

Steel mills seek ₹2,000-6,000/t price hike from car makers

IMPLEMENTATION. Revised prices will come into effect for supplies made October onwards

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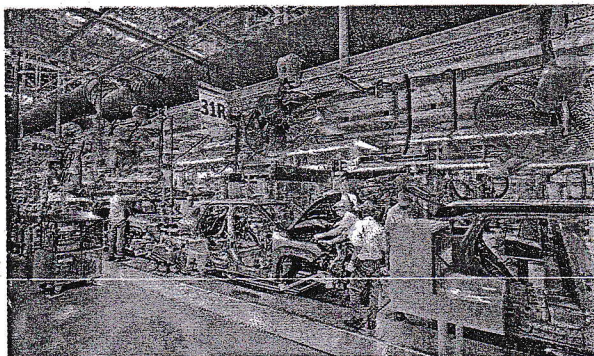
India's steel-makers have begun negotiations for a price hike in auto-grade offerings, that they supply to car companies and auto OEMs. Indications are that they have sought a ₹2,000- ₹6,000 per tonne increase across categories, on the back of rising raw material prices, mostly coal.

The price hike for hot rolled coils (HRCs) is expected around ₹2,000-3000 per tonne, and for cold rolled coils ₹4,500-6,000 per tonne.

The contracts are likely to be finalised over the next 10-15 days or "by the end of this month". Revised prices will come into effect for supplies made October onwards.

The contract price of auto grade steel has dropped by ₹3,000-4,000 per tonne during the fiscal.

Car-makers had moved to quarterly contracts, instead



COST DRIVERS. The move comes on the back of rising raw material prices, mostly coal

of 45-day ones, in April 2022, keeping in mind price volatility.

VOLATILE COAL PRICE

Sources say in the last contracts closed for Q4 (January-March, 2023), mills reduced prices of both HRC (by 1,300-1,400 per tonne) and CRCs (₹1,500-1,600 per tonne). In fact, Q3 (October-December, 2022) saw steep cuts of ₹4,000-5,000 per tonne across categories.

"Price movements are based on an index and currently the increase in price of coking coal is playing out as the key factor in price negotiations. Hikes over the last few quarters have not been consistent, in fact, even the current hikes will not cover the price cuts taken earlier," a trade source aware of the negotiations told *businessline*.

So far, the price of coal, a key raw material, has been

volatile. Data show a rise of \$100 per tonne, over a six-month period (till September or October). The average low that coal prices - the Australian hard coking coal variety - touched earlier this year was \$230 per tonne, but subsequently peaked to \$367 per tonne. On Wednesday, coking coal prices moderated to \$315 per tonne levels.

OBD 2-COMPLIANT

Incidentally, Indian auto-makers had initiated a ₹10,000-30,000 price hike from April across categories. It was then explained that the price hikes followed the migration to on-board diagnostics (OBD) 2-compliant vehicles. As part of BS-VI stage-2, passenger vehicles are mandated to fit a diagnostic device called On Board Diagnostic (OBD)-2 from April. The devices will monitor emission levels in real time, and changes will be made in the engines, including the software.