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INTRODUCTION

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Indian Steel Scenario - Third now, what next?

Shri S C Suri
Chairman, IIM-Delhi Chapter &
Hon. Member, The Indian Institute of Metals

India has moved up to the third position in world steel production and is expected to become the world's second largest producer of crude steel with an expected production of 140 MT by the end of 2016. The consumption is estimated to witness a growth of 6.8% to reach 104 MT by 2017.

The Indian steel sector enjoys advantages of domestic availability of raw materials and cheap labour. Iron ore is also available in abundant quantities. This provides major cost advantage to the domestic steel industry, with companies like Tata Steel being one of the lowest cost producers in the world. Being a core sector, steel industry reflects the overall economic growth of an economy in the long term. Also, steel demand, being derived from other sectors like automobiles, consumer durables and infrastructure, its fortune is dependent on the growth of these user industries. While steel continues to have a stronghold in traditional sectors such as construction, housing and ground transportation, special steels are increasingly used in engineering industries such as power generation, petrochemicals and fertilisers. Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous modernisation and up-gradation of older plants and higher energy efficiency levels.

For effective development of Indian steel industry, the Working Group on steel had recommended, amongst others, full utilization of the existing policy framework of Public-Private Partnerships (PPPs) in development of infrastructure like Railways, a scheme for promotion of Research and Development in Iron & Steel sector with a budgetary provision of Rs. 1,180 million for implementation, development of appropriate regulatory mechanism to avoid any manipulative practices, a dedicated plan fund of Rs. 250 million for development of human resources for iron and steel and a Technology Upgradation Fund Scheme (TUFS) for the Small and Medium Enterprises (SME) sector. The Planning Commission has approved a total outlay of US\$ 9.5 billion for the development and promotion of the iron and steel sector. Indian investment policy stipulates 100 percent foreign direct investment (FDI) through the automatic route in the Indian steel sector.

While the grants and stipulated measures are expected to boost an upward growth for the steel industry, land acquisition and regulatory clearances pose major challenges to new greenfield projects. Delays in the government allocating sufficient iron ore blocks, regulatory approvals and challenges in land acquisition have slowed many steel projects. Major investments from leading MNCs and large Indian corporates across Karnataka, Odisha, Jharkhand and West Bengal have been affected due to land acquisition challenges. The government is seized with the problem, and a better situation is likely to emerge soon. The raw material security scenario has improved due to regulatory support to overseas acquisitions. The Indian steel companies are actively seeking mining leases and assets globally to secure raw material supplies.

Reaching the second position may not be a far off goal.

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Worldsteel forecasts slow steel demand but positive India growth

The World Steel Association (Worldsteel) has forecast that global apparent steel use will increase by 0.5 percent to 1,544 million tons (mt) in 2015 following growth of 0.6 percent in 2014.

It has been forecast in the recently-released Short Range Outlook (SRO) that world steel demand will grow 1.4 percent and reach 1,565 mt in 2016. The outlook for the steel industry suggests slow growth for global steel demand.

However, the World Steel Association said it expects positive growth in some economies such as India, Indonesia, Vietnam and Egypt, where steel markets are still developing. In these economies, steel demand is expected to grow 4 percent in 2016, after moving up by 2.4 percent in 2015.

Commenting on the outlook, Hans Jürgen Kerkhoff, Chairman of the Worldsteel Economics Committee, said, "We are releasing a restrained growth outlook for the global steel industry, mainly due to the deceleration in China. The outlook also reflects the influence of major structural adjustments in most economies, particularly owing to limited investment growth post-2008. As these changes take effect, the steel industry will experience a slower pace of growth and focus on operational efficiencies and on the value that steel product generate for customers and society."

"While we continue to face some downside risks coming from some parts of Europe – geopolitical instability, international capital flow volatility and the economic slowdowns in China – the impact of these risks has come down. We have also started to see some encouraging developments. We hear increasingly positive news from developed economies, especially signs of firming recovery momentum in the Eurozone. In the developing and emerging world, we see increased optimism about India and growth in steel use in some MENA and ASEAN countries. While these developments will not be enough to counter-balance the deceleration of china, we expect to see gradually improving growth prospects beyond 2016," Kerkhoff concluded.

An interesting factor which has become increasingly apparent is that in some developing economies the steel markets are beginning to exhibit mature characteristics.

Chinese steel demand in 2014 saw negative growth for the first time since 1995 due to the government's rebalancing efforts that had a major impact on the real estate market. This situation is likely to remain unchanged in the short term and Chinese steel use will continue to record negative growth of -0.5 percent in both 2015 and 2016.

Some uncertainty remains regarding the impact of government measures aimed at stabilising the decelerating economy, Worldsteel said in its outlook.

The rebalancing of the Chinese economy is inevitable as this country enters its next stage of development, but it will take time. In the short term, this has global consequences for the steel industry in terms of trade flows and possible intensification of trade frictions, resulting from significant increases in steel imports into many economies during 2014, Worldsteel said.

The developed world showed growth of 6.2 percent in steel demand in 2014 on the back of strong US fundamentals and a firming EU recovery.

However, growth in the developed world is set to moderate in 2015 due partly to the high base effect, but also the less favourable steel market environments in the US, Japan and South Korea. The recovery in the EU, although becoming regionally broader based, is still constrained by weak investment activity and high unemployment. Steel demand in the developed economies will grow by 0.2 percent in 2015 and 1.8 percent in 2016.

The developing world (excluding China)

The developing economies (excluding China) posted low growth of 2.3 percent in 2014, in particular because of the continued deterioration in the Brazilian and Russian steel markets. Growth momentum in the developing economies is expected to remain generally weak in 2015.

However, we expected positive growth in some economies such as India, Indonesia, Vietnam and Egypt, where steel markets are still developing. Steel demand is expected to grow by 4 percent in 2016 after growing by 2.4 percent in 2015, the outlook report said.

Oil prices

The sharp decline in oil prices influenced the forecast, though its impact varies between countries. On the one hand, it has a negative impact on steel demand for infrastructure investments financed from oil revenues; on the other hand, it helps business sectors and consumers in oil importing countries, thus creating better growth prospects. As inflationary pressure is alleviated, further relaxation of monetary policy by the Central Banks is possible in countries with high inflation, which will eventually strengthen the recovery of underlying real steel use.

Source: Steel Insights

Steel imports need quick – fix solution

Indian steel-makers seemed to be gripped by nervousness as the Chinese gross domestic product (GDP) growth slowed down to 7 percent year-on-year in the first quarter of 2015.

As Chinese domestic steel consumption falls in line with the downturn in industrial production, infrastructure development and house construction activities, there is more pressure on steel producers in the neighboring country to sell more and more in the world market.

China stepped up exports to India by as much as 232 percent to 3.62 million tons (mt) in 2014-15.

This has led to concerns of the Indian steel industry that the arrival of such large quantities of the metal from a single foreign source will leave a good portion of its capacity idle and rattle the already weak market sentiments.

According to global investment bank Morgan Stanley, China is approaching its peak this year both in terms of steel production and consumption. China's growth, in fact, stopped rolling since last year when production grew only 0.9 percent to 822.7 million tons against 7.5 percent in the previous year.

According to the China Iron and Steel Association (CISA), the country, accounting for nearly half the global steel production and consumption, saw use of the ferrous metal falling 3.4 percent to 738.3 million tons last year.

Ahead of that for nearly a decade-and-a-half, Chinese steel use grew at an annual average rate of 15 percent.

Indian steel industry: Imports (in million tons)

Category	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Finished Steel (alloy + non alloy)	7.38	6.66	6.86	7.93	5.45	9.32

The change in the Chinese steel sector becomes inevitable as Prime Minister Li Keqiang is steering the economy away from growth supported by high levels of debt to consumption-and services-led progress.

Li's attempts to eliminate environment-polluting and inefficient industrial capacity have led to recent falls in steel production and use.

Bringing discipline to a highly fragmented steel industry by capacity consolidation, especially in state-supported enterprises and scrapping of undesirable capacity, is easier said than done in a country where local job protection takes precedence over keeping the environment clean.

Beijing will soon announce a new action plan for the steel industry under which 80 mt of surplus capacity is to be closed by 2017, industry experts said.

Inspired by ArcelorMittal, with a capacity of nearly 120 mt achieved through a series of takeovers in different continents followed by rehabilitation of acquired mills, Beijing wants 60 percent of its well over 1 billion ton capacity to be owned by 10 of the largest steel groups by 2025, industry experts said.

In a recent statement, the CISA said the country's steel production has "already hit a peak". The fall in the January-March quarter output by 1.7 percent to 200.1 mt from a year earlier confirms the CISA observation.

