

STEEL INDUSTRY



SECTOR OVERVIEW

India is the world's third-largest steel producer in 2016. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output. The Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous modernisation and up-gradation of older plants and higher energy efficiency levels.

MARKET SIZE

India's crude steel production grew by 7.4 per cent year-on-year to 95.6 Million Tonnes (MT) in 2016. Total production of crude steel during February 2017 grew by 8.5 per cent year-on-year to 8.08 MT.

India's steel exports grew 150.0 per cent year-on-year to 0.75 MT in February 2017, while steel imports declined 46 per cent year-on-year to 0.49 MT. Total consumption of finished steel grew by 3.4 per cent year-on-year to 6.22 MT during April 2016-February 2017.

FDI POLICY

100% FDI is allowed in the Steel Industry sector which is resulting in the rising investments from domestic and foreign players.

GLOBAL SCENARIO

- ✦ In 2016, the world crude steel production reached 1628 Million Tonnes (MT) and showed a growth of 0.8% over 2015.
- ✦ China remained world's largest crude steel producer in 2016 (808 MT) followed by Japan (105 MT), India (96 MT) and the USA (79 MT).
- ✦ World Steel Association has projected Indian steel demand to grow by 5.4% in 2016 and by 5.7% in 2017 while globally, steel demand has been projected to grow by 0.2% in 2016 and by 0.5% in 2017. Chinese steel use is projected to decline in both these years - by 1% in 2016 and by 2% in 2017.

- ✦ Per capita finished steel consumption in 2015 is placed at 208 kg for world and 489 kg for China by World Steel Association.

DOMESTIC SCENARIO

- ✦ The Indian steel industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel.
- ✦ Rapid rise in production has resulted in India becoming the 3rd largest producer of crude steel in 2015 and the country was the largest producer of sponge iron or DRI in the world during the period 2003 to 2015 and was the 2nd largest producer in 2016 (after Iran).
- ✦ As per the report of the Working Group on Steel for the 12th Five Year Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country. These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 11 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others.
- ✦ At the time of its release, the National Steel Policy (NSP) 2005 had envisaged steel production to reach 110 Million Tonnes (MT) by 2019-20.

PRODUCTION



- ✦ Steel industry was de-licensed and de-controlled in 1991 and 1992 respectively.
- ✦ India is currently the 3rd largest producer of crude steel in the world.
- ✦ In 2015-16, production for sale of total finished steel (alloy + non alloy) was 90.98 MT, a decline of 1.3% over 2014-15.
- ✦ Production for sale of Pig Iron in 2015-16 was 9.23 MT, a decline of 4.8% over 2014-15.

DEMAND - AVAILABILITY PROJECTION

- ✦ Industry dynamics including demand – availability of iron and steel in the country are largely determined by market forces and gaps in demand-availability are met mostly through imports.
- ✦ Interface with consumers exists by way of a Steel Consumers' Council, which is conducted on regular basis.
- ✦ Interface helps in redressing availability problems, complaints related to quality.

STEEL PRICES



- ✦ Price regulation of iron and steel was abolished on 16.1.1992. Since then steel prices are determined by the interplay of market forces.
- ✦ Domestic steel prices are influenced by trends in raw material prices, demand – supply conditions in the market, international price trends among others.
- ✦ An Inter-Ministerial Group (IMG) is functioning in the Ministry of Steel, under the Chairmanship of Secretary (Steel) to monitor and coordinate major steel investments in the country.
- ✦ As a facilitator, the Government monitors the steel market conditions and adopts fiscal and other policy measures based on its assessment. Currently, basic excise duty for steel is set at 14% and there is no export duty on steel items. The Government has also imposed export duty of 30% on all forms of iron ore except low grade (below Fe 58%) iron ore lump and fines and iron ore pellets both of which have nil export duty.

INVESTMENTS

Steel industry and its associated mining and metallurgy sectors have seen a number of major investments and developments in the recent past.

According to the data released by Department of Industrial Policy and Promotion (DIPP), the Indian metallurgical industries attracted Foreign Direct Investments (FDI) to the tune of USD 10.15 billion, respectively, in the period April 2000– December 2016.

Some of the major investments in the Indian steel industry are as follows:

- ✦ Tata Steel has signed an agreement to purchase a majority 51 per cent stake in Creative Port Development (CPDPL), which has a concession agreement with the Odisha Government to develop a 10 million-tonnes-per-annum (MTPA) Subarnarekha port at Chamukh village in Balasore district of Odisha.
- ✦ Tidfore Heavy Equipment Group, the China-based infrastructure giant, is looking to enter the Indian market by signing an investment agreement worth USD 150 million with Uttam Galva Metallics, to expand its Wardha unit along with South Korean steel major Posco.
- ✦ ArcelorMittal SA is looking to set up a joint venture (JV) factory in India with state-owned Steel Authority of India Ltd (SAIL), to manufacture high-end steel products which could be used in defence and satellite industries.

