Indian steel sector's yearly performance good : JPC

The yearly performance of Indian steel sector brought out by JPC has estimated that crude steel production of India has reached 97.4 million tonne, nearly 8.5% more than last year. This is the highest growth rate among the top 10 countries in the world in 2016.

India is followed by China (808.4 million tonne) at 1.2%, Japan (104.8 million tonne) at (-) 0.3%, USA (78.6 million tonne) at (-)0.3%, Russia (70.8 million tonne) at (-)0.1%, South Korea (68.6 million tonne) at (-) 1.6%, Germany (42.1 million tonne) at (-) 1.4%, Turkey (33.2 million tonne) at 5.2%, Brazil (30.2 million tonne) at (-) 9.2% and Ukraine (24.2 million tonne) at 5.5%. By 2016, India lags behind Japan by 9 million tonne and would definitely reach the rank of second biggest steel producer in the world by end of 2017.

After a few years' gap, India has emerged as a net exporter and while finished steel imports at 7.4 million tonne is 37% lower compared to last year's level, the finished steel exports at 8.2 million tonne surpassed last year by 102%. In all likelihood this trend is going to be strengthened in the coming months and is very much aligned with the government thrust on 'Make in India' programme.

What is happening in India is a significant departure from the experience of other developing countries that made up the shortfall in meeting the increasing demand from infrastructure and construction sectors primarily through imports against the backdrop of a nascent domestic steel industry. The current crude steel capacity in the country of around 122 million tonne indicates a 80% capacity utilisation against the current global rate of 70.3%. Finished steel consumption at around 84 million tonne, growing at 3.0% in FY17, is lower than 5.9% achieved by the country in the previous year. It is interesting to note that non-alloy steel consumption has increased by 4.6%, but the overall rate is pulled down by a fall in Alloy and SS consumption of as high as 12%.

In the latter, total finished steel imports at 1.86 million tonne exceeds total exports at 0.7 million tonne by 166% and total domestic availability of finished alloy and SS in FY17 is lower compared to last year. It appears that Indian Alloy and SS sector is facing competition from increasing imports which is hurting the domestic capacity utilisation. The industry must consolidate its efforts of meeting the shortfall in domestic availability that has facilitated increasing flow of imports by being cost competitive and becoming a reliable supply source to end users.

In FY18, the domestic consumption has been projected to reach 89.1 million tonne, a rise of 5 million tonne compared to the previous year. As domestic crude steel capacity is slated to go up in the current year by additions of fresh capacities from the brown field expansions, it would be feasible to meet the projected hike in demand by enhancing more availability from the indigenous sources. A substantial increase in infrastructure and construction activities would be the game changer in an otherwise stable and less than envisaged level of manufacturing activity in the country.

It would usher in the demand for light gauge high performance steel to fit in the innovative designs suitable for the structure. The global scenario for the steel sector is currently more favourable as compared to its status a few months back. The manufacturing sentiment is gradually coming back with increased productivity, enhanced order booking and higher realisation status. There appears to be a penchant for promoting domestic industry base, employment and income generation and a move away from the multilateral trade flows, thanks to the supposedly protective trade measures adopted by USA and nurturing the domestic manufacturing sector by rigorously following melt and manufacture in USA policy and procuring steel for the federal funded projects from the domestic sources. Some more countries including India (MOS efforts) are likely to persuade the government for similar support.

Chinese economic activities would continue to dominate the global prices of raw materials (Iron Ore, Scrap, Coking Coal and Coke), the finished steel export and capacity augmentation efforts.

Current export prices of HRC (SS 400) fob Tianjin China priced at $ 450/t has been coming down since February'17 level, but still is remunerative for a low cost producer. China is building a mega city at Xiongan in Hebei at an area of 2000 sq km which would require a massive 120-140 MT of steel for setting up residential, commercial, transportation and logistics infrastructure in the next few years thereby belying the repeated apprehension of a drastic fall in global export offers or raw material prices because of Chinese actions.