USD 15 billion investments underway in India's steel sector

N Baijendra Kumar, CMD of NMDC while addressing the Iron Ore Week at Singapore, said that India's domestic steel production and demand are expected to grow at 6%-7%. Production and consumption in major countries such as China, Japan and the EU nations is likely to stagnate in the near future.

Kumar further said "India is at the bright spot in steel world as the government push on infrastructure sector will ensure that target set in the steel policy 2017 will be achieved. The per capita consumption of steel, steel production capacity is increasing in line to meet the National Steel Policy target of 300 million tons by FY31.

"Currently, about USD 14-15 billion worth of investments are underway in the steel sector that would substantially increase the country's steel-making capacity. NMDC is fully geared to meet the increased iron ore demand, and is investing in mines and evacuation to augment capacity to almost double in the next three to four years. NMDC is India's largest producer of iron ore and 10th largest in the world. It has the best quality ore with highest Fe content in the world, and more than adequate reserves to cater to India's enhanced needs."

Incidentally, NMDC has earmarked Rs 3,000 crore as capex for this year, and has set a production target of 31 million ton without Donimalai mine. For FY19, the production is 32.5 million ton.

Moody downgrades European steel sector

Credit Agency Moody's has downgraded its forecast for the European steel industry from "stable" to "negative", but said Luxembourg's ArcelorMittal was "less vulnerable" to some of the economic headwinds.

Moody's European steel sector outlook had been stable since April 2017, but it cited "slowing economic growth", sluggish market demand, rising costs, "political uncertainty" and overcapacity.

The agency wrote that "steel capacity utilisation in Europe is about 76%," with little industry consolidation in sight.

Moody's noted that

"ArcelorMittal has decided to temporarily cut its annual steelmaking capacity in Europe by 3 million tons this year, or 6.7% of its 2018 total European steel production, due to falling demand, rising imports and ineffective trade protection measures, but this will not be enough to meaningfully address domestic overcapacity."

"Lower steel prices and higher input costs will weaken the profitability and cash flow generation of steel producers using blast furnace steelmaking technology. Integrated companies which produce iron ore for their own use such as ArcelorMittal will be less vulnerable."

"This outlook reflects our expectations for the fundamental business conditions in the industry over the next 12 to 18 months," the analysts wrote.