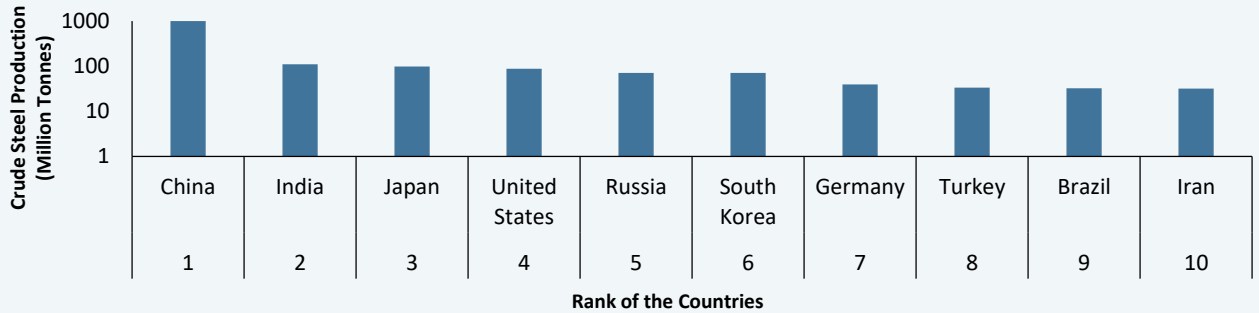


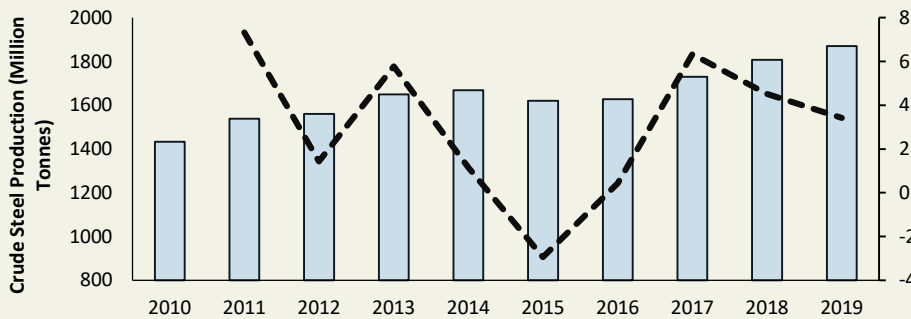
Sector Review: Iron & Steel

- The steel industry is a crucial indicator for the overall economic development of any country.
- The expansion of the steel industry also ensures the growth opportunities of the sectors like automobile, manufacturing, infrastructure, construction & real estate and many more.
- In 2019, India became the 2nd largest Steel producer in the world.
- To achieve the target of being US\$ 5 Trillion economy by 2025, India requires to invest appropriately in the steel sector.

Top 10 Steel Producing Countries, Global, 2019

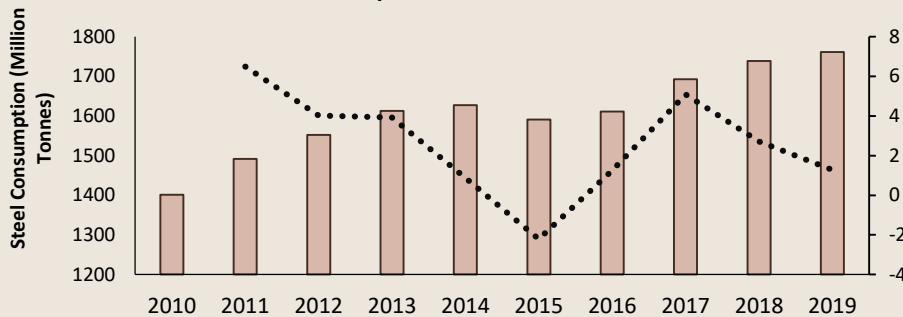


Crude Steel Production, Global, 2010 to 2019



- The global crude steel production reached **1869.9 Million Tonnes** in 2019.
- Between 2010 to 2019, the crude steel production has risen at the CAGR of **3%**.
- The yearly growth of steel production which was **7.33%** in 2011 reduced to **3.42%** in 2019.

