will take at least three weeks to enhance the output, after

fulfilling other formalities and arranging machinery and manpower. The actual output could go up by 1-1.5 mt a month after the approval," said a city based consultant. Mining output enhancement applications were sent to the Centre in November last year, after the state government planned to raise ore production to compensate for the losses arising from the SC order in May. An application from four other private mining groups to raise output by a combined 15 mt is still pending with the Union environment ministry.

Source: Business Standard

Iron ore imports soar as global prices slide

India's iron ore imports will shortly cross 7 million tons in the current fiscal year as sliding global prices and limited supply at in the domestic market pushed steel producers to buy the raw material overseas, industry sources said.

Formerly the world's third largest supplier of iron ore, India has been importing over the last two years due to court-importing restrictions aimed at curbing illegal mining in the key producing state of Karnataka and Goa.

The shortage deepened this year as some mines in Odisha and Jharkhand were ordered closed after the expiry of licenses.

But analysts say India is unlikely to absorb a big chunk of the global surplus that has halved iron ore prices this year.

Global seaborne iron ore supply will grow by around 330 million tons over the next three years, far outpacing demand that will rise by just 194 million tons in the same period, Morgan Stanley said in October.

JSW Steel and Tata Steel were prominent steel mills which imported major chunk of steel.

Analysts feel it will take some time before mining resumes in Odisha and Jharkhand. Therefore, would continue to rise.

JSW said in September it was planning to import 10 million tons or more this fiscal year if the domestic shortage continued and prices stayed low.

The company has put on hold plans to build a steel plant in eastern India due to uncertainty in sourcing iron ore and coal. South Africa was the top source of iron ore imports, followed by Australia.

Increased output of iron ore from top producers Australia and Brazil has helped widen a global glut at a time of slower economic growth in China which buys around two-thirds of seaborne supply. Iron ore has fallen 47 percent this year, touching $68 a ton, its weakest since June 2009.

Sponge iron makers call for cut in domestic prices

Meanwhile, the Chhattisgarh Sponge Iron Association has urged the National Mineral Development Corporation (NMDC) and Coal India to reduce iron ore and coal prices to bail out the sponge iron and steel industries.

The Association recently had a meeting with the Chairman and senior officials of NMDC in Hyderabad and presented a memorandum to cut iron prices by 30 percent. They asked Coal India to slash prices and also sought improvement in quality of supplies.

Rajeev Kapoor, President, Chhattisgarh Sponge Iron Association, in a statement said about 50 percent of the sponge and steel industries are either non-performing assets or are going for restructuring with banks.

He applied to the Government for immediate relief, adding that sponge iron units are unable to pay their debts, accumulated due to the interest burden of the last 4-5 years.

While dumping did not affect the sponge iron industry directly, cheap steel imports in the form of TMT

bars, rebars and wire rods have impacted the industry. Sponge goes into the making of construction steel, prices of which have declined due to cheap imports, he pointed out. The Government must impose a 30 percent import duty on all scrap and steel products as that will enable greater usage of domestic steel, he said.

In last four years, weak economic growth, low off-take, high raw material prices and huge inventory have impacted the steel industry negatively. The high lending rates have deterred investments and the working capital limits of many small-and-medium-scale companies.

All these factors have pushed the domestic sponge iron and steel industries into a precarious position. While the first signs of an economic recovery in the country are visible, it would take a minimum of two-to-three years of sustained growth to get the industry back on its feet, said Kapoor.

"Till then, the industry will continue to suffer and there is a serious danger of some companies going bust if the present downward trend persists. A few units are already staring down the barrel," he said.

Non-renewal of mining leases has also put a strain on the user industry as the companies were starving for raw material.

Unless the leases are renewed quickly, the continued shortage and underutilization of capacity could pose a threat to the finances of the sponge iron and pellet companies, putting their total investments at risk.

NMDC cuts rates

Meanwhile, in a major relief to major domestic steel firms, state-run iron ore miner NMDC has reduced price of lumps by Rs 200 a ton and Rs 100 per ton for fines for the current month on tumbling global prices and lower demand.

NMDC, India's largest iron ore producer, had reduced the price for lumps by Rs 200 per ton in November. It, however, did not change the price for fines last month. Following the reduction, the price of lump ore, which has more iron content and is used mostly by domestic steel makers, now stands at Rs 4,200 per ton. The prices of fines, having less content of iron or the inferior grade, now comes down to Rs 3,060 per ton.

The miner reviews the prices of the key steel-making raw material every month going by the global prices and domestic demand, had not tweaked rates during the July-October period. Global iron ore prices have nosedived to five-year low at around $70 per ton mainly because of subdued demand from China, the largest producer of steel in the world. The holding on of the price by NMDC during the four-month period coupled with inadequate availability within the country have forced JSW Steel, a major customer of NMDC, to import the raw material. Essar Steel also buys large quantity of iron ore from NMDC.

The price cut, which might be followed by other miners, would benefit domestic steel firms which are now in a precarious situation now with rising imports from China, Japan and Korea. The price cut could help them to better their margins. The demand for iron ore has also come down in line with the fall in steel production.

NMDC's sales in October actually fell from the previous month even as its sales in first seven months of current fiscal rose to 17.65 million ton against 16.03 million tons during the corresponding period last year.

Domestic crude steel production also declined by 0.5 percent in October, 2014 from the immediate past month, mainly by a decline of 0.9 percent in production by major producers and a 0.1 percent decline in production by non-major producers.

The price cut might impact NMDC's net sales realisation a little during the current quarter, although it is confident of improving the bottom-line for the entire fiscal.

