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Indian Developments

Iron ore

Indian state owned iron ore mining giant NMDC have reduced their price of

- Lump Ore to INR 2500 per WMT
- Fines to INR 1460 per WMT

for October sales both down by 12% as compared to September prices. The above prices are excluding royalty, taxes, DMF, duties, levies etc. NMDC had recently announced that its sales went down by 17% YoY to 11.27 million tons in April-August 2015 while production dipped by 13% YoY to 10.52 million tons.

Sponge Iron

Sponge iron prices crashed during Week 40 at most locations except Bellary.
Prices dipped by

- INR 500 WoW at Kolkata and Raigarh,
- INR 450 WoW at Raipur and
- INR 300 Wow at Rourkela

on sluggish offtake from IF based ingot makers. The last surge had pushed sponge iron prices at Raipur and the difference of INR 650 with Raigarh points to possibility of further correction in Week 41. However, **it seems that INR 14000 is a new benchmark level for sponge iron for now**.

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Melting Scrap

Steel melting scrap prices also posted huge loss of INR 500 per tonne WoW at Kandla / Kolkata and have established under INR 18000 levels for now. However, Mandi Gobindgarh which is major steel scrap user, showed resilience in Week 40 with stable level of INR 22200. However, with Kandla prices at INR 17900, prices at Mandi should correct in Week 41. Alang, the graveyard for aging ships and major supplier of plate cuttings to small rebar makers, exhibited state of extreme stress in week 40 with prices of ship breaking scrap and plate cuttings crashing by INR 600 and INR 1000 per ton WoW bringing the weakness in rebar demand to forefront

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Semis

The weakness in input market was clearly translated to pencil ingot at most locations across India in Week 40 with prices crashing by upto INR 1000-1500 per tonne WoW.

- Ahmedabad -900
- Durgapur -1450
- Ghaziabad -1000
- Jaipur -1000
- Kolkata -1450
- Ludhiana -900
- Mandi Gobindgarh -1000
- Mumbai -800
- Muzzafarnagar -900
- Raigarh -750
- Raipur -550
- Rourkela – 600

The main cause for such major WoW reduction was slow off take of finished steel ie rebars and sections due to reduced activity on account of pitra paksh

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Demand Indicators

Standard & Poor's in a report said that reviving demand and not protective duties, is the most important driver of profitability of the Indian domestic steel industry over the next three to five years. Standard & Poor's credit analyst Mehul Sukkawala said in a note **"Demand revival and not safeguard duties will determine the profitability and development of the steel industry over the next three to five years here. The last week's 20 per cent safeguard duty imposed on hot-rolled coil imports can eventually damage the economy by curbing competitiveness of its manufacturing sector, which consumes steel, and by increasing the cost of building infrastructure. Steel consumption can increase by 9-10 per cent in next fiscal year and FY18, if economic growth accelerates, compared with 1-4 per cent growth since FY13. This can help absorb oversupply and improve profitability."**

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Looking Ahead

A steel ministry official said that Indian Steel Sector, which is passing through a global over supply crisis, may take another 18-24 months for revival. Ministry of Steel Joint Secretary Mr Syedain Abbasi said at an industry event said that **"We have assessed the steel situation within the ministry and according to that assessment the industry is expected to remain under stress for the next 18 to 24 months."**

Mr Raghuram Rajan, Governor of Reserve Bank of India reduced 50 basis point cut in repo rate on 30th September. |He said "We need to improve business environment but businesses did not require a Scandinavian or American business environment to invest in the past. If we wait till that, we will never get any investment". He added "A cut in small saving rate is not and anti-poor as rates have been brought down after inflation has been brought down. What people do not realize is that 10% at a time when inflation was 11% is a negative real rate. Today, if they get 8% with 5.5% inflation, they are getting 2.5% real return". RBI rate cut will spur sales of cars and motorcycles during the all important festive period which begins from 13th October.

On the other hand, Indian auto sector is quite bullish about festive month of October and expect to be a bumper month providing a new lease of life to Indian Auto Industry, which is on the road to recovery after two years of dismal sales. This will give some life support to flat products under pressure from low priced imports.

Indian News

Indian steel mills seek safeguard duty on CR imports also

India's steel ministry is considering request of the industry for additional safeguard duties on imports at a time when there is growing fear of surge in dumping from China. A joint secretary in the steel ministry told DNA that after imposing 20% duty on hot rolled coils this month, an appeal from the industry for imposing similar measures on cold rolled steel has also been received. **Mr Syedain Abbasi, Joint Secretary, Ministry of Steel, said "After HR coils, there has been a presentation from cold rolled products manufacturers. First the industry has to make a case. If there is injury, based on that we might take action."**

Tata Steel gets green nod for expansion of CR mill at Jamshedpur

Tata Steel has got the Environment Ministry's approval for more than doubling the capacity of its Jamshedpur-based cold rolling mill at an investment of INR 126 crore. The plant's capacity will go up to 0.8 million tonnes per annum from the existing 0.3 million tonnes per annum. It will manufacture hot rolled skin passed pickled and oiled (HRSPO) coils and hot rolled pickled and oiled (HRPO) coil.

