

# Indian Steel : Challenges & Prospects

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India' GDP growth record 7.6 percent in 2015-16 at constant (2011-12) prices – the fastest in last five years. In its report published earlier, the International Monetary Fund (IMF) described the Indian economy as a “bright spot in the global landscape” becoming one of the fastest growing emerging markets. IMF also observed that “the Indian economy is reviving by positive policy actions that have improved confidence, and lower global oil prices.”

India's Index of Industrial Production (IIP) grew by 2.4 percent in 2015-16 as compared to 2.8 percent in 2014-15. The manufacturing sector representing 75.5 percent of IIP, rose by 9.3 percent in 2015-16 against 5.5 percent in the previous year. Economists said that they expect a turnaround in the near future. Rating Agency CRISIL has opined that “the lagged impact interest rate, reductions, salary revisions and easier monetary conditions will also support future demand growth and boost capacity utilisation.”

The CORE SECTOR representing the eight infrastructure industries grew by 2.7 percent in 2015-16, down from 4.5 percent in 2014-15. This has happened mainly due to lower investment and held up projects and lack of funding by banks. However, CORE SECTOR growth showed a turnaround in recent months between February and April, 2016. In February, 2016, the CORE SECTOR grew by 5.7 percent which further increased to 6.4 percent in March, 2016 which reached a high of 8.5 percent in April, 2016.

According to World Steel Association (WSA), India was the third highest producer of crude steel in the world with a production of 89.60 Mt in 2015 higher by 2.6 percent over the production of 87.30 Mt in 2014. Among the ten top producing countries, only India recorded a positive growth in production of crude steel during the calendar year of 2015. In 2015, the total global production has registered a negative growth of 2.8 percent.

## Automotive Growth

The performance of the India's automotive sector during 2015-16 vis-a-vis the previous year is shown in Table-1.

**TABLE-1 : PERFORMANCE OF INDIA'S AUTO SECTOR DURING 2015-2016 VIS-A-VIS 2014-15  
(FIGURES ARE IN NO. OF VEHICLES)**

| Type of Vehicles    | Production in FY'16 | % Change Over FY'15 | Domestic Sales in FY'16 | % Change Over FY15 | Exports in FY'16 | % Change Over FY'15 |
|---------------------|---------------------|---------------------|-------------------------|--------------------|------------------|---------------------|
| Passenger Vehicles  | 3413859             | 5.97                | 2789678                 | 7.24               | 653889           | 5.24                |
| Commercial Vehicles | 782814              | 12.10               | 685704                  | 11.51              | 101689           | 16.97               |
| 3 Wheelers          | 933950              | (-) 1.59            | 538092                  | 1.03               | 404441           | (-) 0.78            |
| 2 Wheelers          | 18829786            | 1.84                | 16455911                | 3.0                | 2481193          | 0.97                |
| Quadricycle         | 531                 | 0                   | 0                       | 0                  | 334              | ==                  |
| <b>Total</b>        | <b>23960940</b>     | <b>1.84</b>         | <b>20469385</b>         | <b>3.78</b>        | <b>3641546</b>   | <b>1.91</b>         |

Source : SIAM

Overall, the Indian auto industry has recorded marginal growths in production and exports and a moderate growth in domestic sales in 2015-16 over the previous year.

Commercial vehicles segment, which was posting low growths in the last few years, has shown a remarkable turnaround by recording high growths in production (12.10 percent), domestic sales (11.51 percent) and exports (16.97 percent). This indicates higher activity in the end-use sectors.

In the passenger vehicles segment, passenger car production by 4.02 percent at 2,519,444 units. In domestic sales, passenger cars recorded at growth of 7.87 percent at 2,025,479 units. Its exports, however, declined marginally by 1.86 percent. All these figures relate to 2015-16 as compared with 2014-15.

The two-wheeler segment, which has a lion's share in the total auto industry has recorded a marginal growth of 1.84 percent in 2015-16 in production and a moderate growth of 3.0 percent in domestic sales over the previous year.

The Government has notified that from March 15, 2016, BIS certification will be mandatory for specific grades of cold-rolled steel which is used to make roof and body panels of cars. There are mostly imported from Japan and Korea. A SIMA spokesman has observed that such BIS certification takes about 12 month to mature and will affect many manufacture of popular models due to longer waiting time.

