

Indian steelmakers lobby to abolish new export duty, on fears of supply contract breaches

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Major Indian steelmakers including JSW Steel have formed lobby groups to put pressure on the country's government to abolish an unprecedented export duty on steel products, an industry body told Fastmarkets on Tuesday May 24.

Many steel producers were distressed by an announcement by India's finance ministry on May 21 imposing a 15% export duty on a wide range of steel products, including flat rolled and hot-rolled bar and rod, as well as stainless steel products.

"International sales of many steel products would not go through with these duties in place," Amar Singh, secretary general of the Material Recycling Association of India (MRAI), said on Tuesday. "It would lead to a series of breaches of contracts if Indian steelmakers cannot fulfil their contractual obligations."

If there were any such breaches of contract, Indian steelmakers would have to pay compensatory damages to their overseas clients, but the problem was not only the risk to cash flow, Singh said.

"Another issue is that producers have already booked and paid for steel raw materials, such as coking coal, for the production of these steel products, which it was assumed would be delivered overseas. Cash flow will break down," he said, on the sidelines of a Bureau of International Recycling (BIR) convention in Barcelona, Spain.

India sold a record-high 13.5 million tonnes of steel to the rest of the world in the year ended March 2022, according to customs data. Indian mills are well known for offering competitive prices for flat steel in markets such as Vietnam and Europe, as well as semi-finished steel in markets such as North Africa.

The imposition of the export duty, which could jeopardize these Indian steel exports, came with the inflation rate exceeding the government target of 6%. To discourage exports and to increase the domestic availability of steel materials, the government wanted to contain the rate of inflation affecting construction costs.

More details were expected to be released from MRAI later on Tuesday, concerning the progress of the industry's lobbying efforts.

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