



Is 2018 the comeback year for Indian Steel?

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Secretary General

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All the major Public and Private Sector steel enterprises of India joined hands in August 2014 to form the “Indian Steel Association” (ISA), headquartered in New Delhi.

ISA was established given the need for a common voice of Indian steel industry within the folds of an all-inclusive platform. The VISION of Indian Steel Association is to

“work towards transforming the Indian Steel Industry as a global leader acclaimed for its Quality, Productivity and Competitiveness, with focus on health, safety and environment, along with growing thrust on innovation through R&D, adopting an inclusive and collective approach”.



ISA intends to be focal point for steel industry related deliberations in the country and abroad.

- ISA represents around 65 percent of the crude steel production capacity of India.
- ISA represents (fully) 100 percent of the Public Sector steel companies of India.
- ISA also directly represents the largest segment of the Stainless Steel producers in the country.



Our eight Full Members are:

- JSW Ltd.
- Steel Authority of India Ltd.
- Tata Steel Ltd.
- Rashtriya Ispat Nigam Ltd.
- Essar Steel India Ltd.
- Jindal Steel & Power Ltd.
- Bhushan Power & Steel Ltd.
- Bhushan Steel & Strips Ltd.



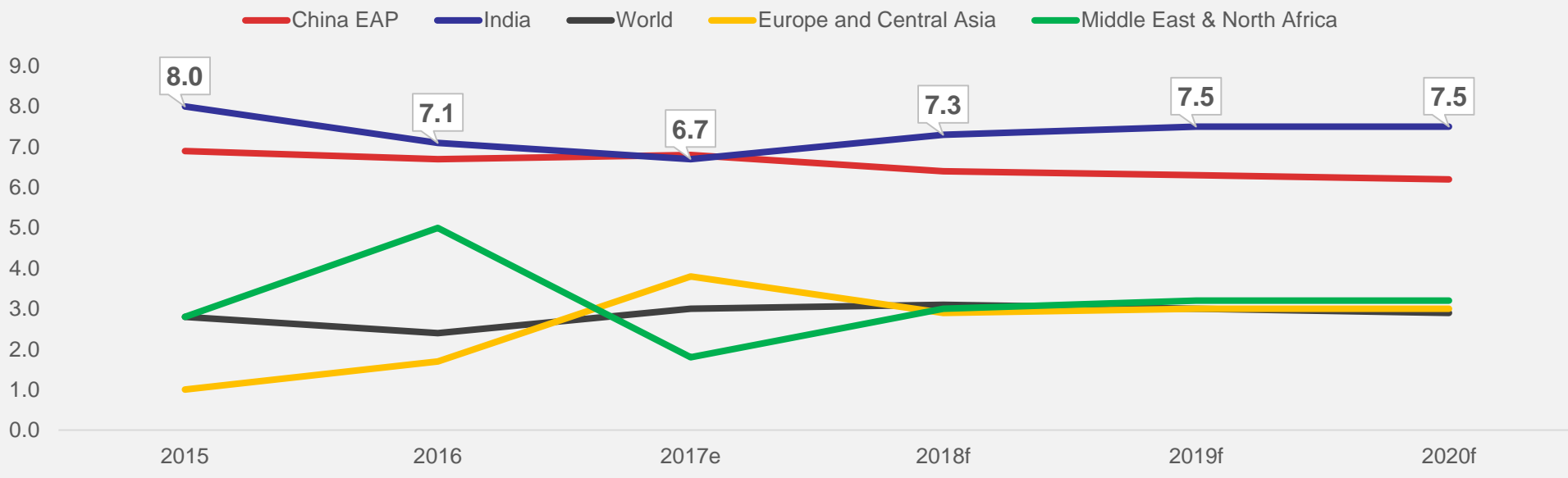
Our eight Affiliate Members are Monnet Steel, INSDAG (Institute for Steel Development and Growth), KISMA (Karnataka Iron and Steel Manufacturer's Association), Gerdau Steel, Visa Steel, Jindal Stainless, Orissa Metaliks & Electrosteel Steels.