According to experts, the number of motor vehicles in India per 1000 people is about one-seventh of world average and is lower than that in Pakistan and Srilanka. Indian auto sector has a share of 6/7 percent in the country's steel consumption. This has a potential to reach much higher levels.



### Infrastructure

The CORE SECTOR representing the eight infrastructure industries has recorded moderate to high growths during February, 2016, March 2016 and April, 2016 at 5.7 percent, 6.4 percent and 8.5 percent respectively over the same months of the previous year. The sector which accounts for 38 percent of India's IIP is likely to post robust growth in 2016-17.

### Budget 2016-17 and Infrastructure Development

In the Union Budget and Railway Budget for 2016-17, taken

together, a total capital expenditure of Rs. 2,21,246 crore has been proposed for infrastructure development of the country.

The allocation for infrastructure for rural areas are mentioned below as proposed in the Budget for 2016-17 :

- Allocation for rural economy including infrastructure has been proposed at Rs. 87,765 crore.

- Allocation under Pradhan Mantri Gram Sadak Yojana (PMGSY) has been increased to Rs. 19,000 crore to connect the remaining 65,000 habitations by 2019 by constructing 2.23 lakh km of roads.

- About 80 lakh hectare of land will be brought under irrigation in the next five years. Implementation of 89 irrigation projects under AIBP, which are languishing for a long time, will be fast tracked and completed by March, 2017.

- Rs. 38,500 crore has been allocated for MGNREGA. If properly utilised, this will create substantial job opportunity in rural areas.

- The Budget for 2016-17 has launched the 'UJJWALA' scheme by which Rs. 2,000 crore will be invested to provide clean fuel connection to 1.5 crore women from BPL families. The Government will provide Rs. 1,600 as subsidy for each LPG connection which will be given in the name of the lady of BPL household other outlays proposed in the union and Railway budgets for 2016-17 for investment in the various infrastructure sectors are mentioned below :

### Roads



The budget has proposed that for the development of rural roads and highways, an investment of Rs. 97,000 crore will be made in 2016-17 including Rs. 1,900 crore for PMGSY mentioned earlier. State's share in this allocation, will be about Rs. 27,000 crore in 2016-17. The Budget has provided Rs. 55,000 crore for Roads and Highways. This will be further topped up by an additional Rs. 15,000 crore to be raised by NHAI through Bonds.

### Railways



In the Railway Budget for 2016-17, Rs. 1,21,000 crore has been allocated for the development of Indian Railways. Major proposals made in the Budget are mentioned below:

- New railway track of 5,300 km will be constructed in 2016-17.
- Another 2,800 km new lines will be constructed and 2000 km of lines will be electrified.
- Two Railway workshops with ancillaries will be built in 2016-17.
- Two railway freight corridors, East-West and North-South have been proposed.
- The country's first Railway Hub in Chennai will be launched.
- The operating ratio of the Indian Railways in 2016-17 has been fixed at 92 percent as against 90 percent in 2015-16.



**Power**

The Government is drawing up a comprehensive plan, over the next 15 to 20 years to augment investment in nuclear power generation. Budgetary allocation upto Rs. 3,000 crore per annum together with public sector investments, will be leveraged to facilitate the required funds for this purpose.

The proposal to double clean energy cess on coal to Rs. 400 per tonne will increase the generation cost by 10-12 paise per unit. The Budget also announced that power will be made available to all villages by May, 2018.

A 92 percent increase in outlay for distribution schemes to Rs. 8,500 crore is expected to improve rural power demand, increased investment in the distribution segment and will lead to lower losses.



**Ports**

The Sagarmala Project has been rolled out the Government has planned to develop new Greenfield Ports both in the eastern and western coast.

The work on National Waterways is also being expedited and Rs. 800 crore has been provided for these initiatives.



**Airports**

An investment of Rs. 25,000 to 27,500 crore – excluding the proposal to revitalise about 160 old airports, is expected between 2016-17 and 2020-21. More than 80 percent of the investment will be earmarked for Greenfield Projects by 2020-21.

**Irrigation**

Covered under rural sector.

