

Indian Steel Looks up

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Introduction

India's GDP as estimated by Central Statistical office (CSO) is to grow by 6.5 percent in 2017 - 18, lower than 7.1 percent achieved in 2016 - 17. The growth was dragged down by the sluggish performance of manufacturing and farm sectors. The crucial Agriculture is estimated to grow by a low of 2.1 percent in 2017- 18 over 4.9 percent in the previous year. The manufacturing sector may grow by an annual 4.6 percent in 2017-18 sharply lower than the 7.9 percent posted during the previous year. The service sector which accounts for nearly 60 percent of the economy is estimated to grow by 8.3 percent in 2017- 18 higher than 7.7 percent posted in 2016-17.

India's Index of Industrial Production {IIP}, which is closely connected to steel industry, recorded a low growth 2.5 percent during April – September 2017 compared with the 5.8 percent growth in the first half of 2016-17.

The CORE SECTOR, representing the eight infrastructural industries grow by 3.9 percent during April – November 2017 as against 4.9 percent posted during the corresponding period of the previous year, despite higher predictions of the government spokespersons.

Investment, another key indicator also displayed a declining trend during the second quarter of FY 18. Though fresh investment grew by 4.6 percent but as a proportion to GDP, they declined to 28.9 percent compared to last years 29.4 percent.

Fiscal deficit for FY 18 was breached at the end of November, 2017 reaching 112 percent of the years Budget estimate. This will make it tough for the Government to rein in the financial deficit to a 3.2 percent of the GDP- the target for F Y 18. The Government has unveiled an additional market borrowing of Rs 50000 crore for the current fiscal. This was sharply higher than the market expectation and indicated the Government 's acknowledgement of fiscal slippages.

Looking back

The highlights of the performance of the Indian Steel Industry during the year 2016-17, as per JPC are mentioned below:-

- Crude Steel Production was 97.443 Mt, a growth of 8.5 percent over the previous year.
- Crude Steel capacity recorded 126.33 Mt a growth of 4.0 percent over 2015 – 16
- Crude Steel capacity utilization stood at 77 percent during the year.
- Production for sale of Pig Iron was 9.39 Mt higher by 1.8 percent over 2015-16

- Production for sale of Sponge Iron at 14.85 Mt recorded a growth 2.1 percent over the previous year.

- Production for sale of finished carbon steel stood at 91,667 Mt higher by 11 percent over 2015- 16

- Export of finished carbon steel stood at 7.587 Mt recorded at growth of 118 percent over the previous year.

- Import of finished carbon steel recorded a decline of 38 percent at 5.366 Mt over 2015-16

- India was a net exporter of finished carbon steel during the year 2016-17

- Consumption of finished carbon steel after double counting stood at 76.546 Mt in FY 17 recording an increase 4.2 percent over the previous year.

Performance of the Indian Auto Industry : April - November 2017

Production, Domestic Sales and Exports of the various segments of the Indian Automobile industry during April - November 2017 vis-a-vis the corresponding period of the previous year are shown in **Table - 1.**

India produced 1.46 million of passenger cars between April - November 2017. According to the initial industry estimates passenger vehicles sales in 2017

TABLE - 1 : PERFORMANCE OF THE INDIAN AUTOMOBILE INDUSTRY DURING APRIL - NOVEMBER 2017 VIS-A-VIS APRIL - NOVEMBER, 2016

Segments	Production	% Change	Domestic Sales	% Change	Exports	% Change
Passenger Vehicles	2635866	5.18	2186197	8.46	480341	(-) 3.75
Commercial Vehicles	528038	(-) 0.31	491981	10.61	57507	(-) 24.43
Three Wheelers	623815	6.98	381247	1.38	244279	21.29
Two Wheelers	15697498	10.71	13793551	9.62	1829381	17.55
Quadricycle	1195	(-) 17.41	0	-	1156	(-) 19.67
Total of All Segments	19486412	9.48	16852978	9.29	2612664	11.98

NB : Percentage change relates to the corresponding period of the previous year. The figures relate to April - November, 2017. Unit : No. of Vehicles. Source : SIAM

grew by 9.2 percent to nearly 3.2 million units as against 2.9 million units in 2016. According to industry sources, these are initial estimates and the final numbers could be even higher.