Investment bank Goldman Sachs also observed that in the biggest drop since the 2008-09 global financial crisis, China's apparent demand for steel was down nearly 5 percent in the past six months from a year ago.

Major steel producers in India are scared that more the domestic steel demand contraction, the greater will be the thrust on exports by Chinese steel-makers, much to the discomfort of the industry here, leading to lower margins for steel-makers in India.

South Korea and Japan are also exclusive beneficiaries of falling Indian customs duty on steel till it becomes nil by January 2017, thanks to our comprehensive economic partnership agreements (CEPAs) with the two Far Eastern countries. They are selling growing quantities of steel here. India is also receiving much steel from Russia and Ukraine where major currency devaluation has made exports a highly paying proposition.

Steel-makers in the two countries are paying most of their bills like wages, raw materials and logistics in the rouble and Ukraine's hryvnia while their earnings from steel exports are in dollars.

Considering the dismal state of our steel industry and the challenge to raising capacity by about 200 million tons in the next 10 years, the government should use economic diplomacy to get steel taken out from CEPAs and raise customs duty ideally to 25 percent to restrain imports. Falling domestic demand led China to sell 51 percent more steel at 93.76 mt in the world market in 2014.

Even while it has started producing less steel, its exports in the first two months of 2015 leapt 56.40 percent to 18.09 mt.

China may already have arrived at "peak steel", but it is unlikely that metal production will fall in line with contraction in domestic demand. C S Verma, Chairman, Steel Authority of India Ltd, and T V Narendran, MD, Tata Steel, point out that China has surplus steel capacity of about 280 mt and capacity rationalisation is making slow progress.

Because of the continuing surge in exports, there is friction between China and steel producers in the European Union and the United States. Responding to petitions by Eurofer, the trade association of the EU steel industry, the European Commission has imposed the provisional anti-dumping duty of 25.20 percent on stainless steel imports from China. The US steel-makers too have petitioned Washington, seeking protection from the dumping of Chinese steel.

The Indian finance ministry has made a provision in the customs manual, raising the tariff rate on steel imports from 10 percent to 15 percent. But what the steel industry desperately wants is a quick revision of the import duty.

Source: Steel Insights

Aluminium to add sheen to economic revival

As India's economy is firming up, strategists are already bullish on the country's prospects. This revival would gather further steam on the back of sustained efforts by the government to lure in investment as it is prudently attempting to shift from consumption to investment-led growth.

Meanwhile, Prime Minister Narendra Modi has embarked on a massive drive to hard-sell the India story to attract investments in core sectors like power, building and construction, and other essential segments like airports, bridges and automobile where aluminium and other metals consumption will be crucial.

Fortunately, the Indian aluminium industry is forging ahead with rapid expansion in both primary metal and value added downstream products. Also, the per capita consumption of aluminium is low in India which leaves a big, yet-to-be tapped potential.

The booming automobile sector in India will keep the demand for aluminium ever rising. With high fuel prices and concern for global warming, automotive manufacturers are leaning towards weight reduction and will use more of aluminium in vehicles as lighter vehicles will consume less fuel and lead to reduced emission.

Power sector is the largest consumer of aluminium in overhead conductors and power cables used in generation, transmission and distribution of electricity. With the demand for renewable energy expected to rise in the future, aluminium will play a critical role as the key material.

The other key drivers for aluminium industry are the modern buildings and construction where the metal's use is extensive and diverse due to its salient properties like light weight, high strength and anti-corrosion. The packaging industry in India is also fuelling the demand for the metal in tune with global trend. Applications like usage in rigid containers, cans for beverages, food packaging, chemicals and insecticides etc. will increase aluminium consumption in the packaging sector.

With the government's earnest goal of putting the country firmly on the road to prosperity and global investors more than willing to come calling, Asia's third largest economy will be the lone bright spot as it embarks on a once-in-a-generation infrastructure building drive which will see it going full throttle to becoming a global economic power.

Source: MMR

Coal to remain key fuel for energy plans of India, Japan

India, which has doubled its thermal coal capacity since 2007 is looking towards greater emphasis on clean coal technologies as coal will continue to be the predominant fuel just as Asian major Japan adds another 7200 Mw of coal capacity in the next five to seven years.

"We will look for technologies for clean coal as this will be the mainstay in India's fuel mix even as we strive to address climate concerns," said Piyush Goyal, Minister of State with Independent Charge for Power, Coal and New & Renewable Energy.

He said strong bilateral relations between Japan and India is to be further strengthened in the areas of energy cooperation and building smart cities, Goyal said.

Reiterating the importance of coal, visiting Japanese Minister of Economy, Trade and Industry, Mr. Yoichi Miyazawa said, "Coal is geographically available and will remain an important energy source." He was speaking at the Ministerial session at the sixth edition of the India Japan Energy Forum, in the capital recently.

Miyazawa further emphasized on how innovation in technology will help both countries fight climate

change and bring about greater economic growth. Complimenting the new government for its emphasis on infrastructure and energy, he said, "India is now drawing attention from the rest of the world and will emerge as the third largest economy by 2035. The country's energy consumption is likely to double. To reduce the reliance on energy imports the investments in energy infrastructure are timely."

Discussing the challenges being faced by both countries he said, "Economic efficiency, energy security and environment are common policy issues that the countries are grappling with. The possibilities for cooperation between the two countries in clean coal are enormous. The Government of Japan is keen to expand energy cooperation with India."

Echoing the importance of strengthening cooperation between the two countries, Goyal said, "India and Japan can collaborate on the clean technology side. Japan has realized it is important to have thermal coal and is looking at putting in place 7200 Mw over the next five years. We are looking at doubling our generation from one trillion to two trillion and our reliance on coal will continue. To improvise on the coal technology, both countries can work together and help to assuage the concerns on climate. We will be happy to take up the best technology to bring down the impact of coal on the environment."

Elaborating on the importance of renewable energy in the overall energy basket, he further said, "India has set a 175 GW target for renewable energy and this will happen in the next five years. To achieve the targets, he said, "We are looking at innovative financing models."

Emphasising on the continued importance of coal, Goyal said, "Coal cannot be wished away it is a reality. Together Japan and India will lead the way and show the world how we can also have clean energy coming from coal based plants. While we are setting ambitious targets for renewable energy, we are also looking at revamping our old plants with modern supercritical plants which bring in better efficiency. We are also happy to talk to the Japanese government on the export of coal to Japan. India can wash the coal, bring down the fly ash percentage and support the efforts of Japan to bring down your dependency on nuclear power."

CONGRATULATIONS!

The Chapter is glad to inform that Dr GN Mohanty, member of the Executive Committee, of our Chapter has been nominated as recipient of the award of Leading Professionals of the World 2015.

The Award is being conferred by International Biographical Centre (IBC) Cambridge, England, for significant contribution in his field to engender influence on a local, national or international basis.

The Chapter congratulated him on this conferment.

Urging the Japanese community to invest in India, he said "Japan has an opportunity to invest in India and earn reasonable returns over a 20-30 year

time span. Counter party risks are kept to the minimum and we are ensuring an environment in which Japanese investment will be safe and secure."

Reiterating the importance of the economic relationship between the two countries, Mr. Amitabh Kant, Secretary, Department of Industrial Policy and Promotion (DIPP), Government of India said "India and Japan have close economic relations and we are committed to taking this further. I would like Japanese companies to create wealth in India. If India has to grow at rates of 9-10 percent over the next three decades, manufacturing sector will need to grow at 13-14 percent and exports would need to grow at 20 percent plus. India needs to plan sustainable urbanization and manufacturing. There is no better country other than Japan to learn this process from." Echoing this sentiment, Professor Jagan Shah, Director – National Institute of Urban Affairs (NIUA) shared that Indian government is closely following the Japanese model on the proposed 11 Future Cities, especially in the area of capacity development from local to national level.

Laying a strong thrust on the importance of smart grid adoption, he said, "India's power sector is actually the fourth largest but faces significant energy and peak shortages. As India pursues a very aggressive renewable growth trajectory, we will need smarter systems to manage efficiently and ensure grid stability. As India advances and creates new cities, smart new technologies are critical and will play a significant role in outage management and decentralized generation. The way forward for Indian cities is to get into smart grids as fast as possible."

In the course of his welcome remarks, Mr. Kazuo Furukawa, Chairman, New Energy and Industrial Technology Development Organisation (NEDO) stated "NEDO considers India to be an important partner. We are utilizing our experience in providing long term technology solutions and are working with the government for further strengthening cooperation between India and Japan in the energy field."

