Steel Ministry mulls iron ore auction to rein in profiteering

With a view to curb profiteering by producers, the steel ministry is toying with the idea of holding separate auctions of iron ore for end users and the mercantile section similar to the e-auctions for coal supplies.

The idea behind this suggestion is to strike a difference between profit and profiteering through a formula that incorporates cost of ore plus a certain percentage of profit.

“What we in the ministry are trying to do is to distinguish between profit and profiteering. If you can think of some policy to have separate bids (for iron ore) for end use and the mercantile category, here we need the support of the state government. Even with National Mineral Development Corporation, (NMDC) which is a leading producer of iron ore, we are doing our homework,” said Aruna Sharma, steel secretary, while interacting with the Indian Chamber of Commerce (ICC)

Sharma said that separate auctions for sponge iron and the power sectors had helped in easing of prices.

She said that the cost differential between a steel producer with captive mines and the other with none worked to around Rs 2,000 per tonne. “That is a very big difference that can erode the viability of a steel plant,” she added.

“Moreover, when steel prices go up, mercantile iron ore prices are also hiked. I have been observing this for the last one year. Whatever benefit the steel plant can get in the process is lost and we become non-competitive, “she further said.

The country's manufacturing cost of steel was the second best in the world but sharp rise in input costs are adding to the industry woes.

Sharma was against amending the MMDR Act to check prices or iron ore. Iron ore pricing is on the top of our agenda. But pricing will depend on the mechanism of a floor price. It has nothing to do with an amendment in the law,” Sharma said.

Another key raw material in steel making is coking coal for which the steel industry is relying on imports, we are working on washeries and our aim is to replace 25 per cent of imported coking coal with domestic washed coal. High power cost is also a disadvantage. For reducing power cost, we are working with NTPC so that the steel industry can be treated as a separate entity like the railways,” Sharma said.

“With anti-dumping duty, we have been able to provide some protection to the steel industry and we hope that this will stabilise steel prices,” she said but warned that steel prices could not be exploitative given their implications on end applications.