



# Indian Steel Sector Fortnightly Round Up

1st Sep to 15th Sep, 2015  
Issue No. 57

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## Indian Developments

First fortnight of September 2015 saw divergent trends as steel prices witnessed trend reversal in first week with price of almost all products taking severe beating across India. After blithering fortnight ago with price revival it was turn of reality catching up dispelling all chances of sustained revival. Demand fundamentals remaining weak and thick of Pitra Paksh and monsoon left little scope for demand picking up. But Week 38 remained positive with price of steel products improving at most locations in carry forward of the sentiments in the preceding week. In a freakish impact of imposition of safeguard duty on flat products the long steel prices also climbed all around. Demand though remained subdued ruling out any possibility of sustainability.

### Sponge Iron

Sponge iron prices remained stable at most locations due unwillingness to cut offers as MS ingot/billet prices remained firm and there is positive sentiment in domestic market post imposition of safeguard duty. In addition, hike in pig iron prices by INR 500-1,000 per tons MoM is also supporting current sponge prices. As a result, losses in first week of September were minimized at most locations in Week 38.

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### Melting Scrap

After dipping at all locations in Week 37 under double whammy of plummeting domestic off take and declining international price levels, melting steel scrap price levels remained firm gaining at most locations in Week 38. The imported scrap offers witnessed another USD 5-8 per ton decline with HMS 80:20 being offered USD 212-215 per ton CFR India and shredded scrap from US/Europe declining to USD 230-235 per ton CFR India

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### Semis

After declining heavily in the earlier week, pencil ingot and billet price levels climbed at most location in keeping with the overall market anticipation after the safeguard duty imposition in HRC. However the trend showed distinct signs of waning towards the week close since Pitra Paksh lull in demand remained unsupportive to the speculative hike.

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### Rebar (TMT/QST)

The story of TMT was no different with rebar price levels remaining buoyant at most locations in Week 38 after suffering in Week 37 as the speculative bubble burst cheaper imported material played havoc with market sentiments. Likelihood of imports of rebar material below USD 300 CFR had put immense pressure on the sentiments but the prices later got support from the safeguard duty sentiments

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### Demand Indicators

According to the data released by the Joint Plant Committee India's production of steel fell an annual 3% to 7.3 million ton in August, even as domestic consumption increased marginally by 0.8% fed also by a 17% rise in imports. During April-August this year, India produced 38.5 million tons of steel, just 0.6% higher than the same period a year ago. As per the JPC data, SAIL production of finished steel dropped by 30% and Tata Steel also reported a 0.9% drop in production during August. However, other integrated producers such as RINL, Essar, JSW and JSPL clocked positive growth. Mini steelmakers, which contributed 4.2 million tons steel to the total production kitty in the month, also reported a 4.3% drop in production. Overall production for sale for the April-August period remain near static at 38.52 million tons, imports surged by 50.8% at 4.52 million tons while exports fell by 28.1% and consumption saw a 4.6% rise to 33.02 million tons. While subdued domestic demand, which grew by just 0.8% in August this year compared to the same month a year ago, was one of the primary reasons for the fall in production

Moody's Investors Service said India's current account deficit is likely to remain low supported by declining oil prices but a slow recovery in industrial output and investment would drag economic growth to 7% in the current fiscal. It said "We have also reduced our projections for India to 7% in 2015 and 7.5% in 2016, from 7.5% and 7.6% based on high frequency indicators suggesting that the recovery in industrial output and investment is slow, and bank credit growth still subdued."

With price pressures at record lows, expectations are building that the Reserve Bank of India will lower borrowing costs by at least 25 basis points at its next policy review on September 29, after three cuts earlier this year. Calls for a rate cut have grown louder after annual economic growth slowed to 7 percent in the April-June quarter from 7.5 percent in the previous quarter. And some economists fear real growth is more sluggish than official figures suggest.

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### Looking Ahead

Whilst the Indian steel market rejoices in the boon of 20% safeguard duty with the prices of all steel products rebounding by INR 1000-2000 per ton recently, Rome is on fire with Chinese mills sharpening aggression. If reports are to be believed Chinese mills are in death spiral lowering steel prices in quantum with steel prices in some other regions declining at alarming pace and thus the safeguard duty led cheer in India could be short lived

In the coming week input material and long steel price levels look all set to decline since demand fundamentals remained unchanged. The speculative built up is unsustainable. Moreover reduction in iron ore price and hiked production of Sponge iron will push the price down. International scrap levels remained in down ward spiral with waning buying at Turkey. International price level reaching sub USD 200 per ton level and the domestic demand waning with melt down in price of semis and finished steel there is likelihood of price reduction.