Mahindra Auto Steel JV inaugurated in Pune

Mahindra Auto Steel, a subsidiary of Mahindra Intertrade, has inaugurated its 7th Service Centre at Chakan, Pune. This houses a state-of-the-art automotive steel processing facility, which is a JV with Taiwan's China Steel Global Trading Corp and Singapore's Mitsui & Co. The plant has been set up at a cost of INR 110 crore in phase one and has an annual processing capacity of 100,000 tones.

Indian iron ore pellet makers seek government support

Indian iron ore pellet makers struggling to keep operations afloat in the domestic market are banking on government support in the form of a cut in export duty and railway freight cost to make exports viable. Mr ND Rao, President, Pellet Manufacturers' Association of India said**, "Pellet makers have to be from the country since pellets cannot compete with iron ore lumps. The Government of India needs to fine-tune its policies for exports by removing export duty and reducing railway freight for pellet transport. Today, only shore-based pellet makers like KIOCL and Essar Steel are finding exports viable due to logistics advantage."**

Jindal Stainless to shut ferro chrome unit in 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."

Industry body to go to court against 20% safeguard duty on HRC

Indian government's decision to impose 20 per cent provisional safeguard duty on certain grades of flat steel has upset some user segments which are even considering moving court against it. Mr Mohan Gurnani, President of Federation of Associations of Maharashtra said "We are planning to approach the courts to counter these moves. A number of steel user segments have approached us to take up the matter.

Indian steel mills building case for anti dumping duties on HR imports

After getting a temporary relief in the form of 20 per cent safeguard duty on certain types of steel imports, the domestic steel industry has started to build up a case for imposition of anti-dumping duties. Anti-dumping duties are preferred over safeguard duties as these can be applied over a longer period of time and need not be progressively lowered in the period of application.

Srijan Steel gets clearance for iron ore project in Jharkhand

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 tones per annu of iron ore pellet and setting up of 1 MTPA iron ore beneficiation plant in Jharkhand.

Odisha to set up Steel Directorate

Odisha government plans to set up a separate Steel Directorate to over see the problems faced by the investors. Chief Minister Naveen Patnaik has already approved a proposal made by the Steel and Mines department. The proposed Steel Directorate as per Minister would be headed by an officer of the rank of Additional Secretary, adding that the new body would be entitled to appoint a Steel Consultant from the corporate sector. The state government has signed MoUs with 48 investors in steel sector envisaging a combined capacity of 83 million tones with investments totaling to over Rs 2 lakh crore.

EU imposes anti dumping duty Indian ductile cast iron pipes

European Union has imposed a provisional anti-dumping duty of up to 31.2 per cent on imports of water and sewage pipes from India for six months to protect its industry. A 15.3 per cent provisional anti-duping duty has been imposed on exports by Electrosteel Casting Ltd, while there would be 31.2 per cent levy on shipments from Jindal Saw Ltd and other companies.

SAIL starts planning a new 3 million ton HSM at RSP on priority

Mr Rakesh Singh, Secretary (steel) who is holding additional charge as Chairman of SAIL said, while addressing the company's 43rd annual general meeting in New Delhi said "Even while Vision-2025 for the company is being given final shape, action on some of the key projects in this road map have been initiated. Work on installation of a state of the art 3.0 million ton per annum Hot Strip Mill at Rourkela Steel Plant has started. The mill will help produce high quality hot rolled coils including high strength API grades, auto body grades and other special value added steels."

Mr YPS Suri of Outokumpu calls for use of stainless steel rebars in infrastructure creation

Mr Yatinder Pal Singh Suri, Country Head of stainless steel giant Outokumpu while speaking at summit organized by FICCI and Builders Association of India emphasized use of sustainable materials in infrastructure creation in India. He said "Stainless steel rebars are emerging as an excellent sustainable solution for the concrete bridges in coastal and hill areas. The stainless steel reinforcing bars provide long life into concrete structures especially in the hills, coastal areas, ports, airports, bridges, high rise buildings and water treatment plants as these bars do not ever corrode and thus concrete failure due to spilling is avoided

Since stainless steel does not corrode, the concrete continues to offer a maintenance free life of over 100 years. There are global examples to showcase this. Our planners must make use of stainless steel rebars mandatory in corrosion prone areas of the bridge. This would mean substituting just 5-10 per cent of the total rebars to be used in a bridge from carbon steel to stainless steel. The cost of the bridge project cost may go up by a 2-3 per cent but the life will go up to 100 years that too almost maintenance free."

