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PRICE

(Inclusive of Service Tax 14%)

1 Year	₹ 3420	US\$ 257
2 Years	₹ 6555	US\$ 456
3 Years	₹ 9690	US\$ 656

(Only by Subscription)

Printed & Published by : D. A. Chandekar for Sanket Prakashan at 1, Alpha, M. G. Road, Vile Parle (E), Mumbai - 57. Printed at C. C. Printer, 30 Kamdar Shopping Centre, Monghibai Road, Vile Parle (E), Mumbai - 400 057.
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Editorial Desk

Dear Readers,

Indian government has recently announced import duty hike of 20 % for flat steel products and is certainly a welcome move as far as Indian industry is concerned.

India is an original signatory of WTO and has accepted globalised and liberal economic model way back in 1991. Accordingly, the import duties on various products including iron & steel were reduced gradually and overseas products were allowed to tap Indian markets. Also, barring few strategic sectors, other sectors were allowed to raise foreign equity. The result of this policy was that Indian markets were flooded with overseas products and international companies. The thought process behind this was to expose Indian products and companies to the global competition and raise the quality of domestic products. We have seen in last around 25 years that this objective was partially achieved. Liberalization and globalization also encouraged private entrepreneurship and today, as in many other sectors, iron & steel industry is dominated by private players. In a timeline graph, the bars of capacity creation and consumption compete against each other and thus sometimes there is overcapacity with depressed demand and price and sometimes the situation is exactly reverse.

As on now, the domestic demand seems to be stagnated. Steel companies are struggling for want of raw materials at reasonable price. This is certainly not the time market should be asked to absorb the overproduction of some other country. This may give some price advantage to steel users but will inturn completely destroy the domestic steel producing industry. The situation world over is similar and I expect such measures will be taken by many countries in near future.

This duty cushioning is only for flat steel products but long products industry is in equally deep trouble. Apart from wire rods and a small quantity of bars, there are not much imports in long sector but iron ore pricing itself is making the whole process unviable. Midsized and mini steel industry producing longs has strongly demanded reduction in iron ore prices and NMDC has responded positively. This will surely give some relief to sponge iron producers and will induce some viability in the whole process chain. The real trigger to steel demand will come from the mega infrastructure projects and the iron & steel industry is desperately waiting for the same !!!

D. A. Chandekar