

Steel Consumption Bound to Grow in India

– Dr. Sanak Mishra



A visionary and charismatic leader of Corporate India, and internationally acclaimed as a brilliant technologist, Dr. Sanak Mishra currently serves as the Secretary General and full-time Executive Head of the Indian Steel Association, formed recently by the eight largest steel companies of India, both public and private. Before that, he had held the position of Vice President of ArcelorMittal, the largest steel producer in the world, and was Chief Executive Officer (CEO) of its Projects in India. He built up from scratch its Indian subsidiary, ArcelorMittal India Limited (AMIL) and also established in Kolkata the ArcelorMittal Design & Engineering Centre (AMDEC) as a global group facility.

In 1973, Dr. Sanak Mishra had been directly recruited from the United States, where he received MS and PhD degrees in Metallurgical Engineering, by the Steel Authority of India Limited as a founder member of its Corporate R&D Centre (RDCIS) at Ranchi. He became its Executive Director in 1996. He was elevated in 1998 as the Executive Director of SAIL's Corporate Planning

Directorate in the Company's Headquarters in Delhi. He was a principal architect of the turn around of SAIL during 2000-2002, as the Head of the Office of Business Restructuring. Subsequently upon his selection by the Government of India, he served as the Managing Director of the Rourkela Steel Plant during 2002-05, and transformed this sick unit from a level of Rs. 3 Crores net loss a day to Rs.3 Crores net profit a day enterprise. He accomplished this through a unique Mission called "SAMSKAR", which comprised one of the largest ever employee engagement programs in the history of the industry.

Amongst several major recognitions received by Dr. Mishra is the National Metallurgist Award from the Ministry of Steel, Government of India in 2003, the highest honour in the country for the metals profession. He is also the recipient of the prestigious JRD Tata Award for Excellence in Corporate Leadership in Metallurgical Industries for the year 2012.

He was conferred the Centenary Year Distinguished Alumni Award from the Indian Institute of Science (IISc, Bangalore) in 2008 and the Distinguished Merit Alumni Award from the Department

of Materials Science & Engineering at the University of Illinois at Urbana-Champaign (USA) in 2010. In 1980, he had received the prestigious Alexander von Humboldt International Fellowship from Germany, a very rare distinction for an industry person.

Dr. Mishra served as the President of the Indian Institute of Metals during 2009-10, and was the Chairperson of the International Organisation of Materials, Metals and Minerals Societies during 2010-13.

Described by his Peers as a Polymath for his excellence in multiple dimensions, Dr. Mishra has also been deeply engaged with the study of "The History of the Evolution of Knowledge and Comprehension". His seminal philosophical essay on "The Distance Between Minds" has been acknowledged as a masterpiece.

"The important question for all of us is whether, in its strive for economic prosperity, India will consume steel that is domestically produced, or pay in precious foreign exchange reserves for sourcing steel that is produced overseas", says **Dr. Sanak Mishra - The Secretary General and Executive Head of the Indian Steel Association** in an exclusive interview with **Steelworld Excerpts**

How would you describe the present situation in global, Asian and specifically Indian steel industry?

- Over the past few years, the global steel industry has been reeling under the pressure of overcapacities, especially on account of those existing in China. With the growth in steel consumption slowing down in China in recent times, the Chinese steel producers have had no option but to rely on exports. This in turn has had an impact on high growth centres of steel consumption in "steel-non-mature" nations such as India.

Additionally, depreciation of major currencies has led to spurt in export by several countries like Russia and Ukraine. It is for this reason that India has seen an influx of imports during 2014-15 from several countries, including China. Imports into India have increased to the tune of 76 percent from 5.7 MT in 2013-14 to around 10 MT in 2014-15. The Indian Steel Association has highlighted to the Government the long term distortion, such high level of imports bring into the domestic market.

Today, there is an acute shortage of raw materials like iron ore and coal. How, in your opinion, can we overcome this bottleneck?

- Uncertainties pertaining to the availability of raw materials i.e. both coal and iron ore still remain a challenge, even though several mines which were heretofore closed have been opened in mineral rich states. Additionally, the paradigm of access to raw materials for the steel industry is on the threshold of major change, with a marked shift from an allocation process to an auction process. The steel industry welcomes this new transparent process of competitive bidding/auction, this being the global norm. However, issues pertaining to transport logistics from the mining areas need to be sorted out to mitigate lag in evacuation of iron ore, coal and other minerals. Indian Steel Association has identified that “handholding” from the various State Governments in such matters is very essential and has embarked upon bringing such issues to the attention of State Government authorities, beginning with Odisha.

Mega infrastructure projects can provide a big trigger to the steel demand in the country. What can be done in this regard?