Steel Consumption, Global, 2010 to 2019

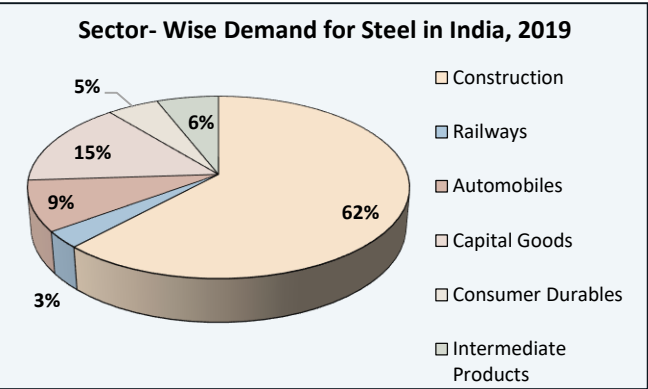
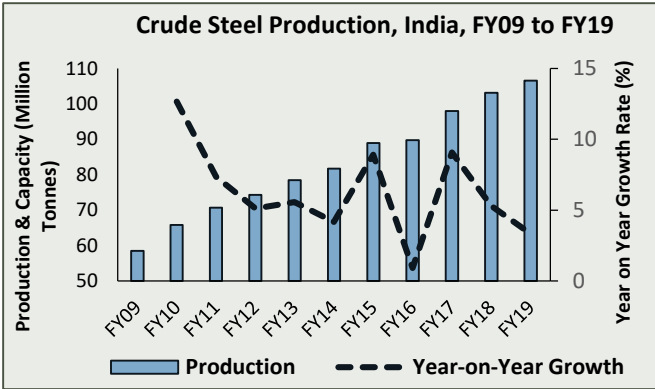


- The global steel consumption reached **1761 Million Tonnes** in 2019.
- Between 2010 to 2019, the global steel consumption has increased at the CAGR of **2.57%**.
- The Year on Year Growth of the steel consumption which was **6.5%** in 2011 fell to **1.27%** in 2019.

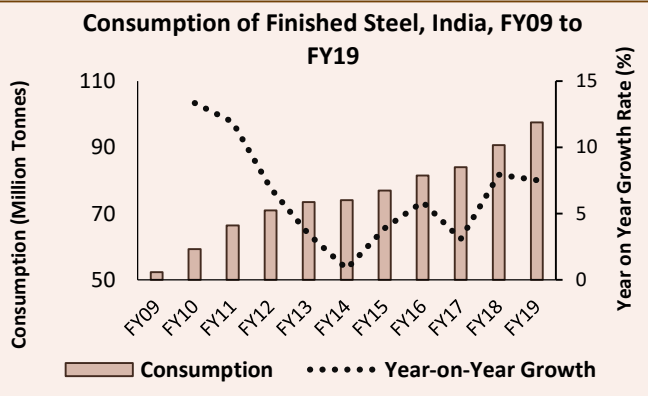
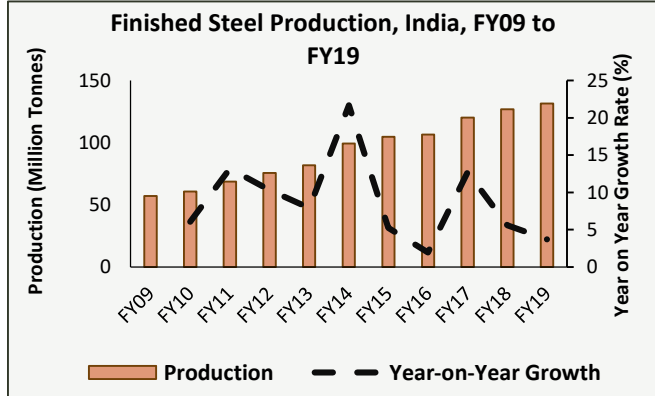
- In 2019, the steel production and consumption contracted in all the regions except Asia and Middle East.
- The rising trade tensions and geopolitical issues has affected the trade environment of many countries across the globe.
- The lesser supply of raw materials with this disturbing trade environment has impacted the infrastructure, construction and many more industries of the developing and developed nations.
- Besides, with the emerging need of electric mobility, many countries have paused the production of traditional cars. Moreover, instead of manufacturing the electric vehicles in huge numbers, a limited numbers of e-vehicles are being created in different countries to understand both the performance of the vehicles and customer satisfaction level. All these things have slowed down the auto industry in many regions.
- Hence, as an effect of these all incidents, the global steel demand and supply has been affected in the recent time.