NMDC had clocked Rs 6,420 crore net profit in the 2013-14 fiscal. In the first two quarters of the current fiscal, it has reported Rs 3,482 crore. The company also hopes to improve its sales volume to around 32 million tons for the current fiscal.

Source: Steel Insights

Odisha scripted iron ore price story in India?

Though globally iron ore prices have been declining, the story have been a bit different in India and it seems to have been scripted mainly by the Odisha government.

Moreover, if the Odisha government refuses to allow second renewal of leases then the mines should go for sale through the auction route. In fact, many feel the steel ministry should watch and follow the impending coal auction process in iron ore as well.

These two factors impacted iron ore prices to a great extent in the domestic market and market players say the decline in the selling prices of finished products might not have impacted the steel units hard had there been a proportionate decrease in raw material prices at home too.

It may be recalled that the Supreme Court had asked the Odisha government, on May 16, to submit an affidavit on the status of renewal of licences and other details within six months. This prompted a weakness in domestic iron ore prices as players thought that all iron ore mines would reopen in the next six months or by November 16. This, in turn, they thought, would lead to increased availability and a fall of up to 50 percent in prices.

However, in November, the Odisha government sought three months' time from the apex court to submit the reply, which again led to firmness in prices.

"A few mines did re-open, like Tata Steel's and SAIL's and it was expected that by November 16 all the mines would be back to operation. Prices of iron ore even started declining," said a source, adding: "The impact was such that despite there being scarcity, the prices were either stable or on the lower side even during the monsoon season (July-August) when prices generally rise."

It was expected that the prices would decline by 50 per cent even if half the mines re-opened. However, the industry received a rude shock when Odisha sought more time in the form of another three months to decide on whom to award the mining leases. This led to a sudden sharp rise in iron ore prices in the domestic market.

Odisha government hopes to resolve the issue of non-renewal of iron ore mining leases within the next three to six months, G Srinivas, Commissioner cum Secretary, government department of Steel and Mines, Government of Odisha, told Steel Insights.

About the expected production, Srinivas said, Odisha being the largest iron ore producer in the country will strive to minimise the impact of the closure of mines. "In 2013-14, the state produced a record 77 million tons (mt) of iron ore. We are striving to minimize the impact of mine closures and there will not be any dearth in iron ore."

Meanwhile, exports have almost stopped. Today the prices of fines in the domestic market are Rs 3,700-3,800 per ton, which used to be in the range of Rs 2,000 per ton about two months back. Prices have gone up by Rs 1,000-1,500 per ton in 45-60 days.

The current situation is a replica of the scenario in 2008 when mines closed down, leading to reduction in supplies and spurt in prices," recalls an industry player, adding that this forced scarcity has led to erosion of margins of steel-makers and concentration of wealth in a few hands.

Analysts feel that the government should bring in norms to stop iron ore mining for six months at a stretch instead of effecting fragmented closure of the assets across Goa, Karnataka and Odisha. They also feel that there should be a composite mining policy in place whereby a decision would be taken whether there should be commercial mining or captive mining. They also said a bidding process for awarding the mines should be formulated.

But said a source, the auctioning should be done fast to alleviate the woes of the steel industry. Otherwise, it may be too late, and lead to closure of more steel mills.

Outlook better?

The steel industry is slated to look up in the next 3-4 months, feel analysts, since the streak of iron ore mine closures has stopped and players can brace for their re-opening. Once the mines re-open, the margins of steel-makers will also improve, they stressed. Mining has already resumed in Goa and Karnataka while there are expectations of the same happening in Odisha though there could be delay.

"Once the iron ore mines re-open then, immediately, the margins of steel-makers will improve and all the units will again become viable. And if a stable government puts in place the right policies, then the steel players will know that these rules will remain in force for at least the next two terms of the government. This would bring about stability in the sector," said a source.

There had been pressure on the margins of steel makers during the past 12-18 months, except for a brief period of 4-5 months from May to October this year.

In fact, experts say that the iron ore issue has become so big in India that except for the biggies like SAIL, Tata Steel, which have their captive iron ore and coal mines, almost all the medium and smaller players in eastern India, where they are mostly concentrated, have been hit hard and opted for corporate debt restructuring.

As for JSW, said a source, it has been able to weather the raw material problem because of funding from JFE of Japan and big exposure. A source added that, because of JSW's financial power, it would be in a position to buy coal mines at the auctions.

Missed changes

Analysts also feel that because globally raw material prices have been extremely weak over the last 4-5 months, this was the best time for steel-makers reap benefits. Coke prices are down 50 percent while coal and iron ore prices are ruling weak. "As far as coal and coke are concerned, these have to be imported, whose prices are down. However, prices of finished products have also fallen in tandem neutralising some of the benefits," observed an industry player.

However, at this juncture, the steel and iron ore industry is bracing for a turn in the tide of woes.

Govt. plans to start auction of all minerals soon

The Government of India is planning to introduce a transparent process of competitive bidding for all minerals by amending the Mines and Mineral Development and Regulation (MMDR) Act and is aiming to kick-start the first round of auctions by March 2015, according to Secretary (Mines) Anup Kr. Pujari.

A draft of the MMDR Act has been available on the website of the Ministry of Mines for the past few weeks and suggestions have been invited from stakeholders quickly to finalise the Act before it can be placed in Parliament, he said.

"Once the amendments become law, we will begin auction within three months," Pujari, said on the side-lines of CII-organised IMME and Global Mining Summit 2014 in Kolkata.

Pujari said he was hopeful the amendments would get passed in the current Parliament session unless the same goes to the Standing Committee.

Comments from stakeholders will be accepted for public review of the nine-page draft amendment Bill document till December 2010.

Pujari said top priority in this amendment is getting an allocation process that has public acceptance.

Pujari said the government is trying to get the momentum back in the mining sector and hopes to do it soon.

