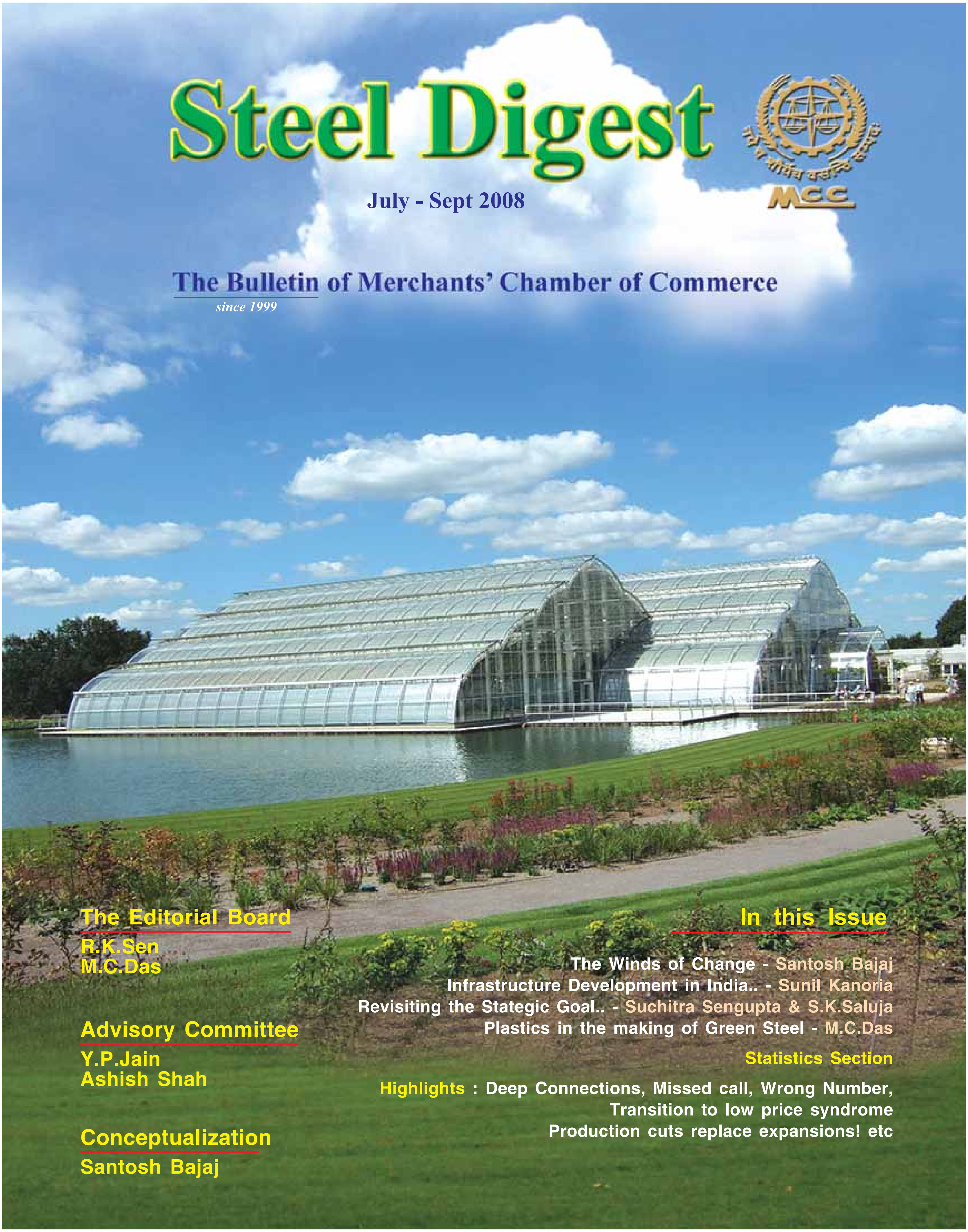


Steel Digest

July - Sept 2008

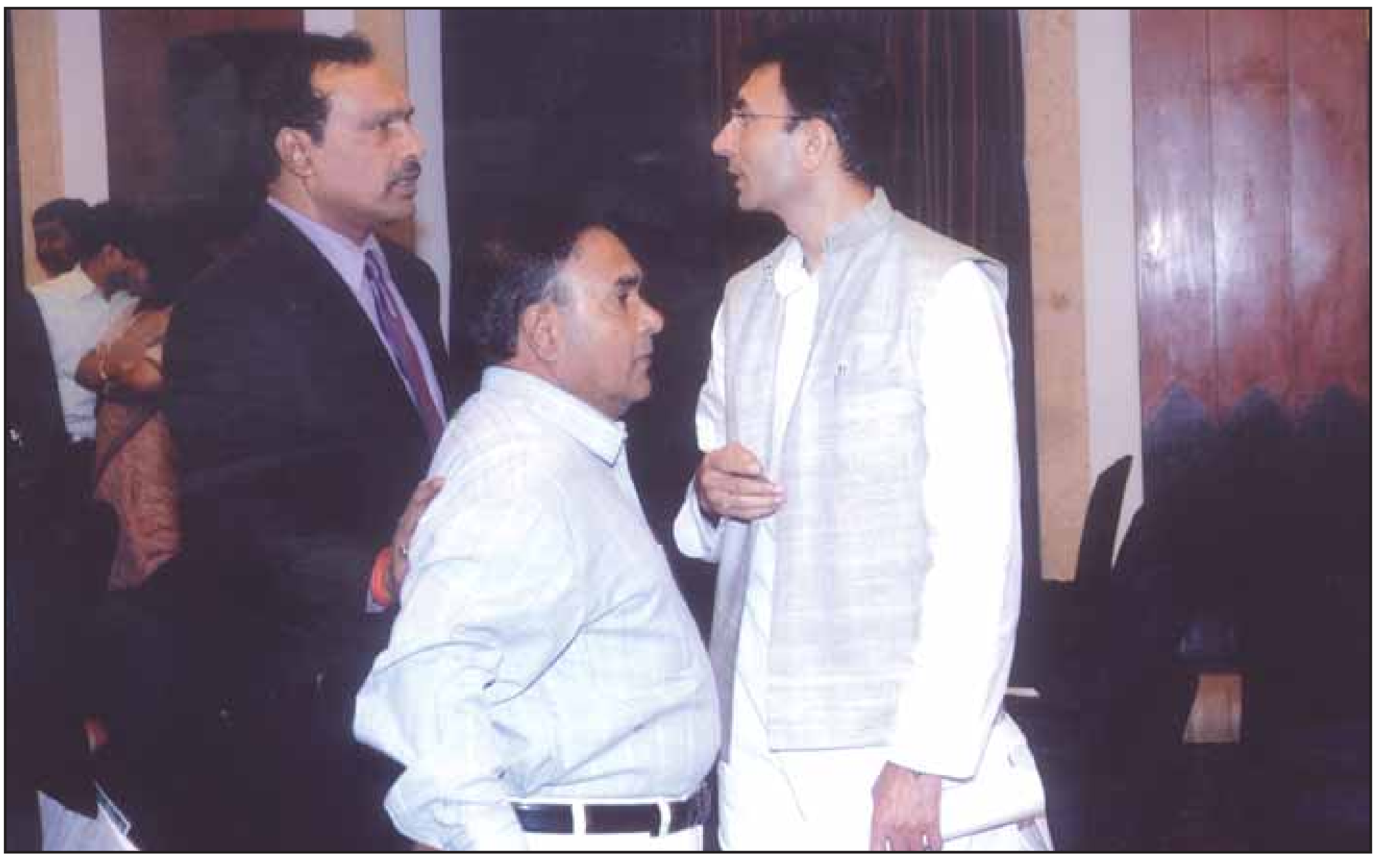
The Bulletin of Merchants' Chamber of Commerce
since 1999

MCC

In this Issue

Shri Jitin Prasada Union State Minister of Steel is speaking in the seminar organized by MCC on "Propelling Faster Growth of Steel Industry in India" at Park Hotel

Mr. Santosh Bajaj, Chairman, Standing Committee on Steel discussing the current steel senario with Mr. Jitin Prasada, Union State Minister for Steel after the interactive session with MCC Members held at Park Hotel on 27.08.2008



THE WINDS OF CHANGE

Santosh Bajaj
Chairman, Standing Committee on Iron & Steel

The world economy is facing a major down-turn. This did not happen suddenly. The crisis erupted with subprime mortgage market crisis in USA in 2007 which entered into a tumultuous phase in September 2008. It triggered a cascading effect in the financial markets forcing bankruptcies, mergers and government interventions. Suddenly the advocates of free markets turned socialist. Even the federal government of USA ,the champion of capitalism, started buying shares of banks to avert the crisis of confidence and make its ownership felt.

In India, complacency prevailed initially and activities were centered around combating inflation. We did not apprehend much trouble as we felt " we are not integrated , hence insulated"

In October when the stock market tumbled, we woke up to find that the situation is gloomy. Credit squeeze is serious. Demand has slowed down. Prices of prime industrial goods skidded. The prime Minister started damage control exercises. Incidentally we have a Prime Minister who is also an acknowledged economist who must have facilitated many a quick decisions needed to be taken urgently in such an emerging situation. While assuring investors he rightly cautioned them against a temporary slowdown. He said – "The financial crisis and economic slowdown in the developed countries are likely to have an indirect impact on the economy." This is the answer to the query of aam aadmi. On 24th October Prime Minister Dr. Manmohan Singh used the forum of ASEM – 7 to concede for the first time that the international financial crisis will have an impact on India for no fault of it's own. The Prime Minister after brain – storming with top world leaders in Beijing on the razing financial prices, cautioned that India's economy was bound to feel the pain sooner or later as we are not in complete control. Our stock markets crashed to a new low and THE INDIA STORY needed a change in its script. The Leftist friends deserved some compliments at least for opposing one reform. "It was our pressure that prevented the Government from going in for a full capital account convertibility and enact laws to open up Insurance & Banking sector. Had it happened we would have been ruined today", said CPI(M) Politburo Member Mr. Sitaram Yechury. When Mr. Yechury visited us last month , he asked MCC members to appreciate the stand taken by his party.

The gloom was persistent all around the world. Commodity prices plunged to an all – time low including that of steel which crash – landed in every part of the world reducing prices by over 33% in just one month. Correction in metal prices since the beginning of 2008 is 40% in alumunium, 55% in copper, 49% in lead,62% in zinc and 63% in nickel. We must notice that fall in crude oil prices has been reduced to more than half. Re – distribution of wealth from oil producing country to consuming countries and it's vis – a – vis effect and correlation with other commodities was the theme of my article in this column last time.

