



Strong Economic Growth in India to Revive Steel Demand



Rating agency Moody's projected an increase in demand for steel in India on the back of strong economic growth and revival of infrastructure spending. The global firm also forecast that a steel glut in world's largest producer China is expected to worsen amid slowing demand and steady production. Regarding India, Moody's said "the country's relatively strong economic growth and the government's plan to revive infrastructure spending and increased steel consumption in the manufacturing sector will boost the country's steel demand."

Moody's Macroeconomic Board forecasts GDP growth of 7.5 percent in 2015-16, up from 7.2 percent in 2014 and 6.4 percent in 2013, it added. "We expect India to post mid single digit steel demand growth, up from 2.2 percent in 2014. To capture this growth, India's three largest steel manufacturers by production volumes SAIL, Tata Steel and JSW Steel will add production capacity in the next one to two years," it said.

Moody's projected that profitability of Indian steel companies such as Tata Steel and JSW Steel will remain the highest in the region owing to captive iron ore supplies and rising domestic demand. "The profitability of Indian steel companies such as Tata Steel and JSW Steel, despite steel prices being pressured by imports, will remain the highest in the region as a result of captive iron ore supplies and more favourable domestic industry conditions," Moody's said.

As regards Asian steel industry, Moody's Investors Service changed its outlook to negative from stable, reflecting steelmakers' declining profitability amid a growing supply glut. Chinese steelmakers' earnings will decline considerably in the coming 12 months as the country's steel glut worsens amid declining demand and steady capacity, it added.

POSCO may Scrap Plan \$12 Billion India Steel Project



South Korean steelmaker POSCO could scrap plans for a \$12 billion project it agreed to set up in India a decade ago, after a new law made it costlier to source iron ore for the plant, a company spokesman said. The U.S. listed shares of POSCO fell as much as 3.3 percent to their lowest in more than six and a half years after the report. The 2005 project to set up a steel plant in Odisha state was billed as India's biggest foreign direct investment at the time, but it has encountered a series of delays. The company waited almost a decade to acquire land for the proposed 12 million tonnes a year steel plant due to opposition from local tribal groups. A mining law enacted in March by India means the company would now also have to buy a mining license in an auction. Originally, the Odisha government had promised to help the company obtain the licence for free. That could raise costs for the company at a time when a global steel glut is depressing prices.

"We will have to see how our costs will be, whether it will be viable," POSCO's India spokesman I. G. Lee said. "We will take a final call only after auction details come." Asked whether POSCO could skip the auction and withdraw from the Odisha

project, Lee said: "Yes". POSCO and ArcelorMittal, the world's top steelmaker, have scrapped a number of other projects in India over the past two years, citing difficulties in acquiring land and mines. Another withdrawal by POSCO, the No. 6 steel firm, could dent Prime Minister Narendra Modi's "Make in India" manufacturing push. Odisha's mines minister, Prafulla Kumar Mallik, said his government remained keen to help POSCO, but had not heard from the company.

"We had requested the central government for a concession for POSCO but the central government wanted to go for an auction," Mallik said. "It is now for POSCO to decide if they want to participate in the auction." The federal steel and mines minister, Narendra Singh Tomar, has repeatedly ruled out making an exception for POSCO.

Instead, POSCO is importing steel from South Korea for its expanding network of processing centres in India. It will raise its processing capacity by about a fifth to 680,000 tonnes through a new plant in Modi's home state of Gujarat next year, Lee said. A free-trade agreement between the countries means South Korean companies pay little or no tax on steel shipped to India.

JOIN US **Steelworld**



To Get More Updates On

Iron and Steel Industry

Use the below Link & Like the Page

<https://www.facebook.com/pages/Steelworld/621590691216613>

To Know the Inside of Industry

<http://steelworldblog.wordpress.com/>