

Steel Production: April-May 2017

Contact:

Madan Sabnavis
Chief Economist
madan.sabnavis@careratings.com
91-022-6754 3489

Bhagyashree Bhati
Research Analyst
bhagyashree.bhati@careratings.com
91-022-6754 3490

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

On a y-o-y basis, India had closed the financial year 2016-17 with 8.5% rise in crude steel output and a 102.1% surge in exports while imports during the year declined by a sharp 38.3% backed by imposition of Minimum Import Price (MIP). Likewise, the positive momentum continued in the first two months of the current financial year with production and exports witnessing a rise and imports seeing a fall. However, the country's consumption situation had remained subdued in 2016-17 where it grew by 2.6% on a y-o-y basis which we expect to see some revival in the financial year 2017-18.

Steel production for April-May 2017

According to market sources, crude steel output in India grew by 4.5% on a y-o-y basis in the first two months of the ongoing financial year. The production stood at 16.4 million tonnes during April-May 2017 compared to the corresponding period a year ago.

The country's performance remained buoyant on trade front during the period. On a y-o-y basis, the exports rose by a strong 102% to 1.4 million tonnes and imports declined by 11.4% to 1.06 million tonnes during April-May 2017.

The consumption of finished steel increased by 4.2% on a y-o-y basis to 13.8 million tonnes during the period April-May 2017.

Outlook

The steel production that remained positive for the first two months of the current financial year is expected to continue. This will be backed by various initiatives undertaken by the government. The recent approval given by the Union Cabinet for National Steel Policy is an indication of government's support towards the industry.

Also, the government gave nod for the policy that provides preference to domestically produced steel to be procured by the government for its projects. An expected improvement in pace of construction and infrastructure in the country will also support production. *CARE thus expects production of steel to grow by 8-10% during the financial year 2017-18.*

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The government has taken initiatives not only on the production front but also on the trade front. In May 2017, the government imposed anti-dumping duties on import of hot-rolled and cold-rolled flat steel products. The imposition of duty came on the back of recommendation from the Directorate General of Anti-Dumping and Allied Duties (DGAD) to protect the steel industry from dumping of steel products. The imposition on hot-rolled steel products is for a period of five years that is applicable from 8th August 2016.

The protective measures are expected to keep a check on imports and we therefore expect the trend in imports to continue. Also, an expected increase in production will support the exports from the country and the trend in exports is likely to continue.

Concluding remarks

- *CARE expects production of steel to grow by 8-10% during the financial year 2017-18*
- *We expect the trend in exports to remain positive and the protective measures by government will keep a check on imports*

CORPORATE OFFICE:

CREDIT ANALYSIS & RESEARCH LIMITED

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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