



Orissa :

The land of missing opportunities



After seven years of many memorandum of understandings (MoUs) signed by a number of domestic and overseas steel producers, hardly 4.5 percent (Table 1) of the proposed capacity has been commissioned so far. According to statistics collated by the government agencies, steel projects with a capacity of hardly half of million tons have commenced operation on their projects out of the MoUs signed for 95 million tons, almost 80 percent more than India's current steelmaking capacity of 55 million tons. Still, the state government is continuing with project clearances which, it feels, will deliver.

There are several reasons for investors' poor response. A number of projects faced land allocation problems, while those allocated land, were resisted from local tribal for unsystematic rehabilitation. Those who rehabilitated local tribal before commencing civil construction work on plants, faced allegation for not settling their problems adequately.

Orissa is endowed with 3,567 million tons of iron ore reserves, constituting 26.50 percent of India's total deposits of steelmaking raw material. But what puts it ahead of other iron ore rich states like Chhattisgarh,

Jharkhand, Karnataka, Goa, Maharashtra, Andhra Pradesh, Kerala, Rajasthan and Tamil Nadu; are a host of accompanying advantages. Orissa has substantial reserves of other minerals which go into steelmaking, like coal – 51,571 million tons (24.37 percent of the national deposit), dolomite – 434 million tons (10 percent) and limestone – 1,032 million tons (1.36 percent). Also, abundance of water resources, surplus availability of power, a reasonably good road and rail network, an existing port facility at Paradip, two more new ports coming up at Gopalpur and Dhamra, and a comparatively better law and order record attract investors for good value for their investment. In the mid-90s, the state witnessed a similar rush of investment proposals. About a dozen steel projects were then lined up including – Tata Steel and Larsen & Toubro at Gopalpur, and Swaraj Paul's Kalinga Steel at Duburi. But, ironically, they fizzled out.

The glut of proposals

Since the government is insisting on project clearances through the State Level Single Window Clearance Authority (SLSWCA), the agency set up to examine the merit of proposals, the state has received investment



proposals for all industries worth Rs. 5169.98 billion between September 2005 and December 2008. Between 2002 and September 2005 (till September), the state had received proposals valued approximately Rs. 1400 billion. Of the total investment proposals, steel and power projects constitute about 60 per cent. In December 2008 alone, the state government has received investment proposals worth Rs. 40 billion for plants with a capacity of 2 million tons of steel production, 1.5 million tons of iron ore beneficiation and 1.2 million tons of pelletisation

Vision 2015

Looking at investors' enthusiasm towards Orissa, the steel ministry advanced the timeline to achieve the target of 100 million tons steelmaking capacity by 2015 in place of 2020 earlier. Experts believe that capacity building up in Orissa is a good move to achieve the target. But, a million dollar question still persists: Whether these proposals will really be implemented on time and will Orissa come really on global map as the largest steel producing state?

The industry is equally upbeat. Arvind Parakh, director, finance, Jindal Stainless Steel, which is investing Rs. 70 billion to set up a 1.6 million tons facility in Orissa, says, "One of the

challenges a steel company faces is the level of integration, and therefore; it is very important that the manufacturing facility is close to the raw material base."

The per capita steel consumption in India is 28 kg to 30 kg compared to 350 kg to 400 kg in developed countries. "If India has to stay in the race, our per capita consumption has to increase to at least 150 kg," says Tata Steel managing director B Muthuraman.

Clearly, steelmaking is once again being bandied as a vehicle for Orissa's industrialisation. A century ago, at the behest of Jamshedji Tata, geologist P N Bose found huge deposits of iron ore in Orissa's Mayurbhanj district, for sourcing raw material for Tata's Jamshedpur plant. Ironically, only two steel facilities have come up in Orissa since then. Steel Authority of India set up its Rourkela plant in the sixties, and then the recently commissioned Nilachal Ispat Nigam.

