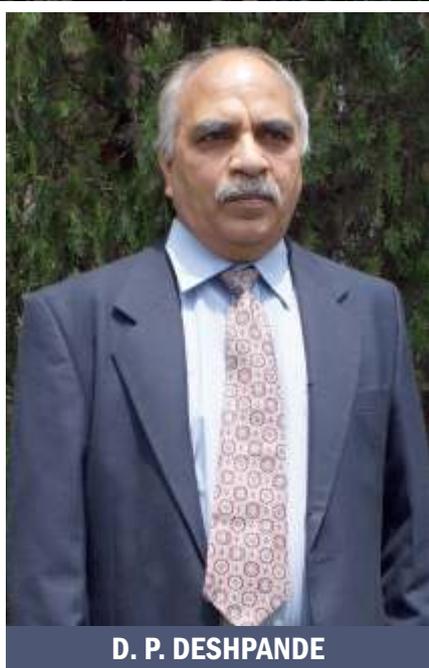


Situation in **Sponge Industry** is Not Very Good

- **D. P. DESHPANDE** - Managing Director, Tata Sponge Iron Ltd



D. P. DESHPANDE

Tata Sponge, which has its manufacturing facility at Bilaipada (in Joda Block of Keonjhar District in Orissa), was initially set up as a joint venture company between Tata Steel and the Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL). It has moved on since, becoming an associate company of Tata Steel following the former's acquisition of IPICOL's stake in 1991. The origins of Tata Sponge can be traced to a groundbreaking effort by Tata Steel to industrialise a backward area of Orissa. Tata Steel proposed to do this by introducing an innovative technology for making sponge iron - Tisco Direct Reduction

(TDR), developed by its Research and Development Division.

As the first Indian Sponge Iron Company to be accredited with ISO 9002 certification, Tata Sponge Iron Limited produces premium & consistent quality sponge iron for its valued customers. The Company has emerged as one of the leaders among coal-based sponge iron suppliers in India, while winning customer compliments for consistency in supply and product quality. One of the prime factors that helped the company secure customers' preference is the Tata brand image. Add to this, the advantage of getting an assured supply of quality iron ore from Tata Steel, which ensures consistency in the quality of sponge iron thus produced and the trust reposed by customers and other stakeholders because of the high ethical values that Tata Sponge brings to its business.

Production of high and consistent quality of sponge iron by the Company facilitates steel makers to manufacture and maintain high quality of steel also, reducing their dependence on scrap, which is expensive and irregular in availability. A quality product with the necessary attributes delivered within a stipulated timeline acts as a driving force, taking the company forward.

The plant commissioned by Tata Sponge was initially designed to

facilitate a production capacity of 90,000 TPA, which was enhanced to 1,20,000 TPA during 1990-91.

Later, to cater to the growing demand of quality sponge iron, Tata Sponge increased its capacity by adding a second kiln of equivalent capacity in 1998-99. A third kiln of 150,000 TPA capacity was commissioned in 2005-06.

In December, 2001 Tata Sponge commissioned a 7.5 MW captive power plant to produce electricity from the waste heat of exit gases of its Kiln No.2. This helped the company to become self sufficient in power. A second power plant of 18.5 MW fed by the waste heat generated by Kiln No. 1 & 3 was commissioned in November, 2006. Revenues earned by the sale of surplus power generated from the power plants add to the profitability of the company, besides keeping the environment free of thermal pollution. Tata Sponge is among the first sponge iron enterprises to have earned carbon credits.

"The spurt or the revival of sponge iron demand in the past few months can be attributed to steel prices staying higher, despite dropping demand and lower competitiveness of imported scrap, owing to expensive dollar and increasing freight," says **D.P. Deshpande - Managing Director, Tata Sponge Iron Ltd** in an exclusive interview with Steelworld. Excerpts:



What is the present situation in the Indian sponge iron industry ?

- In short, the situation for the sponge iron industry currently is not very good. There are three main issues which are bothering the industry, (1) The poor demand of downstream customer steel business creating inability for the customers to pay required higher price. (2) Un-availability of iron ore, leave out the good quality iron ore, (3) Poor and discounted receptivity to P- DRI. All put together, one is left with no to negative margin, in making sponge iron from iron ore or pellets at the prevailing market price. We, at Tata Sponge, decided to import a shipload of iron ore two months ago, therefore we can see the possibility of the plant continuing to be in operation. Else feeding the plant with requisite tonnage is also getting increasingly difficult.

The creeping cost of diesel and increasing cost of logistics

Why do you think that the demand for sponge iron has revived in the past months suddenly?

- The spurt or the revival of sponge iron demand in the past few months can be attributed to steel prices staying higher, despite dropping demand and lower competitiveness of imported scrap, owing to expensive dollar and increasing freight.

Do you think there is a need for major investments in the industry at present?

- The industry has earned a bad reputation of



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Managing Director, Tata Sponge Iron Ltd

being a highly polluted industry. It is an unfair label to it, given that many plants have ESPs and waste heat recovery systems. Organisations that do not have these facilities, of course, need to invest in them to earn a right to continue. The smaller kilns may have to make way for kilns of higher capital and labour productivities. The industry needs to arm itself with means to create raw material stability and security. And this will necessitate big investment.

Sponge iron prices are going up by 3-5% due to spurt in steel consumption by steel mills. Your comment ?

- This will happen when the steel demand spurts up. Currently there are no such signs visible.

Non-availability of power is a major hurdle faced in many states. What support the industry needs in this regard?

- This is not so much of a problem for most of the sponge iron plants, for they generate their own power needs. Those who are not equipped with this facility, however would have hard times. The iron ore shortage coupled with power shortages would pull down their capacity utilisation by a large percentage.

What are growth / expansion plans of Tata Sponge Ltd. ?

- Currently, Tata Sponge is looking for an attractive investing opportunity in the upstream or downstream value chain.