The gloom in steel sector can be gauged when outlook for TATA – CORUS by Moody's was changed to negative while credit rating became the same. ARCELLOR – MITTAL announced only a few weeks ago that it has lost US$ 16 billion in M-cap in just four months. Expansion was being denounced by production cuts. Such a recessionary trend was never seen earlier. Unless 10% import duty on steel as suggested by Union Minister of Steel is introduced, the domestic steel industry will be suffering a worst crisis due to cheap imports.

Coming back to the Global Financial Crisis let us look at what the Australian Prime Minister said : " The global economic crisisis is a result of the comprehensive failure of extreme capitalism." The crisis is now unrolling. The private financial system will take a long time to regain it's capability. Globalisation and the capitalistic economy, the phenomenon of big fish eating the smaller fish has reached climax which Marx predicted and the most crucial of his predictions – recurring crisis in the capitalistic financial system – is now a reality.

Let us make a fair comparison between the present and past global crisis, between market economies of democratic countries and socialist countries that emerged in 1970 and 1980. Let us remember that socialist economies have not survived economic crisis. USSR broke into 16 countries after a financial crisis. China was in shambles in 1970s & 80s.Nations like Yugoslavia & Europe crumbled in 1980s and broke up following an economic crisis. US economy will surely come out of its present crisis but I agree with the Australian Prime Minister that ***it is an end of road for extreme capitalism***.

Attitude of drawing extreme conclusions may boomerang sooner than expected once the bounce-back kicks off. **The capitalism will stay** but the stark reality is that to achieve the goal of social transformation, Capitalism must be made to be more responsible. Mr Joseph Stiglitz the Nobel Laureate and former World Bank Chief Economist opined that the US and the Bretton Woods institutions had failed to adequately address the global financial crisis and the United Nations must intervene as the one institution that was inclusive and had political legitimacy. This wind of change is not permament, it will also change sooner and faster.

Infrastructure Development in India after the recent financial crisis – will there be setback ?

Sunil Kanoria
Vice Chairman
Srei Infrastructure Finance Ltd.

Global growth is poised for a sharp slowdown as a result of the credit crunch that has engulfed the world. While governments and central banks of the developed nations are busy figuring out how to minimise the impact of the financial crisis, it is the continental sized emerging economies which are likely to pull global growth over the next few years. India does figure in that list of emerging economies. But for India to be one of the major drivers of global growth, our policy-makers must get their act together.

Thanks to the prudent policies of Reserve Bank of India (RBI), our financial sector is still intact. However, India too has started feeling the pinch. Liquidity has dried up. High interest rate regime at home has started impacting the investment climate. Our economy which had clocked an average annual growth of around 8.5% during the last half decade, now looks destined for a growth of 7.5-8.0% during this fiscal and maybe even lower growth in the next couple of years.

Extraordinary times call for extraordinary actions. And these circumstances call for a substantial stepping up of infrastructure investment to keep our growth engine going. The prescribed approach of a Big Push in infrastructure is for the following reasons :

a) The carrying capacity of our physical infrastructure has already reached a saturation point. Thus, it needs to be enhanced substantially.

b) Investment in infrastructure can play a counter-cyclical role and support growth even when there is a dip in consumption demand.

c) Infrastructure investment eventually generates revenue streams that will perk up consumption demand.

d) Better infrastructure enhances competitiveness of manufacturing and service sectors.

e) Creating infrastructure takes time, and by the time the world comes to term with the crisis, our manufacturing and service sectors supported by better infrastructure will be in a position to cater to global demand.

f) Shrink in global demand has led to cooling off in commodity prices. Thus, the time is ripe to take up projects and enjoy benefit of low raw material prices.

I have always been of the view that the infrastructure demand is INELASTIC in nature, especially in case of India. What I mean is that while the demand for infrastructure and the pace of its creation rise while the economy is doing well, at difficult times when the economy staggers the demand for infrastructure DOES NOT drop significantly, thus the pace of creation, at the most, slows down a bit. While a Big Push approach should be the ideal one in the present scenario, my practical self tells me not to expect much on the infrastructure front in the next few months. I will list down the reasons why I think this way.

First, the government will be on a crisis-management mode till the general elections are over. Once a new government swears in, only can we expect some clear direction on the infrastructure front. If we take into account the settling down time of the new regime, all this will take around 6-8 months.

Second, in most developed and developing nations, the primary thrust in infrastructure creation essentially comes from the government. India's case has been no different, but in an election year government cannot afford to spend more on infrastructure creation. Of late, private sector participation is being accorded higher importance. Of the envisaged investment needed in infrastructure, 30% is expected to come from the private sector. But the extant high interest rate regime is deterring private investment. The order books of project developers and contractors are quite full, but these players are now hesitant to scale up their operations. On an average, an infrastructure project's debt-equity ratio is 3:1. With 75% of the financing to come from debt funds, the interest cost burden is quite naturally discouraging private players to reach financial closure for projects which they have bid for. Projects which have already reached financial closure or are in various stages of implementation will have to be executed, though the rising cost of funds will hurt the execution. Dependence on private sector participation has increased, but private sector in the present scenario will not feel enthused to take up such projects as their profitability stands to take a severe hit.

Third, the shortage of long-term funds has always been a problem in india. Bank loans are being channelised into infrastructure projects, but obviously the short tenure bank loans do not fully cater to the long term fund needs for infrastructure projects, often leading to an asset-liability mismatch. Availability of debt finance is of typically of 7-12 years maturity, whereas infrastructure projects require a much longer pay-back period. This leads to front-loading of tariffs during the initial years of the project cycle affecting not only the users, but also the competitiveness of the projects. Industry has been crying hoarse for insurance and pension reforms so that those long term funds could be partly channelised to infrastructure funding. But we have not seen any action on that front yet, and in today's scenario when so many global insurance and pension funds are in trouble due to imprudent investments, i am sure our government will not carry out any reform on that front, at least not in near future. However, thankfully government has allowed infrastructure firms to access external commercial borrowings (ecbs) for infrastructure financing companies under automatic route for rupee expenditure in infrastructure projects. However, this relaxation is unlikely to bring in funds as institutional and global financial institutions are reluctant to take exposure in emerging markets. Also the present policy allows these infrastructure firms to raise ecbs at rates of libor plus 500 basis points. When the prevailing interest rate for banks varies between 5% and 12% above libor, it is difficult for infrastructure firms to raise ecbs at the prescribed rates. In addition, the policy does not allow infrastructure financing companies to raise ecbs under automatic route, they can do so under approval rate. It is worthwhile to note that the vast majority of small and medium contractors and construction companies in the infrastructure arena depend on these specialised financial institutions (especially the infrastructure equipment and project financing nbfcs) for their credit needs. Neither they have access to institutional credit from banks and other financial institutions, nor are they capable of raising ecbs themselves. Also under the present policies, the infrastructure financing firms get severely constrained by the end-use clauses of such funds. They have to use the funds raised for importing infrastructure equipment for on-leasing to infrastructure projects. They can use the funds for purchase / financing of domestically produced equipment. They are also not allowed to use the funds for rupee expenditure in infrastructure projects.

Fourth, there are several areas of policy ambiguity regarding infrastructure projects. Land acquisition has emerged as a touchy issue all over the country often delaying infrastructure project inordinately. Many issues regarding resettlement and rehabilitation of displaced people and utilities, compensation package for land given up, etc. Need to be ironed out. Also there is the co-ordiantion problem between Centre and States. Sector-specific infrastructure regulators need to have autonomous powers.

Fifth, even if the economy was on a high growth path and had inflation and interest rate remained low, shortage of skilled manpower has been a perennial problem for the entire infrastructure industry. To me, this is a crucial problem. The level of skill sets for risk assessment, timely implementation and monitoring of infrastructure projects are specialised, and the supply of such manpower is limited. Government and industry have to work together to solve this problem. Wide-scale training programmes need to be conducted and to bridge the short-term skill gap government must encourage bringing in skilled foreign nationals both for project execution as well as for training purpose. Fdi in education is yet to be opened up. I sincerely feel there is a strong case for opening up fdi for higher education and for specialised training courses. There is no quick-fix solution to this, but if we start working on these fronts now then we can start getting the results in a few years time.

Thus, it is evident that while we keep talking about huge investment needs in Indian infrastructure, the increased role of private sector participation, there is a long 'To Do' list of preparatory work that government needs to pay attention to. In the above-mentioned points, there are certain issues on which action can be initiated in the short-term like widening the ECB window, opening up FDI for higher education, etc. If we keep on debating on what might be the possible fallouts, we will certainly be wasting crucial time. **Our policy-makers must realise that the present crisis has thrown up a unique opportunity for us because we can use the time to bridge our infrastructure deficit while at the same time maintaining the growth momentum**. They must set the ball rolling and not wait till a new regime takes over after elections. For the time being they should at least push through those projects which have already achieved financial closure and are under various stages of implementation. Better infrastructure will automatically pave way for higher productivity of India Inc. And also ignite the spirit of entrepreneurship. This would eventually catch the attention of global investors hungry for an opportunity to investment in a situation of global turmoil, and more funds will then start flowing in. And while the world recovers from the crisis, India would continue to be an attractive investment destination and emerge as an economic powerhouse.

REVISITING THE STRATEGIC GOAL OF 110 MT OF STEEL
IN THE NATIONAL STEEL POLICY, 2005

Suchitra Sengupta
Chief Economist I/C
S. K. Saluja, Dy. Chief Economist, ERU, Ministry of Steel

This paper has been written to underscore the need to revise the demand and production targets set by the National Steel Policy (NSP 2005) – an aspirational document setting out the road map for the Indian steel industry to fully realize its potential. Subsequent to the publication of the NSP 2005, far-reaching changes have taken place in the Indian economy in general and in the Indian steel sector in particular . The current write up is a reality check on the strategic goals of production and consumption made in the NSP 2005 in view of the changed circumstances.

1. THE NATIONAL STEEL POLICY 2005 – AN AFFIRMATION OF THE GROWTH POTENTIAL OF THE INDIAN IRON AND STEEL INDUSTRY

The National Steel Policy (NSP) 2005 was formulated to enable the Indian steel industry achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity.

- On the demand side, the strategy was to create incremental demand through promotional efforts, creation of awareness and strengthening of the delivery chain, particularly in rural areas.
- On the supply side, the strategy was to facilitate creation of additional capacity, remove procedural and policy bottlenecks in the availability of inputs, such as iron ore and coal, make higher investments in R&D and HRD and encourage creation of infrastructure such as roads, railways and ports.
- The strategic goal of the NSP 2005 was to achieve a production level of 110 Million Tonnes by 2019-2020 supported by both the demand side and supply side measures envisaged in the document. The estimated levels of production, consumption and trade are shown in Table 1 below.

