

## IRON AND STEEL INDUSTRIES AND MAKE IN INDIA INITIATIVE

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### INTRODUCTION

India is the world's third-largest producer of crude steel and is expected to become the second-largest producer by the end of 2016. The growth in the Indian steel sector 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 very modern with state-of-the-art steel mills. It has always strived for continuous modernisation and up-gradation of older plants and higher energy efficiency levels.

### MARKET SIZE

India's crude steel production grew by 9.4 per cent year-on-year to 8.1 Million Tonnes (MT) in August 2016. During April-August 2016, crude steel production in the country grew by 7 per cent year-on-year to 39.98 MT. Over April-August 2016, steel imports fell 34.5 per cent year-on-year to 3.01 MT, while steel exports rose 23.6 per cent year-on-year to 2.38 MT.

Steel consumption in the country is expected to grow 5.3 per cent year-on-year to 85.8 MT during FY2016-17, led by growth in the construction and capital goods sector.

### INVESTMENTS

Steel industry and its associated mining and metallurgy sectors have seen a number of major investments and developments in the recent past. According to the data released by Department of Industrial Policy and Promotion (DIPP), the Indian metallurgical industries attracted Foreign Direct Investments (FDI) to the tune of US\$ 8.89 billion, respectively, in the period April 2000–March 2016.

**Some of the major investments in the Indian steel industry are as follows:**

- ❖ Tidfore Heavy Equipment Group, the China-based infrastructure giant, is looking to enter the Indian market by signing an investment agreement worth US\$ 150 million with Uttam Galva Metallics, to expand its Wardha unit along with South Korean steel major Posco.
- ❖ ArcelorMittal SA is looking to set up a joint venture (JV) factory in India with state-owned Steel Authority of India Ltd (SAIL), to manufacture high-end steel products which could be used in defence and satellite industries.
- ❖ JSW Group plans to invest around Rs 10,000 crore (US\$ 1.49 billion) at Salboni in West Bengal to set up 1,320 Megawatt (MW) coal-based power plant, 4.8 million tonne cement plant and paints factory over a period of next five to seven years.

- ❖ National Mineral Development Corporation (NMDC) has planned to invest Rs 40,000 crore (US\$ 5.96 billion) in the next eight years to achieve mining capacity of 75 Million Tonnes Per Annum (MTPA) by FY2018-19 and 100 MTPA by FY2021-22, compared to 48 MTPA current capacity.
- ❖ Posco Korea, the multinational Korean steel company, has signed an agreement with Shree Uttam Steel and Power (part of Uttam Galva Group) to set up a steel plant at Satarda in Maharashtra.
- ❖ ArcelorMittal, world's leading steel maker, has agreed a joint venture with Steel Authority of India Ltd (SAIL) to set up an automotive steel manufacturing facility in India.
- ❖ Iran has evinced interest in strengthening ties with India in the steel and mines sector, said ambassador of the Islamic Republic of Iran, Mr Gholamreza Ansari in his conversation with Minister of Steel and Mines, Mr Narendra Singh Tomar.
- ❖ Public sector mining giant NMDC Ltd will set up a greenfield 3-million tonne per annum steel mill in Karnataka jointly with the state government at an estimated investment of Rs 18,000 crore (US\$ 2.67 billion).
- ❖ JSW Steel has announced to add capacity to make its plant in Karnataka the largest at 20 MT by 2022.

## ROLE OF IRON AND STEEL INDUSTRY IN INDIA GDP-FACTS

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- ❖ The Iron and Steel Industry in India is one of the fastest growing sectors
- ❖ The demand drivers for the Indian Iron and Steel industry are increase in the activities of the automobiles industry, real estates industry, transportation system, aircraft industry, ship building industry, etc.

