

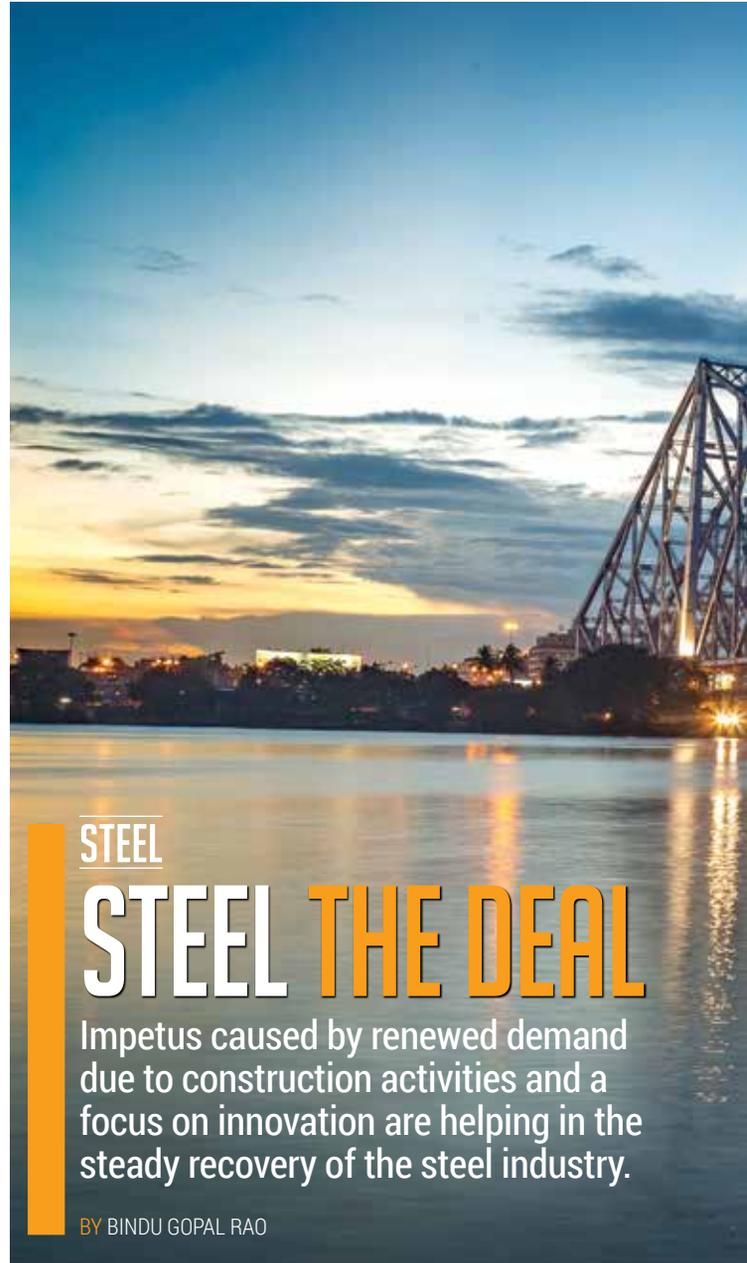
India is the third largest producer of crude steel in the world after China and Japan. In fact, the country's crude steel production rose nearly 6% to hit an all-time high of 101.28 MT last year as per official data. During April-December of the fiscal year 2017-18, the output stood at 75.50 MT as against 72.20 MT during the same period a year ago, an increase of 4.6% as per the latest report from the Joint Plant Committee (JPC). In December alone, the country produced 8.65 MT as against 8.38 MT in the same month a year ago. SAIL, RINL, TSL, Essar, JSWL and JSPL together produced 43.39 MT during April-December 2017, which was a growth of 6.5% over the same period of the preceding year. The balance of 32.10 MT came from other producers, resulting in a growth of 2.1% over the same period a year earlier.

The boom in infrastructure projects is driving steel demand in India. Steel consumption in the fiscal year 2018-2019 is likely to continue at an estimated 4-5% annual rise, according to a survey of mill officials and traders. "This increase in steel demand follows the launch of numerous infrastructure projects announced by Prime Minister Narendra Modi's government for 2018. Steel consumption for housing construction is also likely to rise due to Modi's Housing for All by 2022 movement. Higher income levels in the agricultural sector are likely to affect the consumption of other steel products such as farming equipment, storage bins and roofing sheets for residential and warehousing purposes," says **Sankey Prasad, founder chairman & MD, Synergy Property Development Services.**

#### GOVERNMENT IMPETUS

The government is now actively taking various measures to promote the domestic steel industry and raise capacity. In May last year, the Cabinet gave its nod to a new policy that aims to achieve steel-making capacity of 300 MT by 2030, with an additional investment of Rs 10 lakh crore. The government also approved a policy for providing preference to domestically manufactured iron and steel products in procurement by the government and its agencies.