### Indian Steel News

#### 20% Safeguard Duty Imposed on Import of HRC

Finally, the safeguard duty on import of HR has been imposed by the Indian government. The findings of India's Director General Safeguard were recommended by a committee on Saturday and Finance Ministry's Department of Revenue on Monday ie September 14th 2015 vide Notification No 2/2015-Customs (SG) imposed provisional safeguard duty of 20% ad valorem on imports of HRC for 200 days which is April 1st 2016

#### Gerdau India to Double Sale of Long Products

With a rise in demand for special steel in the country, Gerdau Steel India, a special steel maker for automobile sector and fully owned subsidiary of \$ Brazil's multinational steel maker Gerdau is targeting to increase its sale nearly double than last year. Mr Sridhar Krishnamoorthy, managing director at Gerdau Steel India told Financial Chronicle "The market is looping up in the country.

The demand for our steel is rising from across the auto sector, and we will be able to sell 2 lakh ton this calendar year. The company had sold 1.05 tons of special steel last calendar year."

#### SAIL ISP new BF Kalyani in Full Bloom

The new blast furnace at IISCO Steel Plant, Burnpur crossed the magical figure of producing one million ton of hot metal on Wednesday, in less than a year of its commissioning. Christened "Kalyani, the country's largest blast furnace was "blown in" on November 30 last year. Built by POSCO (Engineering and Construction) and NCC Ltd of India, the furnace has a useful volume of 4160 cubic meters, and can produce about 8,000 ton of hot metal per day.

#### Nava Bharat Ventures to Make Ferrochrome for TATA Steel

Nava Bharat Ventures Ltd has entered into an agreement with Tata Steel Limited for conversion of chrome ore into ferrochrome at its manufacturing plant located in Odisha. This arrangement will commence upon the receipt of ore and reductants from TSL during this month. The agreement is initially up to the end of March 2016 and extendable on mutually agreed terms for a further period of four years. The agreement postulates that the entire smelting capacity of the Odisha plant is dedicated for TSL to produce up to 70,000 MT of high carbon ferrochrome per annum.

#### Jindal Stainless to Shut Ferrochrome plant at Vizianagaram

Jindal Stainless said it will temporarily shut down operations of the ferro alloys unit in Vizianagaram (Andhra Pradesh) due to differences between the management and workers. In a BSE filing, the company said: "Due to pending differences between management and workers who have lately been resorting to go-slow and other disruptive tactics, management has decided to temporarily shut down operations of the Ferro Alloys unit at Kothavalasa in Vizianagaram, Andhra Pradesh. The production of ferro chrome will be shifted to more economical Jajpur facilities."

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### Change of Guard at Visa Steel

Visa Steel Limited has informed the Exchange that the Board of Directors of the Company at its meeting held on 15 September 2015, inter alia, had considered and approved the following: 1. Voluntary Retirement of Mr. Punkaj Kumar Bajaj (DIN 02216069), Joint Managing Director & CEO (Steel Business) from the services of the Company w.e.f. close of business hours of September 14, 2015. 2. Appointment of Mr. Manoj Kumar (DIN 06823891) as Wholetime Director designated as Director (Kalinganagar) w.e.f. September 15, 2015.

### TATA Steel and TATA Metallic Merger Approved by Bombay HC

Tata Steel Ltd said that the Bombay High Court has approved the scheme of amalgamation between the steel producer and Tata Metaliks and Tata Metaliks DI Pipes and their respective shareholders and creditors. The merger scheme is still pending before the Calcutta High Court and the same will be effective only upon sanction by this court.

### Srijan Steel gets Eco Nod for Iron Ore Beneficiation & Pellet Plant

Kolkata-based Srijan Steel and Power Industries has got environment clearance for its INR 256 crore greenfield project to produce iron ore pellets in Seraikela-Kharsawan district of Jharkhand. Srijan Steel has proposed a greenfield project to produce 0.8 million tons per annum of iron ore pellet and setting up of 1 MTPA iron ore beneficiation plant in Jharkhand.

### SAIL Planning to Hit 50 million Tonne Mark by 2025

Steel Authority of India Limited is planning to scale up production of hot metal to 50 million tons by 2025-26. This will place the company amongst the top global steel producers in the world. The capacities of crude steel and saleable steel have been planned at 48 million tons and 46 million tons respectively. The hot metal capacity is expected to reach a level of 23.5 million tons by the end of 2015-16.

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