Table 1: Production, Imports, Exports and Consumption of Steel

(in million tonnes)

	Production	Imports	Exports	Consumption
2019-2020	110	6.0	26.0	90.0
2004-05	38	2	4.0	36.0
CAGR (%)	7.3	7.1	13.3	6.9

Source: National Steel Policy 2005, GOI

2. ASSUMPTIONS UNDERLYING THE STRATEGIC GOAL ADOPTED IN THE NSP 2005

The strategic goal of 110 Million Tonnes of steel production was set on the basis of the following assumption:

- GDP growth rate of 7.5% as projected by the Planning Commission at that point of time, and
- An estimated GDP-elasticity of around 'unity' (i.e., 0.92) as observed since 1991-92 till that time. It may be mentioned here that in the 15 years preceding the formulation of the NSP 2005, the actual rate of growth in both steel production and consumption was seen to veer around 7% per annum.
- The projections of NSP were based on the premise of 'business as usual' and the possibilities of significant changes in the structure of the economy were not factored in although the first signs of the economy attaining a higher growth trajectory were visible during 2003 to 2005. However, these signs were then regarded as transient peaks in the long run trend of a moderately rising economy at around 6-7% per annum.

3. THE RECENT UPSURGE IN THE INDIAN ECONOMY AND ANUPWARD REVISION IN THE PROJECTED GROWTH RATE FOR THE INDIAN STEEL INDUSTRY

Since 2003-04, however, the forces of growth have gathered momentum and the economy appears to have decidedly ‘taken off’ and moved from a phase of moderate growth to a new phase of high growth. Sustainability of this higher trend of growth has now been more or less confirmed with the economy continuing on a high growth path for more than 4 years now. The Indian economy has grown at a CAGR of 8.5% in the last four years (2003-04 to2006-2007) as compared to a CAGR of merely 5.5% in the 12 years between 1991-92 and 2002-2003. In 2007-08, the momentum has been maintained and the economy once again recorded a 9% growth.

At the same time steel industry has also grown at an accelerated pace recording a CAGR of 10.5% between 2003-04 and 2006-07 compared to a CAGR of 8% in the period between 1991-92 and 2002-03. The growth rate in production during 2007-08 has come down to 5.2% because of two reasons – firstly, very slow growth in new capacities in the organized sector and secondly, near full capacity utilization of the existing capacities in both the large and SME units. The demand side, however, presented a very robust scenario with a growth of 10.1% - double of that in production. The divergence in the rates of growth of domestic demand and domestic supply has not only created upward pressure on prices but also has led to increased imports. The silver lining, of course is that very substantial capacity additions are in the pipeline over the next decade. The rising domestic demand along with the resource endowments and skill base – has attracted massive investment in this sector. The Ministry of Steel has made the following capacity projection for the benchmark years of 2011-12 and 2019-2020.

Table 2: Intended Crude Steel Capacity in India based on Estimates of the Ministry of Steel (IMG)

(Million Tonnes)

Producer-wise Capacity	Present Capacity	Brown field Expansion 2011-12	Green field Expansion 2011-12	Likely Capacity 2011-12	As per MOU 2019-20
SAIL	12.84	12.00	0.00	24.84	60.00
RINL	2.90	3.90	0.00	6.80	10.00
Tata Steel	5.00	5.00	3.00	13.00	33.50
Essar Steel	4.60	3.90	6.00	14.50	20.50
JSW	4.10	6.90	0.00	11.00	31.00
JSPL	2.40	4.80	3.25	10.45	26.50
Ispat Industries	3.00	2.00	0.00	5.00	17.00
POSCO India Limited	0.00	0.00	0.00	0.00	12.00
Mittal Steel India Ltd	0.00	0.00	0.00	0.00	24.00
Bhushan Power & Steel	1.20	0.00	2.80	4.00	7.00
Bhushan Steel Limited	0.60	0.00	5.40	6.00	9.00
Sub Total	36.64	38.50	20.45	95.59	250.50
Others + Secondary	22.00	2.00	4.47	28.47	42.43
Total	58.64	40.50	24.92	124.06	292.93

Steel industry’s growth is intricately linked to general economic growth but more particularly, to the growth in the Manufacturing and Construction sectors and to the overall level of capital formation in the economy. In the last few years the Indian steel industry has benefited immensely from resurgence in these steel-intensive sectors of the economy. The continuing upward movement in these steel-consuming sectors augurs well for the future growth of the steel industry.

a) **Accelerated growth in steel consuming industrial activities:** The Indian Steel Industry stands to benefit from the overall industrial recovery that started in later half of 2002-03, which may be expected to continue for some more time. Acceleration in the growth of Industrial GDP from 7% in 2002-03 to 7.6% and 8.6% in subsequent years and a further rise to 10% in 2006-07 reinforces the outlook of industrial resurgence in the coming years. Significant growth has taken place in the following major end-using sectors of steel:

- Manufacturing IIP grew at a CAGR of around 11.0% between 2003-04 and 2006-07 to 4.2% in the preceding 3 years; in 2007-08 the growth rate has been 8.99%
- IIP for 'Machinery & Equipment' grew at a CAGR of 15.2% between 2003-04 and 2006-07 compared to 1.4% in the preceding 3 years; during 2007-08 this segment grew by 10.5%.
- IIP in Transport Equipment maintained a high rate of annual growth at 10.4% over the entire time period spanning 2000-01 to 2006-07, and in 2007-08, however, growth rate fell to a low of 2.9%.
- Most importantly, 'Construction' sector – accounting for more than half of total steel consumption in the country - maintained a steady growth rate of more than 12% during the last four years (i.e., 2003-04 to 2006-07) as compared to a modest 6% annual growth between 2000-01 and 2002-03. In 2007-08, this sector once again grew by 9.8%.

b) **Sharp increase in capital formation in the economy:** One of the most significant developments to impact the demand for steel use in the economy has been the significant increase in the investment rates witnessed in this period. Investment is a forward-looking variable that reflects a high degree of business optimism. The revival in GDCF that started in 2002-03 has been followed by a sharp rise in the rate of investment in the economy for the four consecutive years. Gross Domestic Capital Formation as a percentage of GDP has grown from 22.9% in 2001-02 to a high of 33.8% in 2006-07. This translates into a 47% jump within a brief period of 6 years. GFCF as a percentage of GDP at factor cost has been estimated at 34.7% in 2007 and is expected to remain at this level for the next year too. This pick up in investment in the recent years has not only provided sustenance to industrial performance but also has strengthened the prospects of sustained high growth rate in the demand for steel.

c) **Rising GDP elasticity of steel demand over the short run with changes in the essential structural parameters:** The sustained growth in GDP and especially in steel consuming sectors of the economy such as in manufacturing, construction, capital goods etc. has strengthened the link between growth in GDP and growth in steel consumption. The link between these two variables had weakened in the past as the economy was primarily driven by growth in service sector, which has much lower intensity of steel consumption. While the long-term elasticity of steel consumption to GDP (based on time-series data spanning1991-2004) has been estimated at around 1.1, the short-term movements in steel consumption for last 5 years suggest that there is a definite structural change in the use of the steel in the economy. In other words, the GDP-elasticity has moved upwards in the last 5 years as steel consumption registered accelerated rate of growth. While our economy has grown at a CAGR of 7.6% from 2001 to 2007 the domestic consumption of steel has grown at a much higher CAGR of 10.5% indicating that for every 1% increase in GDP the steel consumption has grown by 1.38% as shown in the table below.

Table 3 – Relative Rates of Growth in GDP and Steel Consumption and Estimated Point Elasticity of Steel Demand with respect to GDP

Year	% Growth in GDP	% Growth in steel consumption	Ratio of growth in steel consumption /growth in GDP (Point elasticity)
2001-02	5.8	3.2	0.55
2002-03	3.8	7.6	2.0
2003-04	8.5	8.0	0.94
2004-05	7.5	9.8	1.31
2005-06	9.0	13.9	1.54
2006-07	9.2	10.4	1.13
CAGR 2001-2007	7.6	10.5	1.38

Source: CSO & JPC

4. FUTURE OUTLOOK FOR THE ECONOMY AND STEEL-CONSUMING SECTORS – MEDIUM TO LONG RUN

a) **Upward Revisions and Accelerated Growth in Critical Macro-Economic Indicators:** The projections given in the approach paper for the XIth Five Year Plan confirms the optimistic outlook for the future growth of the Indian Economy. The assumptions and projections of critical macro-economic parameters given in the table below definite suggest a strong departure from the past and the country's ability to sustain the current accelerated growth rates in the medium term and beyond.

Table 4: Future Outlook on Macro-Economic Indicators

	IXth Plan	Xth Plan	XIth Plan (likely)
Growth in GDP (%)	5.5	7.0	9.0
Growth in Industrial GDP (%)	4.6	8.0	10.5
Gross Domestic Investment (as % of GDP)	23.8	27.5	35.1

Source: Approach Paper for the XIth Five-Year Plan, Planning Commission, GOI

b) **Sustained investment activities in steel-intensive infrastructure sectors:** The approach paper for the XIth Plan also envisages much higher investment in the infrastructure sector. The preliminary exercise in the Approach Paper suggests that investment in infrastructure defined as roads, rail, air and water transport, power generation, transmission and distribution, telecommunication, water supply, irrigation and storage-will need to increase from 4.6% of GDP to between 7 and 8% of GDP in the XIth Plan. In other words, of the six percent increase in total investment needed to sustain a growth of 9% in GDP at least half should be in the infrastructure.

Table 5: Planned Expenditure in Steel-Intensive Infrastructure Projects

Sectors	Planned Expenditure in next 5 years (Rs. 00 crore)
Airports	400
Irrigation	1300
Ports	500
Power	2000
Railways	750
Roads	1700
Telecom	800
Urban Infrastructure	1400
Total	8850

Source: India Vision 2020, IISI

c) **Additional Factors relevant to future growth of Indian Steel Industry**

Indirect Export of Steel: India is slated to become a global manufacturing hub after China. The potential of our industrial sub-sectors is already visible in the recent growth of automobile industry as evident from production and export data relating to automobile sector.

