

Indian sponge iron mills pick Mozambican coal over pricier South African variants

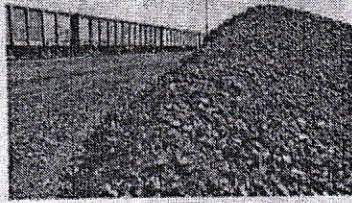
Orders for up to 60,000 tonnes have been placed by at least 10 mills

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At least 10 secondary steel and sponge iron mills, from Odisha and Chhattisgarh, have placed orders to the tune of 60,000 tonnes for coal from Mozambique. Another 50-odd have evinced interest in exploring the mineral as an alternative to the now pricier South African coal that has witnessed increased demand in European nations, following embargo on Russian supplies.

Compared to the high-end South African variant—also called RB2—the coal from Mozambique is priced 8-10 per cent cheaper. Called VT-1 or Vulcan Thermal grade 1, the coal finds usage in DRI (direct reduced iron) making, also called sponge iron. Trade sources tell



BusinessLine, 250,000 tonnes have been brought-in by a trading company with stocks landing at two different ports—Paradeep and Vizag. A part of the stock will be used by an Indian steel mill from whose captive mines it has been sourced.

60,000 tonnes booked

"So far 60,000 tonnes have been booked by sponge iron mills and secondary makers of Odisha and Chattisgarh. There are 50-odd enquiries so far. Apart from this, a steel mill use part of the stock," an official of the trading company said.

The current price of Mozambican being offered is around \$220 per tonne; and

also cheaper than the South African variant, currently priced between \$250-\$260 per tonne.

Australian coal does not find much usage because of kiln specification of Indian millers.

Mills explore alternatives

In the recent past, one of the larger Indian steel companies has experimented with the VT-1 grade coal. The results showed that average consumption for every tonne of sponge iron is 700-800 kg coal, or to produce 1,000 kgs of sponge iron around 800 kg of the coal is required.

Against this, requirement of Indian coking coal, sourced from Coal India is 1,500 kg/tonne (of sponge iron); while South African coking coal consumption is 700-800 kg/tonne.

Elevated global prices, slow pace of domestic coal deliveries to the sponge iron industry, are amongst the two reasons which saw sponge iron mills change buying patterns and

look for coal from Mozambique, Russia, among others.

Lack of mine linkage by Coal India is another concern that mills have raised time and again. Coal India's offerings through linkages are priced "substantially lower" than imported coal.

Lesser imports from S Africa

According to vessel line-up data by Coalmint, the coal vertical of Steelmint, shipments to India recorded a 35 per cent m-o-m fall to 960,000 tonnes in July. Imports into India began increasing in May following domestic coal supply crunch.

Price volatility of the RB 2 coal variant has been a concern for Indian mills. According to the report, South African coal imports "are likely to be under-pressure" amid elevated high calorific value coal prices. However, demand for low-calorific value ones (4800 NAR) remains strong, "following the rising blending ratios with alternate-origin coal".