

Steel Price Surge Pushes India to Cut Taxes on Imports

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The customs duty on primary or semi-finished products, flat- and long-products of steel and stainless steel will now be taxed at a flat rate of 7.5%, Finance Minister Nirmala Sitharaman said in her budget speech in New Delhi on Monday. That's down from as much as earlier.

With the economy heading toward its biggest annual contraction this year, Sitharaman unveiled a spending plan of almost \$500 billion to dig Asia's third-largest economy out of its pandemic-induced slump. The proposals include increasing capital expenditure -- the spending to create new assets -- to 5.54 trillion rupees and building an additional 11,000 km of highways and metros, along with rapid rail transport projects for 27 cities.

The government also removed an import tax on steel scrap until March 31, 2022, and halved the tariff to 2.5% on copper scrap, Sitharaman said. In addition, the South Asian nation temporarily removed anti-dumping and countervailing taxes on imports of some steel products from China, South Korea, Vietnam, Brazil and Germany until Sept. 30, 2021.

“The announcements made for the steel sector in the budget are largely around making steel available in the right quality and quantity at competitive prices to enable speedy infrastructural development,” said Saurabh Bhatnagar, partner at EY India. The changes in import taxes will help increase cheaper supplies of steel for the construction of roads, ports and bridges, he said.

Steel prices have soared globally on the back of reviving demand, especially in China, and as iron ore rates nearly doubled in the past year on concerns of supply shortages. In India, hot-rolled coil prices surged 45% year-on-year to 57,000 rupees (\$780) a ton in mid-January, according to India Ratings & Research Pvt. Ltd.

Steel Price Rally Seen Under Threat on Global Supply Revival

While the reduction in customs duty will help curb steel prices, aiding small manufacturers, “it may have a negative impact on the profitability of the domestic steel companies,” according to **Bal Krishna Piparaiya**, senior director at **Brickwork Ratings India Pvt.**

The steel sector is expected to benefit in the medium-term from higher government spending on infrastructure, which will push up demand for the metal, he added.