

Govt mulls advisory group for NMDC on iron ore pricing

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The steel ministry is considering an advisory group for public sector miner NMDC to rein in any potential price surge in iron ore, sources said.

Iron ore prices have been on an uptrend for a while. The idea is to check input costs so that steel companies, on the threshold of recovery, are not impacted.

Globally, iron ore prices have increased from \$43.45 to \$88 a tonne in one year. NMDC prices have increased by 35 per cent during the period.

Ore producers are apprehensive that an effort to control NMDC prices would impact private sector producers as well, since NMDC is the largest iron ore producer. Though a mining company, NMDC happens to be under the ministry of steel.

ICRA Senior Vice President Jayanta Roy said despite an upward trend, domestic iron ore prices are at a significant discount



to international prices.

Iron ore, along with coking coal, accounts for about 75 per cent of the input cost of steel. Coking coal prices have been volatile over the past year because 70 per cent of the steel industry's requirements are met through imports. Spot coking coal prices had increased from \$90 a tonne last July to \$310 towards the end of 2016 and are now around \$160 a tonne. The

SURGING PRICES

Global iron ore (\$/tonne)



NMDC ore (₹/tonne)



Sources: Industry and BSE

increase had compounded problems for steel companies.

Indian Steel Association Secretary General Sanak Mishra said the discussion on NMDC iron ore pricing had been taken up. "A mechanism needs to be devised so that NMDC can maintain profits and so can steel companies. NMDC is a major supplier to RINL and private sector steel companies."

Some steel producers cited a

situation in 2007 to the early part of 2008, when they were asked to reduce prices to tackle inflation.

Since the second half of 2008, the steel sector has been in doldrums. Cheaper import and uncertainty over raw material supply aggravated the situation in the last two years. But the government stepped in with a slew of measures — safeguard duty, minimum import price and provisional anti-dumping duty — to help the steel sector from a crisis situation. "A provisional anti-dumping duty was imposed in 2016, which has been extended. The industry is awaiting a final decision before expiry of the current term," Roy said.

The crisis in the steel sector has resulted in it being one of the largest contributors to non-performing assets of banks. "Steel companies should be profitable at existing commodity prices but cash flows may not be strong enough to fully service debt, especially for those with a highly leveraged capital structure," Roy explained.