"We should have a system of allotment which doesn't invite public dissatisfaction. But whether it is economically the best way, is a separate issue," he said.

Asked to elaborate, Pujari said any process has its pitfalls but tendering appears to be more appropriate as compared to nomination. The likelihood of getting into legal challenges would be much less "if we go for auction".

He said state governments are yet to send their feedback despite the ministry writing to them.

The draft proposes to introduce a redressal mechanism in which a company can approach the Centre in case the state government has not given an order or decision about any application within 60 days.

At present, an application can approach the Centre for a respite only after the state has given an order on the application.

The NDA government is trying to get the amendment Bill passed in the Winter Session of Parliament itself to clear the bottleneck in terms of mining lease renewals.

This was to bring in a momentum in actions in the mining sector which has suffered in the past few years in the country. Most of the active mines in the various states, in absence of lease renewal, were continuing operations on deemed renewals.

The Mines and Minerals (Development and Regulations) Act, 1957, and Mineral Concession Rules, 1960 permitted such "deemed" renewals. However, a Supreme Court-guided recent amendment in the law ended the practice of deemed extensions.

In fact, Jharkhand, which did not regularise the renewals, stopped almost all mining operations in the state from September 5 this year. This has also led to several litigations by affected miners.

The amendment also provides a new dispute resolving mechanism through setting up of a tribunal.

The ministry has also proposed unbundling of minerals for the purpose of applications for prospecting and mining licences.

Bulk minerals such as iron ore, coal, manganese and bauxite will require one single application, both for prospecting and mining.

He said the government was trying to unbundle the sector and do away with regulatory permits for certain notified minerals. The Bill prescriber competitive bidding by auction as the method to be followed for allocation of mining leases for notified minerals. Reconnaissance permits or prospecting licences is proposed to be done away with for these minerals.

The minerals which are proposed to be notified would include iron ore, limestone, manganese and bauxite.

The amendment Bill seeks to differentiate between bulk surface minerals and deep-seated, difficult-to-access minerals such as gold, zinc, molybdenum.

Bulk minerals account for 85% or more of the value of mineral production in India. These will be subject to different procedures.

Attracting private investment and eliminating delays are among the main objectives of the Mines and Minerals (Development and Regulation) Amendment Bill, he said.

Under this, illegal mining is proposed to be declared as a cognisable offence with provisions for enabling state governments to set up special courts to try such offenders.

It may be mentioned that the previous government at the Centre had also planned to introduce an amended MMDR in 2011 to repeal the 1957 Act. However, it could not pass the legislation and it had lapsed.

Source: Steel Insights

Cheap imports from China, coal block auction create buzz

One of the major issues that have been the talking point is that India's stainless steel capacity in 2014-15 has been reduced due to cheap imports from China.

Reports say imports from China, Taiwan and Korea are estimated to have risen 150 percent in about seven months of the current fiscal. According to the Indian Stainless Steel Development Association (ISSDA), imports have gone up to around 40 percent of annual consumption.

In 2013-14, total import form all countries was 100,000 tons. However, says the body, imports from China alone have been 250,000 tons in the first half of the current financial year, ISSDA said. This coupled with weak demand, has forced down the operating capacities of stainless steel mills to of 55 percent from 65-70 percent a year ago (2013-14), alleged N C Mathur, President, ISSDA.

He said, "Stainless steel mills have steadily invested $5 billion since their peak days of 2006-07, to create an overall installed capacity of around 5 million tons (mt). Against that, we estimate a total production at 2.6-2.7 mt in 2014-15. This is because of dumping of Chinese goods into India, some of these of substandard quality."

Hiten Bhalaria, Managing Director of Bhalaria Meal Craft, a stainless steel utensil manufacturer and exporter was quoted in the report as saying that the biggest problem Indian stainless steel mills face is high electricity and logistics costs, unbearable rate of interest on working capital and continuous investment on pollution control equipment…

He said," over and above, the Chinese government is incentivising up to 13 percent on export of SS, apart from low interest rates on working capital loans and cheap power."

Moody's sees better year ahead for steel biggies

There was some positive buzz as well. Global rating agency Moody's recently predicted a better year ahead for Steel Authority of India Limited (SAIL) and JSW Steel on the back of capacity expansions and higher utilisation.

"Capacity additions and high utilisation rates at existing plants will boost profitability for large Indian producers such as JSW Steel, SAIL and Tata Steel," it said in its Asian steel industry outlook for the next year.

Stating that the profitability of the Asian steel-makers had bottomed out, Moody's Investors Services said their profitability would increase slightly in 2015 as capacity growth slows, unlike major Indian firms, and utilisation rates rise.

"Demand for steel will likely increase a modest 3 percent, outpacing net production capacity additions and driving increased utilisation rates. Declining raw material costs will also support the steelmakers' profitability," Jiming Zou, Moody's Assistant Vice-President and analyst was quoted as saying.

China steel demand to ease in 2015

Meanwhile, The Australian reported that China Metallurgical and Industry Planning and Research Institute believes demand for steel products will reach 720 million tons (mt) next years, up 1.4 percent from this year. At the same time, the steel industry will produce 834 mt of crude steel, an increase of 1.71 percent from the year before.

The institute also predicts China will import 1 billion tons (bn) of iron ore next year, an increase of 6.4 percent from 2014. The head of the institute and the deputy chair of the government-backed China Iron and Steel Association, Li Xinchuang said he thinks $60 per ton would be the floor price for iron ore.

"If it crashes through the $60 barrier, many small and medium-sized producers would become unviable. The supply and demand dynamics could be distorted again and the price for iron ore would go up," Li was quoted as saying.