Current Status of the Indian Steel Industry

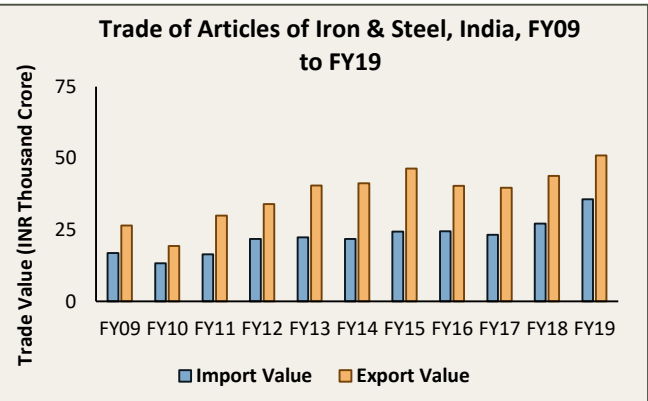
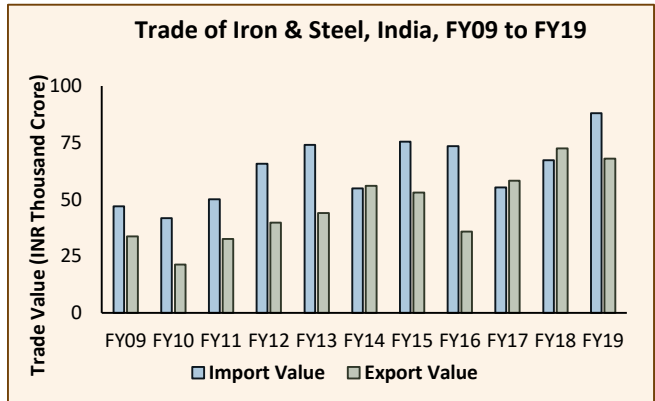
- Crude Steel production has increased at the CAGR of **6.19%** between FY09 to FY19 in India. Crude Steel is the steel product after the solidification of the liquid steel.
- However, the yearly growth of the production which was **12.66%** in FY10 declined to **3.33%** in FY19.
- Being the core sector, the demand of steel across the sectors are incomparable. In 2019, the maximum demand of steel was controlled by construction sector followed by Railways and Automobiles.



- The Finished Steel production has increased at the CAGR of **8.69%** between FY09 to FY19 in India. Finished Steel is the furnished and tradable steel products (Sheet, Roll, Coil etc.) after the accomplishment of required chemical procedures.
- The consumption of the Finished steel has increased at the CAGR of **6.42%** between FY09 to FY19.
- However, the yearly growth of the production which was **21.67%** in FY14 declined to **3.72%** in FY19. Similarly the Year on Year growth of its consumption has also reduced from **13.35%** to **7.53%** between FY09 to FY19.

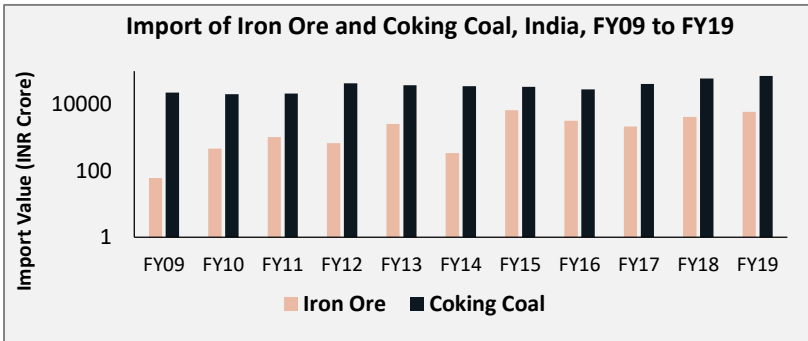
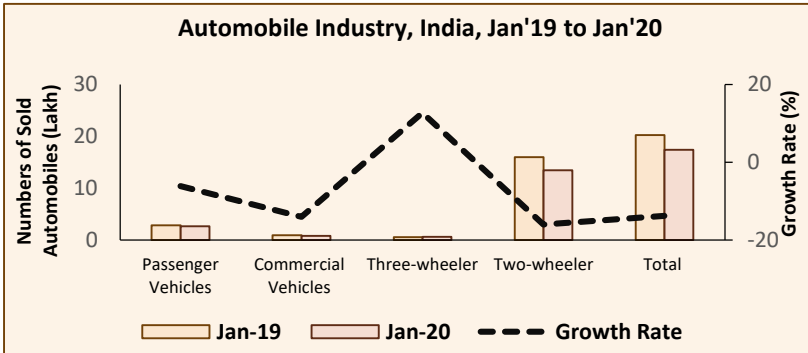
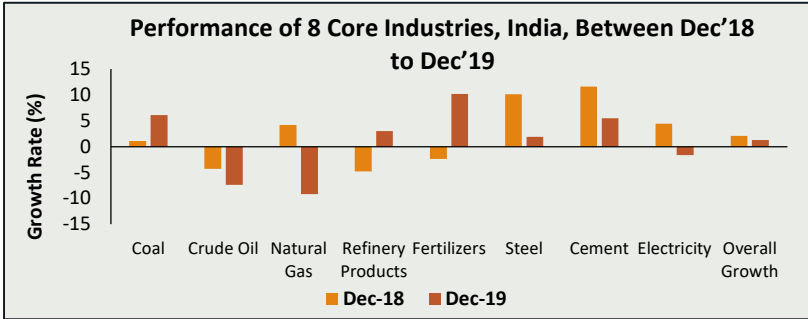


- The import and export value of Iron & steel in India have risen at the CAGR of **6.49%** and **7.3%** respectively between FY09 and FY19.
- Whereas, the import and export value of the articles of iron & steel (example - parts of bridges, towers, lock gates ,screws, bolts, nuts, tubes, pipes, chain & parts etc.) have increased at the CAGR of **7.81%** and **6.76%** respectively in that same time period.