Indian Automobile sector has a share of over 7 percent in the country's steel consumption.

Summary of the Performance of Indian Steel Industry during April - September 2017

Summary of the performance of the Indian Steel industry as per provisional figures published by Joint Plant Committee (JPC), for the period April - September, 2017 are mentioned below:

- Crude Steel production during April - September 2017 reached 49.766 Mt during the same period of the previous year, recording a growth of 4.53 percent.

- Production for sale of finished carbon steel during April - September 2017 was 47.349 Mt, up by 4.1 percent. In the above figure contribution of long products stood at 21.911 Mt, a growth of 1.8 percent while that of flat products of 25438 mt was up by 6.2 percent over the same period of the previous year.

• Exports

During April - September 2017 exports of finished carbon steel reached 4.358 Mt recording a growth of 57 percent over the corresponding period of the previous year.

In the total export of finished carbon steel, the share of long products was 1.253 {up by 264 percent} and that of flat steel products was 3.105 Mt with a growth of 28 percent.

• Imports

Imports of finished carbon steel during April - September 2017 was 3.245 Mt recording a growth of 20.4 percent over the same period of the preceding year.

In the total import of finished carbon steel long products had a share of 0.19 Mt down by 26 percent while imports of flat products at 3.05 Mt rose by 25.3 percent over the same period of the previous year.

India remained a net exporter of carbon steel during April - September 2017

• Consumption :

During April - September 2017 total consumption of carbon finished steel after double counting reached 39.2 Mt recording growth of 4.2 percent . In the total consumption of finished carbon steel the contribution of long products stood at 20.937 Mt, up by 0.8 percent over the same period of the previous year while the

consumption of flat products after double counting was 18.263 Mt- a growth of 8.3 percent in the above comparative periods.

The meager growth in consumption of long products during April - September 2017 was due to the lower demand from the railways and the eight infrastructural industries {Core Sector}

Highest Producers of Sponge Iron and finished carbon steel during April - September, 2017

Highest producers of Sponge Iron and finished carbon steel by major categories are shown in Table - 2.

Detailed Performance of the Indian Steel industry during April - August 2017

vis-a-vis April August 2016 are shown in Table - 3.

Production for sale of Pig Iron and sponge iron has declined by 3.87 percent and 2.68 per cent respectively During April

TABLE - 2 : HIGHEST PRODUCERS OF SPONGE IRON AND FINISHED CARBON STEEL (MAJOR CATEGORIES) DURING APRIL - SEPTEMBER, 2017

Category	Producer	Production ('000 tonnes)
Sponge Iron	Essar Steel	1,952
Finished Carbon Steel		
Bords & Rods	Tata Steel	1,637
Structurals	SAIL	461
Rly. Materials	SAIL	534
Plates	SAIL	1,426
HR Coils / Skelp	JSWL	6,216
H.R. Sheets	Essar Steel	798
CR Sheets / Coils	JSWL	1,452
GP/GC Sheets/Coils	JSWL	1,162

Data Source : JPC

- August, 2017 our the same period of the previous year.

Overall, Production for sale of finished carbon Sheet has increased by 7.23 percent during April - August, 2017 as compared to the corresponding period of last year. Production for sale of long products has recorded a low growth of 1.34 percent while that of flat products has gone up by a healthy 12.83 percent in the above

TABLE - 3 : DECRIED PERFORMANCE OF INDIAN STEEL INDUSTRY DRIVING APRIL - AUGUST, 2017 VIS APRIL - AUGUST, 2016 (000 TONES) PRODUCTION FOR SALE (CATEGORYWISE)