Land allocations

Out of the total land requirement of 37,750 acres which was revised by the government nominated agency M N Dastur & Co at 33,268.500 acres, steel companies have so far

Table 1: Physical progress MoU signed steel plants (capacity in million tons)

Company	Capacity achieved Sponge iron	Steel	Total proposed capacity	Date of MoU
Aarti Steels Ltd	0.20	0.18	1.0	01.10.2003
Adhunik Metalicks Ltd	0.15	0.26	0.41	01.10.2003
Scaw Industries	0.10	0.050	0.80	01.10.2003
Visa Industries Ltd.			0.35	26.12.2003
SMC Power Generation Ltd	0.1	0.1	0.40	26.12.2003
Shyam DRI Power Ltd	0.038	0.009	0.27	09.02.2004
Orissa Sponge Iron & Steel Ltd	0.25	0.10	0.95	26.08.2004
SPS Steel & Power Ltd	0.18		0.29	26.08.2004
OCL India Ltd	0.24	0.085	0.25	27.11.2004
Maheshwari Ispat Ltd	0.06	0.060	0.25	27.11.2004
Aryan Ispat & Power Ltd	0.060		0.30	27.11.2004
Maithan Ispat Ltd	0.15		0.27	27.11.2004
Sree Metalicks Ltd	0.29	0.15	0.25	27.11.2004
Action Ispat & Power (P) Ltd	0.11	0.125	0.25	27.11.2004
Patnaik Steels and Alloys (P) Ltd	0.11		0.27	04.05.2005
Viraj Steel & Energy Ltd	0.11	0.24	0.30	04.05.2005
Deepak Steel & Power Ltd	0.14	0.075	0.25	04.05.2005
Beekay Steel & Power Ltd	0.11		0.28	04.05.2005
BRG Iron & Steel Co (P) Ltd	0.060		0.25	04.05.2005
Jindal Stainless Ltd			1.60	09.06.2005
Eastern Steels & Power LTD	0.11	0.10	0.25	03.11.2005
Jai Balaji Jyoti Steels Ltd	0.12	0.12	0.33	03.11.2005
Bhushan Steel Ltd	0.5	0.5	3.0	03.11.2005
Surendra Mining Industries (P)Ltd	0.062		0.25	22.12.2006
Crackers India (Alloys) Ltd	0.06		0.25	22.12.2006
Bhushan Power & Steel Ltd (MoU to be revived)	0.68	1.20	2.8	15.05.2002
Total	3.99	3.35	15.87	

Table 2 : Mega steel projects

Company	Capacity as per MoU (million tons)		Investment RS. billion	CPP as per MoU (MW)	Date of MoU
Tata Steel Ltd	1st Module	3	104	120	17.11.2004
	2nd Module	3	50		
Sterlie Iron and Steel Company Ltd	Phase I	3.4	97.82	230	15.10.2004
	Phase II	1.7	27.2	150	
Essar Steel Orissa Ltd		4	107.21	1000	21.04.2005
Posco India (P) Ltd		12	510		22.06.2005
Jindal Steel & Power Ltd		6	131.35	900	03.11.2005
Bhushan Steel Ltd		3	58.28	155	03.11.2005
Welspun Power & Steel Ltd		3	61.04	150	11.10.2006
Uttam Galva Steels Ltd		3	89.87	210	13.10.2006
ArcelorMittal India Ltd	Phase I	6	220		21.12.2006
	Phase II	6	180		
SSL Energy Ltd	Phase I	3	43.39	200	21.12.2006
	Phase II		42.7		
Brahamani River Pellet Ltd		4 million tons pelletisation plant	14.85	3115	15.03.2007

applied for 32,034.9 acres. The state government, however, handed over 7,087.87 acres in December 2008 to nine of the ten mega steel projects. The companies which were provided land include - Posco (516.740 acres), Essar Steel Orissa Ltd (102.980 acres), Tata Steel Ltd (3040.398 acres), Jindal Steel & Power (1,719.785 acres), Uttam Galva Steels Ltd (27.810 acres), Welspun power & steel (60 acres) and Bhushan Steels Ltd (1,620.160 acres). Mega steel projects, however, continue to demand additional land to their requirement: Essar Steel Orissa (2,500 acres), SSL Energy (2,000 acres), Tata Steel (3,500 acres) and Welspun Power and Steel (2,200 acres).

Dwindling mega projects

While the proposals of mining leases and land clearances are still under state government's clearances, steel majors (Table 2) have started social networking by facilitating hospitality to local tribal and education to their kids.

Posco India, a subsidiary of South Korean steel major

Posco, had sought 6,000 acres in the MoU signed with the state government in 2005 for its proposed 12 million tons per annum project near Paradip at an investment of Rs. 510 billion. The project was proposed to set up in association with global mining major BHP Billiton. The government reassessed the land requirement at 5,525 acres. The company has, so far, applied for 5,151 acres. While the state government has allotted 516 acres of its land to Posco, the company has already invested Rs. 1.76 billion. Although, the state

government has expedited its proposal to the Centre for Khandadhar iron ore mines allocation in favour of Posco yet, the company has informed the government its intention to change priorities and deploy funds in other expansion plans due to delay in clearance from the Ministry of Environment. The project has already been delayed by almost two years from its earlier schedule to start work by April 1, 2007.

The land requirement of ArcelorMittal, which is planning to set up a 12 million tons greenfield steel project at Patna tehsil in Keonjhar district, has been reassessed at 7,750 acres. The company had sought 8,000 acres in the MoU. It has applied for 7,770 acres and has invested about Rs. 0.5 billion of the total planned investment of Rs. 400 billion for the project. The company would require 600 million tons of iron ore to feed the plant.

Jindal Steel and Power Ltd, which is setting up a six million tons per annum steel project at Kerajang, needed about





5,750 acres. This has been cut to 3,843.5 acres by the state government. The company envisaged an investment of RS. 150 billion for this project. It has applied for 4,027 acres and allotted 1,719 acres. This includes 687.93 acres of government land and 1,031.85 acres private land. Jindal has invested about Rs. 7.66 billion in the project so far. Additionally, the company has proposed to set up a 7 million tons per annum iron ore beneficiation plants and a 5 million tons per annum pelletisation plant in the state at an investment of Rs. 14.5 billion. Jindal hopes to commission the first phase (3 million ton) steel capacity at Angul by December 2010.

Similarly, the land requirement of Uttam Galva Steels, which is setting up a three million tons steel project at Bistapal, has been reduced by 250 acres. While the MoU provided for allotment of 2,400 acres, the state government has reassessed this at 2,150 acres. The company applied for 2,146 acres and has been allotted 27.81 acres so far. The company has invested about RS. 0.35 billion for the project.

The three million tons steel project planned by Sterlite Iron and Steel at Palasponga will have to manage with 1,000 acres less land than its land requirement envisaged in the MoU at 3,378 acres and re-assessed at 2,400 acres. The company which has proposed to set up 5 million tons of steel plant at an investment of Rs. 125 billion, has not been allotted any piece of land so far. Apart from the steel plant, the project would involve developing iron ore mines. The company would need about 500 million tons of iron re reserve for which it is expected to apply for the necessary mining lease.

Tata Steel, it seems, has changed its priorities. The steel major which is planning to set up 6 million tons facility at an investment of Rs. 154 billion has set up another deadline for March 2009 to commence work on the first module of 3 million tons project for which the company signed MoU on

November 17, 2004. The government of Orissa has allotted around 2000 acres of land to the steel company for the project in Kalinganagar, which has been registered in favour of Tata Steel.

Bhushan Steel is the only mega project which has started steel production in Orissa. The company currently produces about 300,000 tons out of its proposed capacity of six million ton per annum. Though it asked for 2,000 acres according to the MoU, the government re-assessed the requirement at 1,400 acres. Bhushan Steel had applied for 1,994 acres and has been allotted 1,620 acres.

Welspun Power & Steel Ltd proposes to set up 4.5 million ton per annum iron ore beneficiation and pelletisation plant at an investment of RS. 18.3 billion. The project is awaiting land allotment and mine allocation.

Essar Steel's proposed 6 million tons steel project at an investment of RS. 107 billion is struggling to get land acquisition and mining leases from Orissa government. The project requires 2,000 acre of which 270 acre is government land and the company has to acquire the rest from the private land owners. In its bid to acquire land, the company has offered RS. 0.95 million per acre to the local people and groups but they are demanding RS. 2.5 million per acre. The proposal is under consideration.

Conclusion

The major worry for steelmakers is the delay in land acquisition and rehabilitation of tribals in addition to allotment of mining leases. Moreover, the fast depletion of iron ore in the state is also a cause of concern for steelmakers. Many investors including Japanese conglomerate, Mitsui & Co, has stayed away from any proposal to set up steel plant in the state because of the state government's failure in convincing landlords to hand over land and abstain from resistance of any project.