

Prices of high-grade [iron ore](#) lumps, a key input in steel manufacturing, shot up 41.1 per cent year-on-year (y-o-y) in FY18, belying international trends.

Globally, benchmark prices of [iron ore](#) fines (62 Fe grade) inched up by only 1.7 per cent in last financial year to \$69 per tonne.

“Domestic prices need not necessarily reflect international price movements and trends. Steel demand in the country remained robust for the most part of FY18 and this sustained higher ore prices. That apart, temporary suspension of a few [iron ore](#) mines in Odisha cut off supplies and triggered appreciation in [iron ore prices](#) towards Q4,” said an industry analyst.

The Supreme Court’s decree in a case of illegal mining in Odisha shunted seven operative iron ore mines, knocking off 23 million tonnes of annual capacity. The mines were shut as the leaseholders failed to meet the court-mandated December 31 deadline to fork out compensation for overproduction of ore between 2000-01 and 2010-11. Though the mines resumed operations two to three months later, the scenario triggered an artificial crisis, goading the largest producer, [NMDC](#) Ltd, to raise prices. A clutch of merchant miners in Odisha followed suit.

A report by CARE Ratings shows that domestic [iron ore prices](#) stood at Rs 3,003 a tonne in April 2017. After recording sequential growth, prices sobered to Rs 2,996 a tonne in August 2017. Thereafter, prices spiralled month-on-month between September 2017 and February 2018, save November when they fell marginally by 0.5 per cent to Rs 3,256 a tonne. In February 2018, [iron ore prices](#) peaked at Rs 4,056.

In contrast, [international iron ore](#) prices averaged higher during the first half of 2017-18 but softened in the second half. On an average, global prices were up 1.7 per cent y-o-y in 2017-18. According to a World Bank release in April 2018, [international iron ore](#) prices are expected to average \$66.3 a tonne during calendar 2018 compared with \$73.8 in 2017, denoting a slide of 10.2 per cent y-o-y.

Domestically, iron ore output scaled a decade high of 210 million tonnes in 2017-18. Production of steel, the largest consuming industry of iron ore, grew by 3.1 per cent to 105 million tonnes whereas consumption of the metal rose 7.9 per cent to 90.7 million tonnes.

In the current financial year, the country’s steel output is seen growing in the range of 6-8 per cent as an anticipated higher demand will fuel production. The report by CARE Ratings does not foresee much pressure from the raw material prices on the steel companies.