Banks loans to pay penalty

Meanwhile, the domestic steel industry, which is battling twin impact of low demand and high input prices, are seeking bank loans for payment of penalty in case of coal block de-allocation and making upfront payment of bid amount in the forthcoming coal block auctions.

In this regard, ASSOCHAM, the apex industry body, has urged the Reserve Bank of India (RBI) to advise all commercial banks to extend credit for payment of penalties and upfront bid amounts for participation in the coal block bidding by deserving steel companies. Leading steel-makers like JSW Steel, Monnet Ispat, JSPL, Tata Steel and SAIL are all members of ASSOCHAM.

"The steel industry in India has been passing through a very tough phase for the past five years owing to low metal demand and extreme price pressures notably as steel prices dropped by Rs 4,000 per ton during the course of the past few months," D S Rawat, Secretary General of ASSOCHAM, said in a letter to RBI governor Raghuram Rajan.

"The problem has aggravated due to coal blocks cancellation by the apex court, thereby creating uncertainty over availability of coal at competitive prices in the future," the letter said.

Source: Steel Insights

Indian smelters raise copper output

Indian copper smelters raised output 33 percent in April-November over a year before, to take advantage of higher conversion rates – treatment and refining charges (Tc/Rc) in industry parlance. Data from the mines ministry showed refined copper output at 497,847 tonnes in April-November, the first seven months of this financial year, as compared to 374,418 tonnes in the corresponding period last year. Aditya Birla Group Company Hindalco Industries posted a 26.6 percent growth in output to 257,261 tonnes in this period. The Vedanta group's Sterlite Industries reported a 42 percent rise. Government-owned Hindustan Copper had a 13.6 percent rise in output at 10,038 tonnes, from 8,838 tonnes in the same period last year. "Our output suffered last year due to plant closure, owing to environment issues. After recommencement, the plant is operating with full capacity. Over and above, there was a 10 percent increase in the prices of by-products, including sulphuric and phosphoric acid. Apart from that, the premiums on primary copper have gone up by 10 percent so far this year," said P Ramnath, chief executive officer of Sterlite, which contributes around half of India's copper production. Phosphoric acid is trading at $760 a tonne as compared to $680 a tonne at the beginning of this year. Copper is selling at a premium of $220 a tonne in India.

The Winner sees an answer in every problem. The loser sees a problem in every answer.

Indian copper smelters raised output despite a fall in prices. On the benchmark London Metal Exchange, the price is $6,361 a tonne, a decline of four percent from $6,632 a tonne on April 1. "We are a custom-built producer. Hence, the price variation does not affect us. We are only concerned about Tc/Rc, premiums and byproduct' prices," said Ramnath. Global miners agreed to pay smelter a 31 percent increase in Tc/Rc at $92 a tonne and 9.2 cents a pound (1b) for 2014. Negotiations are on for a further 20 per cent increase in Tc/Rc for 2015, at $115 a tonne and 11.5 cents a 1b, respectively. Jayanta Roy, senior vice-president with rating agency Icra, said, "A higher Tc/Rc augurs well for Indian smelters. But, a major portion of the surge in output can be attributed to technical issues." The output trend in India is similar to global markets. The latest monthly report of the International Copper Study Group said world output of primary refined copper was 13.7 million tonnes in the January-September period of 2014, compared to 12.7 mt in the same period last year. "Higher production will fetch better margins for Indian copper smelters, on increased Ebitda (operating earnings) margins. As long as global mine production would continue to rise, Indian smelter would fetch higher Tc/Rc," said Goutam Chakraborty, analyst at Emkay Global Financial Services. World mine production of concentrate was 13.6 mt in January-September compared to 13.3 mt in the same period last year. With increased mining output, Indian smelters would benefit this year as well, said Ramnath.

Source: Business Standard

Prasad invites US firms to start manufacturing in India

Minister for information technology and communications Ravi Shankar Prasad recently invited US technology companies to set manufacturing base in the country under the "Make in India" programme. "When we say Make in India, we invite big American companies to manufacture here. We will give all benefits available for Indian companies. Make for India and make for exports," Prasad said at the 'India US Dialogues' event organised by The Observer Research Foundation and Network 18. The government is willing to dole out incentives for manufacturing electronics in the country. "To put it simply, if you invest $100 here, we will give you $25. You will benefit from the incentives given by individual states also," Prasad said. The government has also opened up an electronic development fund worth billions of dollars to support electronics manufacturing in the country, he said, adding that information technology (IT) can be another area where India and the US can work together. The event comes on the heel of the US President Barack Obama three day visit to the India. India imported telecom products worth Rs 69,516.37 crore in 2013-14, while exports of such items were at Rs 20,475.17 crore during the year, leaving a significant deficit of Rs 49,041.20 crore.

"About 60 per cent of India's IT exports are to the US. Whenever I go Bengaluru, Pune, Hyderabad, Gurgaon, I see American companies having back-end offices there. People come to meet me from Facebook, Google and they are all keen to invest more in India," Prasad said. "Internet revolution is happening. E-commerce is growing at a pace of 37 per cent. We are bridging the digital divide. We are committed to promote Indian languages in the digital medium," he said. Obama, who arrived in India on a three-day visit, welcomed the development and said renewal of the defence pact will guide the bilateral defence cooperation for next ten years. "We agreed to deepen our defence and security cooperation.... And in a major step forward for our relationship, defence technology and trade initiative will allow us to jointly develop and produce defence technologies," he said. Obama added that both Modi and he have also agreed to a "new vision for Asia Pacific". The first framework agreement, which expires this year, was signed in the US in 2005 by the then Defence Minister Pranab Mukherjee and his US counterpart in the previous George W.Bush administration, Donald Rumsfeld.