**About Stalled Projects**

- There were more than 70 road projects stalled covering 8,300 kms and involved more than Rs. 1,00,000 crore investment. After Government efforts, about 85 percent of these has been put on track.
- The Minister of State for steel told the Parliament that 23 steel projects are stalled owing to delay in environment clearance. The projects stuck were :
  - (a) Tata Steel's expansion of crude steel production from 9.7 Mtpy to 11 Mtpy at Jamshedpur.
  - (b) JSW Steel's proposed 10 Mtpy capacity steel plant and power plant in Jharkhand.
  - (c) Essar Steel's project to replace the EAF by BOF at Hazira in Gujarat.

If, at least major portion of the investment proposed in the union and

railway budgets for 2016-17 takes place, there will be a boost in the infrastructure development in India which in turn, will lead to significant growth in the country's steel demand.

**Minimum Import Price (MIP)**

The Government has imposed an MIP from February 5, 2016 for six months ranging from Rs. 341-752 on 173 steel products to provide relief to the domestic steelmakers who were grappling with head winds of subdued demand, low prices, excess supply and particularly due to cheap imports. The Notification, valid for six months, from February 5, 2016 or until further orders, whichever is earlier, expires on August 5, 2016. The notification covers over 80 percent of total steel imports with the CIF price range of US\$ 445-752 per tonne.

Prior to this, the Government levied a SAFE Guard Duty on Hot Rolled Coils of width greater than 600mm in September, 2015 and also hiked the duty on steel twice by 2.5 percent each in June and August, 2015.

The notified MIP for steel products is about 54-70 percent higher than the spot export price in China. The imposition of MIP along with Safeguard Duty and other measures taken earlier will help the domestic producers to raise prices up to 20 percent assuming steel prices remains unchanged in the global market.

The imposition of MIP would not only help the domestic steel products to raise their prices but would also lead to higher sales volume and lead to better capacity utilisation. These measures would also help in substituting imports by domestic steel products.

According to the data released by the Joint Plant Committee between January and February, 2016, the market prices of major steel products per tonne have increased in the MUMBAI market as shown below :

| PRODUCT            | PRICE INCREASE / TONNE (RS) |
|--------------------|-----------------------------|
| Wire Rods          | 8523                        |
| Rounds             | 5611                        |
| TMT Bars           | 2365                        |
| Plates             | 2756-4069                   |
| HR Coils           | 3281-3325                   |
| CR Coils           | 2269-2712                   |
| GP/GC Sheets/Coils | 1470-2362                   |

**MIP – The Other Side**

Mr. J. S. Bhasin, Chairman, EEPCC, India has sought from the Government a compensatory mechanism to make-up for the increased raw material prices which the distressed exporters mostly in the Small and Medium Enterprise (SME) segments will have to bear. The MIP mechanism will raise the cost of raw materials for engineering products by 6 to 10 percent depending on the type of product. Engineering exports have already declined by about 15 percent in the first nine months of 2015-16.

Segments like auto, auto parts, industrial and electric machinery, products of MSME sector will face such escalation of raw material price with dwindled prospect of their exports.

Process plant and manufacturers which include major companies like Larsen & Toubro (L&T), Godrej, Thermax, Praj Industries, Thyssenkrupp Industrial solutions (India), Ion Exchange, BGR

Engineering Systems etc. have strongly objected to the introduction of MIP without consulting the capital goods and industry sectors.

It would have been much better if the Government had consulted all the stake holder including the MSME sector before the launching of MIP mechanism. That would have helped to clear the confusion created by the MIS order.

Meanwhile, ISSDA has expressed its disappointment that the stainless steel products have been left out of the MIS mechanism. Earlier, when the import duty was hiked twice by 2.5 percent, the stainless steel sector was not included. As a result of excessive imports, almost all stainless steel players are under severe financial stress.

## Indian Steel Scenario

### Present Status

The Indian steel industry is suffering from reduced demand and low price realisation huge volume of cheap steel imports have adversely affected the performance of the Indian steel producers. In 2015-16, imports of finished carbon steel stood at 8.72 Mt recording a growth of 29 percent over the previous year. The share of imports in the total consumption of carbon finished steel rose to about 12 percent in 2015-16.

The above situation has compelled the Government to impose Minimum Import Price Mechanism (MIP) for a period of six months from February 5, 2016 as discussed earlier.

According to experts, consequent to lowering of iron ore prices in the global market, the Indian iron ore producers have reduced their prices though there is no exact price parity. High railway freight makes iron ore costlier.

Availability of Coal from CIL for steel sector is almost negligible and all BF/BOF producers largely depend on imports particularly, import of coking coal is going up every year.

