

Steel industry seeks safeguard duty to counter rise in imports

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The steel exports to the US from China, Japan and South Korea have fallen by 4,88,000 tonne in six months since the imposition of the duty barriers by the Trump Administration. And during the same period, exports from the same three countries to India grew by 5,61,000 tonne. And a huge cross-dumping of products have been happening after the US and EU set up tariff and quota barriers. And Indian steel makers through the Indian Steel Association (ISA), have sought a 25 per cent ad valorem safeguard duty on steel imports. The proposed duty is to cover under its purview products like semis, flats, longs, pipes and tubes, stainless steel and Railway products.

This has to be seen in the light of a recent report by the Union Steel Ministry, which said that during May, both exports and imports of finished steel recorded a fall in India. Exports in May 2019 declined by 28.5 per cent to 0.318 MT from 0.445 MT earlier. For April-May, the exports were down 29.8 per cent at 0.715 MT as compared to 1.018 MT in April-May 2018-19. In May 2019, the imports fell 13.6 per cent to 0.535 MT from 0.619 MT earlier.

Imports of finished steel during April-May at 1.121 MT were 8 per cent lower than 1.218 MT in the corresponding period of the preceding fiscal. Imports of finished steel have shown a mixed trend during January to May, 2019. India remained a net importer of the steel during May, 2019, the report said.

Interestingly, India has set an ambi-



tious target of ramping up its steel making capacity to 300 MT by 2030-31. India's crude steel output already grew 5.2 per cent to 9.235 million tonne (MT) during May 2019. The country had produced 8.779 MT crude steel during same month in 2018. During April-May 2019-20, the production stood at 18.020 MT, up 3.4 per cent from 17.432 MT in the corresponding period of the previous fiscal.

Production of finished steel in May rose 1.6 per cent to 10.848 MT from 10.674 MT in the year ago month, the steel ministry report said. Meanwhile, going by the recent ICRA report, global steel production growth during 4M CY2019 stood at 4.8 per cent, largely supported by a healthy growth registered by China. China's steel production growth stood at 10.1 per cent in 4M CY2019 on the back of improved domestic demand, which in turn was aided by a pick-up in real estate and infrastructure related activities post the Chinese New Year. However, escalation of trade tensions between China and the US in May 2019 points to possibilities of moderation in the Chinese economic activities in the

coming months, which would keep its steel production growth and in turn global steel production growth under check in the near term.

Back home in India, domestic steel consumption growth eased to 7.5 per cent in FY2019 from 7.9 per cent in FY2018 due to liquidity and fuel price related headwinds faced by the auto sector during the second half. The demand growth moderated further to 6.4 per cent in April 2019 and is likely to remain lower than the FY2019 levels in Q1 due to continued weakness in the auto sector and reduced construction related activities during the general election period. This, coupled with elevated coking coal prices, is likely to affect the financial performance of domestic steelmakers in Q1. However, the construction sector would be at the forefront of the demand recovery in the second half of FY2020 on the back of an expected boost to the infrastructure sector, said Jayanta Roy, Senior Vice-President & Group Head, Corporate Sector Ratings, ICRA.

On the pricing front, Roy said, "While there is a scope for an immediate price hike due to the current disparity between the domestic and imported steel prices, ICRA expects that any meaningful price improvement would happen only in H2 FY2020, when the infrastructure spending is likely to gain momentum and the auto sector is expected to do well on the back of pre-buying ahead of the BS-VI rollout. International steel prices would also remain a strong determinant of domestic prices".

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