Domestic Steel Prices Surge

Steel prices have gone up by Rs 2,000 per tonne as the domestic producers have stopped selling in anticipation of the government's order to impose minimum import price (MIP).

"Domestic producers will be able to sell their products at much higher price once MIP becomes effective. Hence, they have stopped selling their products in the market," an industry source said.

Earlier, the steel ministry had proposed MIP for 40 steel products, comprehensive list of which was sent to the commerce ministry. A notification in this regard is likely to be issued soon, setting the floor price below which imports would not be allowed.

Notification on the minimum import price (MIP) for steel products is expected soon. "All documents are ready and we are waiting for Ms. Nirmala Sitharaman (commerce minister) to return from Nairobi where she is participating in the WTO ministerial conference," said a source in the ministry.

When contacted, India's top steel producers chose to remain silent on the subject.

Since October 2014, domestic steel industry has been grappling with increasing imports of cheap steel. In a bid to protect the industry, the National Democratic Alliance government has taken several steps this year. In September, the government imposed a 20 per cent provisional safeguard duty for 200 days on the import of hot-rolled flat products in coils wider than 600 mm. On December 11, it imposed an anti-dumping duty ranging from 5-57 per cent on cold-rolled flat products of stainless steel for a period of five years.

While the MIP is being welcomed by the domestic steel producers, the user industries are not happy with the cost escalation. They fear that consumption may fall significantly because of the rise in the cost of the final product.

"With the MIP coming in, we see consumption of steel coming down by 20-30 per cent across all sectors, except the auto

industry. Car makers usually sign MoU with steel mills," said Rajiv Vyas, member of the Bureau of Indian Standards (BIS) action committee. "The price trend in steel across the world is downward. However, once MIP becomes effective, domestic prices would go up. This will hit consumption for sure," he added.

As per the Joint Plant Committee data, during the April-September period, consumption of steel rose by 4.1 per cent from last year to 39.14 million tonne. Imports of the commodity were up 42 per cent during the same period at 5.4 million tonne, while production for sale was down 0.5 per cent from corresponding period last year at 45.64 million tonne.

The over-leveraged balance sheets of major domestic steel producers are not just a concern for the companies but also for the banks which have lent heavily to these entities.

Indian banks are positioned to overcome macroeconomic shocks, including those related to liquidity and interest rates, but face a problem with the overleveraged steel industry that has been hard put to make a profit, said the Financial Stability Report released by the central bank. "As on date, five out of the top 10 private sector steel-producing companies are under severe stress on account of delayed implementation of their projects due to land acquisition and environmental clearances among other factors," said the report.

Essar Steel, Steel Authority of India, Tata Steel, JSW Steel and Jindal Steel & Power are among the top producing steel companies in the country with heavy balance sheets and stagnant toplines. Among these, Essar Steel is already scouting for a strategic investor to help the company pare its debt. Tata Steel plans to get rid of its non-performing assets like long-product division in Europe.

CIL gets Own Wagons to Carry Coal

Coal India is planning to deploy its own wagons to carry coal in 2016. The public sector miner is investing over INR 500 crore to procure specialised wagons each with a carrying capacity of around 80 tonnes of coal.

Coal India sources said that they would deploy 30 rakes in the South Eastern Coalfields and Mahanadi Coalfields. These subsidiaries will play a crucial role in helping the PSU to reach the 1-billion-tonne production target by 2019-20.

A senior company official said that "Initially, the rakes will not move over long distances to minimize the turnaround time. We are working with the railways on movement of the rakes and depending upon the progress we may consider expanding further."

The move to deploy its own rakes will speed up coal evacuation and increase offtake. At present, Coal India relies on Indian Railways for the availability of wagons.

The average rakes loaded per day have seen only a marginal improvement in 2014-15 at 194.5 rakes per day compared with 190.2 rakes per day in the year-ago period.

The official said that "This year, the availability has been good, which has translated into better offtake."

In the first eight months of the fiscal, the offtake has grown 9.8 per cent amid concerns of power plants over excess supply.

As on December 16, the power plants had a stock of 22 days. More than 70 per cent of coal supplied by Coal India goes to the power sector.