A lot needs to be done to improve the operational and financial health of Indian steel plants. Excepting some leading steel producers, the efficiency of resource consumption, as measured by techno-economic parameters, is generally very low.

Steel technologists, in their wisdom, have made following suggestions for Indian steel to be competitive :

### On Product Development

Adopting latest technologies in all processes to reduce cost of production and improve quality of steel, particularly its cleanliness, surface quality and tolerances.

#### Development of :

- CRGO steel for electric industry
- API grades steel for pipes (higher grades)
- High strength and thin gauge sheets and strips for various high end applications
  - High strength light weight steel for the auto industry
  - Creep resistant, fatigue resistant and crack resistant steels for Nuclear power, space, oil and gas, aviation, defence sectors.
  - High speed rails for Indian railways.
  - Heavy structure in universal and parallel beams, columns.

### Suggestions for Improvement in Other Areas

- Installation of heat recovery systems and pollution control equipment to reduce energy consumption and to improve environmental performance.
- To improve steel to cement ratio in construction sector to

international levels. Steel to cement ratio in India is about 0.3 against 1.0 in advanced countries.

- Improving solid waste utilisation through reduction of its generation, reuse in process and sale.
- Expenditure on Research and Development (R&D) in India is only 0.2 percent of turnover against more than 1.0 percent in other countries. Unless the Indian steel industry invests more in R&D programmes to reduce cost of production and improve quality to international standards, it will not be able to stand in competition.

Demand of steel is directly linked to overall economic growth or GDP growth rate. India's GDP growth rate reached 7.6 percent in 2015-16. This is likely to attain higher levels in coming years. This augers well for increased steel demand in future years.

The Government is doing its bit and plans to do more but a lot needs to be done by the steel industry to improve their cost competitiveness. Efficiency of resource consumption as measured by techno-economic parameters, is generally low in the industry excluding in some big plants which have installed state-of-the-art technology. Inferior techno economic norms adversely affect cost of production and causes environmental pollution. The steel industry must address these issues more seriously and be more competitive.

### Performance of the Indian Steel Industry

Detailed performance of the Indian steel industry between April, 2015 and February, 2016 are presented below :

| CRUDE STEEL PRODUCTION |                          |                 |            |
|------------------------|--------------------------|-----------------|------------|
| Producers              | Production ('000 tonnes) |                 |            |
| ISP Producers          | Apr'15 - Feb'16 (P)      | Apr'15 - Feb'16 | % Change   |
| SAIL                   | 13001                    | 12595           | 3.2        |
| Tata Steel             | 9087                     | 8500            | 6.9        |
| RINL (VSP)             | 3313                     | 2960            | 11.9       |
| Essar Steel            | 3200                     | 2756            | 16.1       |
| JSWL                   | 11348                    | 12053           | (-) 5.8    |
| JSPL                   | 2834                     | 3119            | (-) 9.1    |
| Mini & Other Producers | 38931                    | 39200           | (-) 0.7    |
| <b>Total</b>           | <b>81714</b>             | <b>81183</b>    | <b>0.7</b> |

Data Source : JPC (P) = Provisional

### Production for Sale (Carbon Finished Steel)

Production for sale is arrived at after deducting Inter-Plant Transfers (IPT) and producers own consumption from Gross Production.

Production for sale of Carbon finished steel between April, 2015 and February, 2016 vis-a-vis the corresponding period of the previous year is shown in Table-1.

It is observed from the above table flat total production for sale between April, 2015 and February, 2016 has declined by 1.61 percent over the same period of the previous year. In the long product segment, production for sale has recorded a moderate growth of increase at 4.03 percent during the above comparative periods. Bars & Rods production