After growing at 8% in 2015, the GDP growth rate subsequently fell due to short-term disruptions like from the newly introduced GST. However, in the medium term, India is poised to become the fastest growing economy in the world with the GDP growth rates predicted to be around 7.5%, on the back of strong private consumption and services.

Private Investment and Exports can further boost the GDP growth rate.

Real GDP Growth rates (in %) during 2015-2020(F)



*The country classification by income level is based on 2012 GNI per capita from the World Bank.

	2014	2016
ECONOMY & GROWTH		
GDP (at market prices, current USD)	USD 2.049 trillion	USD 2.263 trillion
GDP growth (annual %)	7.3%	7.1%
GDP per capita (current USD)	USD 1,581.5	USD 1,709
SOCIAL		
Population	1.295 billion	1.324 billion
Rural Population (% of total population)	68%	66.8%
Unemployment, youth total (% of male labor force ages 15-24)*	10.02%	10.4%
School enrolment, pre-primary (% gross)	11.74%	12.91%
TRADE & INDUSTRY		
Exports of goods and services (% of GDP)	23.2%	19.18%
Imports of goods and services (% of GDP)	25.5%	20.63%
Ease of Doing Business Index	130	100 (2017)
Time required to get electricity (days)	101.8	45.9
Employment in Industry (% of total employment)*	23.93	23.71



Thrust on Manufacturing-led growth

MAKE IN INDIA

24x7 Power for All initiative (by 2019)

Development of Industrial Corridors & National Investment & Manufacturing Zones

75,000 MW Clean-Energy initiative (by 2022)



Stress on Urbanization & Infrastructure Development

Pradhan Mantri Awas Yojna- Housing for All & Sardar Patel Urban Housing Mission

100 Smart Cities Mission (by 2022) & Pradhan Mantri Gram Sadak Yojna

Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT)

National Heritage City Development and Augmentation Yojana (HRIDAY)



Easing the way Business is Done

Digital India & Accessible India

Shram Suvidha & Skill India Campaign

Investor Facilitation & Single Window Clearances for investment

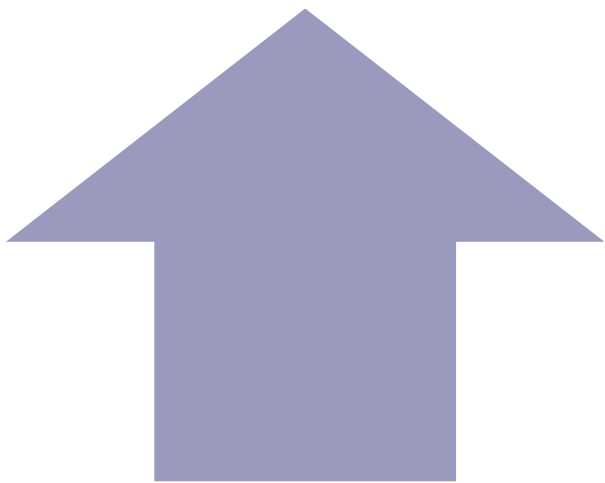
Improved ranking on the World Bank's Ease of doing Business Index

Renewed impetus on reforms

- Implementation of the Goods & Services Tax (GST)
- Introduction of an insolvency and bankruptcy framework
- A new inflation targeting framework
- Containing the level of fiscal deficit
- Energy subsidy reforms
- Fiscal Federalism
- Greater access to financial services to the poor



