

Pellet makers a worried lot as ore prices surge

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Pellet makers are grappling with a double blow, rise in the cost of key inputs like iron ore fines and furnace oil, and falling realisations in exports to China. With most pellet makers operating at depleted capacities and some even shutting operations, the latest increase in iron ore fines rate in Odisha is said to have stifled manufacturers. Most miners in the state have announced a price rise of ₹100-200 per tonne for high grade fines (with iron content of 62 per cent and above) and others are expected to follow.

The margins of pellet manufacturers are already under stress because of the rise in prices of furnace oil as a fall out of increase in global crude oil prices. Besides, falling export prices of pellets, especially of shipments to China, have added to their woes. Increase in furnace oil prices has triggered a ₹50 per tonne increase in production cost. Price of pellets exported to China have dipped \$6-7 a tonne.

H Shivramkrishnan, director (commercial), Essar Steel, said, "There is a marginal increase in prices of iron ore fines in Odisha. However, NMDC (National Mineral Development Corporation) prices continue to be higher. This will impact the cost of steel production.



However, we feel the increase in prices of iron ore fines is not sustainable due to softening of prices globally." Odisha miners have upped prices at a time when international prices have fallen 10 per cent in a month and six per cent since the beginning of September.

Essar Steel is the largest pellet producer in the country with a combined nameplate capacity of 14 million tonne per annum (mtpa).

After the revision, iron ore fines (with iron ore content of 62.5 per cent) are priced in the band of ₹1,100-1,200 per tonne. Prices of superior grade fines (average iron content of 64 per cent) sold by NMDC are around ₹1,400 per tonne. However, bench-

mark prices of 62 per cent grade fines in the international market have started to plunge to \$55 a tonne.

"The value addition industries are already incurring heavy losses, adversely impacting the livelihood of locals on the downstream side, and very soon job cuts will compound the problem of gainful employment. Further, the increase in prices of raw material, done by merchant miners, raging from ₹100-200 per tonne will be hazardous for sponge, pellet and steel industries," said Manish Kharbanda, executive director and group head (mines & minerals) at Jindal Steel & Power (JSPL).

He suggested that the Odisha

DOUBLE BLOW FOR PELLET INDUSTRY

- Odisha miners raise iron ore fines prices by up to ₹200 per tonne
- Prices of pellets exported to China falls \$6-7 a tonne
- Hike in furnace oil price raises cost of production by ₹50 per tonne
- Cost of pellet production to go up to ₹2,900-3,200 per tonne after input cost hike

government enforce iron ore production as per approved EC (environment clearance) limits to ensure greater supply in the market. JSPL runs a pellet unit at Barbil (Odisha) with a rated capacity of 10 mtpa. It is one of the largest buyers of ore. With input costs heading north, the average cost of production of pellets would now be in the range of ₹2,900-3,200 per tonne. Most pellet makers are bleeding cash because of steep increase raw material prices. Revival in Chinese in the past two months have enabled exporters to find some comfort but exports were still unprofitable, especially after the recent crash in export prices.