

**GOVERNMENT OF INDIA
STEEL
LOK SABHA**

STARRED QUESTION NO:32
ANSWERED ON:20.02.2006
CLOSURE OF SPONGE IRON UNITS
Chowdhury Shri Adhir Ranjan;Singh Shri Uday

Will the Minister of STEEL be pleased to state:

- (a) whether several sponge iron units in the country are on the verge of closure due to rise in price of iron ore and crisis in the supply of coal;
- (b) if so, the facts and details thereof;
- (c) whether the Union Government proposes to take any concrete step to save such sponge iron units from closure; and
- (d) if so, the details thereof?

Answer

MINISTER OF CHEMICALS & FERTILIZERS AND MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a)to(d): A statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (D) OF THE LOK SABHA STARRED QUESTION NO.32 TO BE ANSWERED ON 20.02.2006 TABLED BY S/SHRI UDAY SINGH AND ADHIR CHOWDHURY, MEMBER OF PARLIAMENT REGARDING CLOSURE OF SPONGE IRON UNITS

(a)&(b): Of the 110 sponge iron units reporting their production data to Joint Plant Committee, 8 units have reported nil production from December 2005 onwards. Various associations of sponge iron units have reported that the industry has been affected by the general downward trend in sponge iron prices. As prices of iron ore and coal have not moved in tandem, the financial viability of sponge iron unit in general has been affected. Shortfall in supplies of coal viz-a-viz requirement of the industry has also been reported.

(c)&(d): Iron and steel sector has been de-regulated since 1991-92. Decisions on setting up and operating these units are to be taken by entrepreneurs based on their commercial judgment. In its role as a facilitator, Government accords priority to sponge iron industry with regard to supply of coal from public sector coal producing companies and allocation of captive coal blocks to meet their coal requirements. As regards iron ore, coal based sponge iron units are mostly getting iron ore supplies from private iron ore miners of Orissa and Karnataka, prices of which are determined by market forces. National Mineral Development Corporation is mostly meeting iron ore requirement of gas based sponge iron units on mutually agreed prices.