

Iron ore output may fall 15%, after 2 years of growth

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Iron ore production in the country is projected to fall 15 per cent in 2017-18, after rising since 2014-15. Closure of seven working mines in Odisha and less production in Goa will weigh on total output.

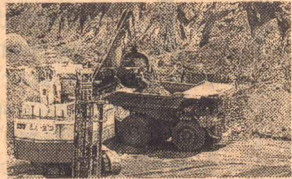
The shunting out of operations of seven operating leases in Odisha from January 1 will have an impact as their combined annual capacity is 20 million tonnes.

These were closed as the leaseholders failed to pay the Supreme Court (SC)-mandated compensation for overproduction by the December 31 deadline. The production loss would be reflected in the March quarter. Odisha is the country's largest producer, contributing 102 mt to the pan-India output of 191 mt in FY17. "The (country's) output impacted could be 15-20 per cent," said the Federation of Indian Mineral Industries (Fimi) in an e-mail response to *Business Standard's* query.

Last month, the SC had raised the annual cap on iron ore mining in Karnataka to 30 million tonnes but Fimi says this will mean only a marginal rise in production from that state.

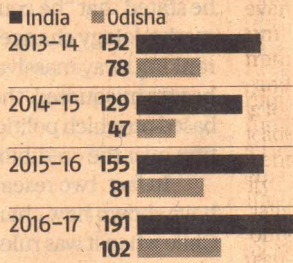
The previous yearly fall in the country's iron ore production was in 2014-15, when it fell 15 per cent to 129 mt, from 152 mt in 2013-14.

Data from the Union mines ministry shows the country's output was 108 mt at the end of October, the first seven months of the financial



SNAPSHOT

Iron ore production of India and Odisha (in mn tonne)



Source: Union mines ministry

year. Odisha had till end-December produced 78 mt, almost the same rate as the previous year. It has an environmentally-approved limit of 120 mt for its working mines. The total environmental cap is 180 mt.

During 2016-17, the domestic demand was 112.5 mt. In 2017-18, this is estimated by Fimi to rise by seven or eight per cent. Export was 30.5 mt in FY17; in the first five months of FY18, this was 10.1 mt. This year's total is likely to be much less than last year.

"The fall in export will be due to likely lesser shipment from Goa and continuation of export duty of 30 per cent on ore with iron grade above 58 per cent. There is a huge stock of ore at mine-heads, mainly of fines of this grade, in Odisha and Jharkhand," says Fimi.