**TABLE - 1 : PRODUCTION FOR SALE OF CARBON FINISHED STEEL BETWEEN APRIL, 2015 AND FEBRUARY, 2016 VIS-A-VIS APRIL, 2014 & FEBRUARY 2015 ('000 TONNES)**

| Category                           | Production for Sale   |                   | % Change        |
|------------------------------------|-----------------------|-------------------|-----------------|
|                                    | Apr' 15 - Feb' 16 (P) | Apr' 14 - Feb' 15 |                 |
| Bars & Rods                        | 30681                 | 29366             | 4.48            |
| Structurals                        | 6979                  | 6844              | 1.97            |
| Railway Materials                  | 792                   | 754               | 5.04            |
| <b>Total Long Products</b>         | <b>38452</b>          | <b>36964</b>      | <b>4.03</b>     |
| Plates                             | 3907                  | 4348              | (-) 10.14       |
| HR Coils / Skelp                   | 16781                 | 18664             | (-) 10.09       |
| HR Sheets                          | 1436                  | 1047              | 37.15           |
| CR Sheets / Coils                  | 6430                  | 6871              | (-) 6.42        |
| GP/GC Sheets                       | 6016                  | 6320              | (-) 4.81        |
| Elec. Sheets                       | 114                   | 125               | (-) 8.80        |
| Tinplate (Incl. w/w)               | 290                   | 332               | (-) 12.65       |
| Pipes (Large Dia)                  | 1916                  | 1905              | 0.58            |
| <b>Total Flat Products</b>         | <b>36890</b>          | <b>39612</b>      | <b>(-) 6.87</b> |
| <b>Total Carbon Finished Steel</b> | <b>75342</b>          | <b>76575</b>      | <b>(-) 1.61</b> |

Data Source : JPC (P) = Provisional

for sale between April, 2015 and February, 2016 at 30.681 Mt has recorded the highest growth of 4.48 percent over the same period of the previous year.

Production for sale, in the flat product segment has declined by 6.87 percent between April, 2015 and February, 2016 over the corresponding period of the preceding year. Excepting HR Sheets which has recorded a healthy growth of 37.15 percent, all other categories of flat products have shown negative growths. This has happened due to lack of demand in the domestic as well as export markets. India exported 2.56 Mt of flat products between April, 2015 and February, 2016 as against 4.02 Mt during the same period of the previous. The decline was 36.32 percent.

### Imports

Categorywise imports of carbon finished steel products by India between April, 2015 and February, 2016 vis-a-vis the same period of the previous year are shown in Table-2.

Overall, imports of finished carbon steel has recorded a growth of 25.24 percent during April, 2015 – February, 2016 over the same period of the previous year. During this comparative period the import of long steel products has declined by 25.88 percent.

However, in the flat product segment, total imports have gone up by 33.76 percent during the April, 2015 and February, 2016 over the corresponding period of the preceding year. This has happened due to the high growth of imports : Plates (+35.85%), HR Coils (+73.41%), CR Sheets / Coils (+23.58%) and GP/GC Sheets (+24.64%) which are major flat products.

**TABLE - 2 : CATEGORYWISE IMPORTS OF CARBON FINISHED STEEL PRODUCTS BETWEEN APRIL, 2015 AND FEBRUARY, 2016 VIS-A-VIS APRIL, 2014 AND FEBRUARY, 2015 ('000 TONNES)**

| Category                           | Imports During        |                   | % Change         |
|------------------------------------|-----------------------|-------------------|------------------|
|                                    | Apr' 15 - Feb' 16 (P) | Apr' 14 - Feb' 15 |                  |
| Bars & Rods                        | 617                   | 812               | (-) 24.01        |
| Structurals                        | 23                    | 50                | (-) 54.00        |
| Railway Materials                  | 10                    | 15                | (-) 33.33        |
| <b>Total Long Products</b>         | <b>650</b>            | <b>877</b>        | <b>(-) 25.88</b> |
| Plates                             | 883                   | 650               | 35.85            |
| HR Coils / Skelp                   | 3052                  | 1760              | 73.41            |
| HR Sheets                          | 36                    | 65                | (-) 44.62        |
| CR Sheets / Coils                  | 1934                  | 1565              | 23.58            |
| GP/GC Sheets                       | 516                   | 414               | 24.64            |
| Elec. Sheets                       | 289                   | 392               | (-) 26.28        |
| Tinplate (Incl. w/w)               | 154                   | 204               | (-) 24.51        |
| TMBP                               | 3                     | 1                 | 200.00           |
| Pipes (Large Dia)                  | 91                    | 125               | (-) 27.20        |
| Tin Free Steel                     | 74                    | 82                | (-) 9.76         |
| <b>Total Flat Products</b>         | <b>7032</b>           | <b>5257</b>       | <b>33.76</b>     |
| <b>Total Carbon Finished Steel</b> | <b>7682</b>           | <b>6134</b>       | <b>25.24</b>     |

Data Source : JPC (P) = Provisional

### Exports

Categorywise exports of carbon finished steel products by India during April, 2015 – February, 2016 vis-a-vis the same period of the previous year are detailed in Table-3.

