

SAIL may set up 1 mt pelletisation plant in Southern state



Steel Authority of India Ltd., which had planned a 3 million tonne steel plant at Khammam in Telangana as part of promises made by the Centre while bifurcating Andhra Pradesh, may instead set up a 1 million-tonne pelletisation plant in the southern state. The proposed pelletisation plant will depend on low-grade iron ore found locally in the Telangana region. Steel ministry officials said even the smaller pelletisation plant would be a financial strain on SAIL. However, the state government is still trying to convince SAIL to go ahead with the promised integrated steel plant and is talking to the central government to help set up a railway link with iron mines in

Chhattisgarh. The 3 million tonne steel plant proposal was set forth last year to satisfy a clause in the Andhra Pradesh Re-organisation Act, 2014. This clause, said SAIL, seeks to examine the feasibility of setting up an integrated steel plant in the state. SAIL was asked to consider building the plant in a consortium with two other central PSUs at Khammam in Telangana. However, after extensive surveys it was found that local iron ore was not suitable to make high-grade steel.

Indian steel industry future depends upon Govt. decision on MIP



The health of the domestic steel industry in the second half of FY2017 would critically depend upon the Government's decision on MIP extension beyond August 2016, and the final outcome of the recent anti-dumping investigations initiated by the Directorate General of Anti-Dumping and Allied Duties, ratings agency ICRA said in its latest sector report.

A 25 per cent increase in domestic steel prices till the middle of June 2016 would have led to better profitability of steel companies in the first quarter of FY2017 despite iron ore and coking coal price increases of about 11 per cent and 9 per cent respectively in this period.

However, this is unlikely to significantly boost their liquidity and coverage indicators, given the continuing high debt levels of domestic steel companies, ICRA said.

In recent past, the Indian steel industry has been severely impacted by a global overcapacity, fall in international prices and

surge of imports. In FY2016 alone, steel imports increased by more than 25 per cent from 9.3 million metric tonne (MT) to 11.7 million MT, over and above the 71 per cent increase in FY2015.

To check imports, the government imposed a 20 per cent provisional safeguard duty (SGD) on several hot-rolled coil (HRC) products in September 2015. Nevertheless, international prices continued to fall, neutralizing the impact of the duty.

ICRA said a recent report on the state of the Indian steel industry, it found that a minimum import price (MIP) imposed in February 2016 on 173 grades of steel failed to have a material impact on steel imports till April, due to a lead time of about one-and-a-half to two months for the shipment to arrive in India.

However, the full effect of the MIP set in from May, and as per initial trends, steel imports in April-May FY2017 have declined by close to 30 per cent year on year.

International steel prices have been

extremely volatile since February 2016. Chinese export HRC offers, after increasing sharply by around 80 per cent and reaching a recent high of around \$470 per tonne in April 2016, has seen a steep correction of almost 30 per cent since then.

Given the uncertainty surrounding the Government's decision on extending the MIP beyond August 2016, domestic steel prices have been on a decline since mid-June 2016, correcting by 8 per cent in the last one month, ICRA said.

Weak domestic steel demand growth of just 2.8 per cent in April-May of FY2017 has also been a dampener because domestic industry capacity utilisation remained suboptimal, and large capacity ramp ups are lined up now, including JSW Steel's 3.7 mtpa brownfield capacity and Tata Steel BSE 2.32 % 3 mtpa greenfield capacity.

While SGD regime has been extended till March 2018, the coverage of steel products under it is not as exhaustive as that under the MIP scheme.