SIMA Wants Rational Implementation of Minimum Import Price

India's secondary steel sector is apprehensive about the government's proposed move to impose minimum import price for steel. Mr. Prakash Tatia chairman of Sponge Iron Manufacturers' Association said while MIP is a good move, we would urge the government to implement it in a rational manner that should not harm the secondary steel sector.

He said "To ensure the survival of some 2,000 secondary units which are in operation, government should ensure that iron ore and coal is available on affordable and consistent basis. There should also be a pricing mechanism for these raw materials based on export parity."

He said, "Some of the secondary units like, slab re-rollers for instance, use continuously cast slabs, not readily available in the country. Currently, slabs worldwide are available at a very reasonable price range between USS 220 -250 FOB. These units depend on imports and if a MIP higher that the current import price is imposed on slabs it will deal a vital blow to their raw material costs."

Incidentally import of slabs accounted for 3 lakh tonne out of India's over-9 million tonnes of steel imports last year.

Another section of the steel user industry expected to be affected if the MIP is not imposed rationally are those who use it for critical applications. These special steels have to be necessarily imported and include clad steel, special grade boiler steel, API high-grade steel for high pressure applications and higher width/thickness requirements as well as special auto grade steel. While domestic steel industry has overall capacity of 105 million tonne, with a crude steel output of close to 91 million tonnes, around 54% of capacity is in the secondary steel sector, Tier-ll and local steel units. Against installed capacity of 50 million tonnes, domestic sponge iron production has been only around 18 million tonnes with capacity utilisation of only 35% in the last 2-3 years.

Government Plans to Implement Quality Order

The government is planning to issue a Steel and Steel Products (Quality Control) Order 2015 to ban production, sale or distribution of any steel product that does not meet Bureau of Indian Standards (BIS) approval. The move is part of the efforts being made to rein in rising imports and protect domestic industry for which government has already issued safeguard duty on certain steel items and antidumping duty on stainless steel products. The order does not pertain to exports of steel by domestic producers.

The proposed order will come into effect three months from the time of its official notification. The draft order has been published on the steel ministry's website and covers a wide range of steel products. The market reacted to it with steel stocks like Tata Steel closed at Rs 256.55 (up 4.76%) Steel Authority of India Limited (SAIL) touched Rs 48.10 up 6.53%, while JSW Steel gained 3.55% to go up to Rs 1044.50 on the BSE. The steel products under mandatory BIS specification include mild steel and medium tensile bars and hard drawn steel wire for concrete reinforcement, cold reduced carbon steel sheet and strip, billets, blooms, slabs and bars for forgings, cold rolled (CR) steel strips, hot rolled (HR) steel flat products HR steel plates and strips for liquefiable gas cylinders, HR bars for production of bright bars and machined parts for engineering applications, HR steel strip for welded pipes and tubes, HR Steel strips for cold rolling purposes. Most industry watchers and analysts feel this measure will be stronger and more effective in curbing imports that the earlier moves by the government since most overseas steel producers do not meet BIS norms.

The substandard or defective steel products that do not conform to the order will have to be disposed off as scrap as per the scheme of testing and inspection of the BIS. As per the order, all manufacturers of steel and steel products will have to apply to BIS for getting a license and for use of Standard mark of BIS. To secure compliance, it says the appropriate authority may inspect books or other documents and other steel product belonging to the manufacturer / trader of steel and also enter and search premises and seize any steel products believed to be not of the specified standard.

AK Steel Projects Loss on Plant-Idling Charges

AK Steel Holding Corp. projected a bigger-than-expected loss for the fourth quarter on one-time items, including expenses related to the idling of a Kentucky blast furnace and a write-down of its former insurance operations.

The West Chester, Ohio, steelmaker expects to post a per-share loss of between 33 cents and 38 cents. Analysts polled by Thomson Reuters recently expected a per-share loss of 15 cents.

The company’s decision to temporarily idle its Ashland Works operation was in response to weak steel prices amid a supply glut and an increase in low-priced imports.

AK Steel has said its business is being hurt by unfairly priced imports from steelmakers in Brazil, China, and India, among other countries.

The fourth-quarter guidance includes 42 cents a share related to the idling of the Ashland operation and a write-down of 24 cents a share related to its discontinued insurance operation.

AK Steel expects fourth-quarter shipments will decline roughly 14% from the third quarter owing to its decision to reduced its exposure to the carbon steel spot market, amid weak pricing owing to an influx of low-priced imports.