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# It may be the end of the road for Posco in Odisha

by Sandeep Sahu Apr 27, 2015 14:02 IST

#Anup K Pujari #IDCO #Khandadhar #Narendra Singh Tomar #Naveen Patnaik #Odisha #POSCO #Tata Steel



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**Bhubaneswar:** South Korean steel giant Posco has waited patiently for its 12 million tonne per annum (MTPA) port-based steel plant near Paradip in Odisha to take off for nearly a decade. But with the Centre ruling out any out of turn allocation of iron ore mines to the company and the Odisha government giving the impression of washing its hands of the project, the steel major's patience appears to be wearing thin.

Nothing proves this exasperation better than the ugly war of words between Posco and Industrial Infrastructure Development Corporation of Odisha (IDCO), the land acquisition arm of the state government. In a recent letter to IDCO, the Korean company has asked for an item-wise expenditure receipt for the Rs 30.34 crore it had paid towards land acquisition.

Posco followed it up with another letter asking for a refund of Rs 11.21 crore out of the Rs 13.52 crore it had paid towards acquisition of 438 acres of private land for the project, which was never acquired due to stiff opposition from the people of Dinkia village, the epicentre of the movement against Posco.

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After a meeting with the leaders of the anti-Posco agitation, Chief Minister Naveen Patnaik had announced that no private land would be acquired for the project. The project map was accordingly redrawn.

What invited Posco's ire was a letter by IDCO asking the company to pay its outstanding dues of Rs 54 crore towards the 1703 acres of land already handed over to it and an additional Rs 19 crore towards net present value (NPV) of de-reserved forest land. The letter

AFP

hinted that the land may be taken back if the amount is not paid urgently.

As if to prove that IDCO was not acting on its own, Industry Minister Debi Prasad Mishra on Saturday made it clear that Posco has to pay up for the land acquired on its behalf. The wheel appeared to have turned full circle for the state government, which braved the wrath of the people to acquire the land required for the project.

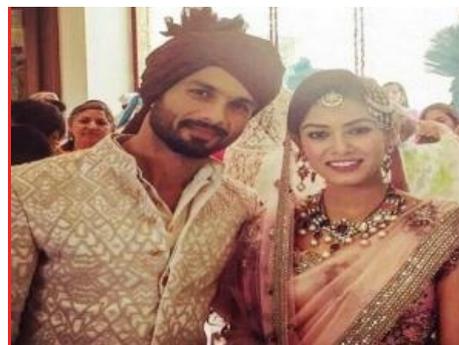
Suddenly faced with the charge of not doing enough to prevent Posco from moving out, the Naveen Patnaik government appeared to have made partial amends for its rather haughty stand on Sunday. Holding out an olive branch to the Korean steel maker, Steel and Mines Minister Prafulla Mallick said the government is willing to consider alternative sources of raw material for the company.

"But before that happens, Posco must make its stand clear on whether it is still keen on the project and whether it is willing to take part in the auction for the Khandadhar mines. It must talk to the government," Mallick said.

Significantly, IDCO has held back the 1000 acres more that it has acquired for the Posco project. Though it has not said so in as many words, it has left no room for doubt that Posco would not be given possession of this 1000 acres unless it pays up its outstanding dues towards the 1703 acres it has already been handed over. [It may be noted that Posco, which had initially sought 4004 acres, later revised its land requirement downwards to 2700 acres after it was forced to scale down its project from 12 MTPA to 8 MTPA due to stiff opposition to land acquisition.

The Posco-IDCO spat continues even as the Odisha government has sought to convince the people that it is doing everything it can to see the project through and that it is, in fact, the Centre which has played spoilsport by refusing to allocate the iron ore rich Khandadhar mines in Sundargarh district, which had been promised to Posco long back.

Categorically rejecting the Odisha government's request for preferential allocation of mines to Posco in view of its 'international ramifications',



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Union Steel and Mines minister Narendra Singh Tomar, in a recent letter to the state government, has made it abundantly clear that Posco, like other companies, will have to bid for the Khandadhar mines – or any mines for that matter – under the provisions of the amended MMDR Act.

On a visit to the state on Saturday, Union Mines secretary Anup K Pujari reiterated the minister's statement saying the new Act leaves no room for any special consideration.

This rejection, more than anything else, has proved to be the proverbial last straw on the camel's back for Posco. The Korean company is reportedly unwilling to participate in the auction fearing that Indian steel companies – which, for obvious reasons, are wary of the Korean giant – could form a cartel to jack up the auction price, making it unviable for Posco to go ahead with its marquee project, billed as the biggest FDI project in India.

Tomar recently informed Parliament that Posco is in talks with public sector steel behemoth Steel Authority of India Limited (SAIL) for collaboration in setting up a steel plant in India. Though the minister did not specify the location, it is believed that he was referring to Bokaro in neighbouring Jharkhand where SAIL has excess land.

Industry sources, however, say this is old hat and the 'talks' have got stuck on SAIL's refusal to allow Posco to have 51% share in the proposed joint venture. On its part, Posco is not willing to be a partner in a venture where it does not have controlling stake and has to play second fiddle.

With the assurance of raw material linkage not there anymore, Posco has also withdrawn from the special purpose vehicle (SPV) for the laying of the Haridaspur-Paradip railway line, which would have facilitated transport of iron ore from the mines to its plant. The company has written to the head of the SPV asking for a refund of the Rs 27 crore it had contributed to it.

Posco has recently tied up with Indian steel maker MESCO, which already has captive iron ore mines, to set up a plant based on the Finex technology at Duburi in Jajpur district. But this cannot obviously be a substitute for the mega steel plant it proposed to set up near Paradip.

With the new Land Acquisition Act, acquisition of the amount of land needed for a project of similar dimensions anywhere in the country would be next to impossible for any company, not just Posco. Logically, therefore, Odisha remains the best bet for the Korean company since the difficult part of land acquisition is already over here. But in the absence of raw material linkage, the land acquired is of no use.

Unfortunately for Posco, it cannot go the Vedanta way and buy time for raw material linkage while making do with raw material procured from various sources to run its plant at a much reduced capacity because of the size of its proposed plant. For the same reason, it cannot bank on the state government's assurance to make iron ore available through state PSU Odisha Mining Corporation (OMC) either.

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In the event, the project that has for long been touted as the 'single largest FDI' looks destined to meet the fate of previous big ticket steel projects like the Tata Steel project in Gopalpur in Ganjam district and Arcelor-Mittal project in Keonjhar district.

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