Duty Hike Fails to Prevent Cheap Imports

Hit by flooding of cheap products from China, Korea and CIS nations, the domestic steel industry has upped the ante for another dose of increase in import duty. Buckling under pressure from Indian manufactures to safeguard their interest, the Centre sometime ago enhanced the import duty on stainless steel mainly used for automobile and white goods from 7.5 to 10 per cent. Not happy with meager hike, Indian Steel Alliance, an umbrella body for major steel producers, sought further increase in duty to discourage dumping of products in domestic market.

Ironically, steel prices have not firmed up since mid-2012. Even as capacity utilisation has not been ensured, many have gone for

capacity expansion in anticipation of buoyancy in the market. Industry sources told that China has added 80 million tonne capacity in past two years whereas worldwide there is an excess capacity of 300 million tonnes. Such a structural imbalance might further worsen the market conditions. China steel is less than Rs.5,000 to Rs.7,000 per tonne than Indian steel.

China is contributing almost 90 per cent of wire rod and rebars available in the market. “The market meltdown in China and Greece financial crisis may lead to more focus in Indian market by Chinese steel producers,” an official of public sector steel company said.

Excess availability and depreciation of their currency has led to imports from Korea, Ukraine and Russia. “There is no signal that the economy will recover in the near future. People have no purchase power and the manufacturing sector is gloomy not with standing tall claims by Prime Minister Narendra Modi,” CITU general secretary and CPI (M) MP Tapan Sen told this correspondent during his recent visit.

Indian Metals Industry Hit by China's Unsteady Economy

Adverse economic developments in China, which accounts for 40 per cent consumption of major metals globally, will negatively impact the metals industry in India, says a rating agency.

"Adverse economic developments in China may have a directionally negative impact on the Indian metals industry as well as on sectors with an export focus," India Ratings and Research said in a statement.

Given the soft demand scenario in China, base metals prices declined in the range of 2-21 per cent in the first six months of 2015, said the domestic arm of global credit rating agency Fitch.

On an year-to-date basis, Chinese domestic hot roll coiled steel prices have declined by 21 per cent, London Metal Exchange (LME) nickel prices by about 12 percent, LME copper metal prices by 9 percent and China alumina prices by about 10 percent.

In the last one month, iron ore prices have fallen by 20 per cent, Shanghai steel prices by 16.4 per cent, zinc prices by 7 per cent, copper prices by 5.6 per cent and aluminium prices by 2.9 per cent, it said.

"The Indian non-ferrous base metal industry is somewhat oligopolistic and commands a strong physical premium. In the event of a sharp fall in metal prices as well as in metal import from Chinese players, the physical premium is likely to fall, impacting industry margins," it has predicted. If the metal prices do not recover in the short term, the industry may incur an inventory loss and a 2-5 per cent fall in operating profits, it said.

On steel sector in India, Ind-Ra said that imports from China grew 18.4 per cent yoy in 2014-15 and iron & steel imports rose the most among the top 10 imports from China. "While the government increased import duty last month with a lag, it may not be sufficient to increase the competitiveness of Indian steel manufacturers," it has warned. Indian manufacturers are struggling with low capacity utilization. With a lukewarm domestic demand scenario, the fall in commodity prices is unlikely to benefit the margins of manufacturing units in the short term.

They may pass on the benefit to customers in an effort to garner higher volumes. Besides, Indian manufacturers may face increased competitive pressure from Chinese manufacturers, it said.

JSPL Crude Steel Production at 1.1 MT for the Period April – June 2015

Particulars	Total Apr - June'15	Total Apr - June'14	Growth
Crude Steel & DRI	1,104,207	800,251	38%

Jindal Steel and Power Limited (JSPL) is a US$ 3.3 billion business conglomerate, and one of India's fastest growing and largest integrated steel manufacturers, significantly present in Steel, Power Generation and Infrastructure segments, catering to a large part of India's domestic energy and infrastructure requirement.

Part of the over US$ 18 billion diversified 0. P. Jindal Group, JSPL's business operations span across Asia, Africa and Australia. The company has committed investments exceeding US$ 30 billion in the future and has several business initiatives running simultaneously across continents.