Table 6: Growth in the Automobile Production and Exports

	2002-03	2003-04	2004-05	2005-06	2006-07 (till sept 06)
Production (% growth)	18.60	15.12	16.80	14.97	18.04
Export (% growth)	65.35	55.98	31.25	28.03	27.43

Source: Economic Survey, 2006-07

Export of Steel: The increasing presence of Indian steel industries in the global market with wide ranging export basket including complex and sophisticated steel products is a pointer to the increased competitiveness of the steel industry.. The details of the new investments (such as on size, building of captive ports etc.) coming up in states of Orissa, Jharkhand, Chattisgarh and West Bengal suggest that a significant part of new capacities are being tuned to serve the export markets. The possibility of India becoming a global hub of steel production especially up to intermediate stage emerges from the following strengths:

- Availability of Iron ore at reasonable prices and policy of captive mining
- Easy availability of managers and other skilled/un-skilled manpower
- Low wage rate
- Proximity to Asian markets
- Economic viability of alternate technologies using iron ore fines and non-coking coal both of which are domestically available

5. INTERNATIONAL EXPERIENCE IN GROWTH IN STEEL CONSUMPTION ESPECIALLY THAT OF CHINA

Various empirical studies drawing from international experience suggest that after reaching the 'take-off' stage of economic development, steel consumption growth accelerates and this momentum of growth continues till the country attains the status of a developed country. The history of steel consumption in various countries such as Japan, USA, France, U.K., S. Korea supports this argument. The recent experience of China becoming a global leader in steel consumption and production in less than two decades is a lesson for a developing country like India. The apparent consumption of steel in India in 2006-07 was 45.9 million tonnes (alloy & non-alloy) comparable to China's apparent consumption of steel (at 46 million tonnes) in 1984. Since then in 22 years China' apparent consumption has grown 8 times to reach a level of 365 million tonnes in 2006 and exceeded 450 million tonnes in 2007.

6. REVISED ESTIMATES OF PRODUCTION AND CONSUMPTION OF STEEL BY 2010-11 AND 2019-2020

The experience of phenomenal growth in steel consumption in China and other Asian economies and also the trends in macro-economic indicators of our economy support the confidence that India has the potential to quickly attain the second position in global leadership in steel production and consumption. It is almost certain that we are going to achieve this status by 2019-20 and there is an urgent need to revise the strategic goals of NSP upwards to take advantage of immense opportunities presented by domestic and overseas markets. The low per capita consumption of steel at 43 kgs is an opportunity that needs to be tapped more aggressively by setting higher goals for the industry.

Taking note of the various factors mentioned above, the Working Group on Steel has estimated that the domestic demand for finished steel will reach 70 million tonnes by 2011-12 while the supply in the same year will reach a level of 77 million tonnes (80 million tonnes of crude steel). Subsequently, however, the time-series data on steel consumption used to make the working group projections have undergone a substantial upward revision to take into account the unreported production of non-flat products from the Induction Furnace Units. On the basis of a comprehensive exercise undertaken by ERU for estimating under-reporting of capacity and production, the consumption data for 2005-06 has been raised by 5 million tonnes. This correction along with a GDP-elasticity of 1.3-1.4 in the medium run would jack up the projected demand for 2011-12 by another 8-9 million tonnes. Projections for 2011-2012 made by different agencies are placed in table 6 below:

Table 7: Different Projections of Steel Demand by 2011-12

	Million Tonnes
Working Group	70
Sail Econometric Model	62.8
ERU's revision of Working Group Results after correction of data for under-reporting	78-80

Considering the revised estimates on GDP, the changing GDP-elasticity of steel consumption in the last few years and the upward revision in estimated consumption of steel in the base year (i.e., 2006-07), the revised projections on steel demand by 2019-20 are placed below:

Table 8: Apparent Consumption of Finished Steel by 2019-20 (under different Scenarios)

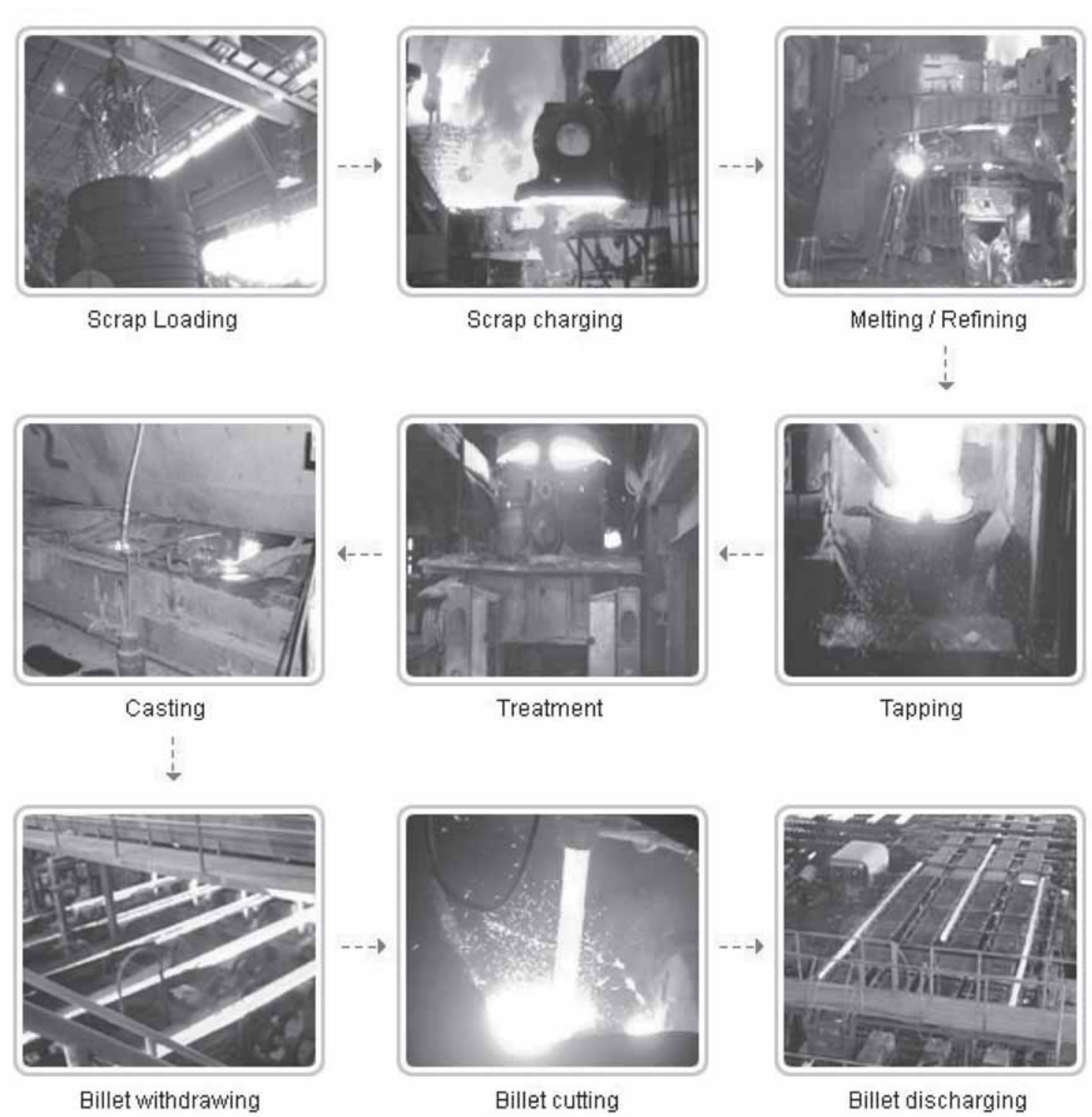
(Million Tonnes)

	GDP growth 9 %	GDP growth 8.5 %
Long Term GDP-Elasticity (1.13) – Working Group	160 (170)	150 (160)
Very Short Term Point GDP Elasticity for the last 5 years (1.38)	210 (220)	193 (205)
Adopted Average Elasticity (1.2) – the Middle-path	**173 (184)**	**162 (172)**

* Figures in brackets are crude steel equivalents

7. Conclusion :

In conclusion, we would like to point out that short-term fluctuations in the growth path of the Indian economy may cause periodic slippages from the projections made for both capacity, production and consumption, but over a long time horizon, Indian steel' growth story will continue to remain robust. This is because, without steel and investment in physical infrastructure – both economic and social – the Indian growth story itself will stand jeopardized**.**



Plastics in the making of Green Steel

M. C. Das
Deputy Director General

Steel and plastics are the two most polluting industries in the world. While one is bio-degradable the other takes a much longer time to degrade. But if both come together for some special reasons - something fascinating can happen .

Apart from the energy consumed in manufacture of plastics, that generates pollution in large amounts, waste plastic poses one of the most serious environmental challenges throughout the world. In India, recycling does not work beyond a point, because the material degrades with each cycle it goes through. Burning plastics releases toxic chemicals and so does keeping them in landfills. The world uses over 100 million tons of plastic every year and India shares about 2%. Per capita consumption of plastics in india is about 2kg against an average per capita of 60 kg in Europe and the developed west and with the increasing affluence, the consumption of plastics is going up every year.

The steel industry does pollute as well, but in a different way. It consumes huge amount of energy and energy production itself is a polluting affair in steel. Steel-making uses coke in large quantities. Burning of coke results in production of carbon dioxide which is a major pollutant these days and contributes to global warming.

But if Steel and plastics are used together- what can happen? This is the story of Green Steel Making. The concept of Green Steel , environment friendly steel , comes out of mixing waste plastic with coal at intense temperature. It cuts green house gas emissions. Indian-born Prof. Veena Sahajwalla*, Director of Sustainable Materials Processing at the University of New South Wales(UNSW) in Sydney discovered that carbon derived from plastic when used in steel making , reduces the amount of coal required inside the furnace. This 'mix-in' of plastic waste saves large amount of electricity. At present about 40% of steel is produced in Electric Arc Furnace route. Now the polyethylene plastic used in carry bags, packaging, pipes and fittings will be available for steel making. It is used partly as a fuel, in place of carbon, and partly as a slag - foaming agent on top, which reduces the oxides of iron and also supplies carbon to the final alloy. This is likely to improve furnace efficiency by sitting on top of molten steel like an insulating blanket. To be precise, the carbon contained in the plastics is used as an input in the steel-making process and not just as a fuel. The technology currently substitutes up to 30 percent of coke and coal in Electric Arc Furnace (EAF) steelmaking with polyethylene waste plastic, which would otherwise have ended up in landfill. An even higher percentage of waste plastic is stipulated in future and a 50 percent plastic-mix now under trial at UNSW labs. Equally significant is the reduction in the power required to run the furnaces using the new waste plastic injection technology. This process promises significant environmental benefits and promote sustainability by converting waste into a value-added material in one of the world's most essential, but energy and resource intensive industries.