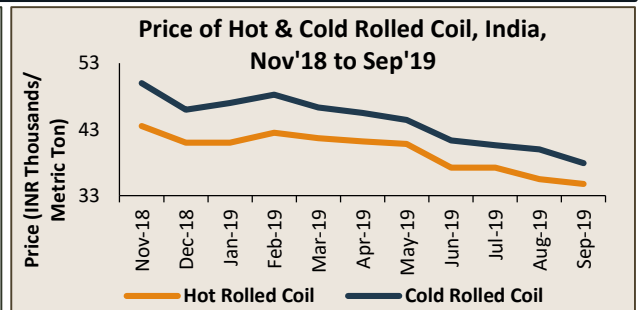
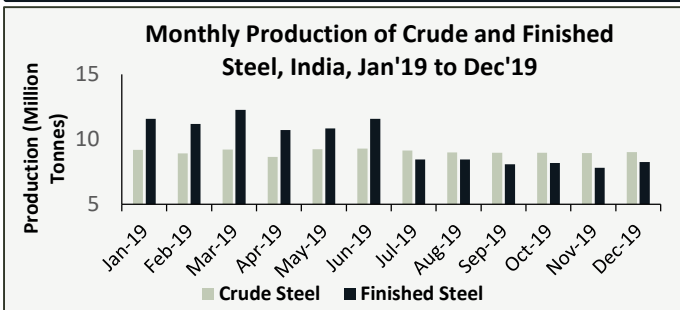
Reasons Behind The Stress

- In spite of being the 2nd largest steel producer in the World, the steel production has significantly decelerated in the country.
- Though the production and consumption of different forms of steel has increased in the last 10 year time span, but after checking the yearly growth rate, the falling performance of both the production and consumption of steel can be seen.



- India seems to be growing at its slowest pace in the last five years. In the Q2 FY20 the economy expanded only by 4.5%.
- India's core sector, which accounts for 40.27% in the total industrial output and includes eight crucial segments of infrastructure contracted by 1.3% in Dec'19 compared to 2.1% growth in Dec'18.
- Moreover, the steel sector's growth rate which was recorded as 10.1% in Dec'18 also reduced to 1.3% in Dec'19.
- Besides, the lesser production in the automobile sector as an effect of the economic slowdown has also impacted the demand of steel. The overall production of the automobile sector has fallen by 13.83% between Jan'19 and Jan'20.
- Otherwise, India's extreme dependence on importing higher grade of raw materials like coking coal and iron ore for producing greater quality of steel has also increased its import bill over the years.
- The import value of coking coal and iron ore has grown at the CAGR of 12.29% and 58.05% respectively between FY09 to FY19.

Effect of Stress in the Steel Sector



- As an outcome of such factors, the steel demand seemed to be weakened throughout the 2019.
- The production of finished steel which was 11.6 Million Tonnes in Jan'19 declined to 8.3 Million Tonnes in Dec'19.
- Along with the falling demand, the price of many types of finished steel products also got reduced. For example, the prices of Hot Rolled Coil and Cold Rolled Coil which were INR 43.5 Thousand/Metric Ton and INR 50 Thousand/Metric Ton in Nov'18 fell to INR 34.75 Thousand/Metric Ton and INR 37.9 Thousand/Metric Ton in Sep'19 respectively.



With the launch of **National Infrastructure Pipeline (NIP)** worth of INR 103 Lakh Crore, the stainless-steel industry is also expecting a faster growth.

The **NIP** consists of **6500 projects** and includes the work of housing, safe drinking water, access to clean and affordable energy, healthcare for all, world-class educational institutes, modern railway stations, airports, bus terminals, metro and railway transportation, logistics and warehousing, irrigation projects etc.

Any kind of fresh investments that includes development of highways, ports, airports, railways and station redevelopment projects, water management measures can be effective to accelerate the growth of the Indian steel industry.

Moreover, government's current protectionist moves towards the domestic manufacturing industry can also be encouraging for the expansion of steel industry.

Besides, focusing on managing the availability of iron ore and coking coal at cheaper cost or exploiting the reserves of domestic mines can be helpful to reduce the production cost in some extent.



Source: Ministry of Steel, Ministry of Power, World Steel Association, Ministry of Commerce, Press Information Bureau, Society of Indian Automobile Manufacturers, LSI Research