

Indian Rerolling Industry Facing Uncertain Future

- A. K. Bhargava



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All India Steel Rerollers Association (AISRA) is an apex body of more than 1,000 members being guided dynamically by the present President, Mr Vinod Vashisht, and office-bearers which is commendable. It all started in 1972 with a few members by its first President; Mr. B.L Kanodia. It has its regional offices at Mandi Gobindgarh, Kolkata and Bangalore. It has its association body at most of the states. The National Executive members from all the states participate vigorously in association activities. More than twelve state associations are affiliated to AISRA and they are getting

the best guidance from AISRA on every aspect. AISRA is a vital link between small Re-Rollers, integrated steel plants and keeping a good liaison with the steel ministry and various other ministries. AISRA is promoting Re-Rolling technology (R&D) and rendering all assistance to members for efficient running of their units. It is helping the industry in pollution control/BIS/coal and for other reasons. AISRA is liaisoning with UNDP for infrastructure update and R&D to help its members to use the technology at their Re-Rolling mills.

The steel Re-Rolling industry has grown at a very rapid pace during the last two decades. According to rough estimates there are about more than 1,800 Re-Rolling mills in the country. Our main steel plants instead of producing billets or other heavier sections, keep themselves occupied in Re-Rolling bars, rods and other small

sections, which can economically help them to grow. On every step AISRA is doing its best by providing right information to its steel Re-Rolling industry members through its mouth-piece 'STEEL REROLLERS' free of cost. Members are familiar with the magazine as it is providing with AISRA-related news, government notifications and case laws of Central Excise & Customs.

Since last 5/6 years Mr. A.K. Bhargava is working as Chief Executive Officer of 'All India Steel Rerollers Association' New Delhi.

"The rerolling industry is based on scrap and Billets/Blooms and the availability of the basic inputs from the domestic sources and imports at fair and competitive prices is essential for the survival and growth of the Re-rolling industry in the national interest", says A. K. Bhargava in an exclusive interview with Steelworld. Excerpts:



Steel is not a consumer product and purchase are made by the professional buyers in consultation with architects/designers and there is thus no role for the Ministry of Steel. It is not based on any complaint from the consumer but some producers with a view to avoid competition from the Secondary producers and imports to maintain a high level of domestic prices against the public interest.

What is the status of Re-Rolling Mills in India ?

- The Re-rolling industry has played a key role in the development of infrastructure, housing and industrial development of the country in the past 50 years. India has approximately 1800 Re-rolling Mills, accounting for over 60% of the total production of Long products in the country. In 2012-13, the Rolling Mills produced 24.199 Million tones of Bars, Rods and Structural and were the major suppliers of steel to the construction sector and the Industry. The Rolling Mill industry may broadly be classified into two segments i.e. scrap rerollers and Billets/ Blooms rerollers.

The Re-rolling Mills are cost effective due to lower capital costs by utilization of indigenous machinery and equipment, consumer intensive through meeting their specific requirements of prompt deliveries in the small lots. Besides, unlike the major producers, the Re-rolling industry is labour intensive and provides employment to two lakh workers. Apart from the foregoing, the Mills also produce a large number of products, beyond the range of the major producers like Bars and Rods, below 6 mm, Dia, Angles below the size of 40x40x6 and Beams essential for the construction Sector and industry. The products of Re-rolling industry are well established in the Indian and global markets for the past 50 years. The consumers wherever necessary get the products tested in the Govt. or the private test houses spread all over the country for quality assurance. In view of the foregoing benefits, SAIL and other producers have entered into Agreements with several Re-rolling

Mills all over the country to produce finished steel products from Billets/Blooms supplied by them for supply to the construction sector and industry.

The re-rolling industry is based on scrap and Billets/Blooms and the availability of the basic inputs from the domestic sources and imports at fair and competitive prices is essential for the survival and growth of the Re-rolling industry in the national interest. It is unfortunate that due to certain undue negative policy measures taken by the Govt. in the past two years, the production of steel by the Secondary Sector has been severely hit and it will not be able to achieve planned targets unless immediate remedial measures are implemented resulting in shortages and high prices of steel destabilizing construction sector and industry.

What are the problems ?

- The basic input for re-rolling mills is Billets, Blooms, scrap and Power which accounts for over 70% of the production cost. There is a shortage of scrap in the country and it has mainly to be imported to meet the requirements of the Re-rolling Mills. Besides, to the steep reduction in the supply of Billets/Blooms to the domestic mills, the industry is dependent on the supplies from the Sponge Iron, Induction Furnace route. The Sponge Iron Induction Furnace route for the production of Billets and rolling by Secondary Producers has been recognized as an economical option since it avoids import of Coking Coal, Machinery and equipment and lower consumption of power. It is unfortunate that the Govt. policies regarding the

supply of basic inputs to the re-rolling industry have destabilized the industry, resulting in closure of several units as indicated below.

