
Indian domestic steel market on a high

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Indian steel market for both long and flat products has surged by more than 8% since March beginning, when steel majors declared their new prices for March deliveries citing additional burden of increased excise duty.

For a variety of reasons, steel buyers have rushed to the market to secure large volumes last week resulting in a mad scramble to take deliveries from steel mills and their warehouses, which are mostly reported to have very small inventories and are facing stock out situation for many sizes and specifications.

Anticipation of mid term price hike by steel majors has further added fuel to the fire as traders and stockiest across country started piling up their inventories putting sever pressure on the supply side. Market players have hiked their selling prices in anticipation of price hike pushing buyers further in corner.

Now, there is a strong possibility of mid term hike announcements by some of the steel majors to catch up with the market dynamics on week opening.

Even if mid term price revision does not happens, the market prices are not likely to decline as then the price revision would happen in April, which is just 15 days ahead, and probably by higher increments.

As per market sources the actual steel demand in India has not gone up significantly so as to drive the prices up so much in a short period, but the surge is led by “buy now” sentiments generated due to

1. Increased input costs from April

Long term pricing for coking coal is likely to see an increase of about USD 70 per tonne thus adding about USD 50 per tonne to steel making cost. Benchmark price for iron ore is likely to go up by USD 50 per tonne thus adding about USD 80 per tonne to steel making cost. On ball park basis, theoretically the cost would go up by about USD 130 per tonne or say about INR 6000 per tonne

But this is not totally true as the big players in India have their own iron ore mines and the smaller players normally buy on spot, which are already at the April levels and in reality would not effect the costing much. Incidentally it is true even for Chinese steel mills, who are also crying on proposed hike in benchmark for iron ore, as they have been mostly buying on spot market where the prevailing prices are even higher.

However, off late the extant of role played by sentiments has increased a lot in Indian steel market resulting in sever volatility as seen in December when prices went up by about 27% in a span of 30 days. And today the positive sentiments are mostly being driven on the pretext of cost pressures rather than real surge in demand

2. Support from global price levels

Both China and Black Sea steel mills, the most important price deciders in the global game, have increased their export offers pushing the global levels.

In addition to the perceived cost pressures, Chinese domestic prices have surged in last few days propping up their export prices whereas Black Sea mills are taking advantage of revival of demand in some regions.

Billet prices FOB Black Sea have crossed USD 500 per tonne level although the finished long products like rebar and wire rod etc have not caught up as much due to weak demand.

For flat products, benchmark product HR has seen major surge in export offers from Russia and Ukraine after the new price announcements on Friday.

North Europe - EUR 510 per tonne CFR FO Antwerp or equivalent port

South Europe - EUR 500 per tonne CFR FO Mediterranean Port

On the other hand, Chinese steel mills, which were at USD 560 CNF levels for India before Chinese holiday are now reported to be at USD 630 plus levels.

However, some of the market players are not so optimistic for the market scenario in later part of April and anticipate correction. But again that is highly questionable, isn't it?

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