Sponge iron producers want to bid for captive iron ore mines

Indian sponge iron producers, which source their key input iron ore from the open market, have urged the mines ministry to advise states to allow them to bid for captive iron ore mines in the forthcoming auction of mineral leases as currently, under the Mineral (Auction) Rules, 2015, only integrated steelmakers are allowed to bid for captive ion ore mines. Mr Deependra Kashiva, Executive Director, Sponge Iron Manufacturers' Association said "Iron ore constitutes more than half of the cost of production of sponge iron. Having a captive source of iron ore would give us the opportunity of sustainable operations and growth. At full capacity, the industry would need around 92 mt of iron ore a year although utilisation was just 40% last fiscal. Captive mines would help the industry to hedge from the vagaries of price fluctuations and secure supply."

War of words at industry summit on Steel Product Quality Control Order

Mr Kamal Aggarwal of All India Induction Furnace Association at a summit organised by FICCI and Builders Association of India said "The Quality control order by Ministry of Steel is an attempt to harass the secondary sector and downstream consumers and support the primary producers. Why ministry of steel does not act on complaints and concern of secondary sector.

Why ministry of steel acted so swiftly for primary producers to impose safeguard duty in few days. Steel ministry is conniving with primary producers to kill secondary sector and hand over that market to primary producers. On one hand Make in India is being attempted to increase manufacturing and steel ministry is trying to close manufacturing. Consumer must be consulted and ministry should not issue orders unilaterally. We oppose the quality order in national interest. BIS is so slow and does not have the capability to enforce the quality order. Why ministry did not assess this."

NINL to restart steel making operation from Oct-15

Neelachal Ispat Nigam Ltd, a joint venture steel company promoted by MMTC Ltd and the government of Odisha with 1.1 million tonne annual capacity, will restart steel making operation from October 15, this year. The steel mill, located at Duburi in Jajpur district had stopped steel making activity last year owing to unfavourable market conditions. Mr Ved Prakash, CMD, MMTC, the principal promoter of the project said "
With recent increase in import duty on various steel products and imposition of safeguard duty, there have been positive impact on steel prices."

Safeguard duty might help steel firms lift volumes, not prices

With the safeguard duty in place, the focus for steel companies will be to improve capacity utilisation rather than raising prices. At best, the prices could increase by Rs.1,000 a tonne over the next 200 days, that is, till the time the duty is applicable. There has been no price increase ever since the safeguard duty was imposed and very little price increase will happen. In absolute terms, it can go up to a maximum of Rs.1,000 a tonne over the next 200 days. There is already too much capacity and demand is not that strong; JSW Steel group chairman and managing director Sajjan Jindal said. JSW Steel happens to be the largest steel maker in the private sector in India

. The industry, however, is treading cautiously on price, for more reasons than one. First, China has already dropped prices by 10 per cent. Landed imports of hot rolled coils are now at $297 a tonne compared to an ex-plant price of $400 a tonne for the home steel.They are now threatening to reduce prices by another 10 per cent; Jindal said.

China was anyway selling $80 below its marginal cost (the cost added by producing one extra item of a product).

That apart, the user industry, which is anyway upset about the safeguard duty, would not accept any significant price increase. The safeguard duty is for six months, after which the government would take a view on whether there is injury to the industry. If there is, then the duty could be reviewed upwards also up to a period of four years."There is resistance from the user industry. If cheap imports continue to flood the market, then the steel industry will die and the user industries will also not benefit," Jindal said.

The steel industry has already made representations to the government to extend the safeguard duty on the entire value chain of steel products, cold rolled, galvanised, wire rods, TOR steel. The safeguard duty is applicable on import of hot rolled flat products of non-alloy and other alloy steels with a width of 600mm or above.

Cheap imports from China and countries with free trade agreements like Japan and Korea, have been hurting the sector for a while. According to India Ratings and Research, India`s import of iron and steel rose 58 per cent during AprilJune 2015 period, making it the country`s sixth largest import. The sector`s contribution to stressed advances stood at 10.2 per cent of the total advances as of December-end 2014 and is among the top five sectors with stressed loans in the system.

Of the four companies where lenders have invoked the strategic debt restructuring, two; Electrosteel Steels and more recently Visa Steel -- belong to the steel sector.Right now, the focus for the sector is to improve capacity utilisation, which has been hovering at the 75-80 per cent levels for the last five years, for better fixed cost absorption leading to an increase in Ebitda (earnings before interest, taxes, depreciation and amortisation) per tonne. Jindal says it could increase to 86 per cent.