- ✦ JSW Group plans to invest around Rs 10,000 crore (USD 1.5 billion) at Salboni in West Bengal to set up 1,320 Megawatt (MW) coal-based power plant, 4.8 million tonne cement plant and paints factory over a period of next five to seven years.
- ✦ National Mineral Development Corporation (NMDC) has planned to invest Rs 40,000 crore (USD 6 billion) in the next eight years to achieve mining capacity of 75 Million Tonnes Per Annum (MTPA) by FY2018-19 and 100 MTPA by FY2021-22, compared to 48 MTPA current capacity.
- ✦ Posco Korea, the multinational Korean steel company, has signed an agreement with Shree Uttam Steel and Power (part of Uttam Galva Group) to set up a steel plant at Satarda in Maharashtra.
- ✦ ArcelorMittal, world's leading steel maker, has agreed a joint venture with Steel Authority of India Ltd (SAIL) to set up an automotive steel manufacturing facility in India.
- ✦ Iran has evinced interest in strengthening ties with India in the steel and mines sector, said ambassador of the Islamic Republic of Iran, Mr Gholamreza Ansari in his conversation with Minister of Steel and Mines, Mr Narendra Singh Tomar.
- ✦ Public sector mining giant NMDC Ltd will set up a greenfield 3-million tonne per annum steel mill in Karnataka jointly with the state Government at an estimated investment of Rs 18,000 crore (USD 2.7 billion).
- ✦ JSW Steel has announced to add capacity to make its plant in Karnataka the largest at 20 MT by 2022.

GOVERNMENT INITIATIVES

Some of the other recent Government initiatives in this sector are as follows:



- ✦ The Government of India has approved a joint venture (JV) between MSTC Ltd and Mahindra Intertrade Ltd., for setting up India's first Greenfield auto shredding and recycling facility, which will aide in saving of foreign currency, as a result of import substitution of scrap.
- ✦ Mr. Narendra Singh Tomar, Union Minister of Steel, Mines, Labour and Employment, has launched the National Mineral Exploration Policy (NMEP), which will help to adopt comprehensive exploration of non-fuel and non-coal mineral resources that would give a major boost to the economy.
- ✦ Metal Scrap Trade Corporation (MSTC) Limited and the Ministry of Steel have jointly launched an e-platform called 'MSTC Metal Mandi' under the 'Digital India' initiative, which will facilitate sale of finished and semi-finished steel products.

- ✦ The Ministry of Steel has announced to invest in modernisation and expansion of steel plants of Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL) in various states to enhance the crude steel production capacity in the current phase from 12.8 MTPA to 21.4 MTPA and from 3.0 MTPA to 6.3 MTPA respectively.
- ✦ The Ministry of Steel is facilitating setting up of an industry driven Steel Research and Technology Mission of India (SRTMI) in association with the public and private sector steel companies to spearhead research and development activities in the iron and steel industry at an initial corpus of Rs 200 crore (USD 30 million).
- ✦ Government has planned Special Purpose Vehicles (SPVs) with four iron ore rich states i.e., Karnataka, Jharkhand, Orissa, and Chhattisgarh to set up plants having capacity between 3 to 6 MTPA.
- ✦ SAIL plans to invest USD 23.8 billion for increasing its production to 50 MTPA by 2025. SAIL is currently expanding its capacity from 13 MTPA to 23 MTPA, at an investment of USD 9.6 billion.
- ✦ The Central Board of Excise and Customs (CBEC) has issued a notification announcing zero export duty on iron ore pellets, which will help the domestic industry to become more competitive in the international market.
- ✦ The Minister of Steel and Mines, Mr. Narendra Singh Tomar, has reiterated commitment of Central Government to support the steel industry to reach a production target of 300 Million Tonne Per Annum (MTPA) in 2025.

OPPORTUNITIES FOR GROWTH OF IRON AND STEEL IN PRIVATE SECTOR

✦ The New Industrial Policy Regime

The New Industrial Policy, 9th September, 2016, opened up the Indian iron and steel industry for private investment by (a) removing it from the list of industries reserved for public sector and (b) exempting it from compulsory licensing. Imports of foreign technology as well as foreign direct investment are now freely permitted up to certain limits under an automatic route. Ministry of Steel plays the role of a facilitator, providing broad directions and assistance to new and existing steel plants, in the liberalized scenario.



✚ The Growth Profile

Steel: The liberalization of industrial policy and other initiatives taken by the Government have given a definite impetus for entry, participation and growth of the private sector in the steel industry. While the existing units are being modernized/expanded, a large number of new steel plants have also come up in different parts of the country based on modern, cost effective, state of-the-art technologies. In the last few years, the rapid and stable growth of the demand side has also prompted domestic entrepreneurs to set up fresh Greenfield Projects in different states of the country.

Crude steel capacity was 121.97 MT in 2015-16, up by 11% over 2014-15 and India, which emerged as the 3rd largest producer of crude steel in the world in 2015 as per ranking released by the World Steel Association, has to its credit, the capability to produce a variety of grades and that too, of international quality standards. The country is expected to become the 2nd largest producer of crude steel in the world soon, provided all requirements for creation of fresh capacity are adequately met.



Pig Iron: India is also an important producer of pig iron. Post-liberalization, with setting up several units in the private sector, not only imports have drastically reduced but also India has turned out to be a net exporter of pig iron. The private sector accounted for 92% of total production for sale of pig iron in the country in 2015-16. The production for sale of pig iron has increased from 1.6 MT in 1991-92 to 9.23 MT in 2015-16.

Sponge Iron: India is world's 2nd largest producer of sponge iron with a host of coal based units, located in the mineral-rich states of the country. Over the years, the coal based route has emerged as a key contributor and accounted for 89% of total sponge iron production in the country. Capacity in sponge iron making too has increased over the years and stood at around 43 MT in 2015-16.

India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position, as its capacity is projected to increase to about 300 MT by 2025. 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.

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