

# Steel stocks gain 1-4%, cheer price rise

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MUMBAI

Steel stocks rose on Monday, the first day of trading after Indian companies began hiking prices on Friday citing an increase in the cost of raw materials.

Government-owned **Steel Authority of India Ltd (SAIL)**, global giant **Tata Steel Ltd**, and and domestic private firms such as **JSW Steel Ltd** and **Ispat Industries Ltd** all saw stock price increases of 1% to more than 4%.

The Bombay Stock Exchange's benchmark 30-share Sensex index rose 1.37% to close at 17,935.68 points.

Primary steel makers SAIL, JSW and Ispat Industries increased prices by Rs2,000-2,500 a tonne on Friday, while finished steel maker **Uttam Galva Steels Ltd**, in which **ArcelorMittal** owns a 34.8% stake, on Monday raised prices by Rs6,000 a tonne in

Steel makers say the hike was needed because of higher iron ore and coking coal costs, both key ingredients

monthly contracts as well as the spot market.

Uttam Galva Steel is also targeting raising quarterly contracts by Rs9,000 a tonne this month.

A Tata Steel spokesperson said the company had on Monday raised prices of long steel, used in construction and railway lines, by Rs2,500 a tonne and flat steel, used in automobiles, by 10%.

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was necessary because of higher iron ore and coking coal costs, both key ingredients.

"Prices of hot-rolled coil or primary steel, which is our raw material, has increased from \$500 to \$525 (Rs22,350-23,468 today) per tonne in December to \$700 to \$750 per tonne at (the) end of March. This increase in prices of our products reflects that adjustment," Ankit Miglani, managing director of Uttam Galva, told *Mint*, adding that prices could hit \$800 this quarter.

The hikes are still not enough to recover higher raw material costs, said Vikram Amin, executive director (sales and marketing) at **Essar Steel Ltd**.

Raw material prices rose after Brazilian **Vale SA** and Australia's **BHP Billiton Ltd** ended a 40-year system of setting annual prices in favour of short-term quarterly contracts with Japanese steel makers.

Analysts, though, say the price hike, one of the highest in recent memory, may not be

sustainable because demand from the US and Europe is yet to recover.

"The hike in iron ore is almost too high, but whether or not it will sustain will depend on what happens in China," said Naveen Vora, partner (metals and mining) at audit and consulting firm **Ernst and Young**.

Homebuyers, though, will feel the pain. Naveen Raheja, chairman and managing director of Delhi-based Raheja Developers Ltd, said the cost will have to be passed on.

"This hike will make property more expensive and will ultimately have to be borne by consumers," he said.

Auto makers, however, have not yet committed to higher prices. "Whether the rise in steel prices will mean a hike has to be seen," said Debasis Ray, head of corporate communications at **Tata Motors Ltd**, saying the only price hike is due to implementing stricter emission norms.