

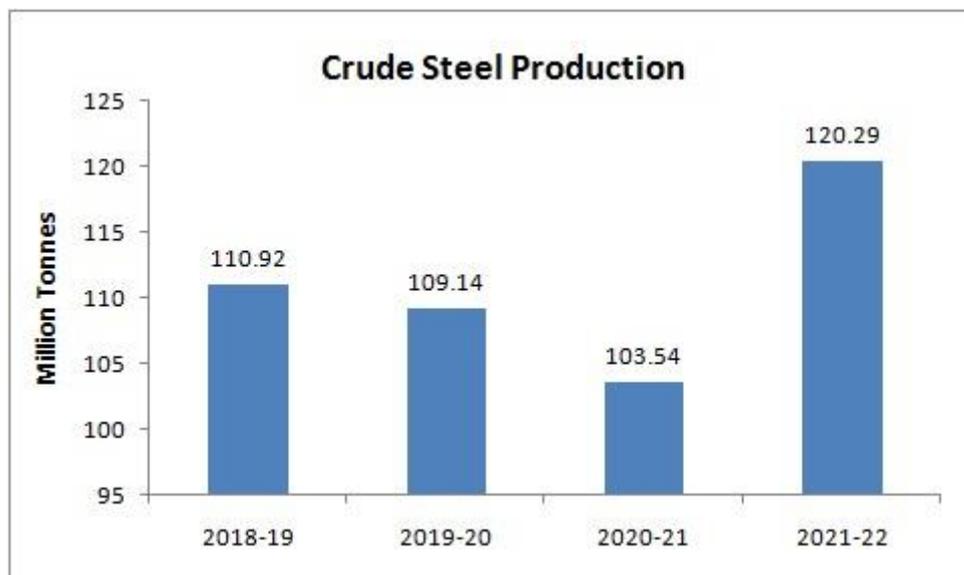
Steel Industry Analysis

Steel is one of the most important, multifunctional and most adaptable materials which play a key role in making lives convenient. Being the basic raw material for a host of manufacturing activities, steel forms the backbone for national economic development. Indian steel sector is often considered as an indicator of economic progress, because of the critical role played by it in infrastructural and overall industrial development of a country. The sector contributes approximately 2.5% to national GDP, employing 2.5 million people, directly & indirectly. India is currently second largest steel producer in the world. The growth in Indian steel sector has been driven by the 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. With a V-shaped demand recovery post-COVID, policy announcements made by the government across sectors, including rail, road, aviation, gas pipeline, and housing and changes in global supply demand equations, the industry has made record production and growth.

Crude Steel Production

India is the 2nd largest crude steel producer in the world, with 120 million tonnes (MT) of crude steel produced during FY 2021-22. At 120 MT, the output was about 18 per cent higher compared to the country's production in the preceding fiscal year. India produced around 103 MT steel in FY 2020-21. Decrease in production of steel was seen during the FY21 mainly due to Covid-19 pandemic induced disruptions. India's Crude steel production is likely to double from the current 120 MT to 240 MT in the next eight years.

Besides, in the month of June 2022, India's crude steel production rose over 6 per cent year-on-year to 10 MT as compared to 9.4 MT crude steel produced during the same month last year. India is the only country which has registered a positive growth in its steel output during June.



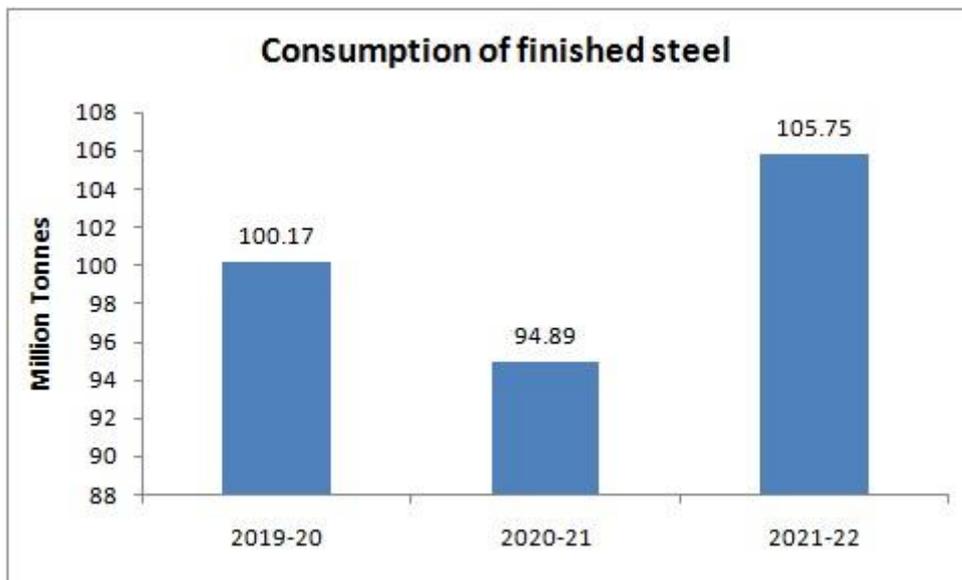
Finished Steel Production

India's finished Steel Production increased by 18.08% to 113.6 MT in FY22 as compared to 96.2 MT in previous fiscal year driven by rising demand from customers. A decrease in production of finished steel was seen during the FY 2020-21 mainly due to Covid-19 pandemic induced disruptions.