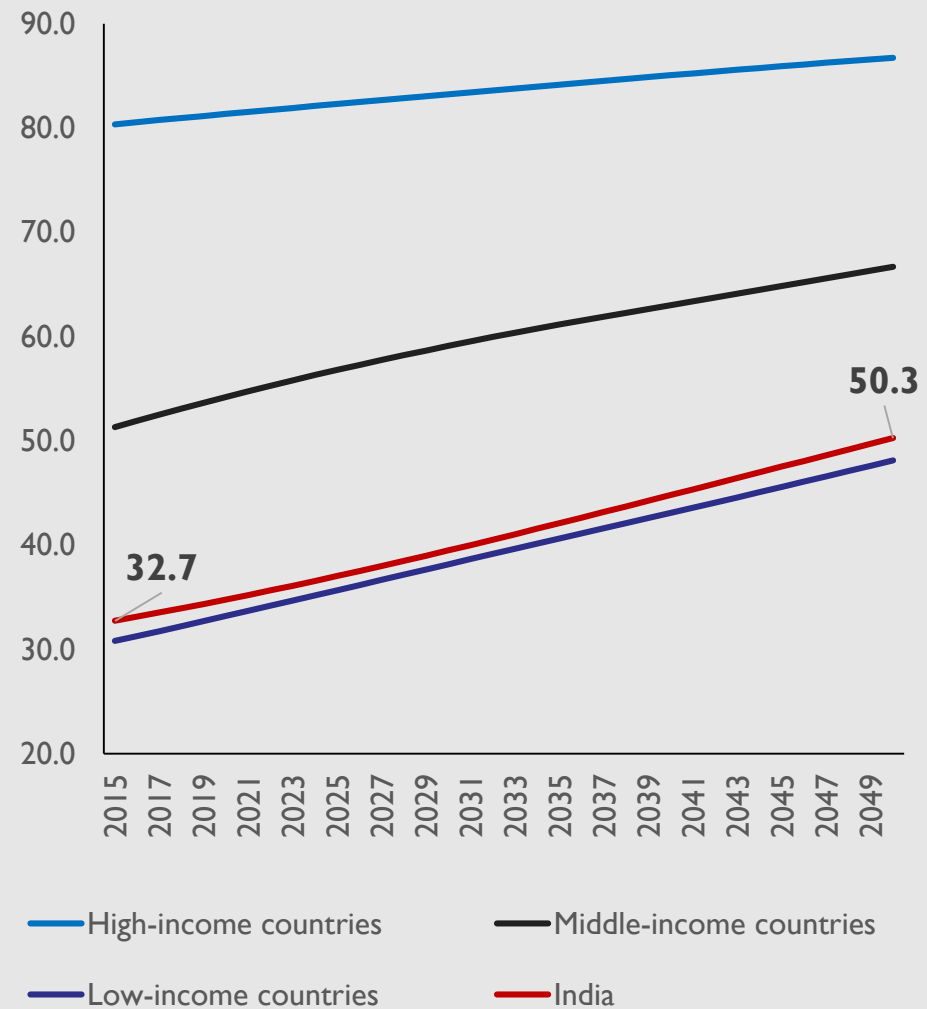
Growing Challenges

- Limping growth of Indian Manufacturing
 - Employment opportunities for the growing workforce
 - Constrained private investment
 - Slowdown in exports
 - Need for recapitalisation of Banks
 - Declining share of private consumption as a component of GDP
- 

The silver lining for India, however, remains its favourable demographics and increased rate of urbanisation:

- In roughly seven years, the population of India is expected to surpass that of China, reaching 1.44 bn people in 2024.
- Thereafter, India's population is projected to continue growing for several decades to around 1.5 billion in 2030 and approaching 1.66 billion in 2050.
- India, China and Nigeria will account for 37 percent of the projected growth of the world's urban population between 2014 and 2050.

Population residing in urban areas (in %) during 2015-2050



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- The level of per capita consumption of steel is known to be an important indicator of economic development and living standard of the people in any country.
- India's per capita steel consumption, at 65 Kg, is way below the world average of 208 Kg in 2016.
- Therefore, in India, consumption of steel products shall naturally increase with the strengthening of the local economy's growth over the next few decades.

