

GOVERNMENT OF INDIA
MINISTRY OF STEEL

RAJYA SABHA
UNSTARRED QUESTION NO.3181
FOR ANSWER ON 14/12/2016

OVERHAUL OF INDIA'S STEEL POLICY

3181. SHRI A. K. SELVARAJ:

Will the Minister of STEEL be pleased to state:

- (a) whether Government is considering to make an overhaul of India's steel policy framed in 2012;
- (b) whether the country is unlikely to meet the target to raise capacity to 300 million tonnes a year by 2025;
- (c) whether although India's steel production cost is lower than any other country, it is uncompetitive in global markets due to freight costs, higher credit costs, industrial power tariffs, high iron ore royalties, import duties and cess on coking coal; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR STEEL

(SHRI VISHNU DEO SAI)

- (a) Presently, the National Steel Policy, 2005 is in force. The draft National Steel Policy is at conceptual stage.
- (b) Steel production & capacity creation is a function of domestic as well as global demand, cost competitiveness, availability of raw materials and financial resources. Capacity creation of 300 million tonnes would depend on the above factors.
- (c)&(d): Information in respect of cost of production are treated as commercially sensitive by the steel producers in the country and abroad. Various estimates have been made from the limited information available from the public domain by different research organisations. Each steel producer, anywhere in the world, operates in a set of specific conditions which includes both advantages and disadvantages. Indian steel producers in general gain from low cost and high quality iron ore and low labour cost. The producers such as SAIL, Tata Steel, JSPL etc. have additional advantages on account of captive ownership. However, higher cost of money (interest rates), lower labour productivity in most cases, weaker external infrastructure and high cost of utilities and power take away significant part of the advantages. A comparison of the cost of production as per estimates of the World Steel Dynamics made in January, 2015 for specific country based reference plants (not named) is attached as **Annexure - 1**.

Annexure-1

JANUARY, 2015 World Cost Curve cost comparison (USD per tonne)

	Brazil	China	CIS	Western Europe	India	Japan	South Korea	Latin America	Middle East	USA Integrated	USA Mini	Global Average
<i>Costs by stage</i>												
Coke	\$183	\$204	\$156	\$156	\$170	\$180	\$169	\$186	\$0	\$236	\$114	\$162
Pig Iron	\$202	\$251	\$177	\$177	\$166	\$256	\$221	\$214	\$0	\$289	\$255	\$207
DRI	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$178	\$0	\$0	\$0
Liquid Steel	\$267	\$323	\$244	\$244	\$273	\$335	\$320	\$283	\$332	\$392	\$461	\$324
Slab	\$286	\$348	\$261	\$261	\$290	\$365	\$345	\$302	\$354	\$427	\$480	\$347
HRB	\$331	\$394	\$284	\$284	\$327	\$409	\$390	\$341	\$384	\$477	\$507	\$387
HRC (P&O)	\$360	\$428	\$305	\$305	\$349	\$448	\$429	\$367	\$410	\$516	\$531	\$418
CRC	\$449	\$512	\$352	\$352	\$413	\$563	\$507	\$442	\$481	\$627	\$590	\$501
Overhead	\$58	\$34	\$52	\$52	\$55	\$49	\$28	\$60	\$33	\$31	\$38	\$45
CRC w. OH	\$507	\$546	\$495	\$405	\$468	\$612	\$535	\$502	\$514	\$658	\$627	\$546
<i>Costs by Category (Through CRC w. OH)</i>												
Raw Materials	\$250	\$292	\$224	\$322	\$263	\$305	\$287	\$253	\$263	\$340	\$423	\$293
Labor	\$71	\$81	\$27	\$117	\$60	\$123	\$107	\$70	\$82	\$163	\$51	\$86
Other	\$173	\$150	\$170	\$179	\$160	\$186	\$143	\$178	\$152	\$166	\$138	\$163
Energy	\$111	\$106	\$45	\$127	\$94	\$75	\$106	\$88	\$65	\$60	\$50	\$84
Energy Credit	-\$99	-\$83	-\$61	-\$114	-\$108	-\$77	-\$108	-\$87	-\$48	-\$71	-\$35	-\$81
Total	\$507	\$546	\$405	\$631	\$468	\$612	\$535	\$502	\$514	\$658	\$627	\$546

Source : Cost Monitor 2015