VITAL INDUSTRY UPDATES - 09/09/2015

Colachel port set for development

The Union government has given approval to develop a major port at Colachel in Kanyakumari at the southernmost tip of Tamil Nadu at an estimated cost of Rs 21,000 crore, the Union Minister of State for Shipping, Mr Pon Radhakrishnan, said.

According to sources, this would transform Colachel into India's southern trans-shipment gateway and boost the economic prospects of Tamil Nadu.

Mr Radhakrishnan, who is also the Member of Parliament (MP) from Kanyakumari, said that around 500 acres of land have to be reclaimed from the sea for the project, which would be completed in three years.

"The Tamil Nadu government has given its consent for the project which will be fully financed by the Centre, after the Shipping Minister, Mr Nitin Gadkari, wrote to the state government in this regard," he said.

The Minister further said the feasibility study submitted about a month ago was positive. Now, a detailed project report would be prepared.

The project will be taken up in three phases. The first phase would cost around Rs 6,628 crore, while the cost of the next two phases would be about Rs 7,000 crore each, he said.

"We have already held a meeting with the Ministries of Railways and Road Transport to discuss the construction of approximately 11 km of road that is needed to be laid for the project," he added.

The large mother vessels need about 18 metres of draught and Colachel, being a natural harbour, has about 20 metres.

"Also, the proposed port is less than four nautical miles away from the international shipping channel. Due to these factors, we are expecting it to develop into a major destination for international cargo movement," Mr Radhakrishnan pointed out.

The Colachel port could handle around two million tonnes of cargo initially, which would gradually be increased to eight million tonnes in the coming years, he added.

Iron ore exporters may be benefited by rail freight cut

Iron ore exporters may get a boost after the Railways decision to reduce the freight rates for raw material export as it would make it easy for exporters to clear huge stocks, sources said.

As per the new tariff for iron ore movement other than domestic purposes announced by the national transporter applicable from September 8 to end of March 2016, the new transportation cost is Rs 300 per tonne of iron ore, as compared to the earlier minimum price of Rs 1,175 for carrying iron ore meant for exports, it is learnt.

No need to register quantity with DGFT for sugar exports

In order to accelerate sugar exports from the country, the Centre has relaxed the rules for shipments by taking away the registration requirement with the Commerce Ministry, sources said.

"The requirement of registration of quantity with DGFT for export of sugar has been dispensed with," the Directorate-General of Foreign Trade (DGFT) said in a notification.

Welcoming the government's move, the Director-General of Indian Sugar Mills Association (ISMA), Mr Abinash Verma, said, "Industry welcomes the government's move to remove the requirement of Registration Certificate (RC) for exporting sugar. In the current environment when exports are unviable, RC requirement could have delayed exports. So, this is a good decision."

Though the steep fall in prices in the international market has discouraged exports, India has to reduce the surplus stock, industry sources said.

India exported 1.26 million tonnes of sugar during October 2014-April 2015 of the marketing year.

Government launches investigation into rising imports of steel

The government has launched an investigation into increasing imports of steel, with initial findings suggesting that the higher volumes threaten to cause "serious injury" to domestic steel producers.

The Director General of Safeguards (DGS) said so in a formal notification on Monday, in what industry watchers said could be a precursor to imposition of safeguard duty on steel imports. DGS, which comes under the Union finance ministry's revenue department, swung into action after steel industry representatives, including top executives of SAIL, Tata Steel, Essar Steel and JSW Steel, on July 27 appealed to the government to impose safeguard duty on imports of hot rolled coils (HRCs) for four years.

The four steel producers, who together account for over 50% of domestic production of hot rolled coils, led the industry clamour for protection in the wake of increasing imports, which jumped 72% in 2014-15 over the previous year to 9.3

million tonnes. South Korea and Japan, which pay duties of less than 1% due to the free trade agreements, together shipped 3.5 mt of steel to India during the year. ET had earlier reported that the steel industry had appealed to the government for protection via a safeguard duty on imports.

Analysts said if the government imposes such a duty it will help stabilise steel prices. "Weakness has been prevailing in domestic prices due to poor demand and higher supply, especially from rising imports. We believe (the move) can stabilise steel prices in the near to medium term. As per our channel checks, there have been no import bookings due to likelihood of duty hike and also fall in rupee to some extent," Goutam Chakraborty, metal analyst with Emkay Global said in a recent report.

The DGS probe will pertain to imports from China, Korea, Japan and Russia, and include an entire gamut of HRC products with width of less than 600 mm, API grades (used in oil and gas sector), hot rolled flat products of spring steel quality used in automotive segments and hot rolled flat products which are coated with zinc as also hot rolled flat products of stainless steel. The period of probe between 2013-14 and 2015-16 is, according to DGS, "long enough to consider market conditions and ascertain need to impose safeguard duty". In their appeal, the steel producers had said that the increased volume of imports threatened to cause serious injury.

This was indicated by factors such as flat domestic steel production between 2013-14 and the first quarter of 2015-16, and decline in market share of domestic players from 45% to 37% during the period, while market share of imports went up to 12% from 6%. Other factors include a flat trend in productivity, employment and capacity utilisation, which too remain stagnant at 76%. "Profitability of domestic steel companies has declined sharply in 2015-16 (Q1) and they have recording losses," DGS said.

The surge in inventory levels in the industry in yet another indicator of competition from imports. Rakesh Arora, an analyst with Macquire Research, said the situation is worse than the one seen in 2009, when steel producers raised a similar demand for protection

Government mulls changes in Metal Corporation Act to push sale of stakes in HZL, Balco

The government is mulling amendments to the Metal Corporation Nationalisation and Miscellaneous Provisions Act, 1976 in order to push the sale of its remaining stakes in Hindustan Zinc Ltd (HZL) and Bharat Aluminium Company (Balco).

A senior government official told ET that an opinion has already been sought from the attorney general on this matter.

"There is a view that any movement on stake sale in Hindustan Zinc should be pursued only after amending the Act in order to avoid any further legal hassles," said the official, adding that the proposed can be brought up in the winter session of Parliament.