# Govt. would Not Rush to Impose Minimum Import Price

Govt. would not rush to impose minimum import price (MIP) for steel to rein in the growing inward shipments from China, South Korea, Japan and Russia among others, commerce and industry minister Nirmala Sitharaman said, “Dashing domestic steelmakers’ hopes for early implementation of the trade action.”

During the first meeting of council for trade development and promotion, Sitharaman said that “There had been a lot of consultations with the steel and finance ministries on the issue and a fairly good amount of groundwork was done. “However, any talk of MIP will not have to be restricted to one or two lines, but may be several. But at this stage, we are not rushing into it,” she said.

The steel ministry had been strongly pitching for the imposition of MIP for quite some time now following repeated representation of the domestic industry. However, the commerce ministry, it was learnt, was not in favour of such a move that has the potential to inflate illegal trade and generation of black money. The fact, however, remains that the domestic steel industry is bleeding due to the triple whammy of cheaper imports, subdued demand and lower price of the alloy. This has forced companies like SAIL, Tata Steel and JSW Steel utilising their capacity at a much lower level. The average operating EBITDA margin of the steel firms have come down by around 40% during the first half of the current fiscal compared to a year ago period.

“Indian steel industry’s capacity utilisation is falling continuously, replaced by predatory priced imports. Several countries are taking expeditious remedial measures leading the surplus steel also coming into India. Any further delay in government intervention to impose immediate and effective trade actions will further aggravate the situation,” said JSW Steel’s commercial director Jayant Acharya. The further drop in prices during the second half of the current fiscal is likely to result in further decline in the remaining quarters of the current fiscal. Faced with a staggering debt of over Rs 3 lakh crore, domestic steelmakers sought a comprehensive steel package from the government, including a one-year moratorium on payment of interest and principal amounts.

“Due to surging imports and loss of EBIDTA, working capital of the Indian companies have come down. Overall, the profitability of the whole Indian steel sector has taken a huge hit. This will eventually lead to crippling of operations and to default in industry’s obligations to banks,” said an Indian Steel Association (ISA) official.

Sensing that the price and import pressure is likely to continue till 2017, the steel ministry had recently, in a presentation to the PMO, said that there was a need to raise customs duties on steel and urged steel to be excluded from future free trade agreements and RCEP, which includes China.

# BHP Sees No Recovery in Iron Ore

BHP Billiton flagged that it sees no recovery in iron ore or coal prices in the next few years while holding out hope for a rebound in copper and oil as the company fights a slump in earnings set to hit its long-protected dividend.

The top global miner reinforced bearish views on the sector which has been slammed by oversupply at a time when growth in China, the biggest metals consumer, has slowed down.

In a sign BHP may cut its dividend, ending a long held policy to maintain or increase its payout every year, BHP Chief Executive Andrew Mackenzie said in the company's quarterly production report that it was focused on defending its investment grade credit rating.

"In this environment, we are also committed to protecting our strong balance

sheet so we have the financial flexibility to manage further volatility and take advantage of the expected recovery in copper and oil over the medium term," Mackenzie said. He made no mention of any recovery in iron ore or coal prices.

BHP is reeling as oil prices have slumped further than expected at the same time as its other products have plunged to multi-year lows. Average prices for its commodities slumped between 20 and 51 percent in the first half of its financial year compared to a year earlier, with crude oil the worst hit.

Like its peers, BHP has been ramping up production as it looks to cut costs per unit amid the price slump, which has only exacerbated the global oversupply. BHP reaffirmed it expected to boost output of copper, coal and even petroleum in the year to June 2016, despite slashing the number of rigs at its U.S. shale fields amid the collapse in oil prices to 12-year lows.