- ❖ India ranks 5th in the world in terms of production of steel
- ❖ The amount of crude steel produced in 2006-07 was 50.71 million tonnes
- ❖ The amount of finished steel produced in 2006-07 was 51.9 million tonnes
- ❖ The production of finished steel was increased by 16.52%
- ❖ The production of finished carbon steel was 24.8 million tonnes in the year 2006-07
- ❖ It is expected that India would become the second biggest producer of steel within the year 2016 and the production per year would be 137 million tonnes
- ❖ The exports pertaining to the steel industry was 6.26 % during the period 2006-07

## ROLE OF IRON AND STEEL INDUSTRY IN INDIA GDP-CONSUMPTION

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- ❖ The domestic consumption of steel has grown by 12.5% in the past three years
- ❖ The domestic steel consumption in the year 2006-07 was 41.14 million tonnes
- ❖ The average growth rate of the Indian Iron and Steel Industry is 11.36%
- ❖ The construction projects all over India are major consumer of steel
- ❖ The per capita consumption of steel in India is 35kgs
- ❖ As the per capita consumption of steel is lower than other countries, so the steel industry has huge opportunities in the future

## GOVERNMENT INITIATIVES

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Some of the other recent government initiatives in this sector are as follows:

- ❖ The Government of India has approved a joint venture (JV) between MSTC Ltd and Mahindra Intertrade Ltd, for setting up India's first greenfield auto shredding and recycling facility, which will aid in saving of foreign currency, as a result of import substitution of scrap.
- ❖ Mr Narendra Singh Tomar, Union Minister of Steel, Mines, Labour and Employment, has launched the National Mineral Exploration Policy (NMEP), which will help to adopt comprehensive exploration of non-fuel and non-coal mineral resources that would give a major boost to the economy.
- ❖ Metal Scrap Trade Corporation (MSTC) Limited and the Ministry of Steel have jointly launched an e-platform called 'MSTC Metal Mandi' under the 'Digital India' initiative, which will facilitate sale of finished and semi-finished steel products.
- ❖ The Parliament of India has cleared amendments to the Mines and Minerals Development and Regulation (MMDR) Act, which will enable companies to transfer captive mines leases similar to mines won through an auction, and which is expected to lead to increased Mergers and Acquisitions (M&A) of steel and cement companies.
- ❖ The Ministry of Steel has announced to invest in modernisation and expansion of steel plants of Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL) in various states to enhance the crude steel production capacity in the current phase from 12.8 MTPA to 21.4 MTPA and from 3.0 MTPA to 6.3 MTPA respectively.
- ❖ The Minister of Steel & Mines, Mr Narendra Singh Tomar, has reiterated commitment of Central Government to support the steel industry to reach a production target of 300 Million Tonne Per Annum (MTPA) in 2025.
- ❖ 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 (US\$ 29.65 million).
- ❖ The Central Board of Excise and Customs (CBEC) has issued a notification announcing zero export duty on iron ore pellets, which will help the domestic industry to become more competitive in the international market.
- ❖ Government has planned Special Purpose Vehicles (SPVs) with four iron ore rich states i.e., Karnataka, Jharkhand, Orissa, and Chhattisgarh to set up plants having capacity between 3 to 6 MTPA.
- ❖ SAIL plans to invest US\$ 23.8 billion for increasing its production to 50 MTPA by 2025. SAIL is currently expanding its capacity from 13 MTPA to 23 MTPA, at an investment of US\$ 9.6 billion.

## ROLE OF IRON AND STEEL INDUSTRY IN INDIA GDP-GROWTH IN FUTURE

- ❖ The Arcelor Mittal, which is the largest steelmaker in the world, has plans of establishing two Greenfield steel projects with capacity of 12 million tonnes annually, in India
- ❖ Acerinox SA, one of the important stainless steel manufacturers in collaboration with Nisshin Steel, Japan is setting up a steel plant in India
- ❖ The Tata Steel ranks 5th in the world steel production and the company have plans of expanding its capacity by the year 2015

- ❖ SAIL, India's biggest producer of steel has plans of increasing the production to 24.98 million tonnes annually
- ❖ Sinosteel Corp, China are planning to invest US\$ 4 billion to set up a 5 million tonnes capacity Greenfield steel plant
- ❖ The acquisition of the Corus, the Anglo-Dutch steel manufacturer by the Tata Steel
- ❖ The Algoma Steel, Canada was acquired by Essar Global for US\$ 1.63 billion

## ROAD AHEAD

India's present per capita consumption of crude steel is only 24 kg. which is very low compared to the developed and developing countries- 422 kg. in USA, 417 kg. in Germany 109 kg. in Russia and 87 kg. in China. Our consumption is less than one fifth of the world average (121 kg.).

India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position, as its capacity is projected to increase to about 300 MT by 2025. 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.

Exchange Rate Used: INR 1 = US\$ 0.0149 as on September 21, 2016

**Note:** - According to data released by World Steel Association

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