Source: Business Standard

Energy Cos Need to Invest More in R&D, says Pachauri

State-owned energy companies need to enhance investment in research and development (R&D) in renewable sources of energy, TERI's director general and environmental scientist Rajendra Kumar Pachauri said on Sunday.

"…I think in the renewable energy field I would like to see some of the energy companies in this country to invest a lot more. Whether it is ONGC, Oil India or Indian Oil, or even some of the power companies, they should be investing a lot more in R&D, so that we can start preparing for non-fossil fuel-based energy supplies," Pachauri said here.

To boost the industry (renewable) sector, the government will have to come up with proactive policies, the banks and other financial institutions need to get involved and even overseas investment is required, he told reporters on the side-lines of an event that marked laying of foundation stone of Hyderabad campus of TERI (The Energy and Resources Institute) university.

"This (renewable) is a sector which has a huge market in India and if overseas investors can invest in renewable energy in India and if India can develop renewable energy technologies and use them in large scale that can also then be expanded to other developing and even developed countries. I see India becoming a leader in field of renewable energy globally," he said.

Pachauri, who is also TERI University's Chancellor, said: "We have to improve efficiency of energy use. Whether it is transport, building or industry sector there is enormous potential for bringing about efficiency improvement and it is something we need to do. At the same time, we also have to move towards greater use of renewable sources of energy."

"India has enormous potential (in renewable energy) and through this university we will create right

kind of expertise and knowledge as these are new areas where you will need highly skilled man power," he said.

"Our focus in this campus is going to be essentially on renewable energy technologies. We believe that India can become the renewable energy capital… We have abundant sunshine. I hope this university would be able to help provide the huge amount of skills and expertise," Pachauri added.

Source: The Economic Times

Modi's Make in India' knocks on realty door

Buoyed by the positive cues from the government and economy, the real estate market in India is gaining momentum, receiving funds and generating greater investor interest.

"Things are looking up. The outlook is positive and we expect the sector to see bright days ahead," an industry source told Steel Insights.

While the prices have remained firm in recent months, what has been ailing the market is lack of demand for new units in both residential and commercial segments. This in turn had slowed down the launch of new projects. However, the pro-industry stance taken by the NDA government and its strong focus on infrastructure and manufacturing seem to bring the investors back to the market, the source said.

Recently, a number of big ticket investments have been reported in the realty vertical. According to a report by property consultant CBRE, the Indian realty market has received funds worth $4.5 billion from institutional investors during January-September 2014. Out of the total investments, the majority part has flown into greenfield and brownfield property development projects. Among the Indian cities, Mumbai has attracted the highest investments, followed by Delhi and Bangalore. The commercial office segment has attracted more than 20 percent of this investment amount during the period, the study says.

This was in line with the growth in real estate investments in Asia Pacific region which witnessed a 40 percent increase during the June-September quarter on a quarterly basis, adds the report.

Also, major funds have flown into realty related segments. For instance, News Corp has recently announced its first deal in India of $30 million shelled out for a 25 percent stake in Elara, the start-up that runs realty site PropTiger.com. Likewise, IndiaHomes.com is raising an additional $50 million from the existing investors New Enterprise Association (NEA) and Foundation Capital.

Adding to the upbeat sentiment, the bifurcation of Andhra Pradesh has come as a timely boost for the real estate industry in the region, market sources said. New constructions are coming up in a big way in several districts and also the new capital region of Telengana. Land prices have soared as land registrations have seen a sudden increase post bifurcation.

'Make in India' factor

In the meantime, the NDA government's 'Make in India' campaign appears to have caught the fancy of the domestic manufacturing industry as well as overseas investors, the sources said.

"Investors seem interested to pay heed to the government's campaign. The number of enquiries for new project sites is on the rise. They look keen to invest in completed and well-leased commercial office spaces and IT parks," they said.

The major beneficiaries of this drive could be the big metros like Mumbai, Delhi and Bangalore and also smaller industry hubs such as Pune, Bhopal, Bhubaneswar and Indore, among others. "Overall the realty sector looks poised to embrace better days, going ahead. We expect the positive sentiment to translate into higher volumes and firm prices within the next six months," said a sector analyst in Mumbai.

Source: Steel Insights

TECHNICAL TALK ON RISK MANAGEMENT ON 24.1.2015

A Technical Talk on "Risk Management in Capital Projects and its Mitigation in Public Sector Undertakings" was organised at our Chapter on 24th January 2015. Shri KL Mehrotra, Former CMD MOIL and Vice Chairman of Delhi Chapter of IIM, gave a presentation on the above subject.

In his opening remarks, Shri K L Mehrotra stated that a risk is anything that may affect the achievement of an organisation's objectives. He stated that risk management protects and adds value to the organisation and its stakeholders through supporting the organisation's objectives.

In his presentation, Shri Mehrotra spoke on the process of Risk Management which are as under:

❖ Risk Identification	❖ Risk Quantification	❖ Risk Prevention/Mitigation &
❖ Risk Analysis	❖ Risk Prioritisation	❖ Risk Minimisation

He stated that Risk Management is critical to all levels of decisions. He touched upon the various kinds of risks which are:

❖ Project Risks	❖ Liquidity Risk	❖ Legal Risks
❖ Management and Operations Risks	❖ IT Systems risks	❖ Disaster Risks
❖ Credit Risk	❖ Market Risks	Political Risks

He dwelt upon the Project Risks associated with an enterprises and are as under:

❖ Funding Risks	❖ Completion Risks
❖ Syndication Risks	❖ Infrastructural Risks
❖ Implementation Risk	❖ Environmental Risks
❖ Project Cost Over-ruin Risks	❖ Political Risks
❖ Engineering Risks	❖ Force Majeure Risks

He also briefly explained the various facets of risks associated with Management and Operations Risks, Credit Risks, Liquidity Risks, IT Systems risks, Market Risks, Legal Risks, Disaster Risks and Political Risks.