The Govt. has imposed a Customs Duty of 2.5% on the imports of scrap though utilization of scrap for the production of finished steel enables 80% reduction in Power consumption and avoids massive imports of raw material like Coking Coal etc. It is ironical that while the other countries are taking to recycling of scrap to conserve energy and other imports and even Russia has commissioned a Mill near Moscow recently to produce 9 lakh tonnes of steel from scrap for the Building Industry. Indian Govt. has imposed Custom duty of 2.5% on the imports to discourage the imports of scrap. It is also discriminatory since no such duty has been imposed on the massive imports of Coking Coal and other inputs by the major steel producers.

The major producers have been allotted captive mines of Iron Ore and Coal but also receive supplies from NMDC while the Secondary Producers do not receive any supply from NMDC and have to pay high prices on purchases from the open market. The situation has worsened after the closure of many private Iron Ore Mines in Karnataka and pursuant to the orders of the Supreme Court and a number of Sponge Iron units have closed down due to non availability of Iron Ore hitting the supply of Billets to the Re-rolling Mills and destabilization of production.

Steel and Steel products Quality Control Order issued by the Ministry of Steel.

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Steel and Steel products Quality Control Order issued by the Ministry of Steel interalia stipulates Mandatory registration of all Indian and foreign producers of specified products and production and sale of products only as per BIS Standards. Furthermore, the non BIS products should be scrapped and cut into 1.5 mtr. lengths. The order apparently issued at the behest of some major producers shall involve enormous loss running into national loss of thousands of crores of Rupees by the scrapping of commercial grade steel utilized all over the world for numerous applications. Apart from the Secondary Steel producers, the order has been strongly opposed by the major consumers like SIAM, IEEMA and others since it is unnecessary and shall promote cartelization and monopolistic pricing of steel products destabilizing production, retarding the industrial and economic growth of the country.

In view of the deep adverse impact of blocking imports and strong protests by the industry, the Govt. has exempted the imports from the purview of the order for Petroleum Industry, Power Projects of Infrastructure Projects. The exemption given to the large companies who accounts for bulk of imports is discriminatory and it should be extended to small and medium scale industry since they import only such product which are not available from the indigenous sources and constitutes the backbone of the Manufacturing Sector.

As regard the domestic front the order has been breached by the major producers including SAIL who instead

of scrapping non BIS products have been selling it through open tenders since it is not feasible due to compelling operational problems to cut the non-BIS products to 1.5 mtr. Length Besides, no rules and regulations have been formulated or any Organization set up for the implementation of the Order. The Directorate of Industry of the State Govt. who as per the Quality Control Order have been authorized to inspect the product manufactured by the Secondary producers have not taken any interest in the matter. As per our information, several State Govts are opposed to the Order since it shall result in closure of a large number of steel production units in their states, retrenchment of workers and industrial unrest as well as substantial loss of State Govts. It is apparent that the Order has only resulted in destabilization of the steel industry and several production units have closed down in past one year. Ministry of Steel should therefore repeal the Order to increase the production and achieve the production targets, stipulated in the Five Year Plan.

What are your demands from the Ministry and the Govt. ?

- The Custom duty of 2.5% imposed on the imports of scrap should be withdrawn with immediate effect in the national interest to conserve energy and massive import of Coking Coal and other inputs by India as well as adequate supply of steel products for the industrial and economic development of the country.

The Govt. should take measures for adequate supply of basic inputs like Iron Ore, Coal etc. to the Secondary Producers as for the major steel

producers. NMDC a public sector undertaking should increase its production or priority basis and at least 50% of the output should be earmarked for supply to the Secondary producers at competitive prices in public interest.

Steel and Steel products Quality Control Order issued by the Ministry of Steel should be repealed to avoid scrapping of non-BIS steel products to avoid national wastage resulting in a loss of thousands of crores of rupees. Steel is not a consumer product and purchase are made by the professional buyers in consultation with architects/designers and there is thus no role for the Ministry of Steel. It is not based on any complaint from the consumer but some producers with a view to avoid competition from the Secondary producers and imports to maintain a high level of domestic prices against the public interest.

The Rerolling industry has been facing some problems due to high contents of sulfur & phosphorus in the Sponge Iron/Billets and Ministry of Steel has entrusted the NISST to develop technology for the reduction of sulfur & phosphorus in the Sponge Iron.

However, NISST is only an organization for steel development of shop floor workers of the Secondary Producers and has not been able to find a solution in the past two years. The AISRA and other Associations have therefore requested the Ministry of Steel to issue an advertisement, inviting Indian and foreign research organization to develop the requisite technology as done in case of 15 technologies for the major producers.