Emphasising on the importance of the strategic ties between the two countries, Mr. Chandrajit Banerjee, Director General, CII said, "Japan has always been a strategic partner for India. Both countries have agreed to further strengthen their bilateral relations across sectors particularly in infrastructure, defence and smart cities. In fact, Japan, has committed to invest 33.5 billion dollars over the next five years in India."

Source: MMR

NEW ADDITIONS TO OUR LIBRARY

As esteemed members are aware, our Chapter has a big library containing books/documents in the metallurgical field. We have about 700 publications in our Library.

Recently we have subscribed to the following two books:

- a) A First Course in Iron and Steelmaking by Sh Dipak Mazumdar Department of Materials Science and Engineering Indian Institute of Technology, Kanpur.*
- b) Principles of Metallurgical Thermodynamics by Shri SK Bose and Shri SK Roy of Metallurgical and Materials Engineering Department, IIT Kharagpur.*

India Lead Zinc Development Association (ILZDA) recently organised an International Conference and Exhibition on Galvanising & Galvanised Steel in Automobile, Construction & Infrastructure at Bombay on 23rd and 24th April 2015. The technical papers presented at this Conference have been sent to us by ILZDA. These papers are available in our Library.

The esteemed members may like to visit our Library to refer to the above books and the technical papers referred to above.

Self-sufficiency in rare earth elements crucial part of 'Make in India'

To safeguard national interest, the public and private sector companies must contribute their mite in increasing the production of rare earth elements and heavy minerals such as monazite that play a crucial role in aerospace, defence, communications, etc.

Self-sufficiency has been a much-reversed word in India for decades after Independence. Despite this, paradoxically, the country was the world's largest importer of armaments until recently. The story has been no different when it comes to rare earths, with recent reports indicating that China had plans to curb rare earth and tungsten supplies to India in order to cramp the country's military industrial build-up.

As the NDA government aggressively promotes the 'Make in India' campaign and seeks to boost domestic production of defence needs, it is imperative that the production of rare earths and heavy

minerals such as monazite are stepped up. Rare earths and monazite are elements that are critical for the defence industry. Incidentally, notwithstanding the term, rare earths aren't rare, but are actually available in sufficient supplies in the earth's crust. But extraction needs immense investments and resources in order to mine, refine and process them.

Strategic Elements

Rare earths play a crucial role in defence, avionics, radar and communications systems, hybrid cars, computers, cell phones, cameras, portable X-ray units, energy-efficient lights, wind turbines, fibre optics and glass additives, besides other applications. Like rare earths, monazite too plays a critical role in India's future in technological advancement, defence programme since it could be a source of radioactive uranium – a strategic mineral crucial for the nation's nuclear power programme, small amount of thorium which can play a role in energy in future and a good amount of rare earth oxides which can be critical in today's scientific advancement.

Aware of these strategic uses, China was controlling its exports of these critical elements. Chinese export restrictions on 17 elements triggered a sharp rise in prices due to sudden supply constraints. But the tactics clearly backfired. Until a few years ago, China produced around 93% of global rare earths, but this has since dropped to 86%, after Chinese restrictions forced other countries to ramp up domestic supplies.

With the US and other nations complaining to the World Trade Organisation about these unfair export controls on critical materials, China was constrained to lift the curbs from 1 January 2015 after the WTO deemed them illegal. The WTO ruling apart, China was left with little choice but to lift restrictions since most countries took diligent steps to reduce their dependence on Chinese supplies.

Nevertheless, the short-sighted Chinese tactic of using rare elements for political arm-twisting should serve as a warning call to emerging and extant economic powers about the dangers of relying on supplies of critical elements from China. With the Chinese readily inclined to using their resources for economic and political hegemony, India should broaden its resource base by turning to other suppliers and increasing domestic production.

Self-reliance and National Security

Given China's shenanigans, in 2010 the European Commission had listed 14 raw materials (antimony, beryllium, cobalt, fluor spar, gallium, germanium, graphite, indium, magnesium, niobium, platinum group metals, rare earths, tantalum and tungsten) as being of strategic significance. These products play an important role in manufacturing stealth radars, jet engines, unmanned drones, missiles, munitions, night-vision equipment, smart-phones, etc.

Considering the significance of the above sectors, especially in times of war, one can well imagine the disruption that could be created by any nation that controls supplies of critical elements and is not averse to using this for political blackmail and brinkmanship. While India is making efforts to increase production of heavy minerals such as monazite and rare earth elements, these fall short of present requirements. The shortfalls are also because private companies are barred from producing monazite, due to its applications in nuclear power production, while the public sector companies, such as Indian Rare Earths Ltd, being the dominant producers in India.

But with limitations of the public sector units in matching global standards of production, it is time to permit the private sector entities to process monazite from their existing facilities. In order to address national security concerns, necessary safeguards could be instituted by the Department of Atomic Energy and the Atomic Energy Regulatory Board. With critical elements being produced by private companies as per guidelines of the DAE and the AERB, apprehensions about their misuse can be laid to rest.

Self-reliance in the production of rare earths and critical heavy minerals such as monazite will ensue that the country is no longer dependent on unreliable regional rivals for critical supplies. Such self-sufficiency will always stand the nation in good stead in times of peace as well as strife.

Source: MMR

OBITUARY

The Chapter deeply regrets to inform its members about the sad demise of Shri A C Wadhawan, Past President, IIM. He breathed his last on 31st May 2015 at New Delhi.

Sri A. C. Wadhawan obtained his B.Sc. Degree from Delhi University in 1957 and his B.Tech (Hons) Degree in Metallurgical Engineering from Indian Institute of Technology Kharagpur in 1962. He also obtained a diploma from Association Pour L' Organization des stages en France (ASTEF) issued by the Ministry of External Affairs, Economic Affairs and Finance, Govt. of France in 1967.



Sri Wadhawan began his career in Mahindra Ugine Steel Co. Ltd and later joined Hindustan Zinc Limited (HZL) as Deputy General Manager (Smelters) and eventually he became the Chairman and Managing Director of HZL in November 1985 and remained in that position till his retirement in January 1996. Under his leadership HZL had the distinction of completing its most ambitious mining cum metallurgical projects namely Rampura Agucha and Chanderiya Smelter Projects which changed the Zinc/Lead scenario in the country.

Sri Wadhawan received several distinctions and awards which include BRALCO Gold Medal by IIM for his significant contribution to the development of non-ferrous metal industries in 1998, Silver Award by the Institute of Marketing in 1992, Rajiv Gandhi Excellence Award for his contribution to Public Sector (1992), Honorary Membership conferred by IIM in recognition of his distinguished service to the metallurgical industries in India (1993), Tata Gold medal for his significant contribution to metallurgical industries in India (1994) and Platinum Medal for his outstanding contribution to Metallurgical profession (1998) and IIM Life Time Achievement Award in 2010. He was the President of Indian Institute of Metals in 1992. He was elected a Fellow of the Indian National Academy of Engineering and a Member of International Association for Energy Economics, USA.

The Govt. of India appointed Sri Wadhawan as Chairman of Public Enterprises Selection Board (PESB) which selects Chairmen, Managing Directors and Directors of all Central Government public enterprises and later became Chairman SCOPE. He was appointed by Ministry of Steel on the panel of Judges for selecting the Best Integrated Steel Plant for Prime Minister's trophy.

Sri Wadhawan was the Vice Chairman of International Zinc Association in 1995-96. He was a Member of the Advisory Panel of International Lead Zinc Study Group, London during 1985-96. He was also in the Boards of Public Sector Enterprises like Hindustan Copper Limited, Indian Rare Earths Limited, MECON, Rajasthan State Mines and Minerals Limited. He was a member of Research Council of NML, Jamshedpur; RRL, Bhopal and NFTDC, Hyderabad and Chairman of the Research Council of RRL, Bhubaneswar.

Sri Wadhawan was also the Chairman of Research Advisory Council of Jawaharlal Nehru Aluminium Research Development and Design Centre, Nagpur and served on the Boards of several companies like Tata Refractories Ltd., Tata Metaliks Ltd., Transweigh (India) Ltd., Jindal Polyester, BHEL, Hindustan Zinc Ltd. and Reliance Cellulose Products Ltd.

Shri Wadhawan leaves behind his wife and daughter. May Almighty give them strength to bear this irreparable loss.

The Chapter prays that the departed soul of Shri Wadhawan rests in eternal peace.