He also touched upon the Risk Mitigation/Derisking strategies, Risk Classification and Risk transfer issues. Issues of Risk Planning and Risk Manual were also brought out by him in his presentation.

He also gave a number of examples of risk management.

The talk was very informative and created a lot of interest. The Talk was attended by about 25 members of Delhi Chapter of IIM.

The presentation concluded with lunch.

The more you look backward, the less you'll see forward

Yesterday ended last night. So, today it is more valuable to look ahead and prepare than to look back and regret. Don't let regrets your dreams. "A man is not old until regrets take the place of dreams". Regret looks back. Worry looks around. Vision looks up.

Life can be understood backward, but it must be lived forward. If past history were all that mattered, librarians would be the only successful people in the world. The past should only be viewed with gratitude for the good things. So, look backward with gratitude and forward with confidence. Your past is the start of your fresh start.

Consider what Vivian Laramore said. "I've shut the door on yesterday and thrown the key away-tomorrow holds no fears for me, since I've found today." Use the past as a launching pad, not a lawn chair. Dreams of the future are more valuable than the history of the past.

Experience is at best yesterday's answer to today's problem. Your past is not your potential. Never build your future around your past. The past is over. To succeed, you must be willing to shed part of your previous life.

"Keep your eye on the road, and use your rear-view mirror only to avoid trouble". Stop taking journeys into the past. Don't make the mistake of letting yesterday use up too much of today.

It is more valuable to look where you're going than to see where you've been. Don't see your future only from the perspective of yesterday. It's too easy to limit everything and hinder the dream within you. "The past should be a springboard, not a hammock." You can never plan the future by just looking at the past. Those to whom yesterday still looks big aren't doing much today.

Your future contains more happiness than any past you can remember. Don't look at your past to determine your future. You can't walk backward into the future. True misery can be found by being a yesterday person trying to get along with a tomorrow world. Don't let your past mistakes become memorials. They should be cremated, not embalmed.

Those who predominantly talk about the past are going backward. Those who talk about the present are usually just maintaining. But those who talk about the future are growing.

Some people stay so far in the past that the future is gone before they get there. The future frightens only those who prefer living in the past. No one has ever backed into prosperity. You can't have a better tomorrow if you are thinking about yesterday today. Yesterday has passed forever and is beyond our control. What lies behind us is insignificant compared to what lies ahead.

This is the eighth 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

CHAPTER LEVEL NMD CELEBRATIONS

The Chapter level NMD was celebrated at IIM DC on 10th January 2015. Shri SS Mohanty, Director (Tech) SAIL and Vice President IIM was the Chief Guest on the occasion.

At the outset, Chairman and Vice Chairmen took the Chief Guest around the various infrastructure facilities available at the Chapter.

On the eve of Chapter level NMD, it was decided to honour the following members of IIM DC who made significant contribution to the cause of Metallurgical profession and to the activities of the Delhi Chapter with suitable awards:

a) Dr GN Mohanty

b) Shri PK Chatterjee

c) Shri RK Gupta and

d) Shri ACR Das

On account of unforeseen circumstances, Shri P K Chatterjee, could not come for the event. He sent in his apologies for not being able to attend the function.

To start with Shri SC Suri, Chairman, requested Shri V C Singhal, Vice Chairman, to welcome Shri S S Mohanty with bouquet.

Shri SC Suri, Chairman, welcomed all the dignitaries and briefly informed the participants about the activities of Delhi Chapter.

Shri KL Mehrotra, Vice Chairman, IIM DC, spoke about the institution of Chapter level award in 2011. Thereafter the contribution of Dr GN Mohanty, Shri PK Chatterjee, Shri RK Gupta and Shri ACR Das in the Metallurgical profession and to the activities of the Chapter was narrated by him. Subsequently they were honoured with befitting mementoes by the Chief Guest on the occasion. However Shri PK Chatterjee was given the award in absentia as he could not make it to attend the event.

After receipt of the Award, Dr GN Mohanty thanked IIM DC for conferment of the award and spoke about his sixty years of experiences in the steel industry.

After receiving the Award, Shri RK Gupta spoke on his experiences in the metallurgical field and also about his experiences of his long association with the activities of the Chapter.

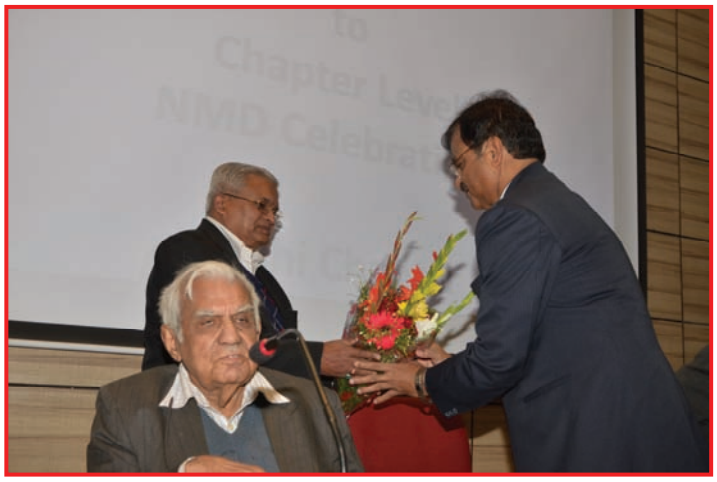
Shri ACR Das thanked the IIM DC Chapter for honouring him with the award. In his response address he touched upon his experiences of his working in the Rourkela Steel Plant, Bureau of Industrial Standards (BIS) and his 36 years of long innings in Ministry of Steel.