A worldwide license has been taken by the Australian steelmaker Onesteel in conjunction with UNSW's commercial arm, NewSouth Innovations (NSI), to turn plastic waste into steel. At Onesteel's Sydney plant, plastic-injected low emissions steel is already in production. In the meantime, Onesteel has also the right to sub-license the technology to more than 300 EAF steel-makers around the world.

* Prof. Veena Sahajwalla, an alumnus of IIT Kanpur, works with companies across the globe including Mittal Steel, Nippon Steel (Japan), Ruukki Steel (Finland), Techint (Italy) and US Steel (USA).

World Statistics :
Monthly production of Sponge/DRI statistics 2008 Million Tonne (Jan-Sept)

country	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Canada	50	47	50	48	84	76	84	89	87
Mexico	490	445	535	526	599	604	606	555	535
Trinidad and Tobago	195	137	126	97	177	200	163	205	200
Argentina	182	168	172	160	149	116	164	159	161
Brazil	31	11	30	31	22	35	34	32	24
Peru	9	10	6	6	8	7	7	9	10
Venezuela	670	605	630	685	710	684	634	677	655
Libya	178	165	180	175	180	175	180	180	175
South Africa	145	72	86	73	129	136	137	148	139
Iran	478	574	635	615	653	594	550	567	610
Qatar	138	182	164	160	165	160	165	191	185
Saudi Arabia	384	418	427	344	377	427	436	453	447
India	1,600	1,550	1,700	1,600	1,650	1,650	1,700	1,750	1,700
Total	4,803	4,624	4,995	4,761	5,127	5,095	5,014	5,245	5,148

Source: World Steel Association formerly known as IISI

Region wise Crude Steel production(Jan-Sept, 2008) million tones

Region	Sep '07	Sep '08	Change	J-S '07	J-S '08	Change
Asia	61.536	60.446	-1.77	540.944	579.857	7.19
EU	17.525	17.415	-0.63	158.200	159.268	0.68
North America	10.992	10.895	-0.88	97.905	103.723	5.94
CIS	9.945	9.311	-6.38	92.844	94.475	1.76
South America	4.029	4.265	5.86	35.656	38.003	6.58
Africa	1.664	1.458	-12.38	14.056	13.740	-2.25
Middle East	1.334	1.387	3.97	11.417	12.094	5.93
Oceania	0.736	0.723	-1.77	6.556	6.742	2.84

Crude Steel production in Top 10 nations(Jan-Sept, 2008)

Million Tonne

Rank	Country	Sep '07	Sep '08	Change	J- S '07	J -S '08	Change
1	China	41.530	39.614	-4.6%	362.519	389.017	7.3%
2	Japan	9.933	10.076	1.4%	89.330	92.333	3.3%
3	US	8.170	7.860	-3.7%	73.259	75.992	3.7%
4	Russia	5.701	6.098	6.9%	54.294	56.461	3.9%
5	South Korea	4.088	4.636	13.4%	38.139	41.344	8.4%
6	**India**	4.300	4.630	7.6%	35.472	41.108	15.8%
7	Germany	4.057	4.041	-0.3%	36.568	36.225	-0.9%
8	Brazil	2.868	3.010	4.9%	25.005	26.797	7.1%
9	Italy	2.720	2.715	-0.1%	23.423	24.244	3.5%
10	Ukraine	3.511	2.482	-29.3%	31.943	31.511	-1.3%

Source – Worldsteel

Focus : China
Chinese Exports during January to September 2008

volume in million tonnes
value in USD

Products	Volume	Value
Steel products	48.46	49,773,407,033
Bar and rod	11.38	10,311,703,831
Angle and shapes	3.21	2,867,005,732
Flat products	23.79	23,542,410,672
Pipe products	7.33	9,005,835,044
Railway steel products	0.37	314,115,902
Other steel products	2.38	3,732,335,852
Special steel	14.05	14,838,805,815

Chinese steel export to selected countries in 9 months

Million Tonne

Country	Sep'08	J-S'08	Share	Country	Sep'08	J-S'08	Share
Total	6.663	48.456	100%	Taiwan Region	0.143	1.347	2.8%
South Korea	1.287	11.943	24.6%	Thailand	0.191	1.315	2.7%
US	0.613	3.467	7.2%	Saudi Arabia	0.244	1.266	2.6%
Viet Nam	0.098	2.547	5.3%	Spain	0.105	1.036	2.1%
Italy	0.424	2.330	4.8%	Indonesia	0.088	0.954	2.0%
UAE	0.434	2.283	4.7%	Philippines	0.060	0.859	1.8%
Singapore	0.207	1.545	3.2%	Iran	0.084	0.783	1.6%
Belgium	0.254	1.501	3.1%	Japan	0.045	0.631	1.3%
India	**0.281**	**1.459**	**3.0%**	Brazil	0.117	0.613	1.3%
Hong Kong	0.123	1.413	2.9%	Malaysia	0.080	0.604	1.2%
Source : CISA				Russian Federation	0.103	0.575	1.2%

Chinese iron ore import from different countries in 9 months

Country	Sep'08	Jan-Sep'08	Share
Total	39,202,629	346,111,432	
Australia	19,367,841	140,978,152	40.73
Brazil	9,810,964	77,697,625	22.45
India	4,900,412	73,056,636	21.11
South Africa	1,051,005	10,869,400	3.14
Iran	650,925	4,726,302	1.37
Ukraine	527,127	5,966,516	1.72
Indonesia	382,165	5,605,192	1.62
Venezuela	365,991	2,468,393	0.71
Canada	305,756	2,998,102	0.87
Kazakhstan	301,471	2,350,509	0.68

It is reported that China iron ore import from different countries during January to September 2008 total 346,111,432 tonnes where Australia top with 140,978,152 tonnes. List of top ten countries in order of imports are given below

Indian Steel Scenario

Production of Finished Steel Apr-Sept, 2008

'000 Tonne

Item	Finished Steel (Carbon)			Finished Steel (Alloy)		
	APR-SEP'08 (Prov.)	APR-SEP'07 (Prov.)	% Variation	APR-SEP'08 (Prov.)	APR-SEP'07 (Prov.)	% Variation
a) Prod. of Main Producers	8600	8467	1.6	120	123	-2.4
b) Prod. of Other Producers $	20500	19309	6.2	1200	1080	11.1
Less : IPT/Own Consumption	2700	2400	12.5	90	85	5.9
c) Total Production for Sale	**26400**	**25376**	**4.0**	**1230**	**1118**	**10.0**
d) Imports $	2800	3201	-12.5	286	227	26.0
e) Exports $	1800	2612	-31.1	110	168	-34.5
e) Availability (c+d-e)	**27400**	**25965**	**5.5**	**1406**	**1177**	**19.5**
f) Variation in Stock	268	279	–	8	7	-
g) Apparent Consumption (e-f)	**27132**	**25686**	**5.6**	**1398**	**1170**	**19.5**
Less : Double Counting	3000	2700	11.1	30	18	66.7

Source : Ministry of Steel

A comparative view of Financial Performance : (Q2) July-September, 2008

Steel Authority of India(SAIL) | Tata Steel | Rs. million

As On (Months)	30-Sep-2008	30-Sep-2007	% Change		As On(Months)	30-Sep-2008	30-Sep-2007	% Change
Sales of Products/Services	122385.90	91634.90	33.56		Sales of Products/Services	68506.70	47850.90	43.17
Other Income	4224.00	3042.60	38.83		Other Income	2383.70	943.20	152.72
Total Income	126609.90	94677.50	33.73		**Total Income**	70890.40	48794.10	45.28
Total Expenses	92270.70	65344.00	41.21		Total Expenses	36677.00	27596.50	32.90
Stock Adjustments	0.00	0.00	—		Stock Adjustments	0.00	0.00	—
OPBDIT	34339.20	29333.5	17.06		**OPBDIT**	34213.40	21197.6	61.40
Interest	475.40	593.60	-19.91		Interest	2548.20	2021.50	26.05
Depreciation	3193.90	3012.00	6.04		Depreciation	2488.20	2050.10	21.37
Extraordinary Items	0.00	0.00	—		Extraordinary Items	0.00	340.20	—
Prior Period Adjustments	0.00	0.00	—		Prior Period Adjustments	0.00	0.00	—
Provision for Tax	10573.90	8725.50	21.18		Provision for Tax	7844.70	5557.90	41.15
After Tax Profit	20096.00	17002.40	18.20		**After Tax Profit**	17878.10	11908.30	50.13
Equity Capital	41304.00	41304.00	0.00		Equity Capital	7307.80	6091.70	19.96

Imports of Iron & Steel : April-September, 2008

Quantity : '000 tonnes
Value : Rs. Crores

CATEGORY	Carbon Steel (Prime)		Carbon Steel (Seconds/Defective)		Alloy/Stainless Steel		Total	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
SEMIS								
Billets,Slabs,etc.	96.98	220.37	11.15	23.03	8.8	121.67	**116.93**	**365.07**
Re-rollable Scrap	59.12	116.92	0	0	0	0	**59.12**	**116.92**
FINISHED STEEL								
1.Non-Flat Products								
BARS & RODS	305.12	1101.03	1.61	3.61	126.91	777.69	**433.64**	**1882.33**
STRUCTURALS	34.49	150.32	0.35	0.67	0.18	1.04	**35.02**	**152.03**
RLY. MATERIALS	19.17	87.44	0	0	0	0	**19.17**	**87.44**
TOTAL (1) Non-Flat Products	**358.78**	**1338.79**	**1.96**	**4.28**	**127.09**	**778.73**	**487.83**	**2121.80**
2.Flat Products								
PLATES	484.42	2730.68	4.8	9.78	24.35	384.46	**513.57**	**3124.92**
HR SHEETS	33.72	159.15	4.65	7.54	1.87	22.22	**40.24**	**188.91**
HR COIL/STRIP	1073.43	4385.73	8.83	14.43	83.24	421.75	**1165.5**	**4821.91**
CR COIL/SHEETS	294.48	1170.59	47.1	85.49	59.61	513.41	**401.19**	**1769.49**
GP/GC SHEETS/COIL	117.19	528.01	28.54	46.79	10.03	51.7	**155.76**	**626.5**
ELECT. SHEETS	100.26	1276.23	16.4	111.96	6.54	94.95	**123.2**	**1483.14**
TMBP	0.11	0.17	1.6	2.65	0	0	**1.71**	**2.82**
TIN PLATES	29.08	124.57	23.86	51.65	0	0	**52.94**	**176.22**
TIN PLATES W/W	8.26	21.03	12.86	30.76	0	0	**21.12**	**51.79**
TIN FREE STEEL	10.63	46.57	8.45	15.38	0	0.16	**19.08**	**62.11**
TOTAL (2) Flat Products	**2151.58**	**10442.73**	**157.09**	**376.43**	**185.64**	**1488.65**	**2494.3**	**12307.8**
TOTAL Finished Steel=(1+2)	**2510.36**	**11781.52**	**159.05**	**380.71**	**312.73**	**2267.38**	**2982.1**	**14429.61**
TOTAL Steel=(A+B)	**2666.46**	**12118.81**	**170.20**	**403.74**	**321.53**	**2389.05**	**3158.2**	**14911.60**
Other Steel Items								
SCRAP							1148.3	3544.38
PIG IRON							6.13	15.74
Ferro-Alloy							90.1	592.77
GRAND TOTAL(Total will not tally as some misc item not included)							**4604.5**	**19865.7**

