Iron Ore Price Rebounds After Hitting 7-Years Low

Iron ore prices bounced back after slumping to their lowest in seven years in December, 2015 on bargain hunting by traders and small steel mills. The benchmark 62 per cent Fe grade iron ore recovered to trade at $43.11 a tonne, up 13 per cent from its low of $38.30 a tonne on December 11, 2015.

Iron ore miners have cut output globally but its impact is yet to be seen on prices. Experts believe large stock-holding at mine heads coupled with subdued demand from steel mills will not allow iron ore prices to move up for long.

“There are huge stocks lying at various mines in India. In Odisha and Jharkhand 128 million tonnes of iron ore are waiting to be lifted by steel mills. Iron ore consumption is likely to remain subdued, which will continue to suppress its price,” said R.K Sharma, secretary-general of the Federation of Indian Mineral Industries.

Before its price started declining, the 62 per cent Fe grade iron ore for delivery in China had shot up to its lifetime high of $192 a tonne on February 17, 2011. The rebound in iron ore prices has prompted government-owned NMDC to defer price cuts anticipated earlier till January. In December, the benchmark iron ore lumps quoted at Rs 2,100 a tonne. “A correction was due. But because of the global economic slowdown, sustaining this price level looks difficult,” said Haresh Melwani, chief executive officer, HL Nathurmal & Co, a Goa-based iron ore miner.

Moody's Investors Service said in a recent report that the profitability of Asian steel companies would continue to decline as oversupply and weakening demand in China further weakened prices. “Slow property investment, modest infrastructure spending and lacklustre manufacturing will reduce Chinese steel demand by about 5 per cent in 2016. Declining Chinese demand will lead to an increase in Chinese steelmakers’ exports, pressuring already low prices,” said Jiming Zou, a senior analyst at Moody's.

Although Indian steelmakers would see their profitability declining in 2016, the fall would be less than that of other Asian steelmakers because of the country's rising demand and captive iron ore mines, Moody’s said.

Steel Manufacturer Deal Saves MIDS Jobs

Jobs have been saved after part of a steel fabrication manufacturer with bases across the West Midlands was bought out of administration. However, more than 80 redundancies were made ahead of the insolvency with a number of sites ceasing to trade, including one in Staffordshire.

Raj Mittal and Arvindar Singh-Sall of FRP Advisory were appointed to Aldridge Fabrications Ltd. on 18 December 2015. It employed about 140 staff across four sites in Staffordshire, as well as bases in Tyne and Wear, Prenton and Hungary.

The business has been trading for more than 50 years and primarily supplied the mining and fabrications sectors, but had faced a downturn in revenues over the past years due to the declining contract mining industry.

As part of the sale to Aldridge Fabrications (AF) Ltd, 58 jobs were preserved in Burntwood, Brownhills and Dilhorne in Staffordshire, as well as Birtley. However, 82 redundancies were made prior to the administration after the decision was made to close its supplying products divisions in Brownhills, Prenton and its factory in Hungary.

Arvindar Singh-Sall, joint administrator and director at FRP Advisory, said "The company's division supplying products for the mining industry was the latest to feel the squeeze from an industry which remains tough for all operators and suppliers.

“The sale has secured the future of Aldridge Fabrications', fabrications division and 58 jobs, ensuring a continuity of service to the business' core customers who rely on the quality of its steel products. "This transaction is particularly welcome to the regional midlands economy amid the continued difficulties faced across the wider steel manufacturing sector."

BIS Ruling on Cold Rolled Steel Affects Car Production in India

Car buyers in India could be looking at longer waiting periods before they take delivery of their vehicle. Production schedules of vehicle manufacturers across the country are likely to be affected with the mandatory implementation of new BIS (Bureau of Indian Standards) certification requirements for high grade steel from March 15, 2016.

While the government has notified the requirements for specific grades of cold rolled (CR) steel which is used to make roof panels and body panels of cars, these are mostly imported from Japanese and Korean companies by vehicle manufacturers. Since these imports are of low volumes, until economies of scale are achieved in local manufacturing, this high grade steel cannot be made within the country.

Hence imports are expected to continue for the same but with the Centre mandating certification requirements for specific grades of imported steel, OEMs will have to get this raw material certified. That, according to Sugato Sen, deputy director general of SIAM, takes time approximately around 12 months. This means that many production lines at vehicle manufacturing plants are likely to be affected which in turn will translate into longer waiting periods for popular models. Cold rolled imported steel constitutes about 3-4 percent of the total steel consumption of the automotive sector used in vehicle manufacturing. In addition, steel is used for manufacturing components with some alloy steel used in making parts also being imported. This too will see certification requirements that need to be adhered to and could also be affected.