

India may turn net steel exporter - Report



India is likely to turn a net exporter of steel this year, on the back of an improvement in international prices, led by cost-push and a slump in retail sales, courtesy demonetisation. During April-November, exports increased 53% over the same period last year to 4.24 million tonnes. Imports, on the other hand, dropped 39% to 4.73 million tonnes.

Given that there is still a quarter to go, the sector is expecting exports to surpass imports. The previous year saw a record level of imports at 12.7 million tonnes while exports were at 4.6 to 4.7 MT

Cost-push has elevated prices in the international market. Last year was a bad cycle, said Jayant Acharya, director (commercial & marketing) at JSW Steel. Coking coal prices have been surging for a while now. International contract prices of premium hard coking coal for the third quarter of FY17 have been settled at \$200 a tonne, an increase of 116% quarter on quarter. Moreover, spot prices have increased from USD 90 a tonne in July to USD 315 a tonne.

The increase in input cost is reflecting in steel prices. In the past three months, international steel prices have increased by more than USD 100 a tonne. Acharya said that "Last year, the situation was volatile and exports had become unviable."

According to Mr Vikram Amin, executive director (strategy and business development) at Essar Steel, prices across the world were showing some buoyancy because domestic requirements had risen. He further said that "China's consumption has improved, Europe is picking up, and North America had been doing well. So, overall, prices are steady."

Amin said that "We did not want to sit and wait for things to improve. We thought we should export more to take the pressure off the domestic market. Products closer to the end-user and the construction sectors were affected. Demand for white goods and consumer durables were affected and 60 to 70% of the project demand was down. Steel spends can be discretionary."

Indian steel makers mulling price hikes



Indian domestic steel players could be looking at perhaps the single largest price hike in the last five years. With the gap between imported and domestic steel prices going up to 18% steel majors are now in a position to raise prices by nearly INR 6,500 per tonne.

While it would help offset a sharp spike in coal costs that has seen production costs shoot up since July this year, low demand at home and impact of demonetization could force companies to initially seek a somewhat lower price increase of INR 3000 to INR 4000 per tonne.

Mr Seshagiri Rao joint MD of JSW Steel in a statement said "We are looking at a price hike since local domestic prices are at an 18

per cent discount compared to landed cost of imports. The increase will have to be in phases given the demand situation at home." He, however, declined to comment on the possible extent of the price hike.

Benchmark global steel prices are now at USD 523 per tonne (f o b) China and ruling well above the reference price of USD 474 per tonne fixed by government. Adding local transport charges and taxes, price comes to around Rs 43,040 per tonne whereas the landed cost is INR 37,500 per tonne.

It is similar in case of products from Japan or Korea, in which case, the base price is higher at \$560 per tonne. When asked about a possible price hike, Vikram Amin executive director of Essar Steel said that

"Our prices will be in line with the market."

The possibility of raising prices by nearly INR 6,000 to INR 6,500 per tonne is being tempered by the fact that domestic steel demand remains weak and companies may not be able to pass on the hike entirely.

Further, demonetisation has also impacted retail demand in the steel sector. Additionally, coking coal prices are seeing a correction from USD 300 per tonne to USD 265 per tonne now.

This is generally followed by a correction in global steel prices too. Hence, steel companies said they would like to keep a watch on prices before deciding on the quantum of price hike.