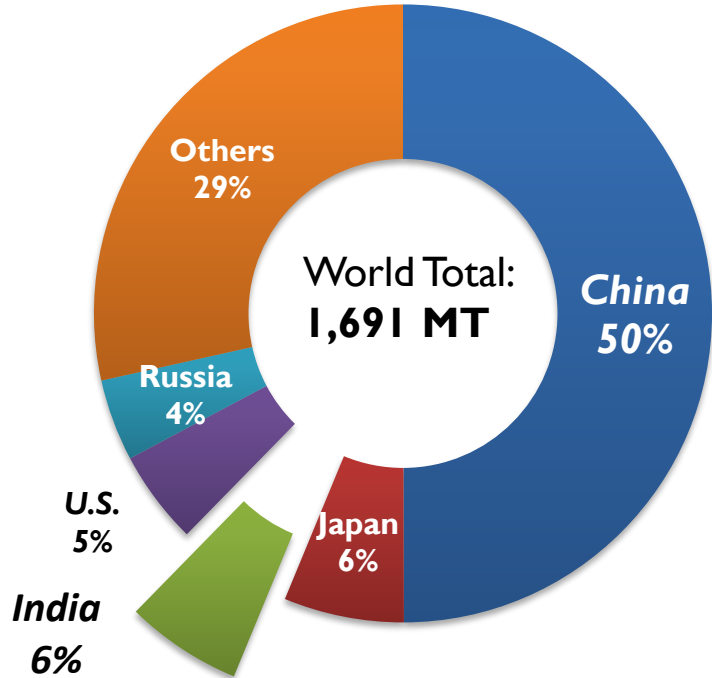
REAL GDP GROWTH PROJECTIONS* (2018-2022; IN %)

	In %	2018	2019	2020	2021	2022
India	<i>Real GDP Growth</i>	7.6	7.9	7.5	7.7	8.0
	<i>Inflation</i>	5.1	5.3	4.7	4.8	5.1
China	<i>Real GDP Growth</i>	6.4	6.3	6.2	5.5	5.3
	<i>Inflation</i>	2.4	3.1	3.0	2.4	2.5
U.S.A	<i>Real GDP Growth</i>	2.6	2.5	0.8	1.8	1.8
	<i>Inflation</i>	2.4	2.5	1.3	1.8	1.9
Japan	<i>Real GDP Growth</i>	1.6	1.7	0.4	1.2	1.1
	<i>Inflation</i>	1.3	1.6	1.7	0.9	1.1

- World crude steel production reached 1,691.2 million tonnes (Mt) for the year 2017, up by 5.3% compared to 2016.
- India's crude steel production grew by 6.2 percent to 101.4 Mt in 2017 compared to 95.5 Mt in the previous year.

