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NERVES OF STEEL

Steel makers to benefit from low ore prices: Icra

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DOMESTIC STEEL MILLS may benefit from lower iron ore and coking coal costs in the current year but sustained weakness in demand still remains a concern, Icra said on Tuesday.

"Sustained demand weakness remains a concern for the domestic steel industry with a growth of mere 4.6% and 2.6% in 2016 and 2017 due to sluggishness in key end-user industries," the rating agency said in a report.

"Weak demand conditions have led to a correction in domestic hot rolled coil (HRC) prices by 7% in May 2017."

Already, seaborne iron ore prices have corrected by 36% between February and May of 2017, dragged down by a correction in Chinese steel prices, steadily rising iron ore inventory levels at Chinese ports, and addition of low cost fresh supplies from Australia and Brazil, it said.

Interestingly, during this period, domestic lump ore prices have shown a diverging trend, increasing by around 4%.

However, this weakening in seaborne prices will make iron ore exports by domestic miners less remunerative, which in turn is expected to result in a higher domestic availability, and a consequent correction in domestic ore prices in the coming months, it added.

Seaborne prices of coking coal, the other key steelmaking ingredient for which India relies largely on Australian exports, have also seen a sharp decline from \$314/MT (million tonnes) in mid-April 2017 to \$170/MT in mid-May 2017 after the resumption of supplies from Queensland post the disruption caused by cyclone Debbie during April 2017.

Domestic steel production grew by 10.7% in 2016-17 supported by the government's trade protection measures and favourable export realisations, which led to a decline in India's steel imports, and a doubling of steel exports.