Source : Ministry of Steel

Price Movements of Selected Steel Items : 16 June, 01 Sept and 16 Oct, 2008

Rs. / Tonne

ITEM	Date	KOLKATA	DELHI	MUMBAI	CHEENAI
Pig Iron	16,June	33350	36000	36000	36925
	16 Oct	33175	34947	33396	31506
	01 Nov	28613	28950	28950	26129
Billet 100 mm	16,June	34250	40600	39500	37450
	16 Oct	39879	37859	38579	37602
	O1 Nov	37863	37859	37775	36241
Pencil Ingots	16,June	34800	40500	39000	36925
	16 Oct	31760	29300	35000	29640
	01 Nov	25260	25400	31500	21840
Wire Rods 6 mm	16,June	42700	48000	42850	44250
	16 Oct	40914	41997	43820	45647
	01 Nov	39621	40902	43478	44028
Wire Rods 8 mm	16,June	42875	48000	43000	43775
	16 Oct	42580	41726	43384	45371
	01 Nov	40337	40628	43384	44479
Rounds 12 mm	16,June	40675	46000	43000	46800
	16 Oct	41769	39606	42336	40222
	01 Nov	39577	38311	42161	37492
Rounds 16 mm	16,June	40900	46000	43000	46800
	16 Oct	42244	41758	44365	42192
	01 Nov	39945	40463	44313	39644
Tor/TMT/CTD Steel 10 mm	16,June	42250	47800	45100	46175
	16 Oct	41076	40253	42256	39488
	01 Nov	39296	38343	41735	36960
Tor/TMT/CTD Steel 12 mm	16,June	42200	46800	46500	46175
	16 Oct	40236	39740	42254	40011
	01 Nov	38744	38005	41473	37123
Plates 6 mm	16,June	45500	50500	45750	46800
	16 Oct	42726	44552	44919	45041
	01 Nov	41662	44352	44419	44729
Plates 10 mm	16,June	43725	50500	45750	46800
	16 Oct	42001	44186	44446	44920
	01 Nov	41433	43984	44101	44634
HR Coils 2.00 mm	16,June	48000	51000	45750	47850
	16 Oct	45408	44984	44834	44900
	01 Nov	44805	44591	44498	44202
HR Coils 2.50 mm	16,June	46250	49000	45750	47325
	16 Oct	42703	43204	43664	43486
	01 Nov	41905	42908	43248	42861
CR Coils 0.63 mm	16,June	48750	51000	49000	49925
	16 Oct	49243	47119	47729	50180
	01 Nov	47097	45980	46874	47810
GPSheets 0.63 mm	16,June	51000	54600	53250	59800
	16 Oct	51721	50673	51602	54421
	01 Nov	47346	48959	50402	50856
GC Sheets 0.63 mm	16,June	51250	55000	53250	60125
	16 Oct	51717	50976	51324	55201
	01 Nov	47576	49248	50690	51666
Melting Scrap HM S-I	16,June	30100	33300	NA	22875
	16 Oct	27040	23800	NA	19760
	01 Nov	16640	20500	NA	11960
Sponge Iron (Coal Based)	16,June	24000	29700	28500	22875
	16 Oct	24190	20000	24400	16640
	01 Nov	16015	13900	20000	14500

Source : JPC

LANDED COST OF IMPORTS OF SELECTED ITEMS OF IRON STEEL FROM APR'08 TO SEPT'08

Rs. / Tonne

ITEM	Apr	May	Jun	Jul	Aug	Sep
PIG IRON LM Gr IV	25969	26703	26827	27199	28264	28172
CARBON STEEL MELTING SCRAP	21636	22096	22198	22145	23011	22787
BILLETS IS-2823 80/100 mm	33262	33574	33730	34878	36760	36779
WIRE RODS IS 2062 6mm	38610	39218	40141	41070	43454	43234
ROUNDS(PLAIN) 12mm	38610	39218	40141	41070	43454	43234
TMT BARS 10mm	37637	37991	39401	40575	42682	42696
PLATES 8/10 mm	41527	41918	44579	45281	47059	47537
PLATES 22 mm	41527	41672	44085	44785	46544	46999
HR SHEETS 2 mm	42256	42899	44085	44785	46544	46999
HR COILS TMQ 2 mm	39582	40445	41620	42804	44474	45385
HR COILS 3.15 mm DD (K)	39582	40691	40880	42061	43712	44848
CR COILS 0.63 mm	40311	41427	42606	43795	45514	46461
CR COILS 1.25 Barrel	40068	40936	42113	43547	45257	46192
GP SHEETS 0.50 mm	46875	47316	48523	51226	53753	54530
GP SHEETS 0.63 mm	46389	46826	48030	50730	53238	53992
TIN PLATES (Oil-Can-Size)	48577	49034	49263	49492	51436	52916
TMBP 0.28 mm	32289	32593	32744	33887	35216	36779

Source : JPC

Category wise production : April-September, 2007 & 2008

'000 Tonne

	CATEGORY	Apr-Sept'08	Apr-Sept'07	% Change
A.	PIG IRON	2591	2553	1.5
B.	SPONGE IRON (DRI)	9950	8337	19.3
C.	SEMIS (for Sale)	10698	10040	6.6
D.	FINISHED STEEL			
	NON-ALLOY			
1.	Bars & Rods	10162	9509	6.9
2.	Structurals	2479	2549	-2.7
3.	Rly. Materials	561	518	8.3
	TOTAL : (1 - 3)	**13202**	**12576**	5.0
4.	Plates	1890	1813	4.2
5.	H.R.Coils\Skelp	5105	5298	-3.6
6.	H.R.Sheets	288	325	-11.4
7.	C.R.Sheets\coils	3200	2322	37.8
8.	GP\GC Sheets	2226	2284	-2.5
9.	Elec. Sheets	80	82	-2.4
10.	Tinplate (incl. ww)	105	98	7.1
11.	TMBP	0	0	
12.	Pipes (Large Dia.)	614	578	6.2
13.	Tin free steel	0	0	
	TOTAL : (4 - 13)	**13508**	**12800**	5.5
	TOTAL : (Non-Alloy)	**26710**	**25376**	5.3
	ALLOY			
	Non-Flat	714	673	6.1
	Flat	508	445	14.2
	GRAND TOTAL (D) :	**27932**	**26494**	5.4

Source : Ministry of Steel

Indian demand for coal and allocation of coal blocks

Sector wise coal demand assessed as above is given below(In million tonnes)

Sector	2008-09
Power (U)	373
Captive Power	38
Cement	25
Sponge Iron	18
Others	52
Total Non-Coking Coal	506
Steel (Coking Coal)	44
Total	550

As per the latest inventory of Geological Resources of Indian Coal a total of 264.535 billion tonnes of coal resources have so far been estimated in the country. The coal requirement for industries in various sectors like Steel, power etc has been assessed by Ministry of Coal or Planning Commission as part of Annual Plan to be 550 million tonnes for 2008-09

Details of coal blocks allotted to various public and private sector companies with coal reserves are given as under (In million tonnes)

Public Sector Undertakings

Sector	No of Blocks	Geological Reserves
Power	51	18,128.9
Commercial Mining	40	7.424.5
Iron & Steel	3	1459.1
Total	94	27012.6

Total

Sector	No of Blocks	Geological Reserves
Public Sector Undertakings	94	27012.6
Private Companies	95	14793.3
Grant Total	189	41806.0

Private Companies

Sector	No of Blocks	Geological Reserves
Power	35	7414.2
Iron and Steel	53	7098.8
Small and isolated	2	9.3
Cement	5	271.0
Total	95	14793.3

Indian government withdraw export duty on long products

Government imposed export duty on specific iron and steel products in May 2008 which were modified in June, 2008. Considering the recent steep fall in the international prices government has withdrawn the export duty on certain items such as pig iron, iron and steel ingots, bars and rods, angles shapes, sections. However, scrap would continue to attract the existing rate of export duty. This is likely to make exports remunerative and save jobs in the sector.

Government imposes 8% ad valorem duty on export of iron ore fines

As per PTI report Government of India is understood to have imposed an 8% ad valorem duty on the export of iron ore fines, to give some respite to the industry that is reeling under pressure due to lower demand and fall in prices.

Govt accepts MCC's Recommendation

withdrawn Import duty on Ferrovanadium and Ferromolybdenum

In order to provide the required protection to domestic ferromolybdenum and ferrovanadium industry, the full exemption from basic customs duty has been withdrawn. These items will now attract basic customs duty of 5%.

Production cuts replace expansions !

Tata Steel, SAIL and RINL expansion programmes which have completed first mile are going on in full swing. SAIL and Tata Steel which earlier were reportedly going for production cuts have denied such reports. As regards expansion target of 124 million tonnes by 2012 , we maintain that such programmes were hurriedly announced much out of euphoria. SAIL can postpone some of its expansion plans which have not yet been finalised but will continue with those which could not be recalled. It should be understood that SAIL had to prepone the deadlines for its expansion programmes understandably from 2012 to 2010 under pressure from the Steel Ministry.

Export sops for steel and cement

The government offered duty reliefs to steel and cement exporters by reintroducing the Duty Entitlement Passbook Scheme (DEPB) for cement and steel firms, and brought them under the Focus Market Scheme. Exporters of cement and several steel items will be entitled for import tax refunds on inputs through the DEPB. Under the Focus Market Scheme, steel and cement will get 2.5 per cent duty credits, which can be used for customs payments. The duty credits can also be sold in the markets by the exporters. However, the sops are limited to shipments to Latin America, Africa and eastern Europe.

West Bengal Chief Minister reiterates his demand for

A National Iron Ore Policy

Iron ore, the prime material for steel industry is located only in a few states and those state governments endowed with this nature's bounty are pursuing arbitrary policies to suit their interests whereas other states having strategic and logistic advantages are being deprived. Shri Buddhadeb Bhattacharjee, West Bengal Chief Minister reiterates that the Central government should urgently formulate a National Policy on leasing out Iron Ore mines to producers. Steel Digest urges the government to ensure that the interest of Medium and Small Producers' are adequately safeguarded.