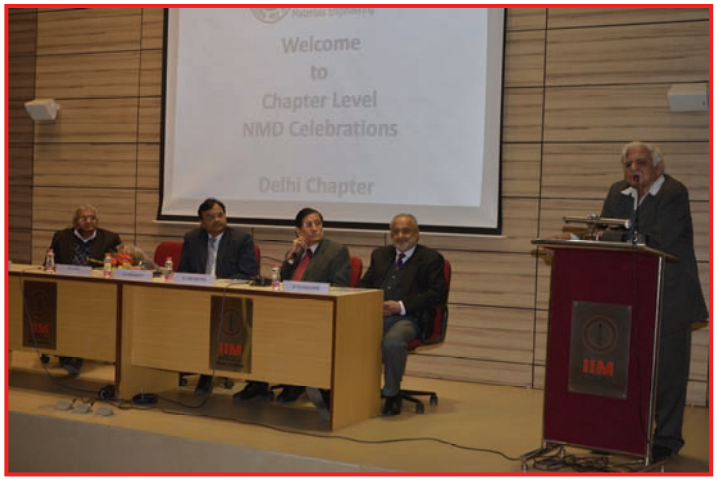
Shri SS Mohanty, Chief Guest of the event, expressed his happiness on the availability of infrastructure facilities at Delhi Chapter and complimented the Chapter for its adequate maintenance. In his address to the audience, he spoke about the need of skill development in the Steel Sector. He also stated about the need of involvement of IIM in skill development in the Steel Sector.

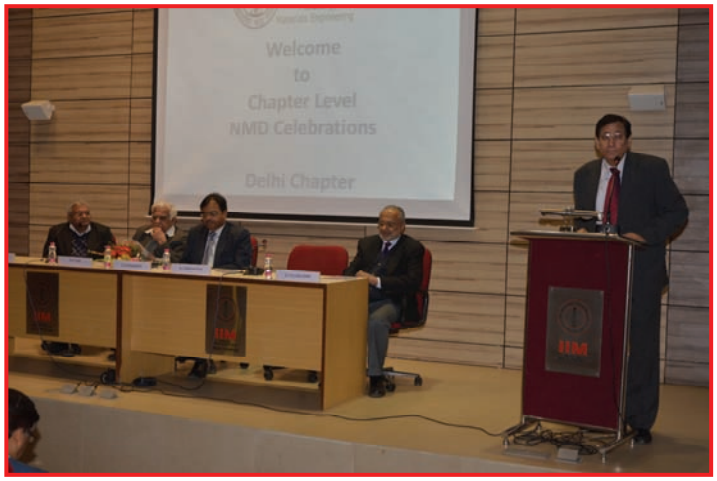
Shri GIS Chauhan, Hony Joint Secretary, proposed vote of thanks.

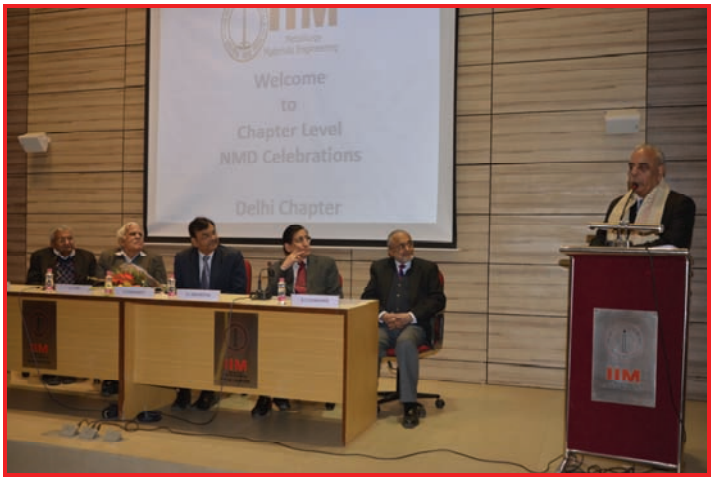
The event was attended by about 30 persons.

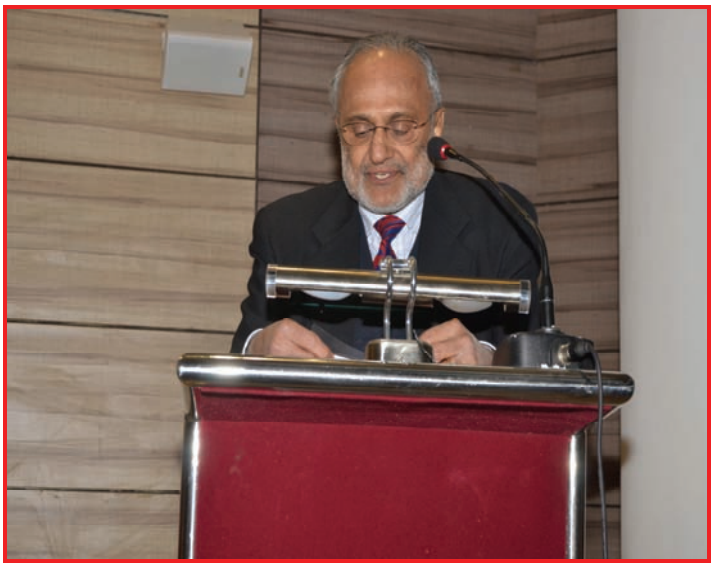
The function ended with lunch.