Consumption of finished steel

In FY22, India's steel consumption was at an all-time high of around 106 MT. This shows not only the resilience of the sector but also displays the exemplary grit and determination of steel players in India. In FY21, the consumption volume of finished steel stood at 94.89 MT in India. A sharp decrease was observed in FY21, partially due to the impact of the coronavirus pandemic.

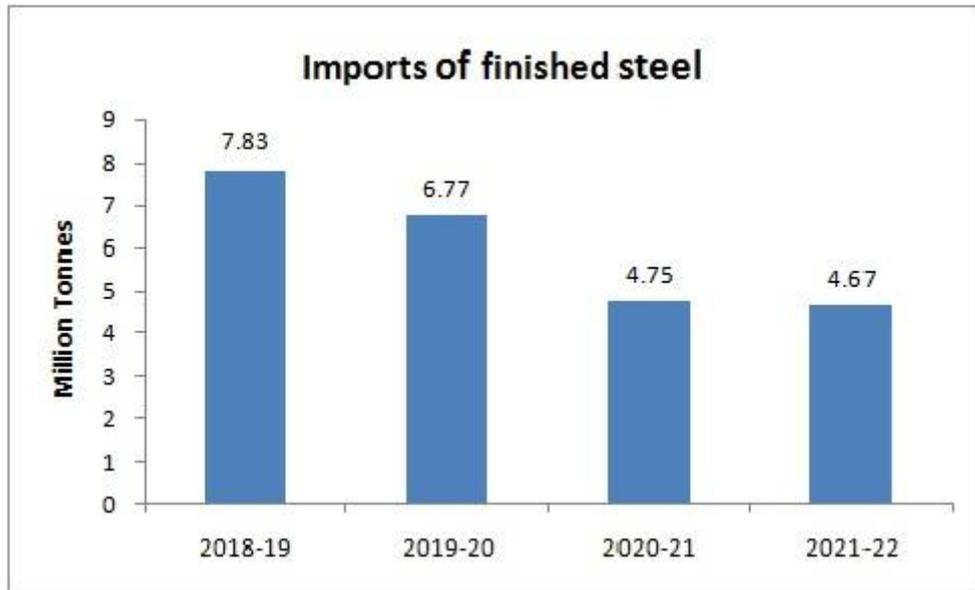


Imports of finished steel

Imports of finished steel declined by 1.68 per cent to 4.67 MT in 2021-22 from 4.75 MT a year ago. The government has taken various steps to increase the availability of iron ore and make them available at reasonable prices, which, inter-alia, including Mining and Mineral Policy reforms to enhance production/availability of iron ore. In the Union Budget 2022-23, the basic customs duty (BCD) on steel scrap has been exempted up to March 31, 2023.

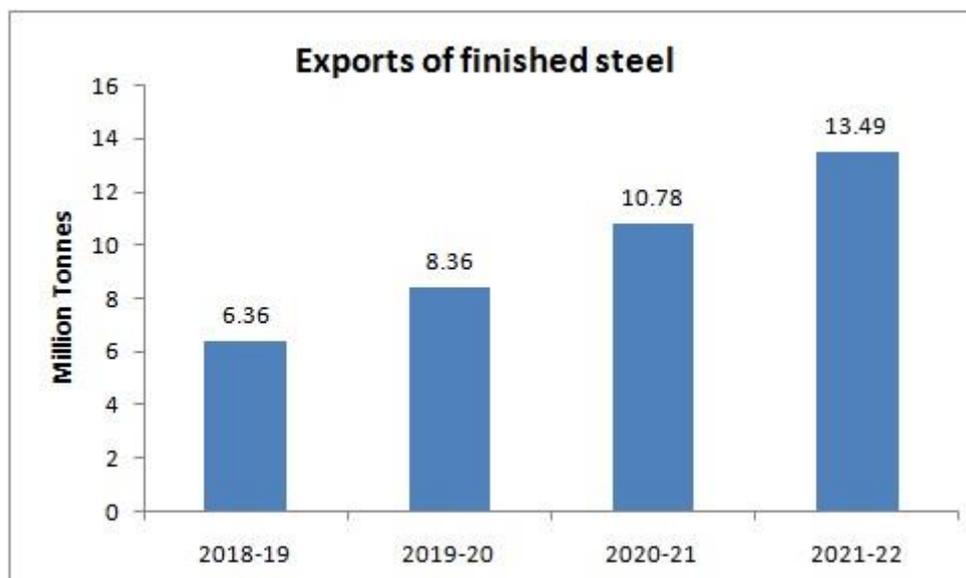
Due to the decisions taken by the government from time to time, the exports of finished steel have increased, and the imports have decreased. Import of defective steel has been curbed to a great

extent due to implementation of Quality Control Order (QCO) and till date QCO has been enforced on 142 standards.



Exports of finished steel

The exports of finished steel from India jumped over 25 per cent to 13.49 MT in 2021-22. During the preceding 2020-21 fiscal, the exports stood at 10.78 MT. However, India's steel exports are expected to come down by 40 per cent to 12 MT in the ongoing fiscal (FY23), as a result of the duty-related measures taken by the government. On May 21, 2022, the government announced waiving of customs duty on the import of some raw materials, including coking coal and ferronickel, used by the steel industry. Also, the duty on exports of iron ore was hiked by up to 50 per cent and for a few steel intermediaries to 15 per cent.



Govt gives green signal to Rs 6,322-crore PLI scheme

With an aim to boost production of specialty steel in India, the government has given green signal a Rs 6,322-crore production linked incentive (PLI) scheme on July 22, 2021. The duration of the

scheme will be five years, from 2023-24 to 2027-28. The scheme is expected to bring in investment of approximately Rs 40,000 crore and capacity addition of 25 MT for speciality steel. The scheme will give employment to about 5,25,000 people of which 68,000 will be direct employment.

The PLI scheme will cover coated/plated steel products, high strength/wear resistant steel, specialty rails, alloy steel products, steel wires and electrical steel. These steel products are used in white goods, automobile body parts and components, pipes for transportation of oil and gas, boilers, ballistic and armour sheets meant for defence application, high-speed railway lines, turbine components, electrical steel meant for power transformers and electric vehicles.

Government initiatives

Govt revokes anti-dumping duties on certain steel products: The government has announced revoking of anti-dumping duties on certain steel products imported from countries including China, a move aimed at containing high prices of metals and promoting domestic manufacturing. Countervailing duty (CVD) is also being permanently removed on imports of certain hot-rolled and cold-rolled stainless steel flat products from China. The anti-dumping duty was removed on straight length bars and rods of alloy steel, imported from China. It was imposed on October 18, 2018.

Govt inaugurates First Six - lane Highway Road made of Steel Slag at Surat: The government has inaugurated the first six lane highway road made by using Steel Slag at Surat, Gujrat to connect the port with the city. The road constructed by 100% use of steel processed slag is a real example of converting waste into wealth and improving sustainability of steel plants. The use of such material in road construction shall not only increase durability but also help in reducing the cost of construction as slag-based materials are having better properties than natural aggregates. The experience gained from this road shall be utilized for developing detailed guidelines for widespread usages of steel slag in construction.

Govt extends deadline for PLI applications for specialty steel for 5th time: The government has for the fifth time extended the deadline to submit applications under the production-linked incentive (PLI) scheme for specialty steel till September 15. The previous deadline to submit applications under the production-linked incentive scheme was July 31. Initially, March 29 was the last date for manufacturers to apply for the benefits under the PLI scheme for specialty steel. It was later extended till April 30, and again to May 31, 2022. It was further extended till June 30 and July 31. The government had last year approved a Rs 6,322-crore PLI scheme to boost the production of specialty steel in the country.

Govt approves MoU between India and Russian Federation on cooperation regarding coking Coal: The government has approved the Memorandum of Understanding (MoU) between the Ministry of Steel of the Republic of India and the Ministry of Energy of the Russian Federation on cooperation regarding coking Coal, which is used for Steel making. The MoU shall benefit the entire steel sector by reducing their input cost. This may lead to reduction in cost of steel in the country and promote equity and inclusiveness. The MoU will provide an institutional mechanism for co-operation in the coking coal sector between India and Russia. The object of the MoU is to strengthen cooperation between Government of India and Government of Russia in the steel sector. The activities involved in the cooperation are aimed at diversifying source of coking coal.

Govt launches Dashboard 2.0 of Ministry of Steel: The government has launched the Dashboard 2.0 of the Ministry of Steel. The portal has been designed by NIC Steel Informatics Division in association with NICS-CEDA team. The Dashboard is an interactive and dynamic online

platform that captures the performance on various parameters related to steel sector such as steel capacity utilisation, production and consumption, prices, raw material production, trade, stocks and rail production etc. The Dashboard will help to monitor and analyse the performance of steel Companies on real time basis for different KPIs of Steel sector. The Dashboard enables Ministry of Steel to get better insights to assist data driven decision making by way of extraction of Trends, Patterns and useful information. Visualisation of Trends and Patterns assist decision makers in finding anomalies and forecasting based on patterns. Monthly and Yearly comparison of different KPIs is also available.

Outlook

Outlook for Indian steel sector is likely to remain optimistic in coming time supported by several favourable factors including domestic demand. There has been a positive impact on the domestic steel sector as production and consumption of finished steel have been increasing over the years. With the government's policy announcements and changes in global supply-demand equations across sectors including railways, road, aviation, gas pipelines and housing, the sector is expected to witness significant growth in the coming years due to increase in investment in infrastructure and industrial production. Also, the government has brought PLI Scheme with a multi-fold objective of encouraging domestic manufacturing, reducing India's dependency on imports, and of promoting exports from India for speciality steel. Meanwhile, as per the National Steel Policy 2017, the government has set a target to ramp up the country's crude steel production output to 300 million tonnes (MT) by 2030. The policy also seeks to increase the domestic per capita steel consumption to the level of 160 kg by 2030.