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|---------|--------|----------|
| 1 Year | ₹ 3450 | US\$ 259 |
| 2 Years | ₹ 6613 | US\$ 460 |
| 3 Years | ₹ 9776 | US\$ 661 |

(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,

At last, the rains have started in most of the parts in India and the monsoon is progressing as per the expectations. It's a great relief not only to farmers but to the whole country as such.

Though agriculture contribution to the economy and GDP is not even 20%, livelihood of nearly 70% population depends on it. Thus if the rains are good then naturally agro production increases and subsequently the purchasing power of majority of the population also increases. This gives a big boost to the economy wheel and indirectly supports the demand curve of many commodities including auto, appliances, equipments and also steel. Also, good monsoon means more demand for tractors and other agriculture equipment. Hope this monsoon helps iron & steel industry to regain its lost sentiment!

The iron & steel industry not only in India but globally too is suffering since last few years. The demand stagnation in Eurozone is one of the major contributors to this slowdown. Last year there were some expectations that the EU demand curve will rise but nothing happened. Infact, now with the exit of Great Britain from EU, commonly referred as Brexit, the fluidity and uncertainty in the situation has increased. This move by UK has put a question mark on the fundamental concept of EU. It is said that there is a possibility of few other EU member countries going UK way. This, if happens, will further aggravate the situation and will be very bad for the regional as well as global economy.

Demand stagnation is a global phenomenon and some countries have found a shortcut to counter that. They have devalued their currency so that their products can compete in the world markets. This is not seen as a fair practice. It will not only spoil the markets but will also damage the domestic economy on a long term basis. This has started affecting the global steel markets and will surely suppress the price curve.

When will the situation in steel sector improve? In today's era of globalization, the impact of an event in one corner of the world is felt even at the other extreme corner. Unless the overcapacity created in iron & steel sector (anywhere in the world) is neutralized either by closing down unviable capacity or by simple demand escalation, one cannot expect a sustainable improvement in the situation !

D. A. Chandekar