Category	Production for Sale April - August 2017	During the period April - August 2016	% Change
Pig Iron.	3,792	3,943	(-) 3.87
Sponge Iron	6,137	6,306	(-) 2.68
Finished Carbon Steel			
Bars & Rods	14,317	14,241	0.53
Structures	3,325	3,249	2.34
Rly. Materials	496	408	1.57
Total Long Products	18,138	17,898	1.34
Plates	2,065	1,753	17.80
HR Coils/Sleep	10,457	9,187	13.82
HR Sheets	975	544	79.23
CR Sheets/Coils	3,425	3,269	4.77
GP/GC Sheets	3,202	2,986	7.23
Elec. Sheets	96	81	8.52
Tinplate (Inch w/w)	152	144	5.56
TM BP	0	0	-
Pipes (Large Dia)	861	855	0.70
Tin Free steel	0		-
Total Flat Products	21,233	18,819	12.83
Total Ein. Carbon Steel	39,371	36,717	7.23

Data Source - JPC N.B. Figures are provisional

comparative periods.

Imports of Finished Carbon steel During April - August, 2017 Visa Vis April-August, 2016

Category wise imports of Finished Carbon Steel By India drawing April – August, 2017 Vis-a-vis April – August, 2016 are shown in **Table-4**.

Overall, imports of finished Carbon steel has increased by 19.36 per cent during April-August, 2017 over the same period of the previous year - While imports have gone by 21.83 per cent in case of long products, for flat products imports have alarmly increased by a high of 23.35 percent in the above comparative periods high growth in imports are observed for pipes (Large Di) at 653.66 percent, Tin free steel at 207.69 percent and

Electrical sheets at 70.07 percent.

Exports of finished Carbon Steel During April-August, 2017 Vis-a-vis April-August, 2016.

Category wise exports of finished Carbon Steel by India during April-August, 2017 Vis-a-Vis April-August, 2016 are shown in **Table – 5**.

Overall, exports of finished Carbon steel went up by 53.40 percent during April – August, 2017 over the same period of previous year. The growth in exports of long products has been 215.53 percent while for flat products the same was 31.60 percent during the above comparative period High growths in exports are observed in case of Bars & Road (230.70 percent), Structures (174.29 percent) HR Coils (54.70 Percent),

Electrical Sheets (288.88 percent) and Pipes (Large Dia) : 382.09 Percent.

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Consumption Finished Carbon Steel : April - August, 2017

Category wise consumption of finished Carbon Steel During April - August, 2017 vis-a-vis April - August, 2016 are shown in **Table - 6**

Real consumption is arrived at after deducting double counting (Which occurs only in case of flat products) from Apparent consumption. In the periods between April-August,2017 double counting of HR Coils/Skelp was 4.065 Mt while that in case of CR Sheets/Coils the same was 1.555 Mt. The corresponding figures for the previous year was 3.942 Mt and 1.529 Mt respectively. Real consumption of H R Coils/Skelp in the above comparative period at 6.247 Mt was up by 16.9 percent while that of CR Sheets/Coils at 1.555 posted a negative growth of 2.9 percent.

Finished Carbon sheet consumption rose by 6 percent during April-August,2017 over the same period of the previous year consumption of ling products recorded a negative growth of 1.6 percent during the above comparative period mainly due to a lower off take by the construction sector. Consumption of flat products has however, recorded a healthy growth of 12.1 percent.

SNIPPETS

- The central government as pairs to entrance the country's steel production capacity to 300Mt by 2030-31 with a projected investment of Rs.10 Lakh crore. Planners of the New Steel Policy(2017), however, admit that such a huge finance mobilization will be a challenging task giving of the enormity of the received fund.

The NSP aims to enhance India's per capita steel consumption to 160 kgs by 2030-31 with a vision of creating a globally competitive steel industry that promotes

TABLE - 4 : CATEGORY WISE IMPORTS OF FINISHED CARBON SHEET DURING APRIL - AUGUST, 2017 VIS-A-VIS APRIL - AUGUST, 2016 (000 TOMES)

