



Steel Price bottoming out Looks now upwards



Experts are expecting demand to remain strong, thereby forcing producers to revise selling prices upwards.

After about 16 percent decline in a short span of three months, domestic steel producers are up in arm to raise steel prices effective September 2005. If Assocham has to believe, steel prices are expected to rise again from third quarter this fiscal on the back of the US economic recovery, large infrastructure build-up in the Middle-East and strong growth prospects in the domestic economy.

Price decline in the last quarter

In the last quarter, steel prices declined by 150-200 US dollars per tonne globally largely due to lower economic activity in the EU and piling inventory levels in Europe and the US. The domestic prices have also fallen in line with the international trend. Steel prices in the country have decreased about 16 per cent over June-July 2005 with all major producers reducing prices during the period. However, with the production cuts announced by European steel mills in recent times along with economic growth in South-east Asia and West Asia the demand is expected to remain buoyant. Indian steel industry is poised for a strong growth, the prices will also rise as a result of the increased demand.

Up 7 percent from September

The announcement of Mittal Steel to cut production in some of its plants looks set for helping finished products prices go up in the weeks ahead. Indian Steel producers who revise their selling prices on monthly basis are all set to raise this time by upto 7 percent from September in line with a global

price rise, and in response to easing inventories and strong domestic demand. Prices of various grades of hot-rolled steel, the benchmark for the sector, could be increased by between Rs.700 and 1,500 (\$16-\$23), after a drop of nearly 25 percent in the past quarter. Global prices of hot rolled steel coil, used in construction, railroads, shipping and automobiles, had risen by \$30-40 a tonne in the recent weeks to \$470-475 a tonne, but still nearly 40 percent below record high prices of \$740 in January and February. Experts are expecting demand to remain strong, thereby forcing producers to revise selling prices upwards.

Steel Authority of India Ltd., the country's top producer, sees a buoyancy in global steel prices that could impact domestic prices in tandem. Steel prices jumped last year as China's economic boom sucked in raw materials, with prices peaking in the second half as clients built up stocks amid fears of a shortage. Steel majors including Mittal Steel, Arcelor and ThyssenKrupp have since announced production cuts to curb inventory build-ups and the slide in prices. Indian firms did not cut output, but slashed prices to maintain sales growth. Now, global inventory is easing and the trend is expected to continue. Buyers are coming back to the market assuming prices will rise. Hot-rolled coil prices have fallen to around

22,000 rupees a tonne from around 29,000 rupees a tonne in April. Experts believe that prices have bottomed out and the inventory imbalance has corrected itself.

Imports down

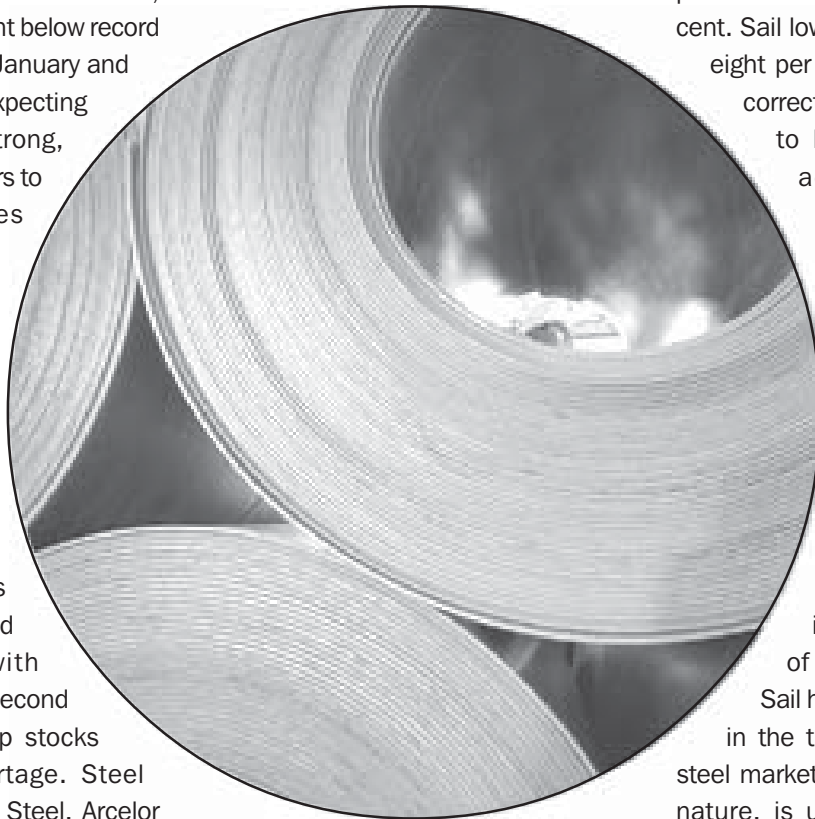
Steel imports into India have fallen after domestic producers cut prices in August, negating any price advantage the imported metal had over locally

broader BSE index, to build on recent gains in anticipation of the price increase.

Price goes down In August

As international steel prices look southwards, Indian producers had also lowered their prices with Essar Steel bringing it down by three to five per cent while State-owned Steel Authority of India effected a cut in the alloy prices in the range of four to eight per cent. Sail lowered its prices by four to eight per cent and attributed it to correction in global prices due to liquidation of inventory across the countries. However, a spokesperson of the country's largest steel producer had hinted that "prices would start firming up in a lead time of one to one-and-a-half months."

Essar, had brought down the prices, in keeping with the trends in the international prices of steel. Steel behemoth Sail has effected a cut in prices in the third straight month. The steel market, known to be cyclical in nature, is undergoing a decline in prices following inventory stockpiling and a lower demand from China. In fact, China has doubled its exports in the first five months of the year, leading to surge in global supplies, instead of the earlier supply shortage.



produced steel. India's steel inventory was estimated to have eased to 800,000-900,000 tonnes from over 1 million tonnes a month ago, and India's demand for steel is seen growing at 7-8 percent in the year to March 2006. Analysts expect the firming prices to help steel stocks, which have underperformed the

