

Steel firms to cut prices by up to ₹1,500 a tonne

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Steel companies are likely to drop prices of flat products by up to ₹1,500 a tonne in one of the steepest downward revisions this financial year. It is likely to be made official on Monday. The possible drop is on the back of a global softening of prices, sliding exports from India and rising imports from FTA countries such as Korea and Japan.

Globally, steel prices have corrected with China recording its highest monthly production at 82.5 million tonnes (mt) as against an average 70-73 mt.

With limited countries to supply the excess production to, what with the trade wars, it is pushing into India's export markets, pointed out a producer.

Even as export markets are getting limited for domestic producers, imports from FTA countries have continued to be on the rise, resulting in excess material in the domestic market.

"While the US, Europe and many other countries have taken steps to protect their domestic market, the low reference import price and rising imports from FTA countries are adversely impacting domestic steel market. There is a need to review both the FTA and the reference price to ensure India does not become a dumping ground for steel products," said Ranjan Dhar, chief marketing officer, Essar Steel.

During April to September, imports from FTA countries increased 61 per cent against a 39 per cent from non-FTA countries.

Exports to FTA countries during the same period rose 1.2 per cent.

Even as the FTA countries are selling here, Indian producers can't take advantage of

the markets because it's largely guarded by the home trading houses.

If the imports are sorted, the Indian market would be protected, a producer said.

Producers, however, believe the demand factor in India hasn't changed but it's the global phenomenon taking its toll on India.

"The auto sector was weak but that is expected to get sorted by January," said some of the producers.

Another producer said the anti-dumping duties in India on flat products don't hold good at the current price levels. "The benchmark levels need to be revised from \$489 a tonne to \$600 a tonne or it

should be on a percentage term," he said.

Prices of landed hot rolled coil C&F is around \$500 while the ruling domestic price is around ₹45,000 a tonne.

Steel companies are worried that margins might come under pressure till raw material prices correct.

While steel prices are facing downward pressure, raw material prices haven't quite relented. Coking coal prices are at around \$225 levels and iron ore is again seeing an uptick.

According to ICRA, strong raw material prices, coupled with the likelihood of a downward revision in domestic flat steel prices, is likely to lead to a sequential contraction of domestic blast furnace based flat steel player by around \$20 per tonne in Q3 FY2019 and by a sharper \$45 per tonne in Q4FY19, unless raw material prices start softening.

"The operating margins of the industry are likely to reduce sequentially in Q3 FY2019 due to further increase in raw material costs," ICRA said in its recent report.

Steel companies are worried that margins might come under pressure till raw material prices correct