Category	Imports During the Period		% Change
	April - August 2017	April - August 2016	
Bars & Rods	132	162	(-) 18.52
Structures	16	14	14.29
Rly. Materials	6	21	(-) 28.57
Total Long Products	154	197	(-) 21.83
Plates	245	317	(-) 22.71
HR Coils	879	811	8.38
HR Sheets	9	29	(-) 68.97
CR Sheets/Coils	341	343	(-) 0.58
GP/GC Sheets	424	227	86.78
Elec. Sheets	233	137	70.07
Tinplate (Inch w/w)	83	116	(-) 28.45
Pipes (Large Dia)	268	41	653.66
Tin Free steel	27	13	207.35
Total Flat Products	2,509	2,034	23.35
Total Finished Carbon Steel	2,663	2,231	19.36

Data Source - JPC N.B. Figures are provisional

network. These will have fewer welded joining points. The State of the art URM will take Bhilai's capacity to produce rails at 2 mtpa. It will be the largest production capacity for rails for any single location for a plant in the world. The new URM complex would equip SAIL to meet the Indian Railways' specific demand of 260 metre rails with a single joint. The URM has also the provision to supply welded panels up to 520 meter lengths in future. The rails rolled the new URM will enable SAIL to produce rails with improved surface quality, less residual stress and improved straightness.

- JSW Steel aims to producing 80 percent of its iron are requirements for its plant at Vijaynagar in Karnataka in three years time. The company expects to start production in the five iron are mines it won in auction.

JSW steel has an annual steel making of 12 Mtpa for which its needs 22 Mt of iron ore annually. The company aimed at to more than triple annual production of iron ore from its own mines in three years while iron ore output will also boosted by other mines that the company may bid for.

Data Source - JPC N.B. Figures are provisional

inter-sectoral growth and to create a self-sufficient steel industry that is technologically advanced, globally competitive and promotes inclusive growth.

- Tata Steel has plans to raise USD 2 billion in rights offer to help additional capacity in India. The money will be used to build and buy as well as to repay debt. Tata steel board has also approved increasing the annual capacity of its Kalinganagar plant in odisha by 5 Mt. The addition to be done over 48 months at a cost of Rs. 23,500 crore, would boost the company's domestic capacity to 18 Mtpa. The mill is raising its production to meet the domestic requirements of automotive, general engineering and other value-added segments. The costs for ramping up the Kalinganagar facility includes raw material capacity expansion, upstream and midstream plants, and the cord-rolling complex.

- SAIL's Rs.1200 crore Universal Rail Mill (URM) at into Bhilai Steel plant has commenced commercial production of the world's largest single rail of 260 meters from the new URM. The long rails are tipped to enhance safety parameters of the railway

TABLE - 5: CATEGORY WISE EXPORTS OF FINISHED CARBON STEEL DURING APRIL-AUGUST, 2017 VIS-À-VIS DURING APRIL-AUGUST, 2016 (' 000 TOMES)

Category	Exports During the Period		% Change
	April - August 2017	April - August 2016	
Bars & Rods	754	228	230.70
Structures	61	35	174.29
Rly. Materials	18	1	-
Total Long Products	833	264	215.53
Plates	163	118	38.14
HR Coils	888	574	54.70
HR Sheets	18	29	(-) 37.93
CR Sheets/Coils	553	413	33.90
GP/GC Sheets	527	687	(-) 23.29
Elec. Sheets	26	9	288.88
Tinplate (Inch w/w)	12	10	20.00
Pipes (Large Dia)	323	67	382.09
Tin Free steel	1	1	-
Total Flat Products	2,511	1,908	31.60
Total Finished	3,344	2,172	53.40

TABLE 6 : CATEGORY WISE CONSUMPTION OF FINISHED CARBON STEEL DURING APRIL - AUGUST, 2017 VIS-A-VIS APRIL - AUGUST, 2016 ('000 TOMES)

