
Steel scrap shortage to keep long product prices afloat in India

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As a sequel to our earlier article (STT: Long Product Market warms up India: 14/09/09) we feel that the shortage of scrap will play a stellar role in keeping the long product prices vibrant in the short term.

International scrap levels has been relentlessly appreciating month on month to the tune of USD 100 per tonne from USD 245 per tonne levels to USD 340 per tonne in the last three months.

It is learnt from the market sources that imports of steel scarp have become unaffordable for the domestic furnace owners owing to slackness in demand of downstream long products. The dilapidated demand has left them in a situation with compounding costs thereby obliterating the margins. Rubbing salt to the injury the recent regulations restricting the import of scrap only to end users has proved a dampener curtailing the supplies significantly.

It is learnt that rolling mills in vital centers of West and North have cartelized to gloss over the grim situation by attempting to push prices regardless of subnormal demand. Ship breaking scrap prices have soared as supplies partially assuage the demand from starved rolling mills.

The flip side is that with the culmination of "Pitri Paksh", inauspicious period according to Hindu calendar, on 18th September business and construction activity will improve thereby mitigating the surmounting costs of the mills.

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