

Steel Ministry for phased removal of export duty

Suggests nixing levy on stainless steel first

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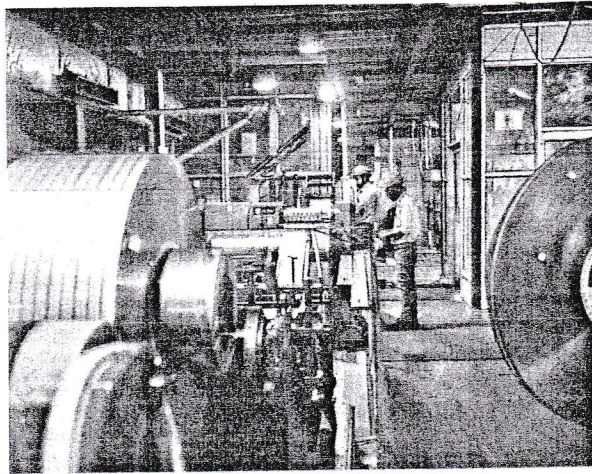
The Steel Ministry, along with the Commerce Ministry, has reportedly initiated the process to review the export duty and is suggesting its phased removal, those aware of the development said. The Steel Ministry is said to be in favour of removal of duty on stainless steel in the first phase.

An internal document/presentation of the Steel Ministry pointed out, at a meeting on September 5, that stainless steel is an export-dependent item and its shipments would improve if the duty is removed.

However, HR coils and CR coils — two key items that have been driving steel export numbers — should not be immediately opened up as it might lead to increase in domestic prices, the Ministry presentation, accessed by *BusinessLine*, said.

A footnote to the presentation said that "Export duty of HS7222 (stainless steel bars and rods) and HS7219 (stainless steel flats) may be considered for removal" while adding that: "in view of this, reduction in duty may be considered after stabilisation of the volatile market condition. And cooling of inflationary pressures and the steel price trends in the next quarter (December-end)."

According to the Ministry document, nearly 80 per cent of the total production of stainless steel long (bars and rods) and 42 per cent of flats are sent overseas. Moreover, these items are seen to have a lower share in the total production of finished steel. Post the imposition of duty, stainless steel long (bars and rods) was the



Post levy of duty, domestic steel prices dropped 9-14% by June 10

only category to see a growth in exports. India imposed a stiff duty on exports of steel, iron ore and stainless steel from May 22. The duty levied was 15 per cent on flat-rolled products of stainless steel and 15 per cent on bars and rods, angles, shapes and sections of stainless-steel while a waiver of 2.5 per cent import duty was announced on ferro-nickel (a key stainless steel raw material).

Demand to go up

According to the Ministry document, the steel demand is expected to go up post monsoon; April to June are considered slower months for steel demand while July to September are the worst. Additional demand of 3.5 million tonnes is expected to be generated on account of the infrastructure push.

Hence, in such a scenario, "rolling back export duty may aggravate steel prices", it said, adding that a "duty roll back may give unintended signals to market to prefer exports over domestic demand."

Post levy of the export duty, steel prices in India dropped 9-14 per cent by June 10 (from May 20). The Ministry held that the "price decline after June 10 moderated".

"...Decline vis-a-vis May 20 in the range of 5-17 per cent by August 19..." the internal note said, adding that the decline post July 2022 was in the range of 1-2 per cent.

Industry concerns

Incidentally, the industry has already pointed out that exports to the European Union, especially Italy, of TMT bars are "feasible" only without the export duty. It pointed out that the price of export items — TMT, HR coils, CR coils, GP sheet — from India were higher than Chinese offerings leading to competitive disadvantage.

For instance, HR coil price (ex-works) in August was ₹61,363 per tonne before export duty and ₹70,566 per tonne after the levy. In comparison, China was offering at ₹46,374 per tonne. Similarly, CR coil price was ₹68,174 per tonne before duty and ₹78,400 per tonne post levy while competing Chinese offerings were at ₹50,941 per tonne.

"No export of steel is feasible with the export duty of 15 per cent after including logistics charges. Also the industry does not under-supply domestic buyers to push exports. This premise is incorrect," an industry official said.