



## VITAL INDUSTRY UPDATES - 21/08/2015

### Sharp decline in India's exports to China

While India's exports to China contracted by -10 per cent in June 2015, analysis by the Engineering Export Promotion Council of India (EEPC) shows a -36 per cent contraction in the export of non-ferrous metals to China in that period. India's exports to China have been contracting since September 2014. Exports of non-ferrous metals dropped to \$85.09 million in June 2015 from \$132.67 million a year ago. "China is the top-most importer for non-ferrous metals, importing around 19 per cent of India's total exports of these metals," said Anupam Shah, Chairman of EEPC India. Analysis by The Hindu, however, shows that where non-ferrous metals have lost out, the ores and minerals segment has gained tremendously. While India's exports of ores and minerals to China stood at \$33.7 million in June 2014, they jumped to \$75.7 million in June 2015, a 125 per cent increase. Ores and minerals now make up 10 per cent of India's total exports to China.

### No 'promises' on import duty hike on aluminium

The Government has yet again refrained from giving any assurance to the domestic aluminium industry on its demand for an import duty hike.

For the second time in a little over a month, on Thursday the top officials of aluminium majors BALCO, Hindalco, Vedanta Ltd and others, under the aegis of the Aluminium Association of India, met senior officials from the Mines Ministry, Department of Revenue, NITI Aayog and the Prime Minister's Office to press their demand for an import duty hike.

The industry has been seeking an increase in import duty of aluminium metal to 10 per cent from the existing 5 per cent and aluminium scrap to 10 per cent from the existing 2.5 per cent.



However, no assurances were given on any timeline for the import duty hike, said a member of the Aluminium Association of India present at the meeting. He said while the body language of the Government representatives was positive, there is no indication of when the import duty on aluminium would be increased.

Industry officials say that while there hasn't been a halt in hot metal production, capacity utilisation of domestic plants is now down to around 50 per cent. "With such low capacity utilisation and a continuing pressure on margins, expansion projects do not make sense right now," the official said.

Estimates suggest that net realisation of domestic aluminium makers has fallen to around \$1,700 a tonne at present, including the premium on London Metal Exchange prices. "This is a fall of about \$500 a tonne from the \$2,200 a tonne realisations in the fourth quarter of the previous fiscal," the official said. Global prices have fallen mainly on account of oversupply in the international markets.

## **China demands more trade concessions from India, Japan**

China has emerged as India's toughest adversary in the Regional Comprehensive Economic Partnership (RCEP) pact negotiated between 16 countries, including the 10-member Asean.

Beijing blocked a preliminary agreement on market liberalisation at the recent round in Nay Pyi Taw, Myanmar, insisting that New Delhi and Tokyo improve their initial offers in the area.

India has to be careful about what it offers to China, say analysts. RCEP would also incorporate agreements on opening up markets in services and liberalising investments as also pacts in other areas such as government procurement and e-commerce.

China is upset because India has chosen to offer it preferential duties on less than half of the items traded between the two countries. New Delhi is also not



keen to offer generous concessions to Australia and New Zealand, with which it is yet to sign FTAs.

## **Urea imports surge 29 per cent to 21.43 lakh tonnes in April-July**

India's urea imports has increased by 29 per cent to 21.43 lakh tonnes (LT) in the first four months of the current financial year.

Urea imports during the April-July period last year was 16.65 lakh tonnes, according to an official data.

Government imports urea for direct agricultural use to bridge gap between assessed demand and the local production.

Urea is imported through state trading enterprises -- STC, MMTCBSE -1.47 % and IPL.

India also imports urea from Oman India Fertiliser Company (Omifco) under a long-term urea offtake agreement between the government and the company.

India's annual urea demand is about 300 LT while the domestic production has stayed stagnant at 220 LT. The rest is met through imports.

Urea is a controlled commodity in India as it is imported by the government itself. The soil nutrient's maximum retail price is fixed at Rs 5,360 per tonne, and the difference between the cost of production and the retail price is paid as subsidy to the manufacturers. PTI JTR PRJ ABK 08191425 NNNN



## **MMTC makes foray into low-grade iron ore exports**

**MMTC LtdBSE -1.02 % issued a tender on Thursday seeking overseas buyers for iron ore from Goa state, which a company source said marked its entry into the low-grade ore business as mining picks up in the country.**

**The entry of state-run MMTC, which used to only export high-quality iron ore, could boost shipments of lower grades and coincides with Goa restarting its mining industry.**

**India was the world's third-largest exporter of iron ore until about three years ago when court action against illegal mining curtailed output in several states. Mines are now resuming operations.**

**MMTC's tender invited "empanelled buyers" for iron ore in batches of about 60,000 tonnes, saying it would reach out to them once a "shippable lot is organized".**

**An MMTC source directly involved in the matter said the company was in talks with miners in Goa to source iron ore for exports.**

**"We are trying to work it out," the source said. "We are looking at low grades because we will have the benefit of the lower duty."**

**India in April cut the duty on exports of ore containing less than 57 percent iron to 10 percent from 30 percent. The duty on higher grades stays at 30 percent.**

**Indian steel companies do not have the technology to efficiently use lower grades, meaning that almost all of Goa's output goes to more modern plants in**



**China.**

**MMTC's interest will widen the buyer base for companies such as Vedanta Ltd, India's biggest private iron ore miner which restarted its Goa operations last week.**

**Parag Nagarshekar, deputy director of Goa's directorate of mines and geology, said the state had no plans to ask MMTC to export the millions of tonnes of already-mined ore that was at the government's disposal.**