From the above table it is evident that total export of carbon finished steel has recorded a massive decline of 33.36 during April, 2015 – February, 2016 as compared with the same period of the previous year. Exports of long products have declined marginally by 4.95 percent while in case of flat products, exports have declined by a high of 26.20 percent. This happened to a massive declines of 73.65 percent in export of HR Coils and 50.52 percent for plates and a drop in export of GP/GC Sheets by about 20 percent.

Reasons for these are lack of demand in the global market and non-competitive prices of these products due to the dumping of cheaper Chinese steel products in the global markets. Chinese steel exports recorded a growth of 19.8 percent at 112.4 Mt in 2015 which was 14 percent of its steel output (Source : China Customs)

### Consumption

Categorywise consumption of carbon finished steel in India between April, 2015 and February, 2016 vis-a-vis April, 2014 and February, 2015 is shown in Table-4.

**TABLE - 3 : CATEGORYWISE EXPORTS OF CARBON FINISHED STEEL PRODUCTS DURING APRIL, 2015 - FEBRUARY, 2016 AND APRIL, 2014 AND FEBRUARY, 2015 ('000 TONNES)**

| Category                           | Exports During        |                   | % Change         |
|------------------------------------|-----------------------|-------------------|------------------|
|                                    | Apr' 15 - Feb' 16 (P) | Apr' 14 - Feb' 15 |                  |
| Bars & Rods                        | 312                   | 336               | (-) 7.14         |
| Structurals                        | 70                    | 65                | 7.69             |
| Railway Materials                  | 2                     | 3                 | (-) 33.34        |
| <b>Total Long Products</b>         | <b>384</b>            | <b>404</b>        | <b>(-) 4.95</b>  |
| Plates                             | 236                   | 477               | (-) 50.52        |
| HR Coils / Skelp                   | 317                   | 1203              | (-) 73.65        |
| HR Sheets                          | 52                    | 52                | ==               |
| CR Sheets                          | 555                   | 526               | 5.51             |
| GP/GC Sheets                       | 1198                  | 1496              | (-) 19.92        |
| Elec. Sheets                       | 16                    | 9                 | 77.78            |
| Tinplate (Incl. w/w)               | 48                    | 40                | 20.00            |
| Pipes (Large Dia)                  | 141                   | 216               | 34.72            |
| Tin Free Steel                     | 1                     | ==                | ==               |
| <b>Total Flat Products</b>         | <b>2564</b>           | <b>4019</b>       | <b>(-) 26.20</b> |
| <b>Total Carbon Finished Steel</b> | <b>2948</b>           | <b>4424</b>       | <b>(-) 33.36</b> |

Data Source : JPC (P) = Provisional

**TABLE - 5 : PERFORMANCE SUMMARY OF INDIAN STEEL INDUSTRY IN 2015-16 VIS-A-VIS 2014-15**

| Items                              | Indian Steel Performance Highlights |              |             |
|------------------------------------|-------------------------------------|--------------|-------------|
|                                    | 2015-16* (Mt)                       | 2014-15 (Mt) | % Change    |
| Crude Steel Production             | 89.78                               | 88.98        | 0.9         |
| Crude Steel Capacity               | 118.20                              | 109.85       | 7.6         |
| Capacity Utilisation (%)           | 75.96                               | 81.00        | (-) 6.2     |
| Pig Iron Production for Sale       | 9.63                                | 9.69         | (-) 0.6     |
| Sponge Iron : Production for Sale  | 16.28                               | 20.38        | (-) 20.1    |
| <b>Total Carbon Finished Steel</b> |                                     |              |             |
| Production for Sale                | 81.82                               | 83.54        | (-) 1.9     |
| Import                             | 8.72                                | 6.75         | 29.2        |
| Export                             | 3.48                                | 4.90         | (-) 28.98   |
| <b>Consumption</b>                 | <b>72.70</b>                        | <b>69.90</b> | <b>4.00</b> |

