



India's Steel Demand may Grow 7.3% this Year

Steel demand growth in India is seen to be the highest at 7.3% in the current year, while there will be slackening of demand in all other major steel-producing nations such as China, the US, Japan, Korea and Russia. The world demand for the alloy would decelerate 1.7% compared to 2014, according to World Steel Association (WSA).

India's steel demand grew by 3.1% in 2014 to 75.9 MT. In the current year, the demand is expected to grow to 81.5 MT. The demand is likely to accelerate further next year with 7.6% growth, the premier industry organisation said in its short-range outlook for the sector.

"We expect the current headwinds to moderate in 2016, but this is based on a belief



that the Chinese economy will stabilise. Of particular concern is the vulnerability of the emerging economies to external shocks though we are also expecting some, like India, to show resilience to the global slowdown. On a positive note, the recovery of steel demand in the developed economies, even though the momentum has weakened a little, remains on track," said Jurgen Kerkhoff, Chairman, Worldsteel Economics Committee.

The global steel industry has, for the time being, reached the end of a major growth cycle which was based on the rapid development of China. Combined with China's slowdown and low investment, financial market turbulence and geopolitical conflicts in many developing regions, the industry is now experiencing low growth which will last for the time it takes for other developing regions of sufficient size and strength to produce another major growth cycle, he added. The decelerated Chinese economy is unlikely to spring any surprise any more with its steel demand forecast to decrease by 3.5% in 2015 and 2% in 2016, thanks to the rebalancing measures on the investment and subdued real estate sector.

The performance of some key emerging and developing economies also started to deteriorate in 2012 due to structural issues, lower commodity prices associated with China's economic slowdown, and in some cases, escalating political instability. WSA said after growing by just 0.7% in 2014 to 1540 MT, the average global steel demand is likely to fall by (-) 1.7% in the current year to 1,513 MT. But, it will grow by 0.7% in the next year to 1,523 MT.

it is also working on how to sell more steel in a subdued market. The company's stance of feeding the market in phases was the only viable strategy till demand revived, analysts said.

Tata Steel plans to start selling half a million tonnes of hot-rolled steel from the Kalinganagar plant in 2015-16 and add another million tonnes in 2016-17. The balance will come in subsequent years.

The Kalinganagar facility is for 6 million tonnes of steel, which has been divided in two phases of 3 million tonnes each. The first phase, set up at an investment of Rs 25,000 crore, began coke production. Apart from the Kalinganagar unit, Tata Steel has a 9.7 million tonne plant in Jamshedpur.

Tata Steel to Source Water from Nilachal Ispat for Kalinganagar Plant



Tata Steel is also sourcing water from Odisha Industrial Infrastructure Development Corporation (IDCO) for its Kalinganagar plant. "We are supplying 1,100 cubic meter per hour to Tata Steel since March and this contract is for one year. We will provide an extension if the company seeks it," said an official in the water division of IDCO.

For every tonne of steel needs about 4 cubic meters of water, which means 12 million cubic meters of water for a 3 million tonne steel plant, according to industry sources. Tata Steel did not respond to a query about its water shortfall at the Kalinganagar facility and its plans to fix it.

Delays in approvals for inter-connectivity of water supply was the reason Tata Steel had to enter these agreements, said Nilachal Ispat executives and IDCO officials.

Analysts are confident Tata Steel will have its water issues sorted out within a year, before its contract with Nilachal Ispat expires.

"It is surprising Tata Steel has not managed to have its water supply in place, but it looks like a temporary glitch," said Giriraj Daga, senior analyst, SKS Capital & Research.

As Tata Steel grapples to meet the Kalinganagar plant commissioning deadline,

Tata Steel, the country's largest primary steel producer, has entered into a water-sharing agreement with Nilachal Ispat Nigam for its 3 million tonne Kalinganagar plant. Tata Steel is yet to secure land acquisition approvals for inter-connectivity for its own water supply to the plant scheduled to be commissioned by December.

"Tata Steel will receive water from Nilachal Ispat from November 1 for a period of one year," an executive at Nilachal Ispat said. "The government of Odisha has issued us permission to supply up to 17.5 cubic meter per second (42,000 cu meter per day) of water and we will try to supply the entire quantity to the Tata plant," he added.

Nilachal Ispat refrained from divulging the financial details of the deal and said any water supply beyond a year would need board approval.