
Monday Market Monitor - India (WEEK 46) - Darkness personified

Monday, 16 Nov, 2009

Indian domestic steel prices continue to exhibit weakening sentiments last week. The Indian Long Product Price Index ILPPI decreased by 114 points whereas Indian Flat Products Index IFPPI dipped by 36 points, slower than WEEK 45. The overall price index INDSPI decreased by 76 points.

Class	06-Nov	13-Nov	Change	%
ILPPI	5926	5812	-114	-1.9%
IFPPI	7247	7211	-36	-0.5%
INDSPI	6555	6479	-76	-1.2%

ILPPI - Indian Long Product Price Index

IFPPI - Indian Flat Product Price Index

INDSPI - Indian Steel Price Index

Long Products

Category	06-Nov	13-Nov	Change	%
PI - TMT	5588	5495	-93	-1.7%
PI - WRC	6492	6338	-154	-2.4%
PI - Angle	5586	5502	-84	-1.5%
PI - Channel	5634	5549	-85	-1.5%
PI - Joist	5260	5206	-54	-1.0%

PI - Product Index

Flat products

Category	06-Nov	13-Nov	Change	%
PI - Narrow Plates	6908	6868	-40	-0.6%
PI - Wide Plates	7012	6985	-28	-0.4%
PI - Hot Rolled	7107	7078	-29	-0.4%
PI - Cold Rolled	7798	7758	-40	-0.5%
PI - Galvanized	7674	7591	-83	-1.1%

PI - Product Index

To know more about these indices please visit
http://steelprices-india.com/spi_services/spi.html

You can now get ILPPI, IFPPI and INDSPI as SMS alert on mobile by submitting your details at
<http://steelprices-india.com/smsalert>

1. Input material - Reels under downstream backlash

Input materials continued to exhibit negative trend across products and locations last week. As per market sources prices of pencil ingot is facing immense demand pressure, although firmed up a bit in the last few days of last week, may weaken further in the coming week .

Melting scrap

80:20

HMS

Location	Change
Chennai	0%
Kanpur	0%
Kolkata	-2%
Mandi	0%
Mumbai	-1%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

Alang

Product	Size	Change
Plate cuttings	1"	-1%
Ships	Mixed	-1%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

Pencil ingot

Location	Change
Ahmedabad	1%
Bhiwari	0%
Durgapur	-1%
Ghaziabad	0%
Hyderabad	-2%
Jaipur	-1%
Jamshedpur	-3%
Kanpur	0%
Kolkata	0%
Mandi	-1%
Mumbai	-1%
Muzzafarnagar	0%

Nagpur	-1%
Raigarh	-3%
Raipur	-3%
Rourkela	-1%
Rudrapur	-1%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

Pig Iron

Location	Change
Agra	-2%
Jalandhar	0%
Kolkata	0%
Raipur	0%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

Sponge iron

Location	Change
Bellary	-5%
Kolkata	-5%
Raigarh	-2%
Raipur	-5%
Rourkela	0%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

2. Long products - Endless myriad of market movements

November 2009 heralds toughest phase for long product prices reminiscent of the peak recession in October 2008.

The movement of Indian Long Product Price Index ILPPI clearly reflects that the prices of long products in India are on the downhill since October 14th 2009 and have reduced by more than 8%. Despite the downward sentiments in last 2 months, Indian long product players have exhibited positive sentiments till October end but now they have succumbed to the market realities.

It seems that Indian long product market, devoid of demand, was backed by the pre Diwali optimism, culminating in accumulation of stocks in anticipation of demand ignition post festivals, but to the utter chagrin of market players, mirage vanished leaving aspirations in a limbo.

Oblivious to the realities in desperation sellers opted to keep their hopes pinned on a belated revival. However the inevitable slide soon commenced admonishing residual expectation with contempt. The prices of long products which started sliding in mid September have maintained its momentum.