Category	Apparent Consumption During		% Change
	April - August 2017	April - August 2016	
Bars & Rods	13,446	13,798	(-) 2.5
Structures	3,206	3,187	0.6
Rly. Materials	476	420	13.3
Total Long Products	17,128	17,405	(-) 1.6
Plates	2,094	1,943	7.8
HR coils/skelp	10,312	9,284	11.1
HR Sheets	951	541	75.8
CR Sheets/Coils	3,110	3,130	(-) 0.6
GP/GC Sheets	3,076	2,438	26.2
Elec. Sheets	300	209	43.5
Tinplate (Inch w/w)	223	250	(-) 10.8
Pipes (Large Dia)	803	826	(-) 2.8
Tin Free steel	26	12	116.7
Total Flat Products	20,895	18,633	12.1
Total Fin. Carbon Steel	38,023	36,038	5.5
Less Double Counting	5,620	5,471	2.7
Real Consumption	32,403	30,567	6.0

Data Source - JPC N.B. Figures are provisional

- JSPL & 6Mtpy capacity steel plant in Odisha's Angul has been commissioned. In the first phase, the Angul plant would be expanded from the present 2 Mtpa to 6 Mtpa. With the commissioning of the plant, JSPL will become India's fourth largest steelmaker after JSWL, SAIL and Tata Steel.

- Tata Blue Scope, a 50:50 joint venture of Tata Steel and Blue Scope Steel of Australia, proposes an expansion of its secondary metallurgical unit in the East Singhbhum district of Jharkhand at an estimated cost of Rs. 3000 million. The expansion entails adding one more 150,000 tpa capacity colour coating line (CCL). The product mix after the expansion shall be 100,000 tpa of metal coated strips and 300,000tpa of colour coated strips.

- SAIL is looking for Korea's POSCO for advice on the operation and maintenance of cover making as well as iron and steel making.

A Strategic agreement between the two companies has been signed relating to

SAIL's IISCO steel plant at Burnpur, West Bengal. The deal involves POSCO providing technical supervising service, offering its know-how on all matters concerning steel production.

The IISCO steel plant is ramping production and its 500 kt per year capacity wire Rod Mill will soon be producing world-class wire rods to meet both domestic and global demand.

- India's Steel ministry is spearheading a Rs. 500 crore public-private research and development project for indigenous technology to produce high value Cold rolled grain oriented (CRGO) sheet or Electrical Steel in India. Electrical Steels are used in the manufacturing static motors such as transformers, and are priced at nearly Rs. 1.5 lakh per tonne five times the value of hot-rolled coils. Globally only a few companies have the capability to produce CRGO steels and the technology is not easily available for assimilation.

The Indian project will involve the Department of Scientific Industrial Research National Metallurgical Laboratory (DSIR-NML), the ministry of Steel, Tata steel and RINL. If successful, it would be a significant leap for the steel industry technology process. During April- August, 2017, India produced 96,000 tonnes of Electrical sheets and imported 233,000 tonnes of the material to meet domestic producers of electrical sheets.

- Rating Agency ICRA has predicted that the profitability of domestic steel mills is likely to improve in the near term due to firm prices of the metal and substantial growth in exports. Buoyant global steel prices have benefited Indian steel mills to increasing by tap overseas market as reflected in a 57 percent growth in exports on April-September, 2017 period on y-o-y basis helping the domestic steel industry operate at a capacity utilization of above 80 percent in the current fiscal. This is expected to improve the profitability of the domestic steel mills.

Domestic steel prices have registered a healthy growth of 14 percent in recent months due to a sharp recovery in international prices and but also by improvement in domestic demand growth to 4.4 percent in April-August, 2017 from 2.6 percent in Fy'17.

Conclusion

Despite the problems faced by denomination and GST implementation, the Indian steel industry has posted moderate growth during April-September, 2017 over April-September, 2016. Between the first half of 2017-18 and 2016-17, production of crude steel recorded of growth of 4.53 percent, exports of finished carbon steel has increased by 57 percent and their consumption has gone up by 4.2 percent. The consumption has been dragged down by a meagre growth 0.8 percent in the long products segment mainly due to lower demand from the consuming industries.

Experts have pointed out that due to buoyant global steel prices and a high growth in exports, domestic steel prices have registered a healthy growth of 14 percent in recent months. Domestic Steel demand has grown by 4.4 per cent during April-August, 2017 as against a growth of 2.6 percent in the whole year of 2016-17. During the second half of Fy'18, the Indian steel industry is destined to record a much better performance.