Data Source : JPC (P) = Provisional

**TABLE-4 : CATEGORYWISE CONSUMPTION OF CARBON FINISHED STEEL : APRIL 2015 - FEBRUARY 2016 VIS-A-VIS APRIL, 2014-FEBRUARY, 2015 ('000 TONNES)**

| Category                           | Apparent Consumption  |                   | % Change    |
|------------------------------------|-----------------------|-------------------|-------------|
|                                    | Apr' 15 - Feb' 16 (P) | Apr' 14 - Feb' 15 |             |
| Bars & Rods                        | 30138                 | 27780             | 8.5         |
| Structurals                        | 6833                  | 6602              | 3.5         |
| Railway Materials                  | 789                   | 771               | 2.3         |
| <b>Total Long Products</b>         | <b>37760</b>          | <b>35153</b>      | <b>7.4</b>  |
| Plates                             | 4643                  | 4512              | 2.9         |
| HR Coils / Skelp                   | 19073                 | 18822             | 1.33        |
| HR Sheets                          | 1444                  | 955               | 51.2        |
| CR Sheets / Coils                  | 7432                  | 7790              | (-) 4.60    |
| GP/GC Sheets/Coils                 | 5115                  | 5131              | (-) 0.3     |
| Elec. Sheets                       | 392                   | 505               | (-) 22.4    |
| Tinplate (Incl. w/w)               | 396                   | 495               | (-) 20.0    |
| Pipes (Large Dia)                  | 1869                  | 1824              | 2.5         |
| TMBP                               | 3                     | 1                 | 200.0       |
| Tin Free Steel                     | 73                    | 81                | (-) 9.5     |
| <b>Total Flat Products</b>         | <b>40440</b>          | <b>40116</b>      | <b>0.81</b> |
| <b>Less Double Counting</b>        | <b>12273</b>          | <b>11621</b>      | <b>5.61</b> |
| <b>Total Finished Carbon Steel</b> | <b>65926</b>          | <b>63648</b>      | <b>3.6</b>  |

Data Source : JPC (P) = Provisional

N.B. Double counting occurs only in case of Flat products.



Overall consumption between the above comparative periods has gone up by 3.60 percent. While consumption of long products has recorded a growth of 7.4 percent, in case of flat products it has posted a negative growth of 1.15 percent after adjusting for double counting.

#### Performance Summary of Indian Steel Industry : 2015-16

According to the provisional data released by JPC, a summary of the performance of the Indian steel industry during the full year of 2015-16 as compared with 2014-15 are presented in Table-5.

It is evident that crude steel production in 2015-16 has remained almost flat with a marginal growth of 0.9 percent in 2015-16 over 2014-15. Though capacity of the steel industry has increased by 7.6 percent in the above comparative periods, capacity utilisation by the industry has declined by 6.2 percent. This points to the lack of domestic demand which was also adversely affected by huge cheaper imports which rose by a massive 25.2 percent in 2015-16.

Imports in 2015-16 has a share of about 12 percent in the total consumption of carbon finished steel. With the MIP mechanism in vogue, imports are likely to comedown helping domestic producers. The Government has extended the validity of Safeguard Duty till March, 2018 and the 20 percent duty will gradually reduced to 10 percent. Infrastructure growth has picked and likely to achieve greater heights in view of the special thrust given in the union and railway budget for 2016-17, the steel demand would reach a higher level in future.

#### Conclusion

The Indian steel industry is presently facing many challenges.

Domestic demand has come down sharply. Excessive cheaper imports are flooding the steel market while exports have slow down considerably. The MIP mechanism and extension of the validity of SAFEGUARD duty up to March, 2018 will help the domestic industry to a great extent.

However, the Indian steel industry, excepting some major producers, needs to improve their techno-economic parameters to a much higher level and should also ensure introduction of measures for environment-friendly production.

The Induction Furnace (IF) and sponge iron industries should improve their production and process technologies so that they can be cost-competitive. R&D investment in Indian steel industry is just one-third of that in developed countries. This has to be increased to ensure production of high grade materials at competitive prices.

India's GDP growth has reached 7.6 percent in 2015-16 and is likely to grow further in future. With massive investment announced by the Government for infrastructure development and the thrust on economic and infrastructure growth in rural areas, steel demand would go up substantially.

Indian steel industry has good prospects for a turnaround in the near future.

#### Acknowledgement

1. Steelworld – February, 2016 Issue
2. Article by N. M. Rao, Consultant, published in JPC Bulletin, August 2015 issue.