FICCI NOTE ON IMPORTS OF STEEL

August 2010



Federation of Indian Chambers of Commerce & Industry

The steel industry is passing through challenging times. Though the demand has been showing an upward trend in late 2009 and early 2010 but there are signs that the growth of steel consumption is slowing down globally, especially in China. It is apprehended that China, which accounts for almost half of the global steel consumption, may not be able to sustain high growth. So steel prices are under pressure for the past few months and at the same time raw material prices are hardening. This in turn has put pressure on the margins of steel companies including in India and has also impacted their capacity utilization and cash flows. The situation has worsened because of the recent surge in imports of finished steel in India.

Indian Steel Industry: Imports Occupy Greater Space Now

- India, which used to be a net exporter of finished steel till 2006-07 has become net importer since 2007-08. Moreover, since then the gap has widened further. In the year 2009-10 total deficit reached a level of 4.06 mn tonnes. The trade deficit in 2009-10 has increased by almost three times vis-à-vis 2008-09.

Table: Trade Surplus/ Deficit of Steel in India in the period 2002-03 to 2009-10 (Million Tonnes)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Import	1.66	1.75	2.29	4.31	4.93	6.92	5.84	7.30
Export	4.52	5.21	4.71	4.80	5.24	5.05	4.44	3.24
Surplus/ Deficit	**2.85**	**3.45**	**2.41**	**0.50**	**0.32**	**-1.87**	**-1.40**	**-4.06**

- This gap is widening further as there is a sharp increase in imports of finished steel in the current financial year also. Imports have risen from 667 mn tonnes in April 2010 to 1288 mn tonnes in July 2010, an increase of more than 93% in 3 months.

Table: Month wise Imports of Finished Steel in 2010.

Months	(In '000 tonnes)
	Import of Total Finished Steel
April	**667**
May	**821**
June	**890**
July	**1288**

- Although the consumption of finished steel increased by 10.7% in April-July 2010-11 as compared to same quarter of 2009-10, India's finished steel production increased only by 2.9% to 20 mn tonnes in April-July 2010-11 vis-à-vis 19.4 mn tonnes in April-July 2009-10. This implies that consumption is being increasingly catered to by imports which have increased sharply by 67% in April-July 2010-11 compared to April-July 2009-10. This has resulted in increased share of imports in domestic consumption.

Table: Steel Production & Consumption in India for April – July 2010

	(In '000 tonnes)		
	Total Finished Steel		
	APR- JUL'10(Prov.)	APR- JUL'09	% Variation
Total Production for Sale	**19998**	**19440**	**2.9%**
Imports	**3665**	**2203**	**66.4%**
Real Consumption	**19989**	**18063**	**10.7%**

Table: Share of Domestic Producers in Total Steel Consumption of the Country (%)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Share of Domestic Producers in Total Steel Consumption	87.08	88.86	86.52	89.47	90.17	93.87
Share of imports in Total Steel Consumption	12.92	11.14	13.48	10.53	9.83	6.13

- As it can be seen from the table, the share of domestic producers in the total consumption of steel in the country has declined over the years. It has declined by around 7 percentage points in 2009-10 as compared to 2004-05. On the other hand, share of imports of steel has increased over the years from 6.13% in 2004-05 to 12.9% in 2009-10.

- The situation is aggravating in 2010-11 as this share has increased drastically in domestic consumption. As it can be seen from the table below, the share of imports in total consumption has increased by more than 41% during the period April-July 2010. The share of domestic producers in total steel consumption has decreased by 6 percentage points in just 4 months.

Table: Share of Domestic Producers in Total Steel Consumption of the Country for the year 2010-11 (%)

	April	May	June	July
Share of Domestic Producers in total Consumption	83.92	84.79	82.51	77.32
Share of imports in Total Consumption	16.08	15.21	17.49	22.68

FICCI

Category Wise Steel Imports

There are some segments in steel that have experienced huge surge in imports and need immediate attention.

