

National Steel Policy 2017

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Overview

Steel is a very important constituent of growth in the economy and has an output multiplier effect of nearly 1.4X on GDP and employment multiplier factor of 6.8X. On account of rapid industrial development, from a small capacity of 22 MT in FY 1991-92 India has become the 3rd largest steel producer in the world with production of 91 MT and a capacity of 122 MT in FY 2015-16.

The National Steel Policy 2017 (NSP 2017) is an effort to steer the industry to achieve its full potential and enhance steel production with focus on high end value added steel while being globally competitive. There is significant potential for growth given the low per capita steel consumption of 61 Kg in India, as compared to world average of 208 Kg.

Main drivers

- Indian economy is rapidly growing with enormous focus on infrastructure and construction sector.
- Several initiatives like affordable housing, expansion of railway networks, development of domestic shipbuilding industry, opening up of defence sector for private participation, and the anticipated growth in the automobile sector, are expected to create significant demand for steel in the country.
- India also provides a strategic location that augurs well for the industry seeking opportunities for exports of finished goods and imports of some scarcely available raw materials.

Challenges

The Indian steel sector is disadvantaged due to limited availability of essential raw materials such as high grade manganese ore & chromite, coking coal, steel grade limestone, refractory raw material, nickel, ferrous scrap etc. Due to shortage of domestic coking coal, both in terms of quantity and quality there is high dependence on import of coking coal.

Contact:

Industry Research Department
91-022-67543489

Mradul Mishra

mradul.mishra@careratings.com
91-022-6754 3515

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Price developments

- Post 2011 global prices of steel began to decline marking the beginning of a down turn in the global steel industry triggered by slowdown in global demand and over capacities in a number of countries including China.
- By July 2015 prices had fallen by 50% compared with January 2011 - their lowest in decades as cheap imports flooded world steel markets.
- The structural asymmetry between demand and supply also affected large number of Indian companies leading to surge in imports resulting in weak pricing conditions, low profitability, lower capacity utilization and even closure of capacities in some cases.

Objectives of National Steel Policy: Looking at 2030-31

- Build a globally competitive industry with a crude steel capacity of 300 MT
- Increase per Capita Steel Consumption to 160 Kgs
- To domestically meet entire demand of high grade automotive steel, electrical steel, special steels and alloys for strategic applications
- Increase domestic availability of washed coking coal so as to reduce import dependence on coking coal to 50%
- Be net exporter of steel by 2025-26
- Encourage industry to be a world leader on energy and raw material efficient steel production in a safe and sustainable manner
- Develop and implement quality standards for domestic steel products

What all is detailed in the Policy?

NSP 2017 covers the areas of steel demand, capacity, raw materials, land, water and power, infrastructure & logistics, product quality, technological efficiency, MSME Sector, value addition in stainless/ alloy steel, environment management, safety, trade, financial Risks, role of CPSEs and focus on high-end research

It is expected that at the current rate of GDP growth, the steel demand will grow threefold in next 15 years to reach demand of 212 - 247 MT by 2030-31. However, even with this demand of finished steel by 2030-31 India's per capita consumption would reach only to 160 Kgs, lower than the current global average of 208 kg. Currently around 40% of the steel consumption is from construction & infrastructure sectors which is expected to increase to 59% by 2030-31

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Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022.
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com | Website: www.careratings.com

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Strategy on generating demand

- The Government has chalked out an extremely ambitious plan of Housing for all by 2022 which provide a huge opportunity for use of steel intensive structures and designs, usage of pre-fabricated and precast steel structures. Ministry is to take all necessary measures to promote the increased usage of steel intensive structures/designs under these schemes.
- Commercial, Residential buildings and flyovers also provides immense opportunities. Necessary efforts will be made in conjunction with Ministry of Road, Transport & Highways to evaluate the replacement benefits of the existing bridges, pavements and crash barriers used in Roads & Highways and consider for projects in steel bridges, steel reinforced pavements and steel crash barriers respectively.
- Usage of steel in railways is limited presently to laying of railway tracks, rolling stocks, wagons, platforms and coaches. Efforts will be made to increase the steel usage in making railway station, foot over bridges, rail coaches, construction of steel based railway colony buildings especially in seismic prone areas, construction of dedicated freight corridors & superfast rail corridors and construction of more steel bridges for saving time & capital expenditure.
- The 'Make in India' initiative is expected to witness significant investments in construction, infrastructure, automobile, shipbuilding and power sectors, which will stimulate steel demand. Hence, efforts will be made to pass on such benefit to the domestic steel producers. Use of cost efficient and competitive 'Indian Made steel' will pave the way for infrastructure development and construction activities in the country.

Capacity creation

It is anticipated that a crude steel capacity of 300 MT will be required by 2030- 31 based on the demand projections as mentioned above. However, achieving crude steel capacity up to 300 MT will require extensive mobilization of natural resources, finances, manpower and infrastructure including land. Considering the competitive advantage of steel production in India, the country also has the potential to export sufficient quantities of steel and become a major player in the global market, thus mitigating the foreign exchange risk emanating out of the exposure of the industry to the global raw materials market especially for coking coal.

Creation of additional capacity for fulfilling the anticipated demand will require significant capital investment of about Rs. 10 lakh crore by 2030-31 and will also generate significant employment in the range of 36 Lakhs from the current level of 25 Lakhs depending on degree of automation resulting from adoption of different technologies.

In order to ensure optimal growth of the industry and to avoid situations of over or under capacity, the Ministry is to work with all the stakeholders to monitor investments in the steel industry on a continuous basis and will also facilitate setting up of SPVs in mineral rich states of Odisha, Chhattisgarh, Jharkhand and Karnataka.

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MSME Steel Sector

India over the years has developed a strong MSME sector which embodies the entrepreneurial and innovative strengths of Indian steel industry. However, there exist large variations amongst various units in terms of scale of operations, product-mix and technology. The MSME sector, including sponge iron industry, will play an important role in providing employment, meeting demand of some special products required in small volumes and local demand of steel in hinterlands.

Some observations

The National Steel Policy 2017 is very comprehensive and works on both the demand and supply sides to ensure that the sector is able to meet the requirements which go with high economic growth. Generating demand is as important as ensuring supply by reduction in bottlenecks and ensuring access to raw materials. The financing part is crucial and the developments witnessed in the efforts to boost the corporate bond market will be pertinent for this dream to be fulfilled. Presently the NPA situation in this industry has to be addressed, which will hopefully be done soon as the economy recovers as the issue of dumping has been sorted out by the government of late so that the viability of producers is enhanced.

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