Class	14-Sep	10-Nov	Change	%
ILPPI	6374	5812	-562	-8.82%

ILPPI - Indian Long Product Price Index

To know more about these indices please visit
http://steelprices-india.com/spi_services/spi.html

Market players attribute following factors for deepening pessimism in long products market

1. Liquidity crunch is playing pivotal role in declining demand for long products. On one side small and medium projects in reality sector have been gasping for credit, whereas on the hindsight major projects, running on pre recession sanctions are on the verge of completion.

2. Despite all the hype created by the government about stimulus for the construction industry, it still reels under the recessionary pandemic scuttling new projects as consumer confidence wanes.

Indian steel majors had a fairy run till mid October, as the latent demand from mega projects kept the inventories within manageable levels, keeping the prices afloat. With the progressive exhaustion of demand and inadequate new demand generation from the secondary sector prices crumbled under its own weight with mounting inventory.

The steel majors resorted to price cuts in an attempt to arrest the damage narrowing the price gap with secondary manufacturers. Imperiled by such daunting postures the secondary sector readjusted its pricing as a survival tactics triggering price war.

Rebars from secondary producers are being sold below INR 28,000 per tonne, inclusive of ED and VAT by secondary players in NCR Region. Further price cuts cannot be written off as they have to offload inventory before it starts cannibalizing residual margins.

A market player highlighted that “Normally, we could find some bright spots. But this time, the situation s grim as almost all the locations in India are exhibiting weak signals.”

The low offtake of pencil ingots is driving rebar prices down and it is reported that at one of the most decisive location viz., “Raipur” price has already plummeted to INR 19,000 per tonne plus taxes. Experts opine that further dip is inevitable in this week taking it below INR 18,000 per tonne.

Remarkably the lowest level of pencil ingot price in the last 2 years was reported during the last week of October 2008 and June July 2009 touching about INR 18,000 per tonne plus taxes at Raipur.

Date	Price
01-Jul	34522
24-Oct	18068
30-Mar	19899
15-Jun	19810
01-Jul	19099
30-Jul	17944
30-Jul	17944
13-Nov	19032

In per tonne

If pencil ingot prices go down by further INR 1,000 per tonne in coming days, we shall witness lowest point after the boom setting new record and bursting the bubble of “All is well “ perpetuated by the state and steel manufacturers.

On the other hand, prices of domestic iron ore, backed by the export demand, and have climbed by 24% in last one month squeezing the margins of secondary producers. Shedding of flab is inevitable as some small players will be eased out bringing production and cost rationalization leading to demand supply match and recovery next month.

TMT
Fe 415
12mm

Location	Change
Ahmedabad	-1%
Chennai	-3%
Delhi	-2%
Indore	-1%
Kanpur	0%
Kolkata	-4%
Mandi	-1%
Mumbai	-1%
Raipur	0%

Change is on November 13th as compared to November 6th 2009
Change is in INR per tonne

WRC
SWR14
5.5/6

Location	Change
Chennai	-1%
Delhi	-6%
Kanpur	0%
Kolkata	-3%
Raipur	-2%

Change is on November 13th as compared to November 6th 2009
Change is in INR per tonne

ANGL
Grade A
65X65X6

Location	Change
Ahmedabad	-2%

Bangalore	0%
Chennai	0%
Delhi	-4%
Indore	-1%
Kanpur	-1%
Kolkata	-4%
Mandi	-1%
Mumbai	-1%
Raipur	-1%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

CNHL

Grade A

75/40

?Location	Change
Ahmedabad	-2%
Bangalore	0%
Chennai	-2%
Delhi	-4%
Indore	-1%
Kanpur	-1%
Kolkata	-2%
Mandi	-1%
Mumbai	-1%
Raipur	-2%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

JSTI

Grade A

250X125

?Location	Change
Ahmedabad	-3%
Bangalore	0%
Chennai	-1%

Delhi	-2%
Indore	-1%
Kanpur	-1%
Kolkata	-2%
Mandi	0%
Mumbai	-1%
Raipur	-1%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

3. Flat products - Clueless amidst ambiguous international signals

The sublime move in Indian flat product market continues and is reflected by a statement of chairman SAIL on November 10th 2009 as mid month announcements for correction are quite rare. Mr SK Roongta at the India Economic Summit told reporters that “A small correction of INR 400 to INR 500 per tonne will happen soon for the flat steel products. Its rates should stabilize at marginally lower levels.”

