

# BUDGET

Impact on Indian Steel Industry

2015-16

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## Budget Highlights 2015-16

Budget 2015-16 brought no cheers to the Steel Industry. The Railway budget proposed to raise Railway freight rates for Iron ore and coal by 0.8% & 6.3% respectively. The customs duty on Met coke is raised to 5% from 2.5% in this budget. Steel manufacturers relying on imported coke have expressed their concerns over this.

Similarly, import duty on finished Flat steel and Long steel products mainly bars & rods is kept unchanged at 7.5% & 5% respectively. Lower import duty and a favorable exchange rate led to significant surge in import of finished steel from countries like China & Russia. Although, the Ministry of Finance has increased the tariff rate from 10% to 15%, the basic duty remains unchanged.



## Take aways for the Steel industry

### ■ **Iron Ore Exports:**

A set back for Iron ore miners based in Goa, who were hopeful of duty cut on low grade Iron ore. Current export duty on Iron ore stands at 30%. Looking at lower Iron ore prices in Chinese market, raw material export from India will continue to remain low. Indian export is expected to touch 4.7MnT in FY15 from 14.5 MnT in FY14.

### ■ **Iron Ore Imports:**

No change in import duty on Iron ore. Mining bans in India led to surge in imports, as result steelmakers were hopeful that import duty will be waived off. Indian import is expected at 15 MnT in FY15 against 0.3 MnT in FY14.

### ■ **Met Coke:**

Custom duty on imported Met coke [Ch 2704 00] is raised to 5% from 2.5%. The duty was rationalized in Budget 2014-2015 at 2.5% for all type of coal, and now imports shall be costlier by USD 4.8-5/MT. This in turn would negatively impact steel

manufacturers relying on imported coke. Met coke exports from China attract no duty since Jan'13. As per our statistics, India has imported 3.1 MnT Met coke from Apr'14-Feb'15, out of this, 58% has been imported from China alone.

### ■ **Coking Coal:**

Import duty on Coking coal remains at 2.5%.

### ■ **Bituminous Coal:**

The tariff rate of Basic Customs Duty on Bituminous coal [2701 12 00] is being reduced from 55% to 10%. However, the effective rate of Basic Customs Duty on Bituminous coal continues to be 2.5%. Budget 2015-2016 has raised effective rate of clean energy cess on imported coal to INR 200/MT (USD 3.2/MT) from INR 100/MT (USD 1.6/MT).

### ■ **Pig Iron:**

The customs duty on Pig iron is unchanged at 5%. However, it hardly makes any difference as Pig iron import is negligible.

### ■ **Scrap:**

Customs duty on Scrap imports remain unchanged at 2.5%. However, Special Additional Duty (SAD) is reduced to 2% from 4%, which will have limited impact on prices..



### ■ **Billets& Slabs:**

Import duty on Billets & Slabs is stable at 5%.

### ■ **Bars & Rods :**

Basic customs duty on Bar & Rod and Wires falling under chapter 72 is retained at 5%. Import of Bar & Rod in FY15 till Jan' 15 stood at 1.3 MnT.

### ■ **Flat Imports :**

- Basic customs duty on Flat products (chapter 7208,7209,7210,7211,7212) is unchanged at 7.5 %.

### ■ **Ferro Alloys:**

Import duty remains unchanged at 5%.

### ■ **ManganeseOre:**

Import duty on Manganese ore remains unchanged at 2.5%. Indian Ferro alloy producers are highly dependent on import of Manganese Ore. Almost 50% of total ore required is imported from other nations.

### ■ **Railways Freight:**

Railway freight for coal will rise by 6.3% and for Iron ore, it will increase by 0.8 %. The revised freight rates applicable for coal will now be INR 769/MT whereas for Iron ore, it will be INR 1391/MT.

### ■ **Excise Duty:**

The central excise duty is raised from 12.36% to 12.5%.

## Brief Overview of Changes made for Customs Duty in Budget 2015-16

Sr. No.	Item	CTH No.	Existing Custom Duty 2014-15	Customs Duty 2015-16	Sentimeter
1	Pig iron	72.01	5.0%	5.0%	Neutral
2	Semis	72.07	5.0%	5.0%	Neutral
3	Bars & Rods	72.13	5.0%	5.0%	Negative
4	Structurals	72.16	5.0%	5.0%	Negative
5	HR Sheets/plates (Non Alloy)	72.11	7.5%	7.5%	Negative
6	HR Coils (Non Alloy)	72.08	7.5%	7.5%	Negative
7	CR Coils/sheets (Non Alloy)	72.09	7.5%	7.5%	Negative
8	GP/GC Sheets (Non Alloy)	72.1	7.5%	7.5%	Negative
9	HRGO/HRNGO (Non Alloy)	72.08 72.11	7.5%	7.5%	Negative
10	HR/CR alloy steel (flat rolled) other than items of Headings No. 72253090, 72254019, 722550 and 72259900		5.0%	5.0%	Negative

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Sr. No.	Item	CTH No.	Existing Custom Duty 2014-15	Customs Duty 2015-16	Sentimeter
11	Flat Rolled Alloy products of heading 7225 3090, 72254019, 722550 and 72259900		7.5%	7.5%	Negative
12	Tinplates W/W and TFS seconds	72.10 72.12	10.0%	10.0%	Neutral
13	Defectives CR/coils	72.09	10.0%	10.0%	Neutral
14	Stainless steel HR coils for coin blanks	72.19	7.5%	7.5%	Negative
15	Melting scrap (iron, steel & stainless steel)	72.04	2.5%	2.5%	Negative
16	Re-rollable scrap	72.07	2.5%	2.5%	Negative
17	Iron ore	26.01	2.5%	2.5%	Neutral
18	Iron Pellets		2.5%	2.5%	Neutral
19	Coking coal of ash content below 12%	27.01	2.5%	2.5%	Neutral
20	Coking coal of ash content above 12%	-	2.5%	2.5%	Neutral
21	Steam Coal	27.01	2.5%	2.5%	Neutral
22	Metcoke	27.04	2.5%	5.0%	Negative

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