

SS production to reach 80pc by Sept: KK Pahuja

In July, stainless steel (SS) industry reached an average production of above 60pc after a period of lull during the lockdown, and is likely to cross 80pc of production compared to previous year by September, KK Pahuja, President of Indian Stainless Steel Development Association (ISSDA) shared in an exclusive interview with Davis Index.

How has COVID-19 affected the Indian stainless steel industry? What is the percentage drop in demand/consumption compared to prior year?

The Indian SS industry was affected, just like other industries, by sudden COVID-19 lockdown announced in last week of March 2020. The production was resumed in phases by different companies from third week of May. So, there was total loss of production for about one and half months followed by gradual pick up. Multiple challenges came up, like setting up safety and health protocols at the plants, migration of labourers, complying with many government guidelines, rebuilding the supply chains, and reviving the markets. Since the disruptions were across the whole economic spectrum, the demand side was adversely affected and remains a challenge for a few segments. The projection for demand/consumption for 2020 is difficult to predict as situation is still evolving, but we can safely say that in coming months, considering current trend of production we are likely to reach close to 80pc of production levels by the end of October. However, overall projections suggest decline in growth this year, compared to last year. A lot will depend on government focus on infrastructure spending and other policy measures to ensure a healthy demand is generated during the year.

How much has SS output dropped since March? Would we see a recovery in production by the end of September quarter and by how much?

The pick-up has been gradual with large players starting first, followed by the MSMEs. In terms of numbers, almost 25pc of production capacity was activated post lockdown 2.0 which ended in first week of May.

However, issues of movement of labour, difficulty in raw and finished material logistics and low demand during partial lockdown remained. Post lockdown 3.0, Industry could reach 30pc of production by end May 2020, as the end-use industry also started to open. Only in June the industry started to recover and there were series of announcements made by government to support the industry, specially the MSMEs. In July, SS industry reached an average production level of over 60pc and considering the current trend it is likely to cross 80pc compared to previous year by September.

Are Indian SS producers finding overseas markets due to lack of demand in India?

SS industry always had a significant export presence with about 20pc of primary products exported last year. The industry exported about 0.7 mn mt SS last year, out of which two-thirds were long products. We have world class SS companies and some of them focussed on exports to advanced markets. In addition, there is substantial export of SS downstream products like tubular products, flanges, cutlery, and kitchenware. However, the SS industry is likely to find more export opportunities based



on the current sentiments of the world and changes happening due to COVID pandemic situation. So, the export thrust continues as usual and production is picking-up in line with domestic demand revival.

What are the new developments to make India more SS scrap self-sufficient and less reliant on imports? Any updated on setting up of recycling hubs?

The answer to this question is yes! The Ministry of Steel has notified the steel scrap recycling policy recently. This is the first step in integrating the scrap industry to bring together issues related to the collection, segregation and use. SS by nature is predominantly dependent on good quality scrap for production. Since India is deficient in scrap, we are forced to import. But as we mature into a steel using country, we need a more organised scrap recycling process that has been put together in the steel scrap recycling policy. The policy also advocates the need and guidelines for setting up recycling hubs. This development will take some time but it is the right step in a direction towards a more self-reliant industry.

Which sectors are historically heavily reliant of SS? Are there any new sectors demanding SS?

SS being a wonderful material with multiple properties finds end-use in almost every sector and is crucial for many sectors for its usefulness. Some sectors like process industry, dairy, food processing, railway coaches and metros are SS-intensive while building and construction is another sector where SS pipes and tubes are used in good quantity and generates good demand. Engineering industry is equally important. Stainless steel is well known for its properties and long service life. With focus on safety and life cycle cost of projects, many sectors have started realizing the true potential of SS. Recently, the railways announced construction of a foot over bridge in Mumbai with SS considering its corrosion resistance, better life and lower maintenance properties. Use of SS for structural application is an emerging sector in India and likely to grow. Similarly, SS reinforcement bars are also finding applications in civil structures on account of better life compared to competing material. Another sector where SS is likely to find its right place is in storage and transportation of water.

Will India extend anti-dumping duties (ADD) on SS products from Free Trade Agreement (FTA) nations post Dec 2020?

India does not have any specific ADD against only FTA partner countries. The ADD on CRSS (all widths) is applicable on seven countries including China, EU, Korea, Taiwan, S Africa, Thailand and USA, out of which Korea and Thailand are FTA partner countries and others are not. It is for the government to see if such a suo-moto trade action can be taken on other FTA countries. We, on our part, keep apprising

the concerned authorities about unwarranted surge in imports from certain FTA countries from time-to-time. We do need a mechanism for prompt government action in case of dumping, abnormal surge in imports or any other unfair trade practice like abuse of rule of origin is detected. The government has set up a Steel Import Monitoring Mechanism (SIMS) to track imports and take corrective measures, if required. This information should lead to faster action on suitable trade remedial measures for providing level playing field to domestic steel manufacturers.

What is the outlook for the SS sector for FY21 with regards to the SS business prospects in India?

After a subdued Q1 of FY21, we now see a gradual revival in Q2. We hope that production approaches pre-COVID levels by end of Q3 or in Q4. Having said that, I would have liked to give some definite projections on how this and next year is going to be for SS. However, the COVID-19 related disruptions have made our job difficult. We are still to come to terms with the full impact of the pandemic when there are still many unknowns. So, I will just flag some of the opportunities and further policy support required for our industry. SS is known for its corrosion resistance, mechanical strength and formability, fine lustre, hygiene, recyclability etc. Therefore, it finds wide variety of applications in metal products, process industry and engineering, architecture building construction, automotive railway and transport, and many others. However, I will list some new promising areas arising out of new policy announcements of Atamirbhar Bharat, that can boost growth, such as

- a) Agriculture and farm sector reforms can increase SS consumption in food storage, in addition to processing, fisheries, and dairy industry.
- b) Opening of strategic sectors of defence and aerospace can push demand in this area manifolds.
- c) Energy sector, both renewables and others are another area for SS to grow.
- d) Infrastructure and construction will continue to remain a focus area where SS can provide long term sustainable value. Public transport sector will continue to be a fast growth area for SS.
- e) Expansion of medical and health services provides further potential for growth of SS.

We are fortunate that policy makers are proactive today and addressing all issues relating to growth of steel sector. Some of them like making life cycle cost analysis mandatory for public projects, improving competitiveness of the industry by making raw materials and other inputs cheaper and increasing infrastructure spending will go a long way to restore stainless steel growth.

Please share some regarding the SS industry in India with respect to the world?

The Indian SS Industry has consistently registered higher average growth compared to rest of the world. In FY2020 we have done very well and registered a consumption growth of above 7pc. We not only continued to be second largest producer in the world but also increasing domestic demand has made us second largest consumer. Stainless steel is the fastest growing metal and as per International Stainless-Steel Forum (ISSF), the growth rate between 1980 and 2019 for different metals are 2.5pc for carbon steel, 3.7pc for aluminium, 2.6pc for copper and 5.3 pc for stainless steel. 5.3pc. SS growth needs to be fuelled by substitution effect of replacing other materials because of its multiple properties and value proposition. We have been seeing similar trend in India also with consumption growing by about 8pc CAGR over last two decades.