Table: India's Category Wise Import of Iron & Steel (in '000 tonnes)

SL No	CATEGORY	April '10	May '10	June '10	July '10	April-July '10
I	STEEL					
	A. SEMIS					
	.....Billets,Slabs,etc.	126.5	14.26	22.75	17.3	180.8
	.....Re-rollable Scrap	10.1	8.72	9.08	5.3	33.2
	B. FINISHED STEEL					
	1. Non-Flat Products					
	BARS & RODS	107.8	79.01	129.03	19.9	335.7
	STRUCTURALS	17.5	3.31	14.93	12.2	48.0
	RLY. MATERIALS	1.1	0.7	1.33	0.4	3.5
	TOTAL (1) Non-Flat Products	126.4	83.02	145.29	32.5	387.2
	2. Flat Products					
	PLATES	146.3	103.82	136.94	146.1	533.1
	HR SHEETS	15.1	9.27	14.02	21.4	59.8
	HR COIL/STRIP	444.7	409.17	442.18	392.5	1688.5
	CR COIL/SHEETS	129.3	118.5	134.67	186.0	568.4
	GP/GC SHEETS/COIL	35.1	34.1	33.25	64.3	166.7
	ELECT. SHEETS	44.5	29.61	32.93	33.3	140.4
	TMBP	0.4	0.03	0.14	0.3	0.8
	TIN PLATES	15.9	20.62	13.73	16.2	66.5
	TIN PLATES W/W	4.6	3.43	3.63	4.3	15.9
	TIN FREE STEEL	5.9	8.12	6.18	6.5	26.7
	PIPES	2.2	3.77	2.56	3.4	11.9
	TOTAL (2) Flat Products	843.9	740.54	820.23	874.2	3278.9
	TOTAL Finished Steel=(1+2)	970.3	823.56	965.52	906.7	3666.1
	TOTAL Steel=(A+B)	1106.9	846.54	997.35	929.3	3880.1
II	Other Steel Items					
	FITTINGS	5.2	4.81	6.4	4.5	20.9
	MISC. STEEL ITEMS	176.9	68.96	64.85	269.2	579.9
	SCRAP	460.9	339.99	297.07	246.1	1344.1
III	Iron					
	PIG IRON	1.4	1.08	1.22	1.5	5.2
	SPONGE IRON	0.1	0.05	0	0.0	0.2
	H.B. IRON	0	0	0	0.0	0.0
IV	Ferro-Alloy	13.8	12.2	28.21	12.3	66.5

	GRAND TOTAL:	**1765.2**	**1273.63**	**1395.1**	**1462.9**	**5896.8**

- **HR Coil/Strips-** Under this segment, imports have remained consistently high for over past 4 months. Since April 2010, its imports have touched the figure of 400 thousand tonnes every month, crossing a total of 1.6 mn tonnes of imports in the period April-July 2010. Imports in this category for the year 2009-10 were 3.2 mn tonnes implying that in the first four months of 2010-11 imports have already crossed 50% of imports of previous year under this category.

- **CR Coil/Sheet-** Total imports in this category for the year 2009-10 were around 1.1 mn tonnes whereas imports in the first four months of 2010-11 have already touched 568 thousand tonnes. This implies imports in this category are increasing at a much higher rate this year as compared to 2009-10.

- **Bars and Rods-** Bars and Rods, which constituted almost 87% of imports under non flat products in April-July 2010, has also experienced a surge in imports. In the first four months of 2010-11 i.e. April-July 2010, its imports have already crossed 335 thousand tonnes as compared to total imports of 736 thousand tonnes in year 2009-10.

- Similar situation also exists for GP/GC sheets/coil and elect. sheets where imports are increasing at a much higher rate as compared to previous year.

Recommendations

Under such circumstances, with a view to ensure that the Indian steel makers are not adversely affected by import of steel products, it is imperative that Government of India considers the following measures:

- A taskforce to look into the reasons for inadequate growth of domestic steel production vis-à-vis consumption in the country. The Taskforce should suggest measures to increase steel production growth and come out with its recommendations in one month time. The Taskforce should be chaired by Minister of Steel.

- Appropriate measures required to promote steel exports in view of the rising trade deficit. Steel items could be included under Focus Market Scheme and provided with 3% duty free credit scrip for exports to select markets.

- Appropriate Trade Remedial Measures required for checking surge in Steel Imports. In view of the rising share of imports in domestic market, Government needs to be alert to unfair practices of dumping and subsidized imports.