China to defer merger & acquisitions plans

China has warned its state owned enterprises not to rush for overseas mergers and acquisitions according to state media reports.

Singur is not alone, 5000 join anti ArcelorMittal march in Jharkhand

Around 5,000 villagers recently gheraoed Kamdara block officials against the state government's move to allocate land for an ArcelorMittal project, ArcelorMittal that is coming up with a 12 million tonnes steel plant and a 1,500 MW power project with an investment of over RS. 40,000 crore. 22nd October was the last date for the villagers to record their opinions and objections to the move.

Domestic Producers may die

POSCO secures Kandahar iron ore reserve in Orissa

PTI reported that POSCO is probably only two signatures away from getting the prospective license of Kandahar iron ore reserve in Orissa's Sundergarh district.An official said that "Two more signatures, one of Amat and another from Chief Minister Naveen Patnaik, are required to finally recommend the name of POSCO for availing the PL over Kandahar."Spread over 6204.32 hectares, Kandahar iron reserve is known as jackpot in the steel sector.

Rich becoming poorer?

The number of billionaires in India has come down to 27 this year from 40 last year according to **Forbes** list. Mr.Mukesh Ambani has overtaken steel tycoon Mr.L.N.Mittal as the richest Indian in the world.

JSW Steel inspite of recession

starts work on West Bengal plant

JSW Steel Ltd has laid the foundation of an integrated steel unit at Salboni in West Bengal to produce 10 million tonnes of steel by 2020. The project on a free tax zone would entail an investment of INR 350 billion in three phases. JSW project faced no protest over land acquisition after the steel maker offered farmers jobs and shares in its unit JSW Bengal Steel. The company has acquired 4,500 acres of land for the plant. Mr Jindal said that "We are against forcible land acquisition from farmers. We started work with support of the villagers."

Inflation Dips

Pleasant surprise for the Government and economists alike, inflation made a welcome return to single digit growth below 9% for the week ending 01 November. Steel Digest feels that there should not be much jubilation as it came faster than expected due to disastrous October fall in commodity prices .

Engineering Exports will miss the target heavily- EEPC

Export of engineering goods which accounts for 20% of the overall exports of the country is likely to decline at least by 20% by the end of this fiscal inspite of Rupee depreciation.

Chinese coke export price decrease

The CCCMC released on Oct 21 2008 the average reference prices for 12.5% ash content coke export transactions concluded in the previous week as USD 530 to USD 580 per tonne on FOB Chinese port. In September prices were hovering around USD720-730(FOB)

Moody revises TATA Steel UK outlook to negative

Moody's Investors Service revised the outlook on TATA Steel's Ba1 corporate family rating to negative, reflecting the change in slowing demand in Europe and UK for the products of company's UK unit, formerly known as Corus.Mr Ivan Palacios a Moody's AVP Analyst and lead analyst for TATA Steel said that "The change in outlook reflects the more challenging operating conditions now facing TATA Steel UK as a result of the likely deterioration in demand in Europe and the UK in the next 18 months, with declining steel prices and reduced production volumes."

MEPS sees steel price collapse in EU as credit crisis bites

MEPS , UK based consulting firm ,sees that the crisis in the financial sector worldwide is now impacting badly on the EU steel market. It said that "The tightening of credit lines and a complete breakdown of confidence has stalled all business activity. For the small amount of orders being placed, prices are weakening, despite efforts by the mills to hold them fast. Several domestic steelmakers have announced plans to curb output due to the substantial slowdown in demand for their products. Many companies are currently destocking."

Global crude steel output drops in September by 3.2% YoY

Global crude steel production sank 3.2% YoY in September 2008 to 108.4 million tonnes in the 66 countries reporting to Worldsteel, formerly known as the International Iron and Steel Institute. Output over the first nine months of 2008 remained 4.6% higher than in the same period in 2007.Drops in production in China, North America and the CIS drove the global month on month decrease. Chinese output fell 7% in September compared to August at 39.61 million tonnes, South Korea and India only saw small reductions in production, with 0.9%, 0.8% and 2.4% drops respectively, month on month. While emerging markets Russia and Brazil reported an increase of 7% and 5% last month respectively, production in the EU edged just less than 1% higher and North America was flat. China suffered a sharp 9.1% decline in output to 39.6 million tonnes. Global production in the first nine months remained up 4.6% to 1.035 billion tonnes.

In the US, crude steel production dropped 9.3% compared to August to 7.86 million tonnes, while Canada and Mexico only recorded marginal decreases of 3.2% and 3.4% respectively. Ukrainian production fell a dramatic 23% in September compared to August, at 2.48 million tonnes, while Russian output decreased 3.8% to 6.10 million tonnes. Brazil's production dropped 4.2% to 3.01 million tonne.

Chinese steel product output falls to seven month low

Bloomberg reported that steel product output in China, the world's largest producer and user of the alloy fell 5.5% in September from a year ago to a seven month low as weak demand and falling prices forced mills to pare production. According to figures provided on October 20th by China Mainland Marketing Research Co which releases data on behalf of National Bureau of Statistics, output was 45.9 million tonnes last month. Production rose 8.1% to 445.2 million tonnes in the first nine months from a year earlier.

Steel wire prices down 20%

Steel Wire Manufacturers Association of India as said that steel wire prices have dropped by 20% in last weeks on account of lower demand.They demanded that the customs duty on raw material for the industry that is wire rods should continue to be 0% to enable the steel wire industry to get raw materials at the globally competitive rates for making value addition on it and cater to the domestic and international market demands for steel wires.As per report, prices at RS. 55,000 a tonnes to RS. 60,000 a tonnes, a month and a half back were now at RS. 45,000 a tonnes to RS. 50,000 a tonnes.

Railways facing acute problems in getting land

Indian Railways has blamed delays in land acquisition and forestry clearances for not being able to achieve the new line targets during the 10th Plan period.The Railway Board chairman has stated in the Parliamentary Standing Committee on Ministry of Railways report on Review of Plan Performance and the 11th Five Year Plan projections “Land acquisition is a very serious problem. We have not been able to complete many projects today because of land. We are working on a plan on how to get power to the Central Government for land acquisition.”’

Plan head(kilometer)	Target	Achievement	ExpenditureRs.crore
New line	13,10	920	9,166
Gauge conversion	2,365	4,289	6,525
Doubling	1,575	1,300	3,487
Track renewals	23,000	24,739	NA
Railway electrification	1,800	1,810	828

Jindal Steel gets green nod for Jharkhand steel plant

Jindal Steel and Power Limited has reportedly received necessary clearance from the Union Ministry for Environment and Forests for its 6 million tonnes project at Patratu in Jharkhand.. Apart from a 6 million tonnes steel plant, JSPL will also set up a 1,000 MW captive power plant at Balkudra, Patratu with an estimated investment of RS. 15,000 crore.

ArcelorMittal Mulls output cut by 30%

ArcelorMittal, the world’s largest steel maker is set to a 30% production cut globally and was temporarily ‘pausing’ its growth plans as a result of decreasing prices and the ongoing financial crisis. The company had earlier announced investments of $50 billion to increase its steel capacity to 130 mt from 110 mt by 2012.The company has said it was voluntarily reducing its capacity utilisation to below 65%.

Transition to Low Price

from high price syndrome

While the journey took place on a tragic note, it will end with a happy note for the domestic steel industry after the decrease in prices of Iron Ore and Met-Coke by nearly 50% & 30% respectively.

Essar Steel

The ESSAR group has put all of it’s 3500 Canadian employees on notice saying their jobs could be indefinitely laid off due to virtual stop in orders. The Company said the global financial crisis has led to rapid reduction in steel demand.

Bhushan Steel

On the lines of primary steel makers like Essar & Ispat Delhi based has reduced production of galvanised steel upto 30% owing to slump in domestic demand. According to Mr. Nitin Johri of Bhushan Steel it had earlier stopped buying raw materials and plans to cut output for understandable reasons.

VISA STEEL

Visa Steel Ltd. has temporarily closed it’s ferro chrome unit in Kalinganagar in Orissa because of dwindling sales. Visa however plans to go ahead with it’s joint venture project with China’s Bao Steel for another ferro chrome which is mainly used in making stainless steel.

Import Duty on Steel soon

The government will also take a decision on levying an import duty on steel within a week. The finance ministry has sought the pricing details of steel products to take a final call on imposing import duty on all the categories of steel said Shri Ram Vilas Paswan , Steel Minister.

POSCO

For POSCO there seems to no end to trouble it is facing in setting up a greenfield project in Orissa. Congress party in the state recently opposed the State Government's decision to handover the Kandahar iron ore mines to the South Korean steel major.

Stainless Steel Rail Coaches

Bharat Earth Movers Ltd. has bagged orders for manufacturing two rakes for railways consisting of 18 state – of – the – art stainless steel AC EMU Coaches valued at Rs 31 crores. These coaches are expected to be delivered within two years.

Arcelor halts production at US plant

Work is on hold at the Arceolor Mittal plant in Cleveland due to sharp decline in steel demand. Both the blast furnaces were idled this week. Mcap worth USD 50 billion has declined understandbly in last few months which adds gloom to the entire steel sector.

Steel Meltdown

RINL has cut prices of its Steel products upto Rs.8,500 pmt to liquidate its current stocks. The move is rightly described as a right step in present market conditions. SAIL has reduced prices by Rs.4000 to Rs.6000 pmt which was almost followed by ESSAR, JSW and ISPAT. Markets are unlikely to stabilise till the confusion created by distressed offers for HMS from North American Ports is clear. Imposition of Import Duty as demanded by Steel Majors can help the domestic Steel Industry to some extent.DEPB benefits has been restored. Markets may see another correction if the import duty is not imposed to check on cheap imports. Steel Digest will like to add that a lot of bogus offer from overseas actually attempted to create a confusion. International prices have slightly improved after touching a bottom. Domestic prices may not see the low of October in the near future, provided the import duty is imposed soon.

Deep Connections

Many brands maintain a somewhat ad-hoc approach in tie-ups with **Channel Partners** which often passes up opportunities to their competitors through **wrong connections**. A market leader in Steel has heavily lost its Brand image since it adopted a deaf & dumb tactics to tackle fake or duplicate TMT Bars which was the talking point even in small steel towns. A brand may be a well known brand but not necessarily a very well understod brand, whose ill effects become visible during recession. A brand which is claimed to be trusted by the whole country needs more safeguard measures. Should we say more?

