India's Steel Imports Surge 53 % in Q1

Govt Needs to Act Fast to Check Cheap Steel Imports

India's finished steel imports surged 53.1 per cent to 2.545 million tonnes in the first quarter of fiscal 2015-16 compared to the corresponding period last year, highlighting the continuing trend of cheap imports from countries such as China, Japan and Korea putting pressure on domestic firms. According to data from Joint Plant Committee, under the Ministry of Steel, India's consumption of finished steel grew 7.1 per cent to 20.10 million tonnes in the April-June period.

"Such growth stemmed both from rising production for sale (up by 2.8 per cent) and most importantly, imports (up by 53.1 per cent) during this period and in general, is in sync with the overall growth trends noticed in major macroeconomic parameters viz the IIP and the Core Sector Index," it said. Cheaper steel imports from countries such as China, Japan and Korea have proved to be a major headwind for the domestic steel industry, with companies such as JSW Steel, Tata Steel, among others facing profit and margin pressure. The imported steels are priced up to 20 per cent lower than the Indian price.

India's steel imports had jumped nearly 70 per cent to over 9 million tonnes in fiscal 2015, with China accounting for a third of the imports. Imports soared 55 per cent in April-May. In June, India increased duty on certain steel products by 2.5 per cent and also imposed anti-dumping duties ranging from $180-$316 per tonne on certain industrial grade stainless steel and has indicated more steps like tightening quality control to protect the domestic industry. On the other hand, India exported 5.9 MT of steel in FY15, a negative growth of 2% compared to the previous year, while imports at 10 MT grew by 76%. There was a net deficit of R238 bn in FY15 and it stood at R92.5 bn in Q1 of FY16, threatening to be much higher than last year.

Indian economy is facing one of the stiffest challenges to sustain the momentum of rising exports. In FY15 the total exports declined by 1.2% compared to the previous year's performance and in Q1 of FY16 it went down by 11.6%. The lower trend of export growth had adversely affected our inflow of foreign exchange. Simultaneously the country witnessed a drop in imports but at a lower scale, 0.6% in FY15 and 7.2% in Q1 of the current fiscal. Thanks to a steep decline in crude oil and other prices the outgo of foreign exchange due to high imports had a lower rise and the country could contain the CAD to 1.3% of GDP in Fy15.

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Rising imports are always indicative of growing size of the domestic market. In some cases the trend of high imports also signals a low manufacturing capability in the commodity sector and under services category it signifies poor state of IT and communication facilities that necessitate some essential imports of technology and equipment. This is the standard model of progress by all developing economies.

Weak Demand Hurting Volumes : Kalyani

If the government does not support the industry where there is disproportionate advantage in one country vis-à-vis India, the industry will die over a period of time, says management of Kalyani Steels. Sustaining June quarter volumes looks difficult because of steel dumping by China, Korea and Japan, coupled with shrinking domestic demand, says RK Goyal, MD, Kalyani Steels "As far as the margins are concerned we have made a good change in our product mix," Goyal says, adding, "the prices of alloys have gone down and at the same time we could enter into certain fixed price contracts; so there we did

not have to give some price deduction and this has helped us protect our margins.".

Goyal says if the government does not support the industry it will die over a period of time, adding "so, this (Make in India) is a tough time till the industry becomes equally efficient and at least, be able to compete with countries where there are certain benefits which are extended to the industry." If India gains efficiency in controlling logistic cost, energy cost and in the way mining is done, the cost of manufacturing will decrease for the domestic steel producers, he says. "At the same time if in a country like China, they have over production or the local demand is less, for them it is very easy to even dump at a very marginal cost hence the prices are very low and if local industry has to compete against that then they will be under additional stress," he adds.