

# Despite global dip in prices, steel firms pay higher royalty on iron ore

Bureau of Mines has not revised prices after May; CII wants pricing formula rejigged

SURESH PIYENGAR

Mumbai, August 11

The delay in fixing the average selling price of iron ore by the Indian Bureau of Mines (IBM) has put steel companies in a spot as they have to pay higher royalty even as iron ore prices are on a downtrend.

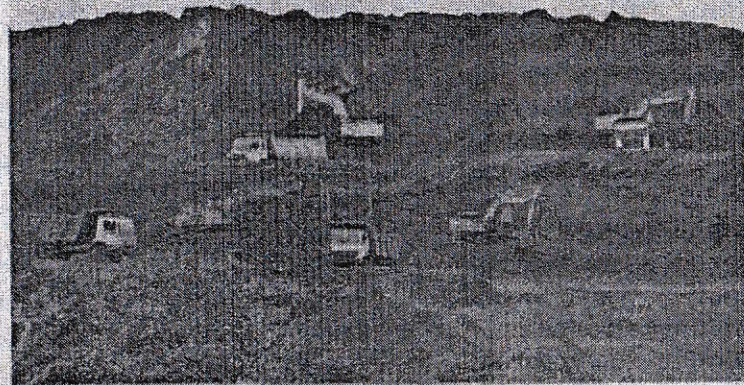
IBM announces average selling price of iron ore every month after taking into account the selling price of merchant miners. Captive miners including Tata Steel and JSW Steel have to pay royalty of 15 per cent of the average price to the government.

## Export halted

Royalty is the payment of tax to the government for the privilege granted for extraction

and processing of minerals. The Mines Bureau has announced the average iron ore price only up to May. Most of the merchant miners have stopped producing iron ore after the steep fall in iron ore prices and the levy of an unprecedented export duty of 50 per cent on low-grade iron ore and 45 per cent on iron ore pellets. This has completely stopped shipments of this key raw materials to the international markets.

Unlike captive miners, merchant miners - who have been allotted mines on a discretionary basis - have no obligation to produce certain quantity of iron ore monthly. The suspension of production by these mines has led to shortage or



The Indian Bureau of Mines announces average selling price of iron ore every month after taking into account the selling price of merchant miners

iron ore in the domestic market and jump in iron ore prices even as prices are falling globally.

Iron ore lumps (65 per cent iron content) prices in India has fallen 33 per cent to ₹4,100 a tonne in August from ₹6,100 a tonne logged in May while that of fines had plunged 44 per

cent to ₹2,910 a tonne against ₹5,160 a tonne in the same period.

IBM had in May fixed the average selling price of iron ore (65 per cent iron content) at ₹8,027 a tonne while that of fines at ₹5,440 a tonne.

Seshagiri Rao, Joint Managing Director, JSW Steel said

"Since the IBM has not lowered prices based on current trend, we have to pay higher royalty based on the last declared price which is higher. We have requested the government to correct this anomaly," he added.

## CII's representation

Meanwhile, the Confederation of Indian Industry has urged IBM to exclude the royalty, contribution to district mineral fund (DMF) and the national mineral exploration trust (NMET) from the price collated from merchant miners before calculating the monthly average selling price of iron ore.

In a recent representation to the Ministry of Mines, the CII has claimed that there has been double taxation in respect of charging of premium, royalty, contribution to DMF and NMET, leading to an overcharge of about 20 per cent on miners.