

# Lack of practical policies affect steel industry

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According to the 'Global Steel Trade Monitor', a report by International Trade Administration, "India was the world's ninth-largest steel exporter in 2017. In 2018, India exported 10.6 million metric tonnes of steel, a 34% decrease from the 15.9 million metric tonnes exported in 2017." India's exports amounted to about 4% of all steel exported globally in 2017. According to market insiders, despite the healthy production, the Indian steel industry faces a lot of challenges and is not well-placed globally.

Sanjeev Dalodria, Executive Director, Visa Special Steel, told BE, "If you look at the global scenario, China is exporting a lot of steel all over of the world and India is getting affected because of this." Incidentally, China surpassed all goals and reached a staggering 808.4 million metric tonnes of produced crude steel in 2016. In 2018, the volume of India's exports was under one-fifth the size of the world's largest exporter, China. Recent estimates show that the world's surplus steel capacity has grown to 642 million tonnes, with China alone accounting for almost 50% of the global overcapacity. This poses a potential danger in the international market for Indian steel companies as China is able to sell their steel at much lower prices.

A large capital investment is required in the iron and steel industry which a developing country like India cannot always afford. Many of the public sector integrated steel plants in India were established with the help of foreign aid.

Industry insiders are also of the opinion that due to the recent economic slowdown, there has been no change in the mindsets of the common people and the economy seems to be holding back with reduced investments. Reacting to this, Dalodria informed, "In today's scenario, people who are earning money are looking at opportunities to save that money in case of a job loss or a closedown so that he can have sufficient money to sustain him and his family."

According to ratings agency ICRA, India's steel consumption growth is likely to decelerate to 6% in the current financial year, due to the economic slowdown. The report stated that the growth of domestic steel consumption was recorded at 7.9% in the previous financial year. An ICRA report stated, "The domestic steel consumption growth is expected to decelerate



to around 5-6% in FY2020 as compared to 7.9% in FY2019, on the back of an unprecedented slowdown in economic activity, as reflected by GDP growth tapering down to 5% in Q1 FY2020." In a recent intefaction with the media, Dharmendra Pradhan, the Union Minister for Steel said that the Indian steel industry is facing some challenges amid the ongoing trade war between the US and China. The minister also noted that the global steel industry is facing the challenge of surplus production.

According to market insiders, the government needs to prepare a practical road map in order to revive the industrial sector. Dalodria said, "India is having a good preserve of iron ore but they are unable to capitalise on it. Government policies are very much fluctuating and they are not connected to the international or the domestic market. If you see the iron ore prices, it is very fluctuating." He added that the government is also trying to earn profit from the mines, ignoring the interests of the Indian industries. The steel industry in India operates in an isolated manner without any connectivity among the allied industries. A practical policy is the need of the hour to combat this situation.

However, the government alone cannot be held responsible for these problems. In India, the industries are not united and they are only concentrating locally. They seem more interested in competing with themselves rather than increase their collective international presence. Dalodria informed, "In India, the manufacturers are always eager to get better shares in the mines so that they can control the prices. So, all together we are not seeing the bigger picture as how to sustain the Indian industries. Steel industry is a base industry and if it cannot grow, the country cannot grow. So, consumption has to increase." He cited the example of Steel Authority of India Limited (SAIL) which is owned by the Indian government. SAIL owns mines and as a result, it can offer better prices in comparison to private players who have to purchase ore at a higher price and then compete.

The steel industry can have great prospects in India but the government needs to unify the mining policies and stimulate financial support to the sector. ■