Welcome
to
Chapter Level
NMD Celebrations
Delhi Chapter

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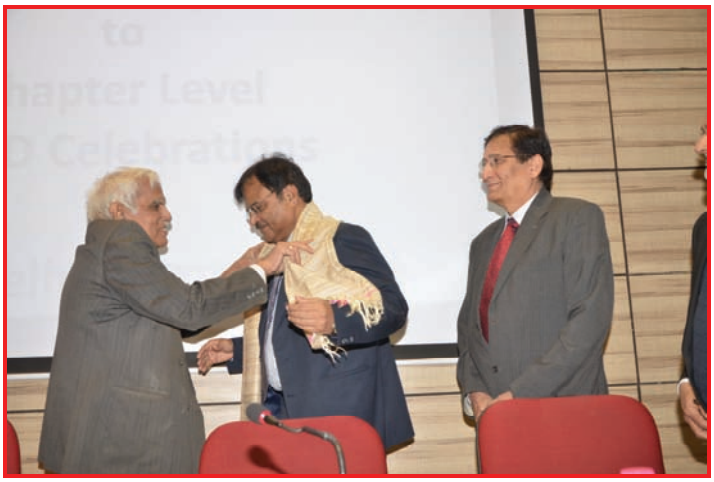

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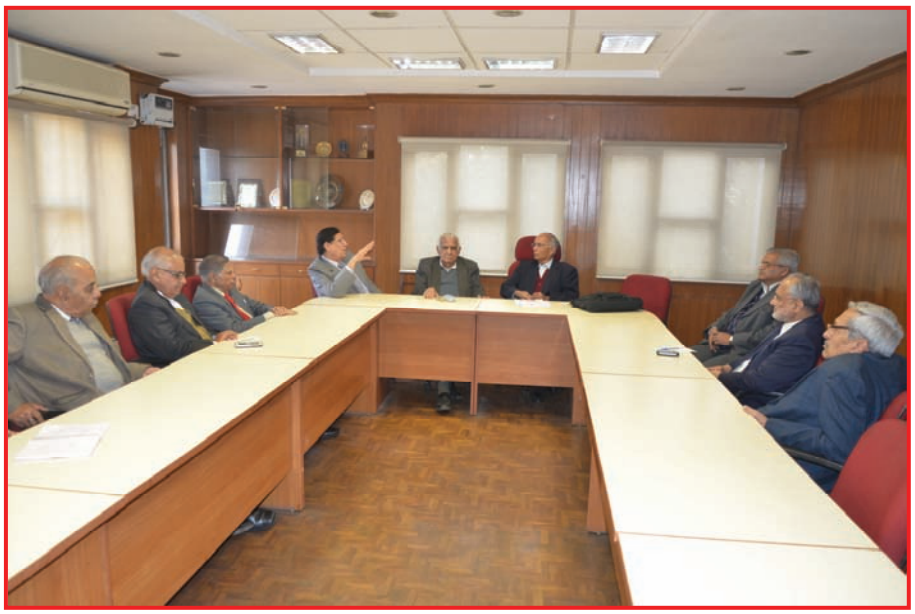
Technical Interaction of members of Delhi Chapter with Prof. Pradeep K. Rohatgi

Prof. Pradeep K Rohatgi is a Distinguished Professor in University of Wisconsin-Milwaukee, USA. He was in India recently for a few days. He was requested to visit our Chapter for interaction with Members of the Executive Committee. He was kind enough to give his consent for visiting our Chapter and interacting with us.



A meeting of some of the members of the Executive Committee was held at our Chapter on 17th January 2015 with Prof Rohatgi.

The proceedings of the meeting are as under:

- Chairman IIM Delhi Chapter welcomed Professor Rohatgi to IIM Delhi and briefed the members about the background of Prof. Rohatgi and love for India, since he went to US. He also explained the reason of Professor Rohatgi being here.
- Professor Rohtagi recounted his days and association with CSIR and how he not only played a pivotal role in growth of CSIR but also set up ISRO labs at Trivandrum and

Bhopal which still have the latest facilities, many of which are not in his Lab at Wisconsin Prof. Rohatgi also worked as a Professor at IISc Bangalore for five years.

- The Professor emphasised that Scientists of Indian origin are doyens in the field of Material Science in US and are doing excellent research work. They wish to interact and initiate projects, collaborations, technical consultancy, professional work, technology transfer on many material science based projects which are the needs of India to enable grow the domestic industry as well as serve global industry.

- He also opined that as per him the number of papers coming in from India still constitutes a phenomenal share on the global scene and is seen with awe and admiration.

- He feels IIM, especially Delhi Chapter can play a pivotal role in identifying local entrepreneurs who could be ready to walk hand in hand with Indian scientists like him from US and develop indigenous capabilities to develop prototypes and products to cater to domestic and global industry. He was sure that lab and developments costs here in India for developing prototypes and products is so low that one would not have to invest much vis a vis money needed in US, to go ahead and implement the project to produce world standard products here.

- While Shri. K L Mehrotra, VC, IIM Delhi was of the opinion that much is needed to be done in construction of low cost housing for masses, Prof Rohatgi opined opportunity exists right here to start with auto sector where opportunities are already identified.

- Shri Mehrotra insisted that he can drive the projects with NBCC and Bharat Dynamics as he is on the board of these companies and shall propose working with Prof Rohtagi to develop products through collaboration here.

- Professor Rohtagi made a brief power point presentation to show where the world is going in development of metal composites with fly ash and other material and why it is both cheaper and better as compared to other products.

- Besides light weighting of vehicles, high strength components, energy absorbing materials and insulation properties, use in development of lead plates with low lead content for batteries were other areas which appear promising here.

- Professor Rohatgi concluded with an offer to send the literature and react to any opportunity forwarded by Chairman and Vice Chairman IIM Delhi after his return to USA.

- The members profusely thanked Prof. Rohatgi for sparing his time for informative interaction.

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