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Reduction in iron ore freight rates won't help us: Vedanta

Company's first iron ore shipment set to sail in October

Aditi Divekar | Mumbai September 04, 2015 Last Updated at 11:37 IST



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Agarwal-led Vedanta Ltd, once the country's largest iron ore exporter in the private sector, says Indian Railways' move to slash iron ore freight rates to boost exports will not bring in any benefits for the company.

From September 8, Indian Railways has set the new distance charge at flat Rs 300 for all slabs for iron ore exported for production. The move has been largely made to help the mining sector get onto its feet after the ban three years ago.

“Our mines in Goa do not use railways at all for transportation purposes and in Karnataka there is still a ban on exports of the ore. Due to this, the slash in iron ore freight is of no use to Vedanta iron ore

operations. There is nil benefit from freight revision for us,” R Kishore Kumar, chief executive officer (iron ore business) told Business Standard.

Meanwhile, the company said it has resumed mining in Goa and is expected to have its first iron ore shipment sailed out in October.

Vedanta has been granted approval for total extraction of 5.5 million tonne iron ore, of which Codli, the biggest mine the company has, will account for 3.1 million tonne. Till date, five mining plans and schemes for its mines have been cleared by the Indian Bureau of Mines and it is awaiting clearance for 15 more plans, the company had said earlier in a stock exchange filing.

“Currently, our iron ore operations are saddled with two major issues which are the export duty and dumping ore in the mining area. We are engaged in dialogue with respective authorities to get this sorted,” Kumar informed.

“The progress on removal of dumped ore by the state government via auctioning is fairly good,” he added.

The export duty on iron ore currently stands at 10%. Early this year, in a bid to boost the export of the commodity, government slashed the duty to the current level from 30% earlier.

Iron ore miners across the globe are dealing with grim business environment for quite some time now as prices of steel making raw materials have come down drastically, to about \$50 per tonne, down nearly 50% from last year. Global miners, whose cost of production stood at about \$25-\$26 per tonne earlier have worked towards bringing it to \$15-\$16 per tonne, in order to stay afloat. Indian iron ore miners are in no different situation.

“We too are working towards lowering our costs and hence are insisting on the levies to be rationalised. Certainly, there is no particular level we are seeing as a lowest cost of production, it is moving target. Where ever we can, we will trim costs to keep cost of production low,” said Kumar.

Vedanta plans to eventually enhance iron ore production from current 5.5 million tonne amid keeping its costs well-managed.