- Steel consumption in India has grown by 6.8 percent in the first two months of the current fiscal, mostly on account of the low base of the previous financial year. While this surely is a positive development for the economy, it does not suffice to presume that the domestic industry has overcome its current challenges.

The important question for all of us is whether, in its strive for economic prosperity, India will consume steel that is domestically produced, or pay in precious foreign exchange reserves for sourcing steel that is produced overseas.

Steel consumption is actually bound to grow in India, for it is clear that the present generation already demands a better quality of life and the next generation certainly will. The level of consumption of steel is generally one of the indices of the quality of life.

The continued growth in GDP in India, in fact, indicates that major steel consuming segments such as construction, real estate/housing, capital goods/machinery, consumer goods, automobiles and energy sector shall benefit. The housing and construction sector, where major chunk of steel is consumed, shall get a boost with increase in

per capita incomes and social sector schemes like “Housing for All by 2022”.

In a nutshell, whereas India will remain an attractive export destination of all major steel producing nations of the world, at the same time with the increasing thrust on the “Make-in-India” Vision by the Indian Government, the Indian steel industry itself will grow and will be in a position to supply the required quantities and grades of steel much needed by the end-users.

Many steel plants are complaining about cheap imports and their negative impact on demand and pricing. How can this issue be addressed?

- As explained earlier, the Indian steel players have been lately operating in the midst of a challenging environment, with their operating profits being squeezed considerably.

As matter of fact, one notes that the decline by almost 20 percent in the domestic prices of steel in the last 9 months is contemporaneous with the acceleration in the volume of imports since September 2014.

The surge in imports has further dented the sentiment of the domestic steel market, with declining capacity utilization rates of both the primary and secondary steel players. Erosion of margins, coupled with sluggish demand growth, has made the Indian steel investors wary of returns on their investment given this situation, the recent draft proposal mandating additional 16 products to be under the Quality Control Orders is a step in the right direction.

The Indian Steel Association is quite clear that ultimately the Indian customers should benefit from the products of the highest quality and structural integrity standards.

What can be the road map for the development of iron & steel industry in the country?

- The Indian steel industry has immense potential to grow, given the fact that the per capita finished steel consumption remains at a dismal 60 Kgs, in contrast with the world average of around 220 Kgs. As mentioned earlier, this will be the reason why the “steel-mature” countries like China, Japan, South Korea, USA, etc. will look at India with immense interest. Nonetheless, Indian steel enterprises have invested hugely into modernization and expansion of their existing units as well as green-field plants to build a world class, cost competitive, environment-friendly and socially responsible industry. This

can be substantiated from the fact that as per the list of ‘World Class Steel Makers in the World’ released by World Steel Dynamics in June 2014, 36 steel makers were classified as World Class Steel Makers out of more than 250 large steel makers in the world. Within the list of 36, six Steel Makers from India namely JSW Steel, SAIL, Tata Steel, JSPL, RINL & Essar Steel qualified as World Class. The steel industry is capable of achieving much more alongside contributing to public cause, as an increasingly enabling policy environment is provided by the Government.

What is the structure, objectives and activities of 'Indian Steel Association'?

- It has actually been less than a year since major Public Sector and Private Sector steel enterprises in India joined hands to form the 'Indian Steel Association'. Its Full Members are all the integrated steel producers of the country, i.e., those with a crude steel production capacity of 2 MTPA and above, which are Steel Authority of India Ltd. (SAIL), Tata Steel Ltd., Rashtriya Ispat Nigam Ltd. (RINL), JSW Steel Ltd. (JSW), Essar Steel India Ltd. (ESIL), Jindal Steel & Power Ltd. (JSPL), Bhushan Steel Ltd. (BSL) and Bhushan Power & Steel Ltd (BPSL). The Association also has five Affiliate Members, namely, Monnet Ispat & Energy Ltd, INSDAG (Institute for Steel Development and Growth), Gerdau Steel India, Jindal Stainless and KISMA (Karnataka Iron and Steel Manufacturer's Association).

The Vision of the Indian Steel Association exhorts lucidly that “we shall work towards transforming the Indian Steel Industry as a global leader acclaimed for its Quality, Productivity and Competitiveness, with focus on health, safety and environment, along with growing thrust on innovation through R&D, adopting an inclusive and collective approach”.

The Indian Steel Association currently represents around two-thirds of crude steel production in India and continues to expand. Since its inception in August 2014, we have endeavored to build a credible footprint in all its interactions with the Government and other stakeholders. In the coming year, our primary goal is to be “the focal point” for Indian steel industry related deliberations in the country and abroad. We believe that we are moving ahead at a quick pace to set the foundation of the Association firmly in line with our Vision and Goal.