

Chiria Iron Ore Deposits : A Bone of Contention

- Steelworld Research Team



The public sector Steel Authority of India (SAIL), the largest player in the domestic steel industry, is struggling to protect Chiria iron ore deposit from other global and national peers of the steel industry who are sitting with an eagle vision to grab its pie. Domestic steel producers including Tata Steel and JSW Steel are working overtime to control a part of Chiria mine while global steel tycoon L N Mittal controlled Mittal Steel has also evinced interest to share it.

SAIL's Plan

SAIL is planning to build a 10-million-ton steel mill in expectation of beating ArcelorMittal for the rights to control the nation's biggest iron ore reserves. According to company chairman S K Roongta, sites for a plant to exploit the Chiria deposit in Jharkhand state are being shortlisted. But, the company is yet to set a timeframe and investment on this plan. All steel mills that want to put up a large-sized plant will be looking for a big deposit instead of fragmented ones. Chiria is attractive as it's one of the few large deposits available in Jharkhand, SAIL had won the right to half of the 2-billion ton deposit at Chiria. The company's half Chiria reserve was stripped from a SAIL unit in 2005 because it hadn't developed the block.



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Mittal's Action

Luxembourg-based ArcelorMittal, which plans to invest \$20 billion to set up two 12-million-ton crude steel plants in India in the next 10 years, is vying with SAIL to win the Chiria rights for its planned Jharkhand plant. Meanwhile, finding immense difficulties in owning mine site and factory area from local inhabitants in Orissa and Jharkhand, ArcelorMittal threatened to pull out of its proposed steel projects in these states.

Many industrial projects including the one by ArcelorMittal are facing land acquisition problems in these states. L N Mittal said recently that if the land acquisition problems were not resolved soon, the company would look for alternative sites for the projects. ArcelorMittal has selected 11,000 acres to set up the proposed 12-million-

ton steel plant in the bordering Khuti and Gumla districts of Jharkhand. However, the company faced strong resistance from local residents, who formed an anti-displacement organisation, Jharkhand Visthapit Virodhi Sangh (JVVD), to spearhead the protest against land acquisition. In Jharkhand, at least six greenfield steel projects are hanging in balance as the villagers are opposing land acquisition.

Meanwhile, the steel major has been allotted two coal blocks, one each in the two states. The two blocks are Seregarha in Jharkhand and Rampia in Orissa. Both the blocks can generate coal to produce 700 mw of power each. Analysts see the allotment as the first step towards mine allocations.

Mittal's plant in Jharkhand is delayed, as allocation of the Chiria iron ore block has become sub-judice. The proposed lease of the IISCO-owned iron ore mines in Chiria in West Singhbhum district in Jharkhand to Mittal Steel could lead to a major confrontation with SAIL unless the two steelmakers agree on a deal. Chiria mines were captive mines of Indian Iron & Steel Company (IISCO) which had been mining the deposits quite extensively for many years now. Mittal Steel signed an agreement with the Jharkhand government on October 8, 2005 for setting up a 10 million ton steel plant in West Singhbhum district. It sought 10,000 acres and 600 million tons of mineable iron ore deposit to feed its plant for the first 30 years with an additional 400 million tons to be mined over the next 20 years.

Why Chiria?

Chiria mine with a huge deposit of iron ore at one site has iron content of as much as 65 percent. Therefore, all major steel producers are looking to own a share of the deposit to avoid future decentralisation of iron ore. The states of Jharkhand, Orissa and Chhattisgarh hold 55 percent of India's iron ore reserves, the main steel-making ingredient. The region has



attracted investment proposals from more than 200 local and overseas steel makers, according to steel ministry data. SAIL has hired Mecon Ltd to prepare a detailed project report. Every 1 million tons of capacity may cost as much as Rs 400 crore (\$85 million).

Mineral Exploration Corporation Ltd (MCL) undertook the initial detailed exploration work in Chiria in 1970-72. It had divided the entire deposit into four blocks viz North Block, South Block, West-Central Block and East Central Block. The exploration of Chiria deposit was done by MCL in two phases. As a follow-up action on the agreement with the Jharkhand government, Mittal Steel recently sent a two-member delegation led by its newly appointed CEO in India, Sanak Mishra, to discuss the iron ore lease issue with the Jharkhand state officials. During discussions, the state government officials told the Mittal delegation that virgin mines in Chiria, Gua, Janda and Noamundi in West Singhbhum district had been identified for the Mittal Steel project. As the Chiria iron ore mines were in possession of IISCO, Mittal Steel officials asked the state government to allot some other iron ore reserves and precipitate a confrontation by allotting the Chiria mines which were at present under IISCO. The Jharkhand government on its part had been fighting for some years now to cancel all the leases on iron ore and other mines granted in the past to IISCO in West Singhbhum district. Jharkhand succeeded in canceling three of the 10 leases relating to the



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Feature

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Chiria and Gua mines.

Industry sources pointed out that at present, all the leases relating to the Chiria mines were with IISCO. After completion of the proposed merger of IISCO with SAIL, the leases granted to IISCO could be cancelled unless the leases were transferred to SAIL. Sources said there were no provisions in the minerals act to transfer lease to another party. Against this backdrop of lease controversy regarding IISCO mines raised by the Jharkhand government, Mittal steel could be forced to go in for a joint venture (JV) with SAIL to utilise the iron ore reserves in Chiria mines to meet the requirement of its steel plant and to export some surplus iron ore.

The Battle Hangs Several Projects in Balance

A dispute over the Chiria iron ore mines in mineral-rich Jharkhand has left hanging several major steel projects, among which two of them promise to produce an estimated 24 million tons of the commodity annually. Arcelor-Mittal and the state-run Steel Authority of India Ltd (SAIL), among others, want access to the mines to set up their greenfield projects to collectively manufacture 12 million tons each of steel per annum.

The central government wants the state government to end the dispute and sanction some iron ore for the projects, since the Chiria mines have proven reserves of over 2.4 billion tons, but the state government says it has other commitments. Against a proven deposit of 3.4 billion tons of iron ore at Chiria, the union steel ministry has demanded one billion tons of iron ore. Arcelor-Mittal wants only 600 million tons for 30 years to set up its project in the state. The industry hopes the dispute will be resolved soon as the Chiria mines have deposits that can potentially translate into 40 million tons of steel, against the backdrop of a growing demand-supply gap.

Settlement over Chiria

In the settlement between the Union

and Jharkhand governments on the Chiria iron ore belt, Asia's largest, SAIL is not only getting a billion tons, but is also to be entitled to stake claim on the other, unallocated, billion tons for its greenfield and other projects. Whatever is left from the balance one billion tons, after meeting SAIL's stated requirements, are to go to the private sector. Right now, only SAIL has any leases on Chiria, which presently meets the requirements of SAIL's Rourkela unit, part of the need of the Durgapur unit and the need of IISCO's steel plant.

SAIL has also already proposed to set up a new 12-million ton (mt) steel plant in Jharkhand. This would translate into a requirement of 600 mt from the remaining billion ton, which leaves very little for the private sector, especially ArcelorMittal. Chiria has proven reserves of two billion tons but is not fully explored; it could go up to three billion tons in all.

India's Steel Demand to Grow



India's steel demand will probably grow by as much as 10 percent in the year ending March 31, according to the steel ministry. Anticipating demand surge in future, SAIL, whose sales rose 30 percent in October month from a year ago because of car and construction demand, is increasing capacity at its existing plants to increase output to 23.46 million tons from 14 million tons by March 2012.

