

Iron Ore may Be Pegged to Global Prices

OVERHAUL Move aims at plugging misclassification of the grade and making pricing mechanism more transparent

Twesh Mishra

New Delhi: The Centre plans to overhaul the iron ore pricing mechanism in the country, which could include linking domestically produced ore to prices on global indices and developing a national benchmark, in a bid to plug grade misclassifications and make pricing transparent and efficient.

"It's a step towards trying to resolve the average price and monthly accounts-based system to an international indexing system," V L Kantha Rao, secretary at the mines ministry told ET.

The government is looking at pegging ore prices to either London Metal Exchange (LME) or Platts

Iron Ore Index (IODEX) and developing a National Mineral Index, officials said.

The existing policy of allowing mining companies to self-declare iron ore prices is fraught with inefficiencies as well as loopholes that allow companies to suppress royalty payment to states by declaring the ore grade wrongly, they said. Thus, the proposed revamp will have significant ramifications for the states of Odisha, Chhattisgarh, Jharkhand and Karnataka, which produce around 96% of India's iron ore.

CURRENT MECHANISM UNDER GLARE

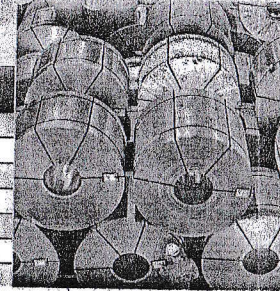
At present, the government accepts self-declaration of price by mining companies on the basis of sampling by authorised labs. The

Iron Out

IRON ORE PRODUCTION IN INDIA

FINANCIAL YEAR	QUANTITY (MN TONNES)	VALUE (₹ CRORE)
2023-24*	127.79	42,577.3
2022-23	257.85	79,930.61
2021-22	253.974	96,381.33
2020-21	205.042	52,729.25
2019-20	244.083	49,643.06
2018-19	206.495	45,346.58

*April to September; Source: Ministry of Mines



Indian Bureau of Mines (IBM) considers such self-declared prices to announce the average sale price (ASP) for different grades of the ore. However, there are wide variations in the sale price of similar ore grades by different miners, offici-

als said. Moreover, the ASP is declared by IBM with a lag. The September 2023 price, for example, was declared on December 5.

Also, they alleged, there is a tendency among mining companies to declare even the high-grade iron

ore as low grade to pay less royalty to the state government. Royalty from mining operations is pegged at 15% of the average sale price.

Delay in declaration of price by the mines bureau also hurts the industry. "Mining companies have to pay higher royalty and district mineral fund (DMF) contributions if it is established that the declared sale price of an ore varies from the IBM published ASP for the grade during the month under consideration," a representative from a large mining company said. "Due to the lag in publishing of ASP, net realisation to mining companies from ore sales are in a limbo for a longer period," the person said.

twesh.mishra@timesgroup.com