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ACW-Fame is thy name



“Men may come and men may go” as the well-known adage goes. But generations see few wise men like Mr. A.C Wadhawan leaving strong imprints on the sands of time. From the day I met him in mid-80's till he breathed his last, I always found him as a gentle, warm-hearted and soft-spoken person. Despite all this softness, he had wanted to join the army, as he indicated once. I had the pleasure of dining as well as having tea with him and his wife on many occasions; I could closely observe his analytical approach to issues and problems that normally one encounters; with the result that many used to meet or talk to him asking for his guidance in their careers or lives. He was always ever-willing to counsel anyone and everyone. He cared more for other's feelings; once after we finished our telephonic conversation and disconnected, he gave me a ring again and asked “Pug, was I rude on that matter” I said “No, not at all” since he had not said anything rude. He would greet and talk to everyone alike, be it the Chairman or a driver. For any meetings, seminars etc., before speaking, he would always put down his thoughts in a piece of paper, time his talk or presentation and deliver a flawless speech eventually. Planning to perfection was his hallmark.

During our meetings, he would enquire regularly about the activities of IIM Delhi Chapter, IIM HQrs etc., It was his genuine wish that IIM should be a vibrant body like CII etc., and play a more constructive role among the industry, researchers and teachers. Let us all strive to convert his cherished dream into a reality.

May his soul rest in eternal peace!

– L.Pugazhenthay
Past President, IIM

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Steel Ministry facilitating SPVs with mineral-rich states

The Steel Ministry is in the process of facilitating setting up of special purpose vehicles (SPVs) with mineral-rich states of Odisha, Chhattisgarh, Jharkhand and Karnataka, Parliament was informed recently. Besides, state-owned iron ore miner NMDC's wholly-owned steel plant in Nagarnar (Chhattisgarh), which is being set up with an investment of Rs 15,525 crore, will be operational by December 2016, Minister of State for Steel and Mines Vishnu Deo Sai said in a written reply to the Rajya Sabha. "The Ministry of Steel is facilitating setting up of SPVs in mineral-rich states of Odisha, Chhattisgarh, Jharkhand and Karnataka," he added. The minister added that NMDC Steel, which is being developed by the state-owned iron ore miner, will produce 3 million tonnes per annum (MTPA) of steel. "The steel plant will have production capacity of 3 MTPA with the likely date of commissioning as December 2016," Sai informed the House. In a separate query, the minister told the Rajya Sabha that India's per capita consumption of total finished steel stood at 60.3 kg, according to provisional figures for 2014-15, compared with a world average of 219 kg in 2013, as per the figures of the World Steel Association. "One of the reasons for a higher per capita consumption of steel in developed countries is due to higher level of infrastructure and industrial development as compared to developing countries," Sai added. The estimated domestic per capita consumption of total finished steel is around 11 kg for rural India and 170 kg for urban India as per the 2014-15 provisional figures, he said.

Source: Metaljunction

Steel imports climb over 50 per cent in April, exports fall

India's steel imports jumped 51.6 per cent to 0.76 million tonnes (MT) last month compared with the year-ago period, government data showed. However, on a sequential basis, the imports declined 9.4 per cent from March this year, the Joint Plant Committee (JPC), a unit of the Steel Ministry, said in a report. Import of total finished steel, at 0.761 MT in April 2015, saw a growth of 51.6 per cent over April 2014 and decline by 9.4 per cent over March 2015," the report said. "Domestic steel industry is going through tough times, mainly due to a decline in demand in China, the world's largest steel producer. Importing steel from China was cheaper than producing it here and this led to imports, especially in the second half of 2014," a steel company executive reasoned. But since the first quarter (January-March), imports have been in decline, an assuring sign for the domestic steel industry, he added. According to JPC data, steel imports grew 71 per cent to 9.321 MT in 2014-15, with India remaining a net importer in the previous fiscal. Imports in March 2015 rose 91.8 per cent to 0.84 MT, but down 14.8 per cent compared with February 2015, the data showed. According to JPC, India's consumption of total finished steel registered an annual growth of 7.1 per cent in April at 5.5 MT, but declined 23.2 per cent over March 2015. Steel exports in April, at 0.38 MT, slumped 15.2 per cent year-on-year. Quarter-on-quarter, too, exports came down 24.9 per cent. In April, crude steel production stood at 7.392 MT, up 1.5 per cent year-on-year. But compared with March, the overall production turned lower by 4.1 per cent last month.

Source: Metaljunction

Environmental norms for iron and steel sector being revised: Prakash Javadekar

The Centre is revising the environmental norms for iron and steel sector and clearance to industries in this sector will be given on case-to-case basis, Union Environment Minister Prakash Javadekar said a few days back. "The environmental norms for iron and steel sector are being revised by the Central Pollution Control Board (CPCB). The environmental clearance to these industries would be given on case-to-case basis," Javadekar said. The Environment Minister was replying to a question in the Lok Sabha related to violation of environmental norms by iron and steel industries, and whether the government is considering increasing the norms and standards for them. Javadekar also informed the Lower House that a "total of nine (iron and steel) units were issued directions under Section 5 of Environment (Protection) Act, 1986" since 2012, and they were in various stages of compliance. Asked about Green Rating Project (GRP) by the Centre for Science and Environment (CSE), which had reported that the iron and steel industries were failing to meet environmental norms, Javadekar

said the report was examined and it was observed that it did not consider a few parameters. "A few parameters such as reduced specific water consumption, 100 per cent utilisation of blast furnace and steel slag, rebuilding coke oven batteries, waste heat recovery, waste gas utilisation and recycling and reuse of solid wastes were not given weightage in GRP," he added. The CSE had conducted the environmental rating of 21 major iron and steel plants across the country, having a capacity of more than 0.5 million tonnes per year. It was based on more than 150 parameters like iron making, air pollution and solid waste management, and found that almost all the plants were non-compliant to the environmental norms.

Source: Metaljunction

Subdued demand hits SAIL, sales decline by 2.3% in FY'15

Sales of steel major SAIL took a hit of 2.3 per cent at 11.8 million tonne (MT) in the fiscal ended March, 2015, due to subdued demand in during the July-December period. However, it achieved 1.24 MT of saleable steel sales in March 2015, which was higher compared to the year-ago period, indicating an uptick in the demand, an official source said. "The Maharatna status firm also completed projects worth Rs 10,000 crore -- the highest in any financial year," the source added. "In 2014-15, sales of 11.8 MT have been lower by 2.3 per cent than 2013-14, which was impacted on account of subdued market conditions, especially in the second half (July-December) of 2014," the source said. The global steel industry is going through difficult times, and likewise the domestic steel sector has also been subdued. Due to excess production and decline in demand in China, steel from that country has been finding its way to other countries, including India India's steel imports jumped by over 67 per cent during April-February of 2014-15 to 8.39 MT, while the exports declined by 11 per cent to 4.8 MT. Production of hot metal grew by 7 per cent to 15.4 MT in 2014-15, while crude steel output rose by 2 per cent at 13.9 MT during the same period. Besides, iron ore production of 23.1 MT was achieved from the captive mines to meet the demand for SAIL plants, the source added. "SAIL also achieved the highest ever crude steel output of 10.28 MT in 2014-15 through energy efficient concast route. This was higher by 5 per cent than the production in 2013-14 fiscal," he said. The state-run steel maker had reported an 8.6 per cent rise in net profit for October-December quarter at Rs 579 crore from Rs 533 crore in the year-ago period on the back of improved efficiencies and lower input costs. Turnover of the company, however, was lower by 3 per cent for the quarter at Rs 12,291 crore impacted by higher imports and nearly flat steel consumption in the country.

Source: Metaljunction

Urbanising India best bet for Chinese steel

India will be the lone bright spot for Chinese steelmen trying to cut bloated inventories as Asia's third-largest economy embarks on a once-in-a-generation urbanisation drive under Prime Minister Narendra Modi. Urban dwellers will double to more than 800 million by 2050, a scale of mass urbanisation only seen before in China. Ahead of Modi's election last May, he vowed to construct 100 so-called "smart" cities by 2022, an infrastructure project some estimate would cost \$1 trillion. As India build new roads, office blocks and cities, its steel consumption growth will put the country at the top of the list of the world's 10 biggest steel users this year and the next, according to the World Steel Association. Demand from China and the United States, the two largest consumers, is forecast to either fall or stay flat. Outside China, India is the best bet for Chinese steel mills. The sector in China has been saddled by excess capacity of around 300 million tonnes, three times the annual output of Japan, the world's No.2 producer after China. The glut grew more pronounced last year as a slowing economy cut China's steel consumption for the first time since 1981. "The China slowdown will give India an opportunity to emulate China's progress over the last few decades and emerge as a major global steel player in its own right," said analyst Manoj Mohta at CRISIL Research. As India urbanises and industrialisation advances, infrastructure investment will rise 43 percent to about \$472 billion over the next five years compared with the five years before. India's steel consumption grew 2.2 percent last year to 75.2 million tonnes. Demand may rise 6.2 percent this year and 7.3 percent in 2016, the World Steel Association says. In the fiscal year ended in March, steel imports jumped 71 percent to 9.3

million tonnes, most of which were from China. Cheap Chinese steel has forced some Indian mills to cut prices and post losses in recent quarters. Steel Authority of India (SAIL.NS), Tata Steel (TISC.NS), JSW Steel (JSTL.NS), Essar Steel, Jindal Steel and Power (JNSP.NS), Bhushan Steel (BSSL.NS) and Visa Steel (VISA.NS) are planning to expand their combined capacity by 9 percent in the fiscal year started last month to compete with low-cost imports.