Of late, due to paucity of demand, depressed price levels have become integral to the Indian steel market. The factors underlining this abject condition have been a favorite topic of introspection but it would be appropriate to delve into the activities of the suppliers and buyers post debacle rather than indulge in routine post mortem.

Flat product prices, a vital benchmark for the industrial demand and economic growth, have not shaken stupor for the last couple of months.

The much touted revival in steel market seems a misnomer in the backdrop of the abysmal market performance in the last couple of months. Need based buying is the prevailing approach as buyers prefer to wait for a more “sensible deal”.

Some murmurs of revival in auto and power sector have come as a welcome reprieve although its impact is limited due to miniscule share of Indian majors in this value added segment. Demand from auto majors like Ashok Leyland, TATA Motors, Hyundai and Ford motors and project based demand from BHEL, L&T etc has proved to be savior to some extent.

Indian steel majors viz., JSW, Essar, TATA Steel, SAIL etc have resorted to empirical marketing strategies including volume based discount and hike in dealers margin.

Import has contributed its bit in the quagmire. It is learnt that about 15000 tonnes of CRC was imported at a landed price of INR 31000 per tonne. Ironically, even this quantity is facing liquidation problems due to lack of demand. About 9000 tonne is still left unsold after 1 month of arrival.

The situation looks all set for an extended dry spell with no significant activity in other consuming segments viz., tube making , fabrication ,furniture ,cable tray, drum making etc which is catered by the retail . The Chinese flat product prices have shown a token revival in the last fortnight but it cannot be ascertained as stable phenomenon with bipolar symptoms from Ukraine and Russia.

HRC

Tube

2.5x1250

?Location	Change
Ahmedabad	0%
Bangalore	0%
Delhi	-1%

Indore	0%
Kolkata	0%
Ludhiana	0%
Mumbai	0%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

Patra

?Location	Change
Delhi	-3%
Ludhiana	-1%
Mandi	-1%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

Plates

Grade A

8X1250/1500

?Location	Change
Chennai	-2%
Delhi	-1%
Kanpur	-1%
Kolkata	-1%
Mumbai	0%

Change is on November 13th as compared to November 6th 2009

Change is in INR per tonne

Plates

GRADE B

12-20X2500

?Location	Change
Ahmedabad	0%
Bangalore	0%
Chennai	-1%
Delhi	-1%
Indore	0%
Kanpur	0%
Kolkata	0%

Mumbai	0%
Raipur	-1%

Change is on November 13th as compared to November 6th 2009
Change is in INR per tonne

CR
DSK
0.63x1000

?Location	Change
Ahmedabad	0%
Chennai	-3%
Delhi	-1%
Kanpur	0%
Kolkata	0%
Mumbai	0%
Pune	0%

Change is on November 13th as compared to November 6th 2009
Change is in INR per tonne

GC
100Gms
0.4

?Location	Change
Bangalore	0%
Chennai	0%
Delhi	-2%
Kanpur	-2%
Kolkata	0%
Mumbai	0%

Change is on November 13th as compared to November 6th 2009
Change is in INR per tonne

4. Indian Export Levels - Mills secede to Chinese provocation

The export levels for Indian galvanizers went down clearly last week mills on lower Chinese offers, although some mills, already booked for December production, maintained previous levels.

?Item	Grade	Size	Delivery	Change
HDG	100Gms	0.4	FOB Mumbai	-20
HDG	100Gms	0.58	FOB Mumbai	-10

HDG	275Gms	0.75	FOB Mumbai	0
PLTS	Structural	12-40x2.5	FOB Vizag	0
PPGI	Standard RAL	0.4	FOB Mumbai	-20

Change is on November 13th as compared to November 6th 2009
Change is in USD per tonne

Indian Import Levels - China ups the ante

Chinese offers for HR firmed up further last week. HRC in SS 400 in 3mm to 12mm in 1250/1500 was being offered at USD 520 per tonne CFR levels up by USD 10 pr tonne from previous week.

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