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## Coking coal prices may rise by 10-15% from April 2010

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NEW DELHI: The price of coking coal, one of the key raw materials for steel production, is likely to increase by 10-15% in next April, the month in which majority of steel makers sign long-term agreement with suppliers, said senior executives of two large steel companies.

This, in turn, would increase the production cost and may adversely affect the bottom-line of steel producers unless they pass on the incremental cost to the consumers, said a senior executive of a leading steel maker.

There are couple of reasons for the price rise, said JSW Steel joint managing director Seshagiri Rao. "Due to economic crisis of 2008, many mines in Australia, which are dominant in coking coal, have shut down. This has resulted in sharp decline in supply of coking coal in comparison to early 2007," he said. Domestic steel producers largely import coking coal from Australia.

In addition to the supply constraint, demand for coking coal from China, which was so far going slow on steel production, has again picked up, Rao said.

Due to the global economic slowdown, coking coal prices (long term and spot) had come down to less than half in April 2009 in comparison to the previous year. In April 2009, domestic steel makers had entered into long term agreement with overseas suppliers for coking coal at around \$130 per tonne as against \$300 per tonne in the previous year.

The spot price for the coking coal have come down to \$180/tonne from a high of \$400/tonne in April 2008. Spot prices of coking coal have, however, again started moving up.

As a result, steel producers such as Steel Authority of India (Sail), Tata Steel and JSW may land up signing long term agreements for coking coal at around \$145-150 per tonne in April when these long term agreements will come for renewal.

"Indications show that there could be a marginal hike in long-term contracts' prices for coking coal next year. The prices hike will also bridge the vast gap between long term and spot market prices," said a senior SAIL executive. India's largest steel maker Sail consumes 10 million tonne of coking coal every year and is largely dependant on Australia and the US for imports.

JSW Steel consumed 4.5 million tonne of coking coal this year and the requirement will further go up to 5 million tonne next year.

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