

Automakers seek price cut from steel mills

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India's carmakers are negotiating a ₹8,000-9,000 per tonne price reduction, over the last quarter, in automotive steel, those aware of the matter say. Auto OEMs cite sluggish demand in the auto sector, and a fall in steel prices, including reduced coking coal prices, as key reasons.

The price reduction sought from mills is for deliveries due in July-September (Q2FY23). If accepted by mills, price of automotive steel or flats will go down by ₹2,000-3,000 per tonne (net), on a six-month basis (April to September period). Negotiations are expected to close by the end of this month.

Quarterly contracts

India's steel mills and auto OEMs have shifted to quarterly contracts beginning April. This was done to counter the high



volatility in steel prices at that point in time.

The previous contracts (October 2021-March 2022) had closed with an increase of ₹3,800 per tonne in hot rolled coils (HRCs) and ₹4,000 per tonne in cold rolled coils. Mills had reverted to half-yearly contracts from October last year.

The benchmark HRC price is currently at ₹59,500 per tonne, down around 3 per cent, month-on-month (m-o-m). Prices were at ₹61,200 per tonne in June.

Cold rolled coil prices — the

prime offering for auto-makers — are down nearly 2 per cent, m-o-m, to ₹67,900 per tonne from ₹68,900 in June. Rebar prices, too, saw a near 2 per cent decline to ₹57,900, m-o-m.

Index-based pricing

According to a steel mill official and one of the largest suppliers to the auto OEMs, an index is generally followed to price the offerings. Different mills follow different price indexation methods.

People who were part of the

price discussions told *Business-Line* that auto OEMs accepted a price increase of ₹5,000-7,000 per tonne over the base for April-June deliveries. This was supported by mills pointing to the higher cost of production, particularly coal costs, during this period.

However, for Q2 deliveries, OEMs point to factors like lower cost inflation and slowing demand for negotiating a ₹8,000-9,000 lower price over Q1. Thus, the net decrease that mills could see is to the tune of ₹2,000-3,000.

Contracts for long products were closed at ₹9,000-10,000 per tonne upwards of the base for the April-June period; while the price in July-September is ₹4,000-5,000 lower than the previous hike. Thus, on a six-month basis, the price increase is around ₹4,000. Long products account for less than 20 per cent of the automotive steel consumption in India.