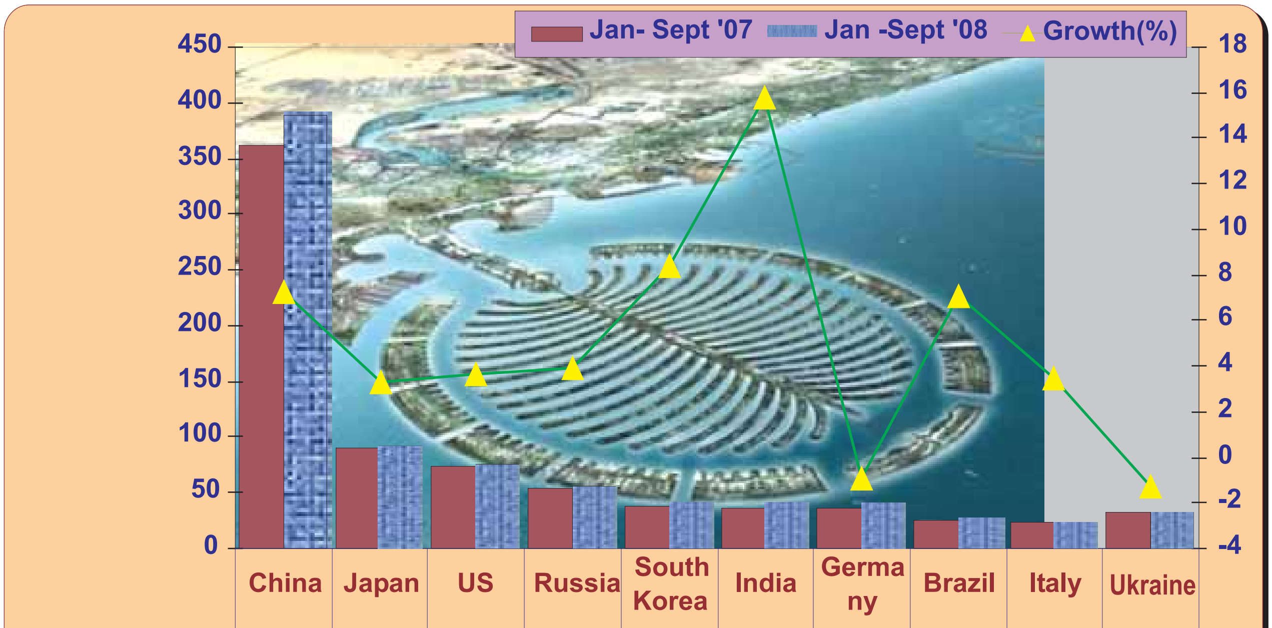
Missed Call

No public sector steel major did book Notional Profits in some way or other, during premium days but none will disagree that it was a missed call. For the first time since decontrol in 1992 there was a huge premium of more than Rs.10000 per tonne on certain steel products till recently. The steel majors are finding difficult to liquidate the stocks. Quantity rebate scheme has been re-introduced last month reminding us old days of recession of 97-98.

Wrong Number

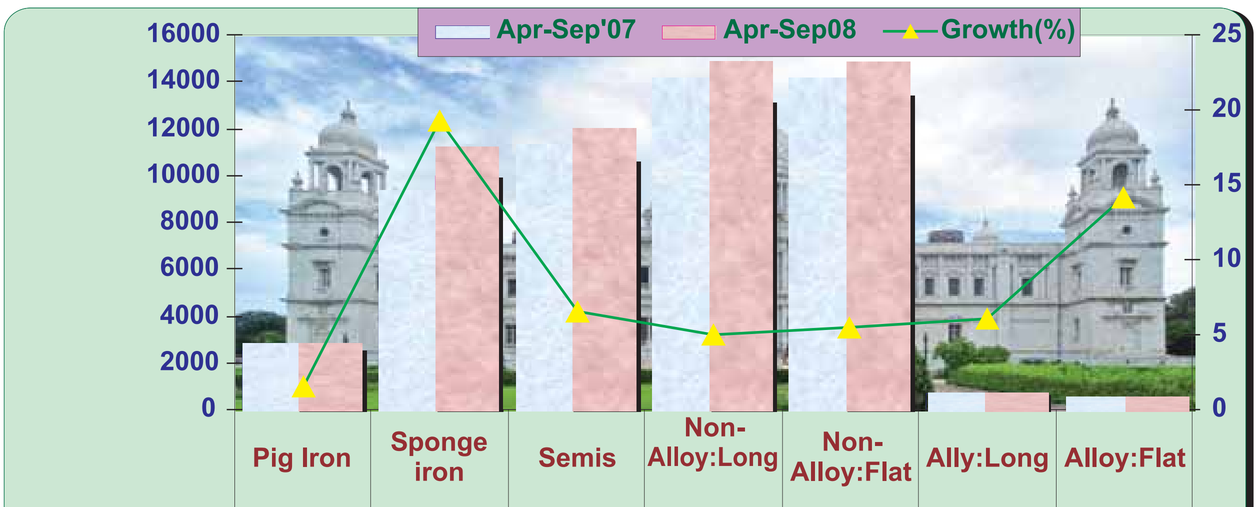
Is MRP not to be known to public ? Should it be treated as confidential? MCC Steel Digest was looking to know MRP in Steel products for the benefit of consumers but was saddened by the response of some Main Producers in sharing this information.

Crude Steel Production in Top Ten Countries : Jan-Sept, 2007 & 2008

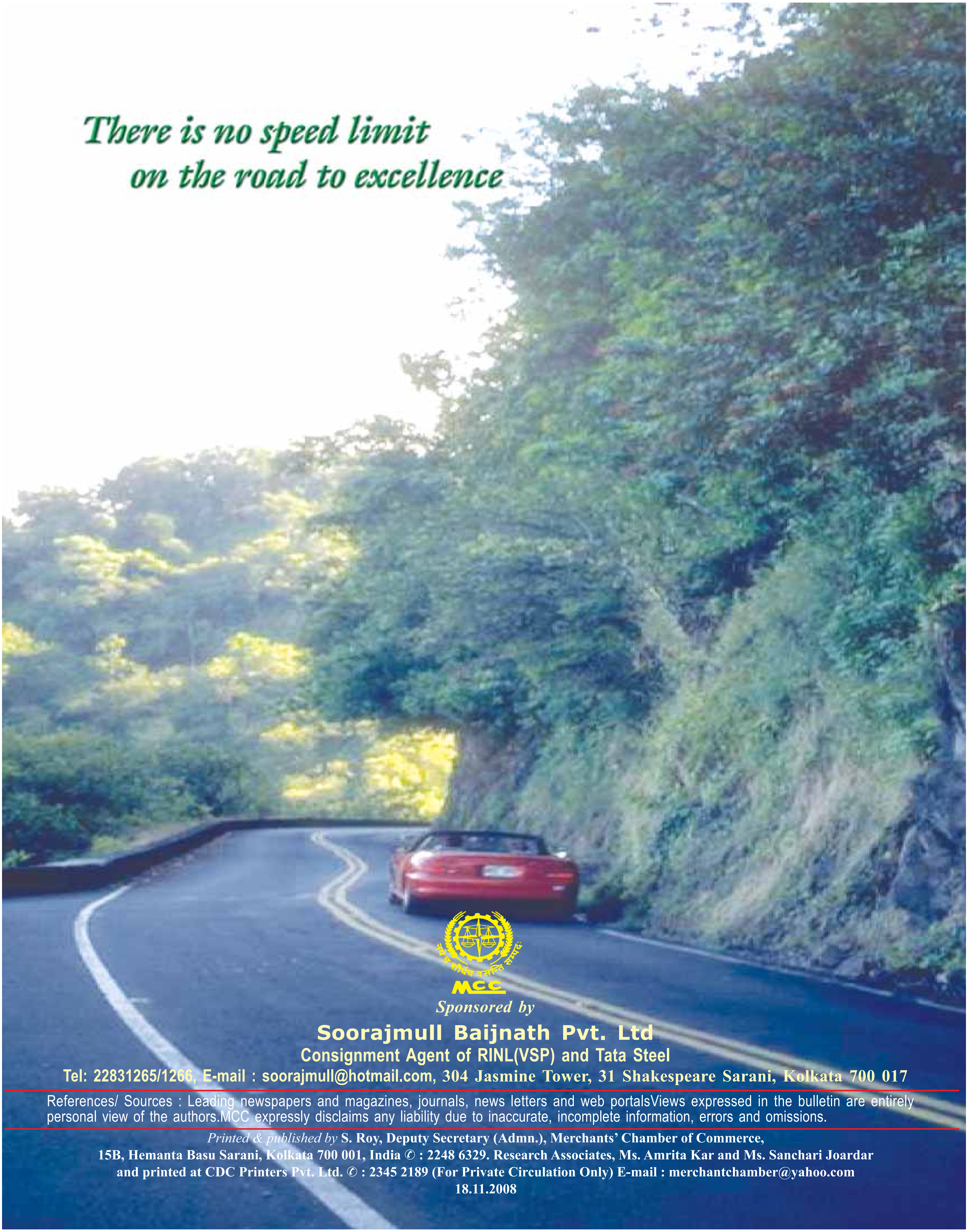


	China	Japan	US	Russia	South Korea	India	Germany	Brazil	Italy	Ukraine
Jan- Sept '07	362.5	89.3	73.3	54.3	38.1	35.5	36.6	25.0	23.4	31.9
Jan -Sept '08	389.0	92.3	76.0	56.5	41.3	41.1	36.2	26.8	24.2	31.5
Growth(%)	7.3	3.3	3.7	3.9	8.4	15.8	-0.9	7.1	3.5	-1.3

Broad category wise production : April-September 2007 & 2008



	Pig Iron	Sponge iron	Semis	Non-Alloy:Long	Non-Alloy:Flat	Ally:Long	Alloy:Flat
Apr-Sep'07	2533	8337	10040	12576	12800	673	445
Apr-Sep08	2591	9950	10698	13202	13508	714	508
Growth(%)	1.5	19.3	6.6	5	5.5	6.1	14.2



Printed & published by **S. Roy, Deputy Secretary (Admn.), Merchants' Chamber of Commerce,**
15B, Hemanta Basu Sarani, Kolkata 700 001, India ✆ : 2248 6329. Research Associates, Ms. Amrita Kar and Ms. Sanchari Joardar
and printed at CDC Printers Pvt. Ltd. ✆ : 2345 2189 (For Private Circulation Only) E-mail : merchantchamber@yahoo.com
18.11.2008