

Indian steel survives despite the shock

Like everywhere else in the world India has been affected by the global downturn. But there are signs it is beginning to recover, with sales of passenger cars up and a predicted upturn in consumption of steel in 2009. **By Sanjay Sengupta**

DESPITE the global economic and industrial slowdown, India's GDP in 2008-09 (FY09 to 31/3/09) was 6.7% compared to 9.0% a year ago.

The country's Index of Industrial Production (IIP) nosedived to 2.4% in FY09 compared to 8.51% the previous year due to a sharp fall in the growth of the manufacturing sector, with a weightage of 80% in IIP, to 2.3% over 9% in FY08.

Comparing 2007-08 and 2008-09, India's basic goods sector recorded a growth of 2.5% and 7% respectively. Capital goods rose by 7% compared to 180%, consumer goods went up by 4.4% as against 6.1% of which consumer durables posted a negative growth of 0.5% which increased to a negative of 1.0% in 08-09 and consumer non-durables rose by 44% compared to 8.6%.

The global auto industry has suffered a major setback since October 2008 but Indian automakers have put up a brave face in the midst of the dismal global scenario.

Domestic sales and exports of the Indian auto industry in FY09 over the previous year are presented in **Table 1**.

In the first two months of FY10 (April and May) domestic sales of passenger cars at 216 thousand units rose by 3.35% over the same period of the previous year but that of commercial vehicles at 60642 units declined by 13.08%. Domestic sales of three wheelers at 57 560 units rose by 3.53% and that of two-wheelers at 1.428M units were up 13.06%.

Crude Steel Production

India's Crude steel production in 2008-09 and its variance with the previous year is shown in **Table 2**.

Capacity use in terms of crude steel production in 2008-09 averaged 89%; for ISPs it was 106% and for secondary producers 77.4%.

India was the 5th highest global producer of crude steel in 2008. According to the World Steel Association, India was one of three countries among the ten top crude steel producing countries in the world that posted positive growth of 3.7% in 2008. The others were South Korea 3.8% and China 2.6%.

India's joint Plant Committee (JPC) is monitoring 'Production for Sale' which is arrived at deducting inter-plant transfers (IPT) and producers' own consumption from gross production.

A summary of production for sale from ISP's and secondary producers in 2008-09 and its variance from the previous year is shown in **Table 3**.

Imports & Exports

India's import of finished steel at 5.15Mt in FY09 declined by a hefty 21.73% from 6.58Mt in 2007-08 due to the lack of domestic demand following the industrial slow down. Major imports were plates (0.96Mt), HR Coils

Type of Vehicles	Domestic Sales			Exports		
	07-08	08-09	% change	07-08	08-09	% change
Passenger vehicles	1 549 882	1 551 880	0.13	218 401	335 739	53.79
Commercial vehicles	490 494	384 122	-21.69	58 994	42 673	-27.67
Three-wheelers	364 781	349 719	-4.13	141 225	148 074	4.85
Two-wheelers	7 249 278	7 437 670	2.6	819 713	1 004 174	22.5
Total	9 654 435	9 723 391	0.71	1 238 333	1 530 660	23.61

Source: SIAM

Table 1 Domestic sales and exports of Indian automobile industry (number of vehicles).

Product	08-09 (kt)	% change from 07-08
Crude Steel	54 520	1.23
Of which ISPs	22 020	-0.38
Secondary (1)	32 500	2.35

Source: JPC. 113Ps are SAIL, Tata Steel & Vizag Steel Plant. Note: includes mini blast furnaces.

Table 2 Production of crude steel in 2008-09 (Kt)

(2.21Mt) and CR Coils (0.7Mt).

Export of finished steel at 3.48Mt in FY09 declined by a huge 24.84% from 4.63Mt in 2007-08 due to a lack of global market demand and decline in global steel prices. Major exports were HR Coils (0.94Mt) and GR/GC sheets (1.53Mt) India remained a net importer of finished steel in 2008-09.

Consumption

India's consumption of finished steel in 2008-09 after adjusting for variations in stock and double counting was 48.83Mt as against 49.42Mt in FY08 showing a marginal decline of 1.19%. For long products, growth in consumption was 2.37% while for flat products there was a decline of 3.37%.

According to World Steel Association's short-term projection, India with a steel consumption of 53.5Mt in the calendar year of 2009 will record a growth of 1.71% and will be the only major economy to post an increase in a year that will see global consumption of the metal fall by about 15%.

As a result of the slowdown of the global steel industry there was a sharp decline in Indian market demand. Decline in domestic and export prices led to lower profits for Indian steelmakers in FY09, which is estimated to have gone down by 18-20% in 2008-09 over FY08.

Details of sales and net profits of some Indian companies are shown in **Table 4**.

Top Indian steelmakers posted double digit growth in sales in April 2009 compared to the same period last year. SAIL reported sales of 850kt of steel in April 2009 as against 660kt in April 2008 – a rise of 28.79%. Tata Steel sold 452kt from its Jamshedpur works over 343kt in April 08, a growth of 31.78%. Essar Steel's sales went up by 15% to 250kt over 217.39kt. Sales at Jindal, South West Steel more than doubled to 400kt.

The same trend continued in May 2009. Tata Steel increased sales by 18% at 469kt over May 2008. Other major producers also recorded higher sales in May 2009 compared to May 2008.

With demand accelerating from the automobile and construction sectors, India's estimated steel consumption increased by 5.93% to 8.22Mt during April-May 2009 over 7.76Mt during the same period of the previous year. India emerged as the third highest crude steel producer in the first quarter of 2009 with a production of 13.17Mt. China and Japan held the first and second slots with outputs of 127.44Mt and 17.6Mt respectively. ■

Product	Production for sale 2008-2009 (kt)	% change over 2007-08
Cold Pig Iron (2)	5289	0.47
Of which ISPs	589	-37.07
Secondary	4700	7.35
Less IPT/own consumption	4	-86.67
Production for Sale	5285	0.02
Sponge Iron (DRI)	20800	2.08
Of which ISPs	-	-
Secondary	20800	2.08
Less IPT/own consumption	-	-
Production for Sale	20800	2.08
Finished Steel	59020	1.18
Of which ISPs	17020	-4.19
Secondary	42000	3.54
Less IPT/Own consumption	5500	9.52
Production for Sale	52520	0.4

Source: JPC. 2008-09 data is provisional.

Note 2: Surplus to steelmaking requirements supplied to foundries.

Table 3 India's ferrous output for sale in 2008-09 (Kt)

Company	Net sales/income from operations			Net profit		
	2008-09	2007-08	% change	2008-09	2007-08	% change
SAIL	43 702.76	39 687.71	10.12	6174.81	7536.78	-18.07
Bhushan Steel	4957.56	4205.29	17.89	412.79	423.73	-2.58
JSPL	7646.46	5394.35	41.75	1536.48	1236.96	24.21
Usha Martin	2127.23	1656	28.46	146.56	144.84	1.19
Maharashtra Seamless	2064.8	1497.66	37.86	252.93	195.23	29.55
Prakash Industries	1525.64	1253.72	21.69	204.16	198.72	2.74
Surana Inds	874.22	804.69	8.64	32.5	32.42	0.25

NB Figures for SAIL, JSPL, Usha Martin and Surana Industries are for stand alone units.

Table 4 Financial results of some Indian steelmakers in FY09 vs 2007-2008 (Rs Crore = 10M)