The consumption of steel will increase with infrastructure development in the country, while the logistics cost that is currently on the higher side – compared to other countries – will come down with improvement in infrastructure. There is stability in the steel sector globally, and import of steel from China has come down to five million tonnes from 10 MT because of anti-dumping duty and other temporary measures taken by the government. In fact, the government's decision to protect the domestic industry by imposing a minimum import price (MIP) and anti-dumping duty on steel imports is an important factor that is leading to the resurgence of the



STEEL

## STEEL THE DEAL

Impetus caused by renewed demand due to construction activities and a focus on innovation are helping in the steady recovery of the steel industry.

BY BINDU GOPAL RAO

industry. The MSTC Metal Mandi, an e-platform, has been launched under the Digital India initiative, where finished and semi-finished steel products are sold. To make the domestic industry more competitive, the CBEC (Central Board of Excise and Customs) has announced a zero export duty on iron ore. The Ministry of Steel provides steel research and technology facilities to the industry as well.



### DEMAND DRIVERS

Post the phase of poor returns due to the dumping of cheap imports, the steel industry is gearing up for increased demand from infrastructure and real estate projects in recent months. Also, according to data from the International Trade Centre (ITC), starting January 2017, Chinese steel exports have been dropping by at least 25% year-on-year every month, giving

a much-needed respite to Indian steelmakers too. Global industry body Worldsteel has said that the country's steel demand has big potential considering its huge population and relatively low-level of infrastructure and housing development. It also added that it will take longer for India's steel demand to peak compared to China, where the demand has increased dramatically from 2000, but then peaked in 2013.

**Rahul Joshi, head, metals and mining, Feedback Consulting,** says, "There are three key developments helping the steel industry. Increase in rural demand: Reasonably good monsoon, increase in MSP, loan waivers, left more money at the hands of farmers, improving the purchasing power of rural customers; higher allocation for Pradhan Mantri Awas Yojana - Gramin, and accelerated work on PM Gram Sadak Yojana, are both driving rural demand further. There is a higher thrust on completing infra projects. In the 2017-18 budget, an outlay of Rs 4 lakh crore for infrastructure expansion was made. Extension of MIP has protected interest of domestic players. Also, recent upward trend on steel prices will help Indian steel companies



“STABILITY IS RETURNING TO THE STEEL INDUSTRY. INDIA IS BEGINNING TO FACE A CYCLICAL UPTURN IN STEEL DEMAND.”

**RAHUL JOSHI**

to grow profitably. The Government has also announced a policy for providing preference to domestically manufactured iron & steel products in Government procurement."

#### **BALANCING ACT**

With heightened expectations for future growth, the need for balancing high-cost investment with the current rate of returns in this competitive market has become imperative. Joshi explains, "Stability is returning to the steel industry. India is beginning to face a cyclical upturn in steel demand. The industry has, by and large, been able to ride out cyclical downturn, coupled with initial challenges from demonetisation and GST roll out. To achieve expected growth as envisaged in the new National Steel Policy, i.e. 300 MT by 2030, steel demand will need to grow at a CAGR of around 7-7.5% during the period as against a CAGR of 3.5-4% over the last five years. It will need an increase in per capita consumption from the present 60kgs to 160kgs by 2030, when it has taken seven years to rise to 60kgs from 50kgs. Such a level of growth will require not just growing with the natural growth of customer segments, but will also need a rise in steel intensity."

#### **INNOVATION MATTERS**

Innovation and the introduction of new products/processes are key to assist customers (real estate/ infrastructure developers) with speed, strength and value for money. Steel manufacturers are naturally looking at this as an ongoing

The government's decision to protect the domestic industry by imposing a minimum import price (MIP) and anti-dumping duty on steel imports is helping in the resurgence of the industry.





The steel structure of an under-construction commercial building.



INCREASE IN STEEL  
DEMAND FOLLOWS  
THE LAUNCH  
OF NUMEROUS

INFRASTRUCTURE PROJECTS.

**SANKEY PRASAD**

commercial strategy. "Insolvency proceedings for stressed accounts (steel companies) have already begun in the last few months. Reportedly, some of these assets have already attracted attention from quite a few potential investors. Successful developments could result in industry consolidation to an extent, going forward," says Joshi.

In an industry like steel, the investment in R&D is on the rise primarily to remain competitive amongst peers and global players. Besides investments in upgraded facilities, steel producers are grappling with the challenges of identifying good quality and sustainable materials as well as retaining skilled labour. Weak demand and cheap imports are some key factors that continue to plague the industry.

The steel industry plays a decisive role in infrastructure development and as these projects are on the rise, the demand for steel and steel products is also on the rise. Domestic avail-



Innovation in products and processes is key to assist customers with speed, strength and value for money.

ability of cheap labour and iron ore are primary factors that augur well for the Indian steel industry.

According to an India Brand Equity Foundation Sectoral Report from December 2017, "India is expected to overtake Japan to become the world's second largest steel producer soon, and aims to achieve 300 MT of annual steel production by 2025-30. India is expected to become the second largest steel producer in the world by 2018, based on increased capacity addition in anticipation of upcoming demand; and the new steel policy that has been approved by the Union Cabinet in May 2017 is expected to boost India's steel production. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors." **CW**