Global News

Stemcor to split in Moorgate Industries and Stemcor Global Holdings

London based debt laden steel trading giant Stemcor plans to split its holding company and its core trading business into two separate entities as part of a USD 2 billion debt restructuring. Stemcor secured an 'agreement in principle' earlier this year with its creditors under which US distressed investment fund Apollo swapped its debt for equity in Stemcor, making it the company's largest shareholder. The split and debt restructuring is pending court approval, expected in October, but has the formal support of Stemcor's lenders. Further to that agreement, Stemcor's former holding company will now be split off into an entity called Moorgate Industries Ltd which will hold a troubled Indian ore asset, which will be separate from its core trading business and will be known as Stemcor Global Holdings Ltd. Stemcor has appointed Scott MacDonald as Executive Chairman.

Tata Steel UK bags pipe supply contract for Culzean project in UK's North Sea

Tata Steel has been awarded a multi-million pound contract for the Maersk Culzean project located in the UK central North Sea – one of the largest discoveries in the region in the last 10 years.

The company will be responsible for providing more than 18 thousand tonnes of carbon steel welded line pipe with the core element of the scope of supply encompassing a 53-km gas export pipeline which will tie into the existing Central Area Transmission System (CATS). The gas export line will be manufactured at Tata Steel's UOE LSAW pipe mill located in Hartlepool, UK with BSR Pipeline Services, a joint venture with Tata Steel, providing the coating services.

JFE Steel Acquires 5% stake in Formosa Ha Tinh Steel in Vietnam

JFE Steel Corporation has signed a contract to pay USD 225 million to acquire a five-percent stake in Formosa Ha Tinh Steel Corporation (FHS), a joint-venture company that is currently constructing integrated steelworks in Vietnam. The project is being spearheaded by FHS's founder, Formosa Plastics Group (FPG), a Taiwanese integrated supplier of petrochemicals. JFE Steel will also provide the project with technical support.

Mining giants Vale, BHPB and Rio offers contradictory view of China steel output

Mr Claudio Alves global director of ferrous marketing and sales of Vale in written remarks sent to Bloomberg before the start of a conference in Qingdao said "China's steel consumption peak is still ahead of us but of course the growth will be much more gradual. Despite the slowdown of the growth speed, China still remains the economic engine of the world. Further urbanisation and infrastructure projects will underpin demand for iron ore, steel, copper and other base metals." Rio Asia President of Iron Ore Mr Alan Smith told the conference "China's crude-steel output will rise to about 1 billion metric tons by 2030 reaffirming our outlook. Global steel demand ex-China will climb to about 1.5 billion tons by 2030 from 920 million tons." BHP said in its annual report, citing steel stock per capita that's below the level in developed nations, "We expect moderate but sustainable growth in Chinese steel production over the next decade. In line with our expectations, the economy is growing more slowly as it matures."

CISA sees Chinese steel exports exceeding 100 million tonnes in 2015

China's total steel product exports are likely to exceed 100 million tonnes this year, Mr Wang Liqun, the Vice-Chairman of the China Iron and Steel Association, told reporters. In the first eight months of the year, product exports reached 71.87 million tonnes, up 26.5 per cent compared to the same period of 2014.

China factory PMI falls to 6 ½ year low

Activity in China's factory sector unexpectedly shrank to a 6-1/2 year low in September, a private survey showed, and raising fears of a sharper slowdown in the world's second-largest economy that could spell more turmoil for financial markets. The preliminary Caixin/Markit China Manufacturing Purchasing Managers' Index (PMI) fell to 47.0 in September, the worst since March 2009 and below market expectations of 47.5 and August's final 47.3. Levels below 50 signify a contraction.

BaoSteel Zhanjiang BF No 1 ignited

Baoshan Iron & Steel Co has started production at its new project in China's southern port city of Zhanjiang even as steel prices plunge amid sluggish demand in the country, which is facing its slowest pace of economic growth in 25 years. The No 1 blast furnace of the project, designed to have an annual capacity of 4.1 million tonnes of hot metal, was ignited on September 25. The project will be fully operational a year later with an expected annual crude steel production of 8.75 million tones.

New wire rod mill inaugurated at BMZ

Belarus President Mr Alexander Lukashenko inaugurated a new production line, a wire-rod mill, at Belarusian Steel Works during the visit to the Zhlobin-based enterprise on 25 September. The capacity of the wire-rod mill is 700,000 tonnes of rolled iron per year. The capacity can be raised to 1 million tonnes. The manufacture of this product began in March 2015.