The Real Steel Frame of India

Steel production, once solely associated with India’s public sector, has been witnessing strong private sector participation, with more than 85% share in iron and steel production processing. India is the second-largest producer in global crude steel production after China and the EU since H1 2018, with a marginal dip in H2. The National Steel Policy 2017, the Domestically Manufactured Iron and Steel Product (DMI&SP) policy, the amendment in the general financial rules (GFR), and the application of Bureau of Indian Standards (BIS) on steel products have been some policy initiatives taken to spur this sector.

Promodita Sathish

Trade remedial measures, and resolving non-performing assets (NPAs) under the Insolvency and Bankruptcy Code (IBC) have also contributed towards enhancing domestic production. Preference to domestic value addition in steel output in GoI’s procurement has not only encouraged ‘Make in India’ steel production but also contributed to increasing production capacity by 25.6% from 2014-15, with 75% capacity utilisation during 2017-18.

According to provisional Joint Plant Committee (JPC) data, by producing crude steel at 8.966 million tonnes (MT) in December 2018, India reached 106 MT production during 2018, a 5% increase year on year. During April-December 2018, this figure was 78,984 MT, thereby a growth of 4.30% over the corresponding period the previous year.

This strong performance has been driven by private steel companies. Unlike the globally adopted trend, India is making most of its steel (67%) through the electric route, the rest being via the usual oxygen route. This trend is mindful of reducing carbon footprint.

The steel industry is highly energy-intensive. Almost 25% of the total energy consumed by industry in India is accounted by steel production. Besides its durability, steel also offers savings over the life cycle of products, particularly in terms of energy and iron ore required to produce them. Moreover, with 100% recyclability, steel scrap as an input is environmentally friendly.

However, not enough recycled steel scrap is generated domestically, and India is heavily dependent on imports (7.5 MT in 2017). As announced earlier this week by Union steel minister Bhupender Singh, GoI is formulating a draft National Scrap Policy. This hopes to facilitate the seamless supply of recycled ferro scrap for steel-making with a focus on import substitution.

To curb imports of substandard steel products and to enhance quality in general, BIS is increasingly being applied to more steel products. Today, 47 carbon steel products and six stainless steel products are covered under the Quality Control Order regime, covering 85-90% of carbon steel and steel products consumed in the country. With the BIS mark on their products, even smaller steel producers can compete with integrated large ones like the Steel Authority of India (SAIL) and Tata Steel.

India overtook Japan in January-December 2018 to become the world’s third-largest crude steel producer. The need of the hour is to sustain this momentum by increasing demand by raising gross fixed capital formation as a percentage of GDP. An aggressive drive for the growth of infrastructure projects, building of steel-intensive structures, enhanced construction activities, development of special-grade steel for the automobile sector and the like will be significant steps in this direction to look forward to in tomorrow’s interim Budget announcement.

The writer is economic adviser, Ministry of Steel, GoI