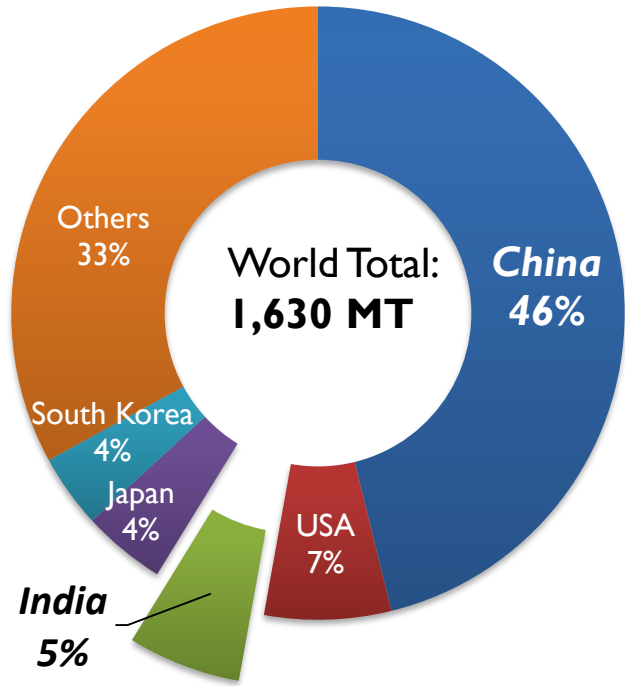
Production

India ranks 3rd in terms of steel production as on 2017



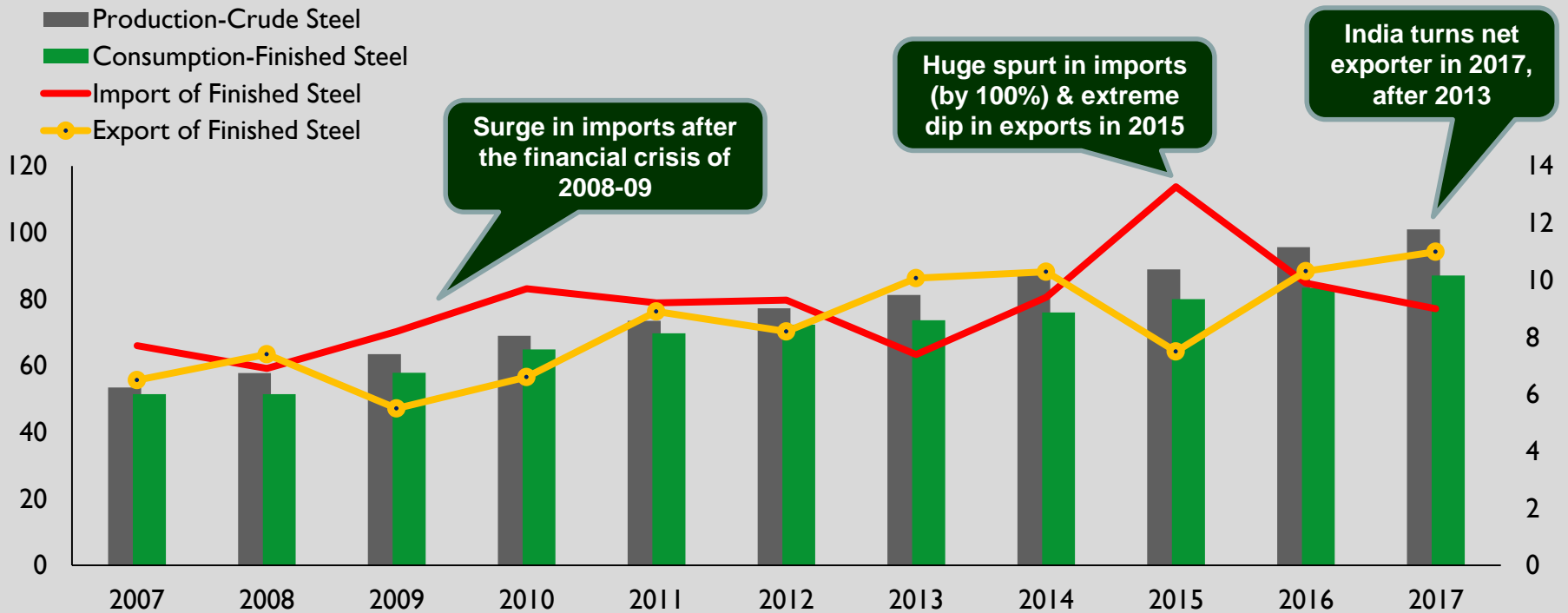
Consumption

India was the 3rd largest steel consumer as on 2017



- The Indian Steel industry has been on a mode of capacity expansion in last few years, building around 130 MTPA steel making capacity in April-Dec FY18, in expectation of a huge spurt in consumption.
- Production & Consumption of Steel have witnessed rising trends over the years.

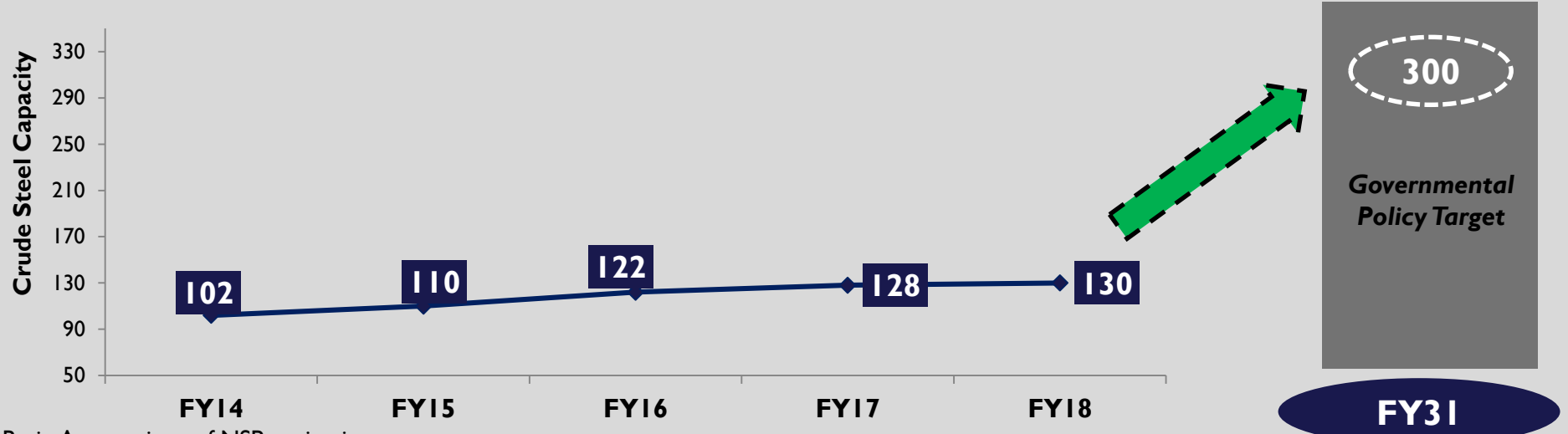
Trends in Production, Consumption, Exports & Imports of Steel in India (2007 – 2017; in Mt)



..AIMING AT FURTHER STEEL CAPACITY ADDITION..

- The Government of India notified the National Steel Policy (NSP), 2017, on May 8, 2017; which was an updated version of National Steel Policy 2005.
- One of its objective being to Increase the per Capita Steel Consumption to 160 Kgs by 2030-31.
- The policy anticipates that a crude steel capacity of 300 MT will be required by 2030-31, based on the demand projections.

India's Crude Steel Capacity, FY14-31 (in MTPA)



Basic Assumptions of NSP projections:

- No drastic structural change of the economy will take place involving major parameters such as savings and investment
- There exists a zero trade balance in Steel



Automotive

- The automotive industry is forecasted to grow in size by US\$ 74 bn in 2015 to US\$ 260-300 bn by 2026.
- In 2016, Indian automotive sector is estimated to be 3rd largest automotive market, by volume



Infrastructure

- The infrastructure sector accounts for 9 per cent of steel consumption and expected to increase 11 percent by 2025-26.
- Estimated steel consumption in airport building is likely to grow more than 20 per cent over next few years



Rural India

- Rural India is expected to reach per capita consumption of 12.11 kg to 14 kg for finished steel by 2020.
- Policies like Food for Work Programme (FWP) and Indira Awaas Yojana, Pradhan Mantri Gram Sadak Yojana to drive demand for steel



Power

- The government plans addition of 100 GW target capacity under the 13th Five-Year Plan (2017–22)
- Conventional power capacity addition of 23.98 GW has registered to be the highest in FY16



Oil and Gas

- Oil and gas amongst major end-user segment accounted for ~34.4 per cent of primary energy consumption in FY16
- This would lead to an increase in demand of steel tubes and pipes, providing a lucrative opportunity to the steel industry



Railways

- The Dedicated Rail Freight Corridor (DRFC) network expansion would be enhanced in future.
- Indian Railways started the PPP mode of funding and has already awarded projects worth around US\$ 1.73 billion during the 1st 7 months (April-October) of FY16

So,

Is 2018 the comeback year for Indian Steel?

- Growing protectionism in International Trade, courtesy Section 232 & retaliatory measures globally
 - Rise in Imports of Steel Products, on account of Trade diversion from steel-surplus nations
 - Global Excess Steel Capacity, especially in China
 - Duty free access to Indian markets through FTAs
 - Volatility in international prices of steel-making raw materials
- *****
- Structural inefficiencies that curtail competitiveness
 - High Cost of Transportation & Logistics
 - Uncertainties in supply of raw materials
 - Over-leveraged balance sheets to invest further
 - Shortage of skilled manpower
 - Targetted reduction of carbon emissions

External

Internal

Challenges & Threats

Enabling Environment

National Steel Policy 2017

Policy on Preference to Domestically Manufactured Iron & Steel Products

Quality Control Order(s)

Introduction of Life Cycle Assessment in GFR Amendment

Steel Research and Technology Mission of India

Imposition of Safeguard & Anti-dumping Duties

Proactive Trade Remedial Measures

2000-2008

- Global demand of steel grows at CAGR of 9%
- Indian demand for steel grew at 11 percent during 2003-2008
- Phase of prosperity, for both Indian and Global companies

2008-2015

- Global Financial Crisis in 2008, followed by Eurozone crisis in 2011
- Global demand of steel grows at CAGR 5%
- Supply glut begins to hit profitability of steel companies globally

2015

- India surpasses USA to become the third largest producer of the world
- India hit with a surge in imports at low prices arising from global excess capacity
- By 2015, China's steel capacity is 11 times that of India's

2016

- By March 2016, the total exposure of the steel sector to banks was over Rs. 3.1 lakh crores. Of this, 48% is estimated to be in the stressed category (37% as NPAs & 11% as restructured)
- China begins the process of cutting its excess capacity

2017

- Recovery in the steel sector begins to show courtesy the effects of safeguard duties, minimum import price & other trade remedial measures
- Start of NCLT proceedings against debt ridden steel companies

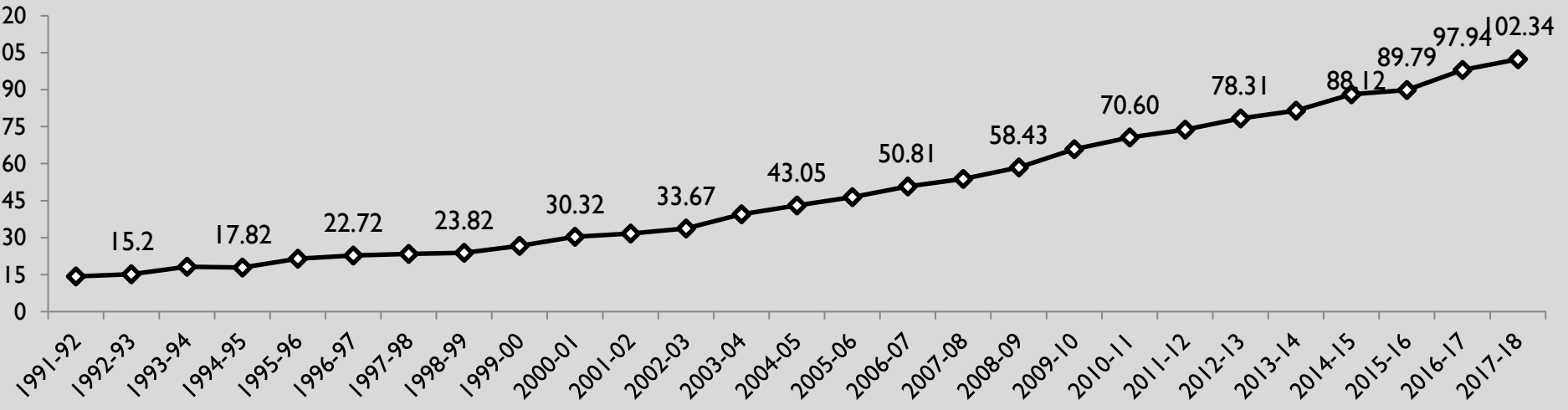
2018

- India overtakes Japan to become the second largest producer in the world
- Resolution process taking shape, leading to consolidation in the Industry
- Profitability returns to industry, after several years of distress.

- In spite of numerous challenges, both on account of domestic and global factors, Indian Steel making enterprises have persistently believed in the India growth story and invested in R&D, Capacity Expansion & Competitiveness.
- Even during the 2008-09 crisis globally, when global steel making peers were hit adversely, Indian companies continued to add capacities, to meet the growth envisaged for Indian End Using industries.

2018, will, prove to be a breakthrough year in the growth of the industry!

India's Crude Steel Production Growth FY92-18 (in MT)



Source: Indian Steel Association

THANK YOU

Meet us for further discussion, at



Steel Conclave 2018

October 25-26, 2018; The Lalit, New Delhi