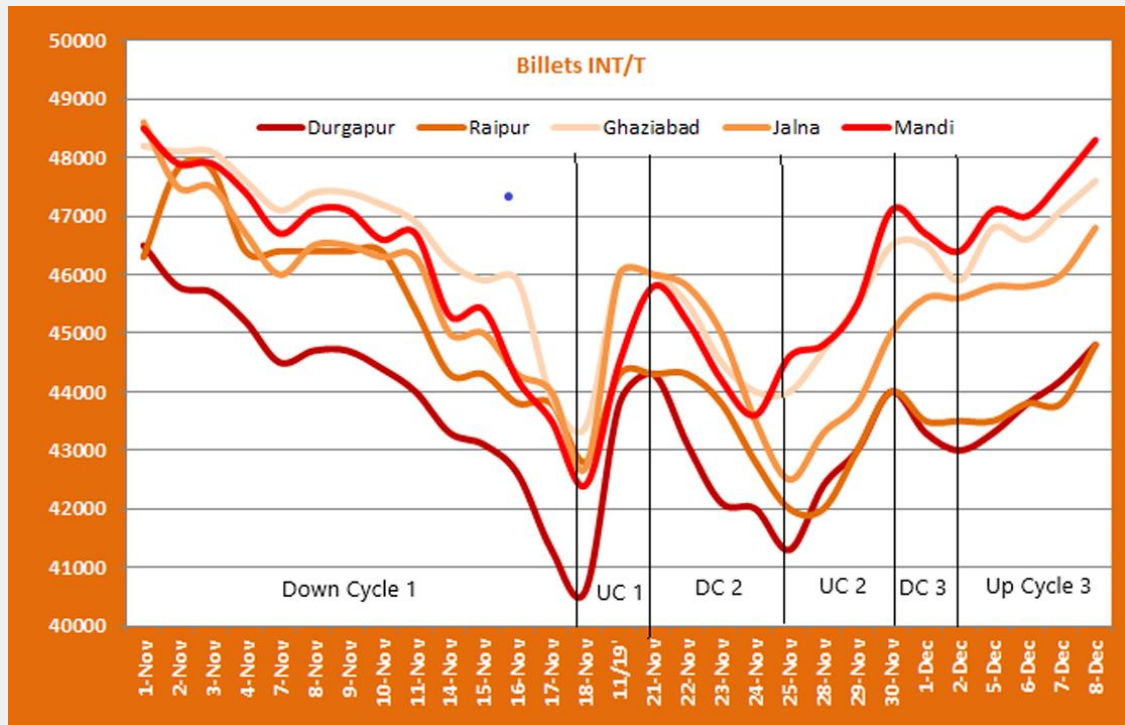


Decoding India's Secondary Steel Market



Secondary steel billet price trends in important locations in last about 40 days depicts speculation based volatility, encompassing 3 down cycles & 3 up cycles, as the demand & supply dynamics cannot change so frequently that too in such short spans.

1-18 Nov, Down Cycle 1 – Down INR 5000 on average in 18 days

19-21 Nov, Up Cycle 1– Up INR 3000 on average in 3 days

22-25 Nov, Down Cycle 2 - Down INR 2500 on average in 4 days

26-30 Nov, Up Cycle 2 - Up INR 2000 on average in 5 days

1-2 Dec, Down Cycle 3 - Down INR 2000 on average in 2 days

5 Dec till date, Up Cycle 3 - Up INR 2000 on average in 4 days

Deeper look reveals that Mandi Gobindgarh & Ludhiana steel clusters in Punjab are the fountainhead of volatility with following changes

Down Cycle 1 – Down INR 6100

Up Cycle 1 – Up INR 3400

Down Cycle 2 - Down INR 2200

Up Cycle 2 - Up INR 3500

Down Cycle 3 - Down INR 700

Up Cycle 3 - Up INR 2000

These volatile trends are replicated in input materials such as iron ore pellets, sponge iron & scrap as well as in finished steel items such as rebar & sections etc also.

Secondary steel market insiders attribute speculations as the prime driver, for example recent news of strengthening of Chinese steel market & Turkish scrap import levels by about USD 40-50 could be fuelling current up cycle. These speculations are turned into reality by spreading secondary steel price levels several times a day over WhatsApp groups for a nominal charge. A large number of secondary steel market players receive the same price levels from over a dozen different such services, thus turning them into reality. These levels even make some primary steel mills at times to take view on semis & long steel price decisions.

Ruling out India's sole steel future contract of billets at Mandi due to low liquidity as a driver, some senior industry insiders link it to managed buying & selling by select group of industrialists spread across important secondary steel clusters

As any robust market place needs stable operating conditions, volatility is causing harm to both steel sellers & buyers. While it is impacting secondary steel sector directly accounting for about 45-50% share in India and partially to balance primary steel makers, no solution could be found in last about 2 years, even when the severity of volatility has increased many folds in recent time with up & down cycle spans shortening to less than a week.