



Impact of Policy Measures and Trends in Indian Iron and Steel Industry

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ABSTRACT

Steel is vital to the development of any economy and it is the backbone of the human civilization. The existence of strong steel industry is the characteristics of all major industrial economies. The strength of steel industry in their initial stages will definitely initiates the growth of many modern economies. The rapid pace of growth of the industry and the observed market trends called for certain guidelines and framework. Thus was born the concept of the National Steel Policy, with the aim to provide a roadmap of growth and development for the Indian steel industry. India is one of the few countries where the steel industry is poised for rapid growth. While plant closures and privatization are rare in India, the private sector is considered to be the engine of growth in the steel industry and technological changes and modernization are taking place in both the public and the private sector integrated steel plants in India. The Indian steel sector was the first core sector to be completely freed from the licensing regime, pricing and distribution control. This was done primarily because of the inherent strengths and capabilities demonstrated by the Indian iron and steel industry. Therefore, a there is need to assess the trends in the growth in the industry in view of changing environment. It is in this aspect, the present study proposes to analyze the performance of the Indian iron and steel industry through production, consumption, exports, and imports

KEYWORDS : Iron Steel Industry, Production, Consumption, Exports, Imports.

Introduction

India was the 4th largest producer of crude steel in the world in 2010 as against 8th position in 2003. But today India is the third largest producer of crude steel in the world (**GOI Ministry of Steel, 2015**). The production for sale of total finished steel (alloy and non-alloy) during 2013-14 was 87.67 million tonnes, up by 7.3% over 2012-13 (Joint Plant Committee (JPC). This sector constitutes a share of nearly two percent of the GDP, provides employment for over five lakh people and has 6.2 percent weightage in the Index of Industrial Production (IIP). Crude steel capacity expanded from 66.34 million tonnes per annum in 2008-09 to 101.02 MTPA in 2013-14. India was also the third largest consumer of finished steel in the world, after China and USA in 2013 as per data released by the World Steel Association. As per the report of working group on the steel for the 12th five year plan, there exist many factors which carry the potential of raising the per-capita steel consumption in the country. The export of crude steel capacity expanded from 3.64 million tonnes in the year 2010-2011 to 5.59 million tonnes in 2014-2015. The import of the crude steel capacity expanded from 6.66 million tonnes in the year 2010-2011 to 9.32 million tonnes in 2014-2015 (**JPC 2015**). In the 11th Plan (2007-12), a new scheme for "promotion of Research & Development in Iron and Steel sector" was included with a budgetary provision of Rs. 118.00 crore for promotion of research & development in the domestic iron and steel sector (**GOI, Ministry of Steel, Outcome Budget 2015-2016**).

Global Scenario

In 2014 the world crude steel production reached 1665 million tonnes and showed the growth of one percentage over 2013. The WSA has projected that Indian steel demand to grow by 6.2% in 2015 and by 7.3 % in 2016 as compared to global steel use growth of 0.5 % and 1.4% respectively. In 2013, it has been predicted that world steel demand will grow further by 4.5 percent to around 1486 mt. China's apparent steel use in 2012 and 2013 is expected to increase by 4 percent in both the years . But Chinese steel use is projected to decline in 2015 and 2016 by 0.5 % (**GOI, Ministry of Steel, 2015**).

Reform Measures and Policy Initiatives

The industrial policy announced in July 1991, iron and steel industry was removed from the list of industries reserved for the public sector and also exempted from the provisions of compulsory licensing under the Industries (Development and Regulation) Act, 1951. Licensing requirement for capacity creation has been abolished, except for certain locational restrictions. Steel industry has been removed from the list of industries reserved for the public sector. Automatic approval of foreign equity investment raised up to 100 percent is now available. Price and distribution controls have been removed from January, 1992, with a view to make the steel industry efficient and competitive. Restrictions on external trade, both in import and export have been removed. Import duty rates have been reduced drastically. Certain other policy measures such as reduction in import duty of capital goods, convertibility of rupee on trade account, permission to mobilize resources from overseas financial markets and rationalization of existing tax structure for a period of time have also benefited the Indian steel industry.

With effect from 24th May 1992, iron and steel industry was included in the list of 'high priority' industries for automatic approval for foreign equity investment up to 51 percent. This limit has since been increased to 100 percent. Freight equalization scheme was withdrawn in January, 1992 - with the coming up of new steel plants in different parts of the country, iron and steel products are freely available in the domestic market. Levy on account of Steel Development Fund was discontinued from April, 1994 thereby providing greater flexibility to main producers to respond to market forces. To ensure sufficient domestic availability and curb the rising price of hot-rolled coils in the domestic market, its imports have been freed by the government.

The economic reforms and the consequent liberalization of the iron and steel sector which started in the early 1990^s resulted in substantial growth in the steel industry and green field steel plants were set up in the private sector. The important policy measures which have been taken over the years for the growth and development of the Indian iron and steel sector are as under:-

1991 Policy Objectives	2005 Policy Objectives	2012 Policy Objectives
Pricing and distribution of steel were deregulated from January, 1992.	It proposed a broad policy roadmap for the Indian steel industry taking into account issues linked to sectoral reform, restructuring and globalization.	To attract investments in Indian steel sector from both domestic and foreign sources and facilitate speedy implementation of investment intentions on board so far so as to reach crude steel capacity level of 300 million tonnes by 2025-26 in order to meet the domestic demand fully.
Export of iron and steel items has also been freely allowed.	The NSP sought adoption of a multi-pronged strategy to move towards long-term policy goal.	To ensure easy availability of vital inputs and necessary infrastructure to achieve a projected production level of 275 million tonnes by 2025-26.
The import duty on steel items is 7.5 per cent for flat steel (alloy and non-alloy) and at 5 per cent for all other items.	The NSP acknowledged the low per capita consumption levