Small, medium units in iron ore, steel sectors seek Govt support

MSME players want government to ensure availability of iron ore/pellets at competitive prices

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While the auction regime for allocation of iron ore mining is good for the country, it has adversely impacted the prospects of MSMEs, as most of the large companies bag the mining rights, according to some mining sector players.

More than 500 MSMEs, small merchant pellet plants engaged in the sponge iron, pig iron, casting and foundry businesses, have been impacted due to rise in prices of iron ore and pellets as bigger companies have garnered mines in the mineral block auctions.

Call for subsidy

Sharing his perspective, Basant Poddar, Mentor, Federation of Indian Mineral Industries, says, “The Government may need to give subsidy to MSME sector in order to see that they are operational either by ensuring availability of iron ore/pellets at competitive prices (lesser than the market price) for sustainability in the short run and then gradual removal of subsidy after ensuring stability.”

Due to expiry of existing leases and allocation of new mines to big companies for their captive requirements, small units that were being supplied ore have been adversely impacted, Poddar, who is the Director of Mineral Enterprises Ltd, told Business Line.

“Apart from the iron ore mining industry being impacted by various policy and procedural issues, the country is now left with lower grade of reserves and resources with 5 per cent Fe content compared to 62 per cent Fe which we are currently extracting. Going forward, it will necessitate the process of beneficiation,” he explains.

The cost of production is going up because of increasing depth of open pit working apart from higher auction premiums quoted in mineral block auction by captive users which will put more pressure on the industry.

As per National Steel Policy, 2017, crude steel production is likely to touch 255 mt and finished steel production 230 mt by 2031. However, by 2031, in India, consumption is likely to be 206 mntand 24 mt will be exported. While India was a net exporter during FY17 and FY18, it became a net importer in FY19.

During FY18, ₹34,262.89 crore worth iron ore was produced. As per industry estimates, the value of iron ore produced in FY-19 is around ₹44,116 crore, the provisional estimates of Gross Value Added (at 2011-12 prices) accrued from mining and quarrying sector for 2018-19 is at ₹370,564 crore and for 2018-19 it is at ₹410,151 crore.

India production

India overtook Japan and became the second largest crude steel producer at 110.91 million tonnes after China, which stands at 996 million tonnes, in 2019.
In Karnataka, the overall production cap of 35 mt as per the Supreme Court guidelines has restricted production in spite of having approval for higher capacity. While the auction system has eliminated long-term contracts, the export ban is depriving mining industry of competitive pricing.