AN OVERVIEW OF STEEL SECTOR

Global Scenario

- **In 2001 World Crude Steel output at 847 million metric tons was marginally less then the previous year.**
- **This year (2002) saw a mild recovery in the global steel prices after a long period of stagnation.**
- **China remained the world's largest Crude Steel producer in 2001also (149 million metric tons) followed by Japan (103 million metric tons) and USA (90 million metric tons). India occupied the 8th position (27 million tons).**
- **USA was the largest importer of steel in 2000 followed by China and Germany.**
- **Japan was the largest exporter of steel in 2000 followed by Russia and Germany.**
- **Other significant recent developments in the global steel scenario have been:**

    - **There has been a spate of mergers and acquisitions all over the world in the steel industry. This is a relatively new development in the steel industry and is not confined only to companies in a single country and often has involved cross border acquisitions and mergers.**
    - **The crisis of excess capacity and prevalence of market distorting practices in the global steel market has induced protectionist measures from a number of steel trading countries. To address these issues a series of high level inter-governmental meetings have been held under the auspices of the OECD.**
    - **In March 2002 the US President announced imposition of temporary safeguard measures on import of key steel products into USA.**
    - **In retaliation to the US action EU has also imposed provisional safeguard measures against import certain steel products.**
    - **China, Canada and Thailand are some of the other countries that have initiated safeguard investigations against import of steel products into their countries.**

Market Scenario

- **After liberalisation, with huge scale addition to steel making capacity, there is no shortage of iron and steel materials in the country.**
- **Apparent consumption of steel increased from 14.84 million tonnes in 1991-92 to 27 million tonnes in 2001-02.**
- **During 2001-2002, due to economic slow down, certain sector like power and fertilizer projects, auto sector and white goods sector have shown a slump in demand for steel.**
- **Steel Industry has been facing a slow down in the level of demand due to slow down of the domestic economy and that of the major steel-consuming sector.**
- **Efforts are being made to boost demand particularly in rural areas and also to increase exports.**
- **Prices of iron and steel have declined in 2001-02 in tune with global trends, while input cost have gone up. However, of late, there has been resurgence in the price level mainly of flats and demand has also witnessed an upward trend.**

Production

- Steel industry was de-licensed and decontrolled in 1991 and 1992 respectively.
- India is 8th largest producer of steel in the world.
- In 2001-02, finished steel production was 30.61 million tonnes.
- Pig iron production in 2001-02 was 3.95 million tonnes.
- Sponge iron production was 5.66 million tonnes in 1999-2000.
- In 2001-02, nearly 51% of crude steel production was by public sector the remaining 49% was by private sector.
- In 2001-02, the integrated steel plants produced 42% of finished steel and the remaining 58% was by the secondary producers.
- Last 6 years production performance is as under:-

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Pig Iron	3.30	3.39	3.00	3.18	3.39	3.95
Sponge Iron	5.00	5.32	5.11	5.34	5.44	5.66
Finished Steel	22.72	23.37	23.82	27.17	29.26	30.61

Production in 2001-02 (In million tonnes)

	Main Producers	Secondary Producers	Total
Pig Iron	1.014 (5.18)	2.932 (20.4)	3.946 (16.12)
Sponge Iron	-	5.66	5.66 (3.24)
Finished Steel	13.020 (4.3)	17.591(4.8)	30.611 (5)

** Figures in brackets indicate % increase over last year.

Demand - Availability Projection

- Demand – Availability of iron and steel in the country is projected by Ministry of Steel annually.
- Projection for 2002-03 is given below:

Items	Domestic Demand('000 T)	Availability ('000 T)	Gap('000 T)
Pig Iron	3900	4060	160
Sponge Iron	6000		

Finished (Carbon Steel	**30050**	**29421**	**(-629)**

- **Gaps in Availability are met mostly through imports.**
- **Interface with consumers by way of Steel Consumer Council exists, which is conducted on regular basis.**
- **Interface helps in redressing availability problems, complaints related to quality.**

Pricing & Distribution

- **Price regulation of iron & steel was abolished on 16.1.1992.**
- **Distribution controls on iron & steel removed except 5 priority sectors, viz. Defence, Railways, Small Scale Industries Corporations, Exporters of Engineering Goods and North Eastern Region.**
- **Allocation to priority sectors is made by Development Commissioner for Iron & Steel.**
- **Government has no control over prices of iron & steel.**
- **Open Market Prices have been generally stable, though fluctuations have been noticed.**
- **Price increases of late have taken place mostly in long products than flat products.**

Imports of Iron & Steel

- **Iron & Steel are freely importable as per the Extant Policy.**
- **India has been annually importing around 1.5 Million Tonnes of steel.**
- **Last 6 year's import of finished carbon steel is given below:-**

Year	Import Qty. (In Million Tonnes)
1996-97	1.56
1997-98	1.59
1998-99	1.13
1999-2000	1.60
2000-2001	1.41
2001-2002	1.37

- **Imports have largely dropped, partly an indication of greater self-sufficiency and partly the ability to control inflow of seconds and defectives.**
- **To check unbridled imports of cheap/seconds & defective steel, several measures have been put in place, like;**

  a. **The Government has fixed floor prices for seven items of finished steel viz. HR coils, HR sheets, CR coils, Tinplates, CRNO and ASBR.**
  b. **The other notable measure in this regard are that imports of certain types of steel have been subject to mandatory compliance of quality**

standards as specified by the Bureau of Indian Standards (BIS). Adherence to BIS norms imply supplying information like name and address of the importer, generic or common name of the commodity, net quantity in terms of standard units of weights and measures, month and year of packaging and maximum retail sale price. Moreover all manufacturers/exporters of the listed products shall be required to register themselves with the BIS.

c. Further protection in this regard has been the issuance of the Government notification to 3 major ports – Kolkata, Mumbai and Chennai to monitor the flow of foreign steel into the country.
d. The customs duty on second and defective HR Coils has been raised to the bound rate of 40 per cent.
e. Anti dumping duty has been levied on import of HR coils from Russia and Ukraine.

Exports of Iron & Steel

- Iron & Steel are freely exportable and India is a net exporter of steel.
- Advance Licensing Scheme allows duty free import of raw materials for exports.
- Duty Exemption Pass Book Scheme also facilitates exports.
- Indian steel exports have been subject to anti-dumping/anti-subsidy duties actions by the stronger economies over the last few years. These include:

  a. Anti dumping duty on cut – to –size plate exports from Bhilai Steel Plant of SAIL with a total duty of 72.48 per cent, and an anti subsidy component of 14.82 per cent. India however, has been exempted from the safeguard duties under Section 201 of the US Trade Laws on almost all steel products except carbon flanges. This is on account of the country's status as a developing nation.
  b. EU has also taken AD/CVD actions on import of HR coils. However, a Suspension Agreement with exporters like SAIL, allows the company to sell at a price not lower than the agreed one. The EU has also imposed safeguard duties for India, such measures apply on electrical steel sheets and stainless steel wire rods.
  c. Canada has covered pipes, hot rolled, cold rolled and galvanized products in the AD/CVD actions.
  d. China has recently imposed a safeguard duty on the import of steel, which ranges from 7-26%. The country-wise details are yet to be worked out.

- The rising trend in Indian steel exports that was being witnessed in the last couple of years was halted due to these anti dumping actions initiated by the advanced, developed nations of the world, which led to the loss of major markets for the Indian steel exporters. Despite the initial setbacks Indian exports have recovered - largely due to the ability to find out alternative export markets where selling steel has been profitable.

- Last 6 year's export of finished carbon steel is given below.

Last 6 year Exports	Qty. in Million Tonnes
1996-97	1.622
1997-98	1.880
1998-99	1.771
1999-2000	2.670
2000-01	2.664
2001-02	2.725

- **Steel Exporters' Forum has been recently set up to boost steel exports.**
- **An Anti dumping Directorate has been set up under the Ministry of Commerce & Industry with adequate power to fight trade actions while remaining within the WTO framework.**

Duties & Levies on Iron & Steel

Custom Duties

- **Peak rate of Custom Duty has been reduced sharply during last 5 years .In the Union Budget 2002-03 it has been further reduced to 30%.This has forced domestic industry to become internationally competitive.**
- **Custom Duty on seconds and defectives has been raised to the bound rate of 40%.**
- **Custom Duty has been reduced on a wide range of inputs, which would bring down the cost of production for the domestic steel industry.**
- **Custom Duty on Met Coke has been reduced to 5% for integrated steel plants using blast furnace, pig iron units and steel plants using Corex technology.**

Excise Duty

- **Excise Duty on iron & steel has not been reduced in successive budgets.**
- **At present excise duty on all iron and steel is 16% ad valorem called CENVAT.**
- **High excise duty has made domestic industry unviable.**

Levies on Iron & Steel

SDF- This was a levy started for funding modernisation, expansion and development of steel sector.

The Fund, inter-alia, supports :

1. **Capital expenditure for modernisation, rehabilitation, diversification, renewal & replacement of Integrated Steel Plants.**
2. **Research & Development**

3. Rebates to SSI Corporations
4. Expenditure on ERU of JPC

Expenditure on ERU of JPC

- Fund was abolished on 21.4.94
- Cabinet decided that Corpus could be recycled for loans to Main producers
- Interest on loans to Main Producers be set aside for promotion of R&D
- An Empowered Committee has been recently set up to guide the R&D effort in this sector.
- EGEAF – Was a 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 has opened up the iron and steel sector 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 freely permitted up to certain limits under an automatic route. Ministry of Steel plays the role of 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/greenfield steel plants have also come up in different parts of the country based on modern, cost effective, state of-the-art technologies.

Increasing role of private sector in total production can be seen from the fact that its share has increased from 51.4% in 1991-92 to approximately 67% in 1998-99. This trend is likely to continue.

At present, total (crude) steel making capacity is over 34 million tonnes and India, the 8th largest producer of steel in the world, has to its credit, the capability to produce a variety of grades and that too, of international quality standards. As per the ratings of the prestigious " World Steel Dynamics", Indian HR Products are classified in the Tier II category quality products – a major reason behind their acceptance in the world market. EU, Japan have qualified for the top slot, while countries like South Korea, USA share the same class as India.

(ii) Pig Iron

In pig iron also, the growth has been substantial. Prior to 1991, there was only one unit in the secondary sector. Post liberalization, the AIFIs have sanctioned 21 new projects with a total capacity of approx 3.9 million tonnes. Of these, 16 units have already been commissioned. The production of pig iron has also increased from 1.6 million tonnes in 1991-92 to 3.94 million tonnes in 2001-02. The share of Private/secondary sector has increased over time and is currently around 74% of total production.

(iii) Sponge Iron

The growth of sponge iron sector has been phenomenal during the last 5 years in terms of both capacity and production. Installed capacity has increased from approx. 1.5 MTPA in 1990-91 to a current level of approx. 6.5 MTPA, while the production has grown from 0.9 MT 1990-91 to approx. 5.66 MT in 2001-02. However, the non-availability of natural gas in requisite amounts and the non-availability of non-coking coal of required quantity and quality continue to be a problem for the gas-based plants.