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Editorial Desk

Dear Readers,

Many financial experts argue that global economy is in a very bad shape and is about to witness a great depression in coming months. The recent Yuan devaluation and subsequent fall in share markets all over the world do substantiate this theory. Given such a state of global economy, we don't need an astrologer to comment on the state of iron & steel industry, do we?

The steel demand all over the world has gone southward. For all these years, the major trigger for the demand was China but is no more there. Chinese steel consumption seems to be reducing and naturally their appetite for iron ore has also reduced. The increased exports from China have put tremendous pressure on finished steel prices all over the world inducing stress throughout the process chain. The worst part is that raw material prices have not reduced in tune with the finished steel prices. The situation is absolutely grave and there is almost blackout in front of the iron & steel industry. Stagnated demand on one hand and unviable raw material prices on the other!

As regards India, the cheap imports have risen substantially during last year putting great pressure on finished steel prices. Further, the issue of iron ore availability is not fully resolved. The big integrated steel plants may be in a position to absorb or sustain this blow and survive through this lean period but medium and small steel plants are just counting days. No, this is not exaggeration but unfortunately the reality. They are running the plant bearing losses but how long this can continue?

How can the government help the industry in such a tough situation? We are aware that in today's de-controlled era, government's role has changed from a regulator to a facilitator but still few things can be done. Firstly, it can give a strong push to mega infra projects which will ultimately result in increased demand for steel. Secondly, it more or less controls the major raw material sources such as iron ore and coal. Seamless availability and a realistic pricing structure of these can induce some viability in the system. Thirdly, the government can restrict cheap imports and prevent the injury to the domestic industry.

We still believe that India is comparatively in a better position to combat this challenging situation. Let's hope Ministry of Steel & Mines, the custodian of iron & steel industry in the country will act fast and pull the industry out of dark !!!

D. A. Chandekar