

Steel min for separate auctions of iron ore mines for users & traders

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THE STEEL MINISTRY wants separate auctions of iron ore mines for end-users and traders, on the lines of the system being followed for coal mines. It is likely to send a proposal to this effect to the ministry of mines soon, official sources said. It is hoped that the slugfest between steel makers and miners over the former's allegations of shortages in iron ore supplies and "unbridled pricing" will come to end once the proposal is implemented.

Following widespread irregularities in allocation of mines, the present dispensation has made the auction route mandatory for allocation of all natural resources including coal and iron ore. There are separate auctions for captive coal mines and other mines.

The steel ministry feels that a similar system for iron ore mines will not only ensure that the domestic steel industry reaps benefits of the country's inherent advantage, but also will lead to



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optimisation of prices. Currently, iron ore miners are allocated only through the auction route, aimed at ensuring transparency; but in the process secondary steel producers lose out and end up buying costlier iron ore which often erodes their profitability. Secondary firms produce around 57% of the Indian steel. "We want iron ore mine for every steel

plant. We are not talking of capping the iron ore price. But, our suggestion is that there should be a difference between profit and profiteering. We want iron ore mines to be auctioned separately for end-users and mercantile miners," steel secretary Aruna Sharma told *FE*.

Mercantile miners on their part can take part in the exclusive auction for them and might benefit from reduced competition from captive users. The cost advantage could increase their capital investments in pelletisation and enable them to tap export markets for better returns.

Iron-ore accounts for 10% of the cost of steel-making for SAIL and Tata Steel which have 100% captive iron-ore, while for others which buy this raw material, the cost could be 20-25%. It takes 1.6 tonne iron-ore to produce one tonne of iron. India produced around 97 MT of steel last year; however, more than half of it was through the induction furnace route, which does not require iron-ore as raw material.