Source: Metaljunction

Steel Minister Shri Narendra Singh Tomar suggests three-layer framework for skill development

Union steel & mines minister Narendra Singh Tomar has suggested a three-layer framework for skill development to meet the country's requirement. He advised the PSUs in steel & mines sector to act with a sense of urgency and purpose in the area of skill development. Speaking at an interface between Ministries of Steel & Mines and Ministry of Skill Development & Entrepreneurship at Udyog Bhawan a few days back, he advised the PSUs in steel & mines sector to act with a sense of urgency and purpose in the area of skill development. "Adopt a planned approach by assessing need-based skill requirements on short-term and long-term basis. Firstly set targets for your own industry, steel or mines. Secondly, think of requirements of upstream and downstream industry and thirdly the requirements of allied industry. Instead of working separately on small scale, work cohesively on a bigger scale. Time is of essence, therefore the planning must be completed at the earliest so that execution can begin in earnest," Tomar said. In this, he laid emphasis on 100% utilization of seats for apprentices in PSUs. Union minister of state (independent charge) for skill development & entrepreneurship, Rajiv Pratap Rudy, highlighted the areas of cooperation between the ministries, providing space for training, identifying industry requirements, utilization of CSR funds, contribution to National Skill Development Fund, providing trainers and schools, recognition of prior learning (RPL), ITI adoption and apprenticeships. Various issues that came up for discussion included creation of institutes of excellence, project to conduct RPL for existing workforce with focus on service providers, alignment of training infrastructure of PSU/industry with National Occupational Standards-NOS/Qualification Pack-QP, collaboration with existing training institutes with Ministry, utilising the existing training providers, and identification of junked equipment lying at various facilities & refurbishing it for civilian training. The meeting was also attended by union minister of state for steel & mines Vishnu Deo Sai and other senior officials from the concerned ministries and PSUs.

Source: Metaljunction

India: Steel companies say demand picking up, see upward revision in prices

Domestic steel producers are a divided lot when it comes to price revision for May, but are upbeat about the demand prospects going ahead. While some companies see stability returning to the market amid improvement in global demand, others continue to face the brunt of increased dumping from countries like China, Russia and Ukraine. Steel makers like state-owned Rashtriya Ispat Nigam and Kalyani Steel are marginally lowering product prices, but Essar Steel and Sajjan Jindal-led JSW Steel have decided to rollover prices for the month. "As of now we are negotiating with clients. There is certainly a cut in prices but we do not know at what level it will settle," said R K Goyal, managing director of Kalyani Steels. "Though marginally, we have already reduced prices of nearly all our products for this month," said M V Chary, pricing in-charge at Rashtriya Ispat. Increased imports from several neighboring countries has left domestic steel players in a lurch as there are no takers for their products in an already dull market. Due to this, domestic steel prices have been declining for the last six months. "Observing all international parameters, our sense is that there is some stability in the domestic market now. We are still reviewing the situation but for the month of May we have rolled over the prices," said Jayant Acharya, director (commercial and marketing) from JSW Steel. Globally, iron ore prices have moved up to \$60 per tonne from \$47 earlier. Prices of hot rolled sheet in the US have also gone up along with some upward revision in prices of the alloy in China. Going ahead, however, most companies feel that domestic steel prices will only head upwards as demand is beginning to pick up. Steel prices have bottomed out and are left with no room to fall further, said industry officials. "We can certainly see demand improvement at the

grassroot level as enquiries are going up, orders are fructifying. We get a sense that there is concrete demand coming into the market. It is not just the sentiment," said Vikram Amin, executive director (strategy & business development), Essar Steel. "The auto and capital goods segment are showing improvement in demand. Leading indicators like medium and heavy commercial vehicles have picked up well. So certainly demand is improving," said Acharya of JSW Steel. "As far as the infrastructure segment goes, it will take a while to pick up and much will come mostly in the second half of the year, which is seen much better than the first half," he added. India's steel consumption grew 2.2% in 2014 to 75.2 million tonne. Demand may rise 6.2% this year and 7.3% in 2016, says the World Steel Association. Domestic steel prices are likely to go up by 5-10% during the current fiscal, feel officials. Though the demand scenario seems to be improving, companies are of the view that continued imports may trigger production cuts among primary producers as secondary players have already reduced production to 50%. "If the dumping doesn't stop in coming months, production cuts are most likely among primary players. There is going to be no escape from that," said Goyal of Kalyani Steel. In the fiscal year ended in March, steel imports jumped 71% to 9.3 million tonne, most of which were from China. Cheap Chinese steel has forced some domestic mills to cut prices and post losses in recent quarters. In order to cut losses in coming months, companies are taking various efforts on the cost front to maintain margins. "Though I cannot quantify the benefits from cost measures taken, we are certainly taking steps in areas like coking coal blends, iron ore blends to keep costs under control and improve efficiency," said Acharya of JSW Steel.

Source: Metaljunction

How China's slowdown affects India and Global Steel markets

China has been witnessing a decline in demand for steel in the domestic market which had its repercussions in the global market. The US and the Eurozone markets were especially hurt as a result of the developments in China. The dip in consumption in the internal markets led to an unenviable situation of surplus in China, the world's largest Steel producer. The decline in demand for Steel at home is the result of an economic slowdown—the slowest in six years. The situation in China has led to a jump in Steel imports in India. A government data shows that India's steel imports rose 51.6% to 0.76 million tons in April compared with the year-ago period. Those within the industry says due to the slow down buying steel from China has become more attractive than making it at home as the former option is more cheap and hence feasible. This is hurting the domestic steel industry. Steel exports from India during April stood at 0.38 million tons, down 15.2% from a year earlier. But there is still chance for hope as a report by, Joint Plant Committee (JPC), a unit of the Steel Ministry, says on a sequential basis, the imports declined 9.4% from March this year.

Global scenario

According to Worldsteel, China's crude steel production for March 2015 was 69.5 Mt, a -1.2% decrease compared to March 2014. World crude steel production for the 65 countries reporting to the World Steel Association (worldsteel) was 138 million tonnes (Mt) in March 2015, a -2.7% decrease compared to March 2014. Analysts say the surplus in China may head to critical levels which may potentially drag global prices down. Financial Review writes that China's Steel exports stood at 34.3 million tonnes over the first four months of the year. At this rate China is likely to ship 102 million tonnes of steel this year which will be a record. Upset over the dumping of Chinese Steel in their markets US, Japan and South Korea are planning to impose anti-dumping duty on Chinese imports.

Impact on iron Ore prices

If the slowdown in China steel consumption continues for a long time the outlook for iron ore prices may enter negative territory. According to a report by ANZ(quoted by Bloomberg), Iron ore will average \$55 a tonne next year, down from an earlier forecast of \$60, and \$60 in 2017.

Source: Metaljunction

Whoever wants to invest in India, we will help them: Narendra Singh Tomar

A day after the auctioning for minerals was notified by the central government, Union Minister of Steel and Mines Narendra Singh Tomar spoke to *Jyoti Mukul* and *Deepak Patel* on the journey so far and how the sponge iron industry and special purpose vehicles with the state governments for steel production will be the next focus area for him. Edited excerpts:

❖ In your two ministries of mines and steel, how do you plan to take forward the government's 'Make in India'?

There was a complete deadlock in the mining sector for the past five years. We were not able to deal with about 60,000 files which were pending. People were looking for a transparent process. For that, it was necessary for us to bring amendments in the Mines & Mineral Development and Regulation (MMDR) Act. I am happy it has been passed by Parliament.

Work on expansion and modernisation of Steel Authority of India's plant was going on but could not be completed within the stipulated time. In the past few months, we monitored this continuously. I am happy that work at Rourkela and Burnpur has been completed. Durgapur and Bokaro is nearing completion. Bhilai work will be completed in September and the moment that is done, SAIL production capacity which is 13 mt a year will increase to 23 mt. Under SAIL's 2025 vision, we are working on the second and third phase expansion. It will involve increasing production capacity to 50 mt and will involve investment of Rs 1,50,000 crore. RINL expansion and modernisation is also complete and it will be commissioned by July. Both mining and steel sectors are major employment generator and also spawn small industry. These sectors will give a push to Make in India. IN one year, we have made a beginning, and I am quite satisfied with it.

