

STEEL INDUSTRY



SECTOR OVERVIEW

India is the world's second-largest steel producer with production standing at 111.2 Million tonnes (MT) in 2019. The growth in the Indian Steel Industry 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 modern with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels.

Indian Steel Industry is classified into three categories:

- ❖ Major Producers,
- ❖ Main Producers and
- ❖ Secondary Producers



MARKET SIZE

- ✓ India's finished steel consumption grew at a CAGR of 5.2% during FY16-FY20 to reach 100 MT. India's crude steel and finished steel production increased to 108.5 MT and 101.03 MT in FY20P, respectively.

- ✓ From April 2020 to September 2020, India's cumulative production of crude steel was 52.37 MT and finished steel was 47 MT.
- ✓ Export and import of finished steel stood at 8.24 MT and 6.69 MT, respectively, in FY20P.
- ✓ Export and import of finished steel stood at 7.10 MT and 2.35 MT, respectively, between April 2020 and October 2020.



INVESTMENTS

Steel Industry and its associated mining and metallurgy sectors have seen major investments and developments in the recent past.

According to the data released by Department for Promotion of Industry and Internal Trade (**DPIIT**), the Indian metallurgical industries attracted Foreign Direct Investment (**FDI**) to the tune of USD 14.22 Billion in the period April 2000-June 2020.

Some of the major investments in the Indian Steel Industry are as follows:

- ❖ In a move towards becoming self-reliant, Indian steel companies have started boosting steel production capacity. To this end, Steel Authority of India (**SAIL**) announced doubling of its steel plants capacity in September 2020.
- ❖ In March 2020, Arcelor Mittal Nippon Steel India (AM/NS) acquired Bhandar Power plant in Hazira, Gujarat from Edelweiss Asset Reconstruction Company.
- ❖ In February 2020, GFG Alliance acquired Adhunik Metaliks and its arm Zion Steel for Rs. 425 Crore (USD 60.81 Million), marking its entry into the Indian Steel Market.
- ❖ For FY20, JSW Steel set a target of supplying around 1.5 lakh tonnes of TMT Rebars to metro rail projects across the country.

- ❖ In December 2019, Arcelor Mittal completed the acquisition of Essar Steel at Rs. 42,000 Crore (USD 6.01 Billion) and formed a joint venture with Nippon Steel Corporation.
- ❖ JSW Steel has planned a USD 4.14 Billion capital expenditure programme to increase its overall steel output capacity from 18 Million tonnes to 23 Million tonnes by 2020.
- ❖ Ministry of Steel plans to invest USD 70 Million in the eastern region of the country through accelerated development of the sector.
- ❖ The production capacity of SAIL is expected to increase from 13 MTPA to 50 MTPA in 2025 with total investment of USD 24.88 Billion.
- ❖ Tata Steel has decided to increase the capacity of its Kalinganagar integrated steel plant from 3 Million tonnes to 8 Million tonnes at an investment of USD 3.64 Billion.



GOVERNMENT INITIATIVES

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

- ✓ In September 2020, the Ministry of Steel prepared a draft framework policy for development of steel clusters in the country.
- ✓ On October 1, 2020, Directorate General of Foreign Trade (**DGFT**) announced that steel manufacturers in the country can avail duty drawback benefits on steel supplied through their service centres, distributors, dealers and stock yards.
- ✓ Government introduced Steel Scrap Recycling Policy to reduce import.
- ✓ An export duty of 30% has been levied on iron ore (lumps and fines) to ensure supply to domestic Steel Industry.

- ✓ Government of India's focus on infrastructure and restarting road projects is aiding the demand for steel. Also, further likely acceleration in rural economy and infrastructure is expected to lead to growth in demand for steel.
- ✓ The Union Cabinet, Government of India approved the National Steel Policy (**NSP**) 2017, as it intends to create a globally competitive steel industry in India. NSP 2017 envisages 300 Million tonnes (MT) steel-making capacity and 160 kgs per capita steel consumption by 2030-31.
- ✓ 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).
- ✓ The Government of India raised import duty on most steel items twice, each time by 2.5% and imposed measures including anti-dumping and safeguard duties on iron and steel items.
- ✓ The Government of India in the Union Budget presented in February, 2021 has given some incentives in order to provide relief to MSMEs, which have been hit hard by the high cost of raw materials, import duties on a number of steel items have been slashed, while on certain steel products the anti-dumping duty (ADD) and countervailing duty (CVD) have also been revoked.
- ✓ FY22 capital expenditure increase by +34.5% at Rs 5.54 lakh Crore and this will help the Steel Industry.

FOREIGN DIRECT INVESTMENT (FDI) POLICY

As per the National Steel Policy, 100% Foreign Direct Investment (**FDI**) is allowed in the Steel Sector through the Automatic Route. Further, to promote domestic manufacturing, the Government has hiked export duty on iron ore to 30%.



ROAD AHEAD

The National Steel Policy, 2017 envisage 300 Million tonnes of production capacity by 2030-31. The per capita consumption of steel has increased from 57.6 kgs to 74.1 kgs during the last five years. The Government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg/per capita to 38 kg/per capita by 2030-31.

As per Indian Steel Association (**ISA**), steel demand will grow by 7.2% in 2019-20 and 2020-21.

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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