

# Steel companies going for steepest rise in price

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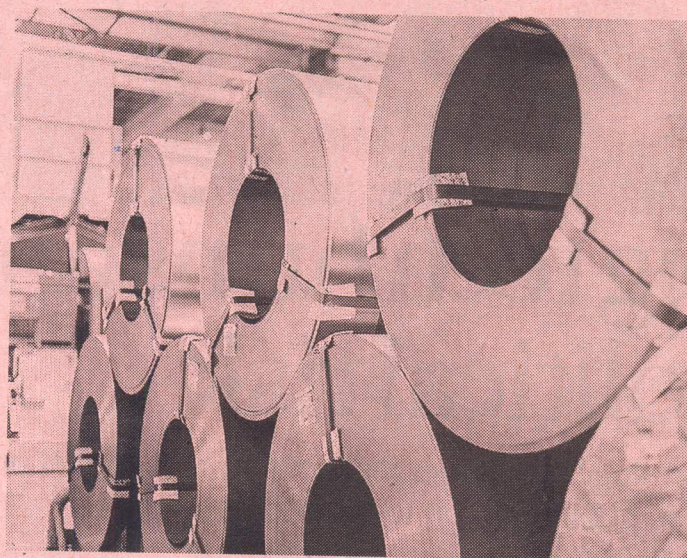
**F**lat steel producers have raised prices (effective August 1) up to ₹3,000 a tonne, one of the steepest hikes in recent times.

Last month prices were raised by about ₹1,500 a tonne. With improving demand, these have moved ahead of raw material prices, signalling the industry's stronger grip on the market. Helped by a surge in international prices. In the past 30 days, the latter have increased by about \$100 a tonne; China has raised by 4.4 per cent this year, as opposed to 0.1 per cent last year.

A steel producer said there was also a strong demand revival in the domestic market, partly due to the approaching festive season and due to restocking after clearing of uncertainties in the post-goods and services tax scenario.

Producers do not rule out another increase towards the middle of the month.

"We see domestic demand for steel continuing to rise, as government spending has moved up in areas such as solar energy, water and transmission pipes. Due to this, domestic prices have



the scope to move up by seven-eight per cent," said Jayant Acharya, director (commercial) at JSW Steel.

However, it remains to be seen if the demand-pull at home is sustainable.

"With the landed cost of imported hot rolled coil reaching almost \$510 a tonne, the (present) anti-dumping duty or safeguard duty will not be applicable. The only protection for the domestic industry at this level is the basic

customs duty. Raising domestic prices beyond this level will have to be supported by either a further increase in international prices and/or a significant improvement in local demand," says Jayanta Roy, senior vice-president at ratings agency ICRA.

Earlier, to protect the domestic industry from an onslaught of cheaper import, the government had imposed anti-dumping duties of \$478 to \$489 a tonne on hot rolled alloy and non-alloy

## FACTORS LEADING TO THE HIKE

- Surge in international prices
- Restocking in domestic market after GST implementation
- Approaching festive season
- Increase in coking coal and iron ore prices

## Domestic steel demand

Months	(in mt)	(rise in%)
Apr	6.015	3.4
Apr-May	13.78	4.2
Apr-Jun	20.99	4.6

Source: Joint Plant Committee; mt: million tonne

coils (HRC) and \$561 a tonne on hot rolled steel plates from China, Japan, Russia, Indonesia, Brazil and South Korea.

Domestic HRC before this round of price increase was ₹ 36,800 a tonne.

On the cost side, iron ore prices which had tapered to \$50 a tonne are now around \$75. Coking coal has moved from \$145 a tonne to about \$180. These two together account for about 75 per cent of steel's input cost.