❖ What about private sector investment, which is still not coming? Posco and ArcelorMittal have been trying to come in for more than a decade now. ArcelorMittal has now decided a venture with SAIL.

We are constantly making effort to attract investment but can only encourage private investors. They are welcome to come and invest and we will talk to state governments so that their entry is facilitated. Besides ArcelorMittal, we are in discussion with others, too, like Posco. To realise Make in India dream, the government is committed and whoever wants to invest here, we will help them.

❖ The Centre also wants to set up special purpose vehicles (SPV) to increase steel production. What is the progress?

We have decided to have four SPVs along with Chhattisgarh, Jharkhand, Odisha and Karnataka. We have signed a memorandum of understanding (MoU) for a plant in Bastar of three mt capacity, involving investment of Rs 18,000 crore. It will later produce six mt. Total production from these four plants will initially be 12 mt which will increase to 24 mt. The government is also trying that investment in works like laying of a railway line should speed up and not be left for the Railways alone. Like from Rowghat to Jagdalpur. We are doing the work so that bringing raw material will become easier. Another MoU for a pellet plant in Jharkhand will be signed any day and talks with Odisha and Karnataka are going on. In steel, value addition needs a lot of research and development. Steel Research and Technology Mission of India has been created, in which Rs 100 crore has been put from the Steel Development Fund. Big companies in steel sector will also put in Rs 100 crore.

❖ How far will the new mining law promote mining activity?

The auction process has been made completely transparent. UPA's MMDRA Act had this provision of a mine auction. But there was also this provision for first-come-first-serve. When you insert a tough provision and if there are easy provisions which are simultaneously kept there, nobody follows the tough provision.

Now, as auction is the only route for allotting mines, no state government or central government has any discretionary power. We have handed over the powers of the central government to states.

Earlier, there was this procedure of getting prior approval from the centre; now the Act says states need to concentrate on auction.

❖ **How do you plan to promote exploration of minerals?**

We have created a National Mineral Exploration Trust (NMET). Apart from NMDC and MECL, we have appointed central public sector undertakings such as SAIL, RINL, KIOCL, MIOL etc. as well as state PSUs from Chhattisgarh and Madhya Pradesh were notified for exploration work. We are increasing our exploration work with their help. If there is better data available through exploration, even the states will get better revenue during auction.

❖ **Exploration is a capital-intensive sector where high-level technology is required too. Do our PSUs have that kind of money or technology?**

We are forming some rules regarding that. Some money is allocated to Geological Survey of India (GSI) through budget, NMET will get some revenue (2 percent of royalty), some money is with central PSUs, state PSUs will come too and ultimately states have to do the work. Like a state like Madhya Pradesh may give a site for exploration, giving some money from his own pocket in this pool. This is the way we want to move things forward.

And if we feel the necessity, and our economic conditions improve, more money will be allotted in the budget. We want to spend money for exploration. It has to be scientific too. It needs manpower too. Right now we have sufficient manpower. In case, we need more manpower, we will get that too.

❖ **The government had said that it will increase the import duty on steel from 10 to 15 per cent. When is it going to happen and will the government look at keeping steel out of future free trade agreements to promote domestic industry?**

On duty, I am in discussion with the ministries of finance and commerce and I expect an outcome soon. FTAs are long-terms issues. Not much can be said on this. To respect international relations is a commitment of any government but it is also our duty to ensure that employment in our country is not affected.

❖ **When do you see mineral auctions beginning?**

Major minerals are property of the state governments but they have not been explored properly. Auction has to be done by the state governments. Since it is a new thing, it takes time. They have to identify blocks and do exploration and then auction. But we expect them to start the process soon since they themselves are very keen.

❖ **Now with the rules for auctioning notified, what is next on your agenda?**

We need to take forward the steel SPVs and also promote small industry like sponge iron. We work on it now.

Source: Business Standard

Domestic Steel Demand to remain subdued till 2017 Study

Domestic steel demand to remain muted during FY2012-17 on account of a weak macro-economic environment, says a study conducted by Accenture and the Confederation of Indian Industry (CII). Furthermore, the study says, the demand for longs is expected to increase by 19 million tons (mt) at a CAGR of 9 percent and for flats by 16 mt at a CAGR of 8 percent between FY2012 and FY2017. This is due to relatively weaker growth prospects of flats end-user industries (such as automotive and consumer durables) than those for longs.

Increased domestic competition

Incumbents and challengers have announced 71 million ton per annum (mtpa) of steel capacity addition between FY2012 and FY2017 through both brownfield and greenfield routes.

However, there is considerable uncertainty on the actual capacity addition as many projects are yet to achieve financial closure due to delays or lack of regulatory clearances, says the report. "Based on our bottom-up assessment of the announced capacity additions, projects aggregating to 35 mtpa of crude steel capacity have already achieved financial closure. Hence, we expect a minimum aggregate capacity of 122 mtpa to be commissioned by FY2017," the report says.

This capacity addition will lead to two structural changes. First, the concentration in the longs segment will increase by 5-7 percent in the medium term, deepening the sustainability challenge for secondary producers. Secondly, it will shift the current flats-longs capacity split of 50:50 to 60:40 by FY2017, if all the announced projects are commissioned. "As a result, one can expect oversupply in flats and a capacity shortfall in longs," observed the report.

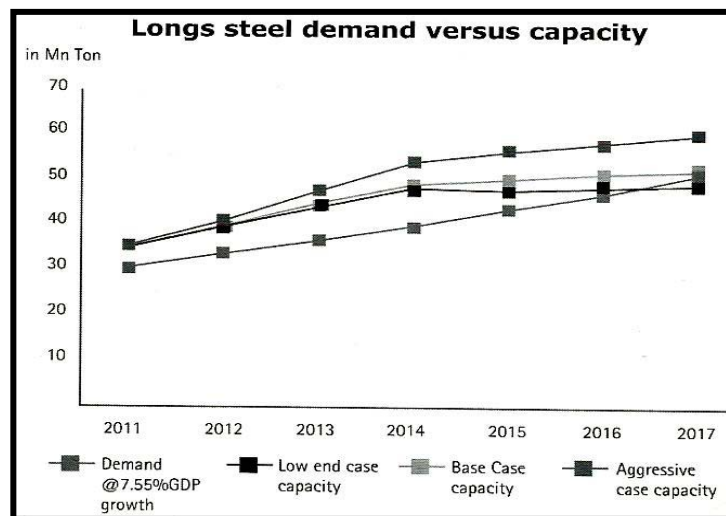
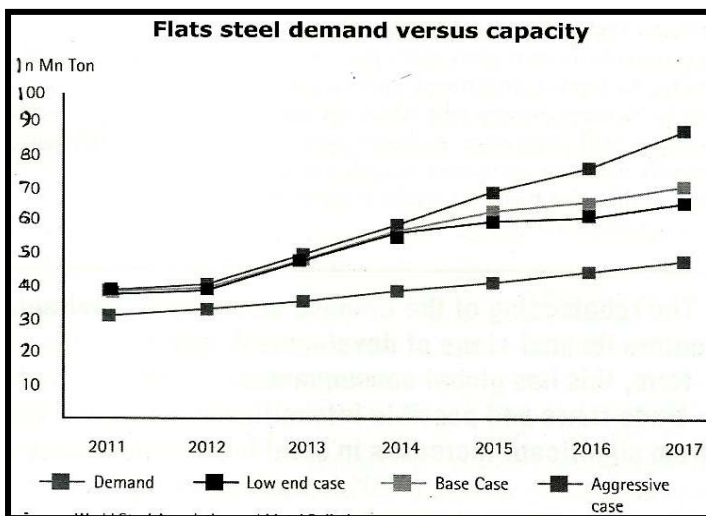
Steel capacity to outpace demand in medium term

The study has projected capacity for crude and finished steel between FY2012 and FY2017 to understand the supply-demand balance. In light of the uncertainty in regulatory approvals and financial closures, it has built three scenarios for capacity addition:

- ❖ Aggressive (all announced capacity commissioned)
- ❖ Base (all brownfield and financially closed; greenfield capacity commissioned)
- ❖ Low end (only financially closed capacity commissioned)

"We believe that the supply for flats could outpace demand between FY2012 and FY2017, even in the low-end capacity addition scenario, leading to increased pressure on utilisation and margins. This, coupled with the downturn in global steel prices, will prod primary producers to substitute imports and crowd out secondary producers," the report says.

In contrast, the longs segment could see demand outpacing capacity over the next five years, except in the most aggressive capacity addition scenario. Longs steel players are likely to face a favourable demand environment with only a transient overcapacity leading to better utilisation and margins compared to flat steel. Overcapacity could be prolonged only if the entire announced capacity addition, 21 mtpa, is completed.



Domestic raw material supply volatility to continue

The study expects global prices of iron ore to soften in the near term, but the same might not materialise for Indian players primarily due to the challenging regulatory environment. The future landscape of iron ore supply in domestic markets will be determined by who wins the regulatory tussle – iron ore miners or steel players.

Scenario 1: If iron ore miners win, it will lead to:

- ❖ Firmer iron ore prices in the local market – import parity pricing.
- ❖ Iron ore shortage for non-integrated steel players.
- ❖ Potential margin compression in the case of weak realisations.

Scenario 2: If steel players win, it will lead to:

- ❖ Softer iron ore prices in the local market – export parity pricing.
- ❖ Adequate iron available for non-integrated players.

Investment scenario in steel land acquisition and regulatory clearances pose major challenges to new greenfield investments. Delays in the government allocating sufficient iron ore blocks, regulatory approvals and challenges in land acquisition have slowed many steel projects.

Moreover, regulatory clearances and land acquisition challenges have affected expansion and modernisation projects. Major investments from leading MNCs and large Indian corporates across Karnataka, Odisha, Jharkhand and West Bengal have been affected due to land acquisition challenges.

The need to secure raw material supplies has led Indian steel companies to look at global asset base. The raw material security scenario has slightly improved due to regulatory support to overseas acquisitions. The Indian steel companies are actively seeking mining leases and assets globally to secure raw material supplies.

The capability to acquire, develop and operate these assets has become a key strategic imperative. These assets provide a natural hedge at the raw material portfolio level, and are also important for overcoming the short-term domestic challenges.

Incumbents and challengers have announced 71 mtpa of steel capacity addition between FY2012 and FY2017 through both brownfield and greenfield routes. However, there is considerable uncertainty on the actual capacity addition as many projects are yet to achieve financial closure due to delays or lack of regulatory clearances.

Several Indian steel companies have acquired iron ore and coking coal assets in countries such as Canada, Australia and South Africa through joint ventures. One of the leading Indian steel companies acquired a majority stake in a new iron ore reserve in Canada. It had acquired a minority stake in an Australian mine, which was sold last year to a leading global miner.

Another Indian steel company has acquired and operates anthracite mines in South Africa. It has also acquired a significant minority stake in an Australian coal miner with exploration rights for coking coal in Queensland.

Potential growth constraints

Demand-side constraints: The growth in the steel market is expected to be muted in the short term on account of poor growth in core consumer sectors such as infrastructure and construction. The demand is expected to rebound in the latter half of 2015 with growth in infrastructure as announced in the Twelfth Five-year Plan. Growth in the automobile and consumer durable sectors will also support demand growth in the long term.

Supply-side constraints: The large steel players and new entrants have announced capacity addition of about 71 mtpa till 2017, as already mentioned. Regulatory hurdles and land acquisition challenges remain the largest supply-side constraints for the Indian steel market. Mining bans in Karnataka and Goa and delays in the execution of announced capital projects can further constrain supplies.

Challenging global environment

Steel companies globally have been operating in a challenging environment of rising input costs and limited pricing power (in most years), leading to steady erosion in margins. In response, steel-makers have been integrating upstream facilities to secure supplies of iron ore and coking coal. The global scenario has been a prologue to the Indian market where after a decade of exponential revenue and profit growth, the steel players are entering a down-cycle.

Historically, high asset utilisations, benign global pricing, consolidated industry structure and a local demand-supply environment have enabled Indian players to generate better realisations compared to their global counterparts.

Recently, however, the Indian steel industry has started witnessing the signs of down-cycle leading to margin compression despite strong volume growth. This is primarily due to high input costs and a weak macro-economic environment, both globally and domestically.

Declining margins, coupled with sluggish demand growth, has made investors cautious about steel companies. As a result, enterprise value for the Indian steel industry has declined by almost 30 percent since FY2010.

This situation is further complicated by key trends in the global and domestic steel industry that have far-reaching impact on Indian steel players and customer markets.

The steel industry in OECD economies is witnessing persistent low capacity utilisation compounded by margin squeeze. Steel demand growth is expected to flatten in heavy-weight economies, including OECD economies, even as major structural shifts happen in China and fewer acquisitions of raw material suppliers in India are expected to reshape these markets, says the report.

Source: Steel Insights

Jindal Stainless commissions state-of-the-art metal recovery plant

Jindal Stainless Limited (JSL), the largest integrated manufacturer of stainless steel in India announced the commissioning of state-of-the-art Metal Recovery Plant in association with Harsco Corporation, a worldwide leader in providing material processing and environmental services.

This technologically-advanced "Metal Recovery Plant" is a part of multi-year contract to provide onsite material processing services by Harsco and will be located at JSL's fully integrated stainless steel manufacturing facility at Jajpur, Odisha.

This system will enable the recovery of the trapped metal (ferro chrome) from the slag generated during the production of ferro chrome and will help in enhancing the production capacity by minimizing wastage. There was a loss of 5000-6000 tonne metal per year, which will now be recovered through this novel technology. This will result in least slag generation, which will be processed in adherence with the environmental norms.

Commenting on the partnership, Mr. S Bhattacharya, Director Operations – JSL said, "JSL is always committed towards the protection of environment and minimizing the wastage of precious metals and minerals during the production process. This technology will help JSL to reduce the wastage of precious natural resources and will also help in reducing the amount of new metals & minerals, which would otherwise have been purchased or extracted from mother nature".

Commenting on the same, Mr. Rick Lundgren, President, Metals & Minerals Division, Harsco stated "We are privileged to have JSL as our partner to bring this technology to India for the first time for the stainless steel sector and be a part of growth of Indian stainless steel sector. The JSL's Jajpur site is a major opportunity to demonstrate our higher-performing value proposition within one of the world's leading stainless steel markets."

The facility established in Jajpur unit of Jindal Stainless Limited includes:

- ❖ Liquid slag dumping facility.
- ❖ Rumbler unit for recovery of medium size metal pieces.
- ❖ Crushing unit for recovery of small pieces of metal embedded in slag.
- ❖ Wet Milling Plant – segregate fine metallic pieces from slag thus ensuring a processed slag having very low metallic content.

Jindal Stainless, a part of the \$18 billion USD, OP Jindal group is the largest integrated manufacturer of stainless steel in India and is ranked among the top 10 stainless steel manufacturers in the world, with a capacity of 1.8 million tonne. JSL has crafted its success story by fully integrating its operations based on a strategy of both, backward and forward integration, starting from mining, melting, casting, hot rolling to cold rolling and further value additions.

An ISO: 14001 compliant, JSL product range includes: ferro alloys, stainless steel slabs, blooms, hot rolled coils, plates and cold rolled coils/ sheets, stainless steel strips for razor blade steel and coin blanks for mints in India & EU. Harsco Corporation serves major industries that are fundamental to worldwide economic development, including steel and metals production, railways and energy. Harsco's common stock is a component of the S&P MidCap 400 Index and the Russell 2000 Index.

Source: MMR

Parliamentary panel asks government to allot captive iron ore blocks to RINL

A Parliamentary panel "strongly" reiterated its recommendation to the government to allot iron ore blocks to state-run steel major RINL to help it achieve the planned capacity addition of 20 million tonne (MT). The Parliamentary Standing Committee on Coal and Steel, chaired by Rakesh Singh, also expressed "concern" on Steel Ministry being silent on steps taken by state-owned consultant MECON to improve its performance despite fall in profit. The committee acknowledged that the plan of Rashtriya Ispat Nigam Ltd (RINL) for expansion of its steel capacity by up to 20 MT has been hit due to lack of raw material security. Being one of the only public sector steel plant without captive iron ore mines till now, RINL has been incurring about 60 per cent of expenditure on raw material while other major producers are incurring 31-44 per cent cost on raw material, it added. "While acknowledging that RINL being the only public sector steel plant without captive iron ore mines, the committee strongly reiterate their recommendation regarding allotment of iron ore blocks to RINL for ensuring that it gets the raw material for its planned capacity expansion of 20 MT," the panel said. On decline in profits of MECON, the committee observed that the state-run entity attributed the decline in its profit for the three years beginning 2011-12 due to economic slowdown, ban on iron ore mining that resulted in delay in project implementation. MECON added that profits were also hit on account of non-materialising of expected projects and uncertainty in coal availability among others. MECON's profit declined to Rs 101.02 crore in 2012-13 from Rs 136.36 crore in 2011-12. It nosedived to Rs 18.77 crore in 2013-14. The panel said it was "dismayed" to note that MECON's profit in 2013-14 got reduced by "7 times the profit in 2011-2 and is only 1/5 of the profit during 2012-13." The committee are concerned to note that although the Ministry (Steel) in their action taken report have mentioned the major reasons for slump in profits of MECON..., the reply is silent about the steps taken by MECON to improve its performance," the panel said. The committee said the public sector undertaking should take advantage of the "conducive atmosphere" being created in India after passage of the Mines and Mineral (Development & Regulation) Amendment Act, 2015 and the Coal Mines (Special Provisions) Act, 2015 to improve its performance.

