



Uncertain Future for Indian Sponge Iron Industry

Deependra Kashiva is an engineering graduate in Metallurgy with more than 42 years experience. He started his career as a production manager in a private sector steel plant. After working in several steel plants in different capacities, he joined Ministry of Steel. In 2010, he retired from the Ministry of Steel from the post of Additional Industrial Advisor. Mr Kashiva has been associated with the Indian DRI industry right from its inception in 1980's. After the retirement, he

worked for about a year in UNDP-GEF Steel Project. Presently, Mr. Kashiva is working in Sponge Iron Manufacturers Association (SIMA) as Executive Director.

“In view of the visible constraints pertaining to availability of land, finance, raw materials infrastructure constraints etc. It is going to be difficult to achieve 300 million tonnes steel production capacity target by 2025”, says **Deependra Kashiva- Executive Director,**

SIMA in an exclusive interview with **Steelworld.**

Excerpts



Deependra Kashiva

Tell us something about the structure, objectives & the activities of SIMA.

- Sponge iron manufacturers association (SIMA) established in 1992 is an all India apex body of Indian Sponge Iron Industry. There are about 100 direct members and about 150 indirect members through regional associations. All major sponge iron producers like Essar Steel, Tata Sponge, JSW Steel, JSPL, Monnet Ispat, Bhushan Steel, Bhushan power & Steel, Visa Steel, Sarda Mineral and Energy, Godawari Power & Ispat, Welspun Steel, BMM Ispat, Lloyds Metal, Jayaswal Neco etc, are its members.

Main objectives of SIMA are to fulfill the multi-dimensional role of providing a common platform for exchanging knowledge, experience and growth related aspects, to review the industry vis-a-vis Government policies, global developments and market feasibilities, to interface with Government to

promote and protect the ever growing needs of the members in fast changing business environment. Besides these, it maintains updated database from the national & international point of view to keep the members informed of growth possibilities and future prospects for decision making. It also projects the achievements of the members and industry with an objective to create a corporate image for sponge iron industry's contribution both in domestic and global scenario. Off late, it has started working as a knowledge partner to its members.

SIMA also regularly brings out an in house magazine "DRI UPDATE" with a clear focus on technological innovations. Since last four years SIMA has started organizing international conference in Delhi and regional workshops/conferences/seminars.

How is the present situation in global and Indian sponge iron industry?

- All over the world there is growing trend to switch over from conventional blast furnace route to sponge iron route resulting continuous increase in world sponge iron production. Though officially it has not been yet announced but as per available indication sponge iron production in 2014 is expected to be about 76 million tonnes, highest ever in the history of world sponge iron industry. On the contrary production in India is continuously coming down due to various reasons like scarcity and high cost of raw materials, sluggish market conditions etc.

Today, India is the largest producer of sponge iron in the world. What factors contributed to this achievement?

- From 2003-04, steel demand started increasing in the double digit whereas steel production was increasing in single digit. Normally, it takes more than 10 years in India for a conventional integrated steel plant to start the production. Indian Entrepreneurs took advantage of this situation and set up sponge iron plants in the vicinity of iron ore/coal mines particularly in the states of Chhattisgarh, Odisha, Jharkhand and Karnataka. Low gestation period, lower capital cost, indigenously available raw materials & technology and ready market fueled the growth of Indian sponge iron industry.

What is the present structure of sponge iron industry in the country? Why gas based sponge iron making capacity is not growing compared to coal based SI capacity?



- Presently, there are five gas based sponge iron plants and 369 coal based sponge iron plants in the country. No natural gas based sponge iron plants has come up in the country during the last 21 years because of the non availability of the natural gas. Due to change in the priorities accorded by the Government in the allocation and supply of natural gas, even the existing 3 natural gas based plants are struggling to survive. These plants are hardly getting 15% of natural gas of their requirement. It is a matter of great satisfaction that one syn-gas and one corex gas based sponge iron plants were commissioned during 2014-15. I do not foresee any further development in the gas based sponge iron industry except that coke oven gas may also be used in near future to partially substitute natural gas.

It can be said that sponge iron industry is a satellite industry of steel sector. How do you see the future of steel and also sponge iron industry in India?

- Indian iron & steel industry is presently at cross road. At the one hand Government is anticipating 300 million tonnes steel production capacity by 2025 from the current level of about 100 million tonnes, on the other hand at the current level iron & steel producers are facing tremendous problems on several fronts be it marketing, raw material availability, finance etc resulting hardly 80% capacity utilization. Recently, Government has taken some major policy decisions like Coal Mines (Special Provisions) Act, 2015 Mines and Minerals (Development and Regulation) Amendment Act, 2015 and auctioning of coal linkages to the unregulated sector like iron & steel, cement, captive power plants etc. through competitive bidding. However, the impact of these major policy changes would be visible after sometime. But one thing is clear that the cost of natural resources like iron ore and coal, two major cost component of sponge iron production, are going to increase

considerably. It is also not yet clear how the requirement of small players would be taken care of as they would not be able to compete with major players in the auctioning of natural resources like iron ore and coal. Due to these uncertainties, I am unable to foresee future growth aspects of the Indian sponge iron industry.

Today, which are the major issues facing sponge iron industry in India? What proposals SIMA have to resolve them?

Ans. Uncertainty about the availability of iron ore and non coking coal and their prices are the two major worries of the sponge iron producers. There are many other important issues like restricted availability of natural gas, racks, saturated ports, high transportation cost, over exposure of banks & FIIs which are hurting the growth prospects of sponge iron industry. Time to time, SIMA has been raising these issues with the concern authorities. We have been repeatedly assured of the sympathetic Government actions.

There is general apprehension about the Government vision of 300 million tonnes steel by 2025. What are your views?

- In view of the visible constraints pertaining to availability of land, finance, raw materials infrastructure constraints etc. it is going to be difficult to achieve 300 million tonnes steel production capacity target by 2025. However, there is no doubt that steel demand will grow substantially in future in view of the Government focus on infrastructure, housing etc. But to create right environment, Government should have a clear road map to achieve targeted level of steel Production capacity. Secondly, Government has to promote other process route like DRI-EAF / IF as blast furnace route alone cannot give targeted level of steel production as envisaged by them.