

AN OVERVIEW OF STEEL SECTOR

Global Scenario

- In 2018, the world crude steel production reached 1789 million tonnes (mt) and showed a growth of 4.94% over 2017.
- China remained world's largest crude steel producer in 2018 (928 mt) followed by India (106 mt), Japan (104 mt) and the USA (87 mt).
- World Steel Association has projected Indian steel demand to grow by 7.3% in 2019 while globally, steel demand has been projected to grow by 1.4% in 2019. Chinese steel use is projected to show nil growth in 2019.
- Per capita finished steel consumption in 2017 is placed at 212 kg for world and 523 kg for China by World Steel Association. The same for India was 69 kg in 2017. Per capita steel consumption for 2018 is yet to be published by WSA.

Note: World Steel Association report, Steel Statistical Yearbook, 2018

Domestic Scenario

- The Indian steel industry has entered into a new development stage, post de-regulation, riding high on the resurgent economy and rising demand for steel.
- Rapid rise in production has resulted in India becoming the 2nd largest producer of crude steel during 2018, from its 3rd largest status in 2017. The country is also the largest producer of sponge iron or DRI in the world and the 3rd largest finished steel consumer in the world after China & USA.
- In a de-regulated, liberalized economic/market scenario like India the Government's role is that of a facilitator which lays down the policy guidelines and establishes the institutional mechanism/structure for creating conducive environment for improving efficiency and performance of the steel sector.
- In this role, the Government has released the National Steel Policy 2017, which has laid down the broad roadmap for encouraging long term growth for the Indian steel industry, both on demand and supply sides, by 2030-31. The Government has also announced a policy for providing preference to domestically manufactured Iron & Steel products in Government procurement.

Production

- Steel industry was de-licensed and de-controlled in 1991 & 1992 respectively.
- India is currently the 2nd largest producer of crude steel in the world.
- In 2017-18, production of total finished steel (alloy + non alloy) was 126.85 mt, a growth of 5.6% over last year.
- Production of Pig Iron in 2017-18 was 5.73 mt, a decline of 45% over last year.
- India is the largest producer of sponge iron in the world. The coal based route accounted for 79% of total sponge iron production (30.51 mt) in the country in 2017-18.
- Data on production of pig iron, sponge iron and total finished steel (alloy/stainless + non-alloy) are given below for last five years and April-February 2018-19 (prov.):

Indian steel industry : Production (in million tonnes)						
Category	2013-14	2014-15	2015-16	2016-17	2017-18	April-Feb. 2018-19*
Pig Iron	8.35	10.23	10.24	10.34	5.73	5.54
Sponge Iron	22.87	24.24	22.43	28.76	30.51	30.20
Total Finished Steel	99.38	104.58	106.60	120.14	126.85	119.45
Source: Joint Plant Committee; *prov.						

Demand - Availability

- 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 meeting of the 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 & 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.
- As a facilitator, the Government monitors the steel market conditions and adopts fiscal and other policy measures based on its assessment. Currently, GST of 18% is applicable on steel and there is no export duty on steel items.
- A Steel Price Monitoring Committee has been constituted by the Government with the aim to monitor price rationalization, analyze price fluctuations and advise all concerned regarding any irrational price behaviour of steel commodity.
- To avoid any distortion in prices in view of ad-hoc and rising imports, the Government had taken several steps including raising import duty and imposed a gamut of measures including anti-dumping and safeguard duties on a host of applicable iron and steel items. In a further move to curb steel imports, the Indian government banned the production and sale of steel products that does not meet Bureau of Indian Standard (BIS) approval and to check the sale of defective and sub-standard stainless steel products used for making utensils and various kitchen appliances, it issued the Stainless Steel (Quality Control) Order, 2016 for products used in making utensils and kitchen appliances, that will help filter imports of the metal.

Imports

- Iron & steel are freely importable.
- Data on import of total finished steel (alloy/stainless + non alloy) is given below for last five years and April-February 2018-19 (prov.):

Indian steel industry : Import of Total Finished Steel (in million tonnes)						
Category	2013-14	2014-15	2015-16	2016-17	2017-18	April-Feb. 2018-19 *
Qty	5.45	9.32	11.71	7.23	7.48	7.13
Source: Joint Plant Committee; *prov.						

Exports

- Iron & steel are freely exportable.
- India emerged as a net exporter of total finished steel in 2016-17 and 2017-18 but is currently a net importer.
- Data on export of total finished steel (alloy/stainless + non alloy) is given below for last five years and April-February 2018-19 (prov.):

Indian steel industry : Exports of Total Finished Steel (in million tonnes)						
Category	2013-14	2014-15	2015-16	2016-17	2017-18	April-Feb. 2018-19*
Qty	5.99	5.59	4.08	8.24	9.62	5.77
Source: Joint Plant Committee; *prov.						

Levies on Iron & Steel

SDF levy: This was a levy started for funding modernisation, expansion and development of steel sector. The Fund, inter-alia, supports Capital expenditure for modernisation, rehabilitation, diversification, renewal & replacement of Integrated Steel Plants, Research & Development, Rebates to SSI Corporations among others. The SDF levy was abolished on 21.4.94. An Empowered Committee has been set up to guide the R&D effort in this sector.

EGEAF: This levy started for reimbursing the price differential cost of inputs used for engineering exporters. Fund was discontinued on 19.2.96.

Opportunities for growth of Iron and Steel in Private Sector

The New Industrial Policy Regime

The New Industrial policy 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

(i) 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 137.97 mt in 2017-18, up by 7.6% over 2016-17 and India, which emerged as the 2nd largest producer of crude steel in the world in 2018, as per data 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.

(ii) 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 94% of total production of pig iron in the country in 2017-18 (5.73 mt).

(iii) Sponge Iron: India, world's largest producer of sponge iron (2018), has 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 79% of total sponge iron production in the country. Capacity in sponge iron making too has increased over the years and stood at 49.6 mt (2017-18).