Source: Metaljunction

China's May iron ore prices forecast to remain rangebound from Apr: CISA

China's iron ore prices, especially imports, are forecast to remain rangebound from April, with little upside seen for prices to stage a recovery, China Iron and Steel Association said in its April monthly iron ore market report released recently. "Iron ore prices lack the support for a sustainable recovery amid overcapacity, soft demand and low domestic steel prices," CISA said in the report. Iron ore supply has remained abundant so far this year. Even though some domestic and overseas iron ore mines with high production costs have halted operations amid falling prices, this failed to alleviate the supply glut in China's iron ore market, CISA noted. China's domestic steel demand has been soft throughout the first quarter of 2015, as seen from the country's crude steel output falling 1.7% year on year to about 200.1 million mt, while apparent crude steel consumption fell by a sharper 6.2% to 177 million mt, according to CISA data. CISA's 88 member mills posted a combined net loss of Yuan 987 million (\$161.4 million) in Q1 2015, with nearly 50% of them in the red mainly due to low domestic steel prices. The country's domestic steel demand and steel production may improve during Q2, when steel consumption is seasonally higher. But even so, the expected recovery is likely to be modest, which would see demand for iron ore remaining weak, the report said. In the midst of this, China's domestic iron ore miners have either kept their prices unchanged or cut prices in April in a bid to ease rising stockpiles, according to market sources. CISA's latest monthly report noted that average domestic 62% FE iron ore concentrate prices fell 6.2%, or Yuan 36.28/dry mt, on month to Yuan 545.38/dmt, inclusive of 17% VAT, as of April 30, while the average 62% FE imported iron ore fines price recovered 10.3%, or \$5.25/dmt, on month to \$56.43/dmt CFR China.

Source: Metaljunction

Global iron ore prices recover in April 2015; reverse price fall trend of past months

Global iron ore prices staged a recovery last month reversing a trend that witnessed a sharp fall in past months. Prime grade ore with iron content of 62% (Fe 62% grade) rose nearly 10% to \$56.2 per tonne, in what markets term a relief rally on a month on month basis in April. Ore with Fe content of 58% gained 2.1%. However, domestic iron ore prices fell due to higher availability. This is expected to add stability to steel prices according to analysts. Ore prices had shrunk to an almost ten year low in beginning of April 2015. The upturn, close to the biggest gain in prices in nearly two years was led by Australian giant BHP Billiton announcing a slower pace of expansion. Recently, Brazilian mining major Vale announced production cuts to contain price fall in iron ore. All eyes are on Rio Tinto and its iron ore strategy as the company is slated to hold its annual general meeting shortly. Together with Fortescue group, BHP, Vale and Rio Tinto account for nearly three quarters of the global iron ore supplies. Seaborne supply of iron ore will exceed demand by over 50 million tonne this year, rising to 184 million tons in 2018, according to estimates by Morgan Stanley. That is likely to keep the price outlook to a range of \$55 to \$65 over the medium term. Domestic iron ore prices though, fell due to higher availability. This could lead to stability in domestic steel prices, according to analysts. "While steel prices have fallen around 2.5% during the month of April, there have been some indications of price consolidation in last couple of months," Goutam Chakraborty, Analyst-Institutional Research at Emkay Global said in the latest metal sector report. "During the month, the CIS Export (free on board f.o.b Black Sea) hot rolled coil (HRC) prices fell almost 3% to \$367.5 per tonne, after mostly hovering at over \$370 per tonne. China HRC prices fell 1.1% month on month to \$409 per tonne, we expect some stabilization here," the report added.

Source: Metaljunction

Current & Futuristic Materials for Defense Systems

Dr. Arvind Bharti

Director Cluster Co-ordination, DRDO HQ, Ministry of Defence, New Delhi

A talk on “**Current & Futuristic Materials for Defense Systems**” was organised at Delhi Chapter on 16 May 2015.

At the outset Shri S C Suri, Chairman IIM Delhi Chapter welcomed Dr Arvind Bharti, Director Cluster Co-ordination, DRDO HQ, Ministry of Defence. Shri Suri gave brief details about the activities of Indian Institute of Metals at national level. He also highlighted the activities being undertaken regularly at Delhi Chapter level. It was emphasised that the focus of the programmes being organised is on different issues related to metallurgical disciplines.

Shri K L Mehrotra, Vice Chairman, IIM Delhi Chapter introduced the speaker, Dr Bharti. After introductory reference, the floor was handed over to Dr Arvind Bharti.

Dr Arvind Bharti focussed on various activities of DRDO (*Defence Research & Development Organisation*) in a vast spectrum of technologies to serve the operational requirements and indigenisation of different weapon systems required for Indian Defence Forces. He highlighted various technological challenges in DRDO's 46 Labs (Naval Systems & Materials, Life Sciences, Electronics & Communication Systems, Microelectronic Devices & Computational Systems, Missiles & Strategic Systems, Armaments & Combat Engineering Systems and Aeronautical Systems). Dr. Bharti highlighted the role of development of new materials for extreme weather conditions as well as for specific weapon requirements. He focussed on development of suitable materials for the following systems

- ❖ Missile Systems
- ❖ Aeronautics Systems
- ❖ Combat Vehicle Systems
- ❖ Propulsion systems
- ❖ Engine Technology
- ❖ Rockets & Ammunitions
- ❖ Guns and Small Arms
- ❖ Propellant & Explosives
- ❖ Battle Tanks



- ❖ Bridges and Mine flailing Systems
- ❖ Rocket launchers
- ❖ Unmanned Ground Vehicles
- ❖ Microelectronics Devices
- ❖ Electronic Systems
- ❖ Electronic Warfare Systems for various platforms
- ❖ Radars
- ❖ Sonar Systems
- ❖ Torpedo/AUV Systems
- ❖ Fuel Cell and AIP technologies

In addition many specific materials like envelop material for aerostate with different strengths, Parachute fabrics, high strength low weight composite fabric, assorted textiles, material for improved propulsion technology, self-healing and self-diagnosis material, nano-material for aerospace, material for aero gas turbines, super alloys, fibres for composites, stealth materials, material for smart actuation, material for magnets, material for IR domes, Graphene and nano materials, nano-fluids, lightweight materials for various structural applications, technical ceramics and advanced composite materials, microwave tube materials, SiC material, nano-material for THz detector, etc.

The presentation which was supported by visuals and videos evoked a lively response amongst the audience. There were a question and answer sessions during/after the Presentation

The talk was attended by about 50 IIM DC members.

The audience found the programme very interesting and informative.

Shri G I S Chauhan, Hony. Jt. Secretary, Executive Committee, IIM DC, proposed a vote of thanks to Dr Arvind Bharti and all the participants.

As a token of appreciation, a Shawl was presented to Dr Bharti by Chairman.











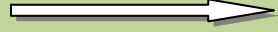










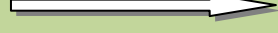





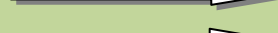

The programme concluded with lunch.

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GO FROM.....

Go from:

	Burnout to recharged
	Failure to learning
	Regrets of the past to dreams of the Future
	Prejudice to reconciliation
	Ordinary to extraordinary
	Defective to effective
	Despiteful to insightful
	Whining to winning
	Lukewarm to “on fire”
	Security to opportunity
	Fear to action
	Resisting to receiving
	Thinking of yourself to thinking of others
	Complaining to obtaining
	Drifting to steering
	Being a problem to being an answer
	Trying to committing
	A copy to an original
	Envyng others to serving others
	Ingratitude to thanksgiving
	Fault-finding to forgiveness
	Criticism to compliments
	Alibis to action
	Procrastination to progress
	Hesitation to obedience
	Blending in to standing out
	Fractured to focused
	Taking to giving
	Wishing to wisdom

This is the twelfth of series of “Nuggets of truth” which are our sound food for soul. Get ready to blow the lid off our limited Thinking & create your recipe for happiness & success.

Compiled by Shri K L Mehrotra
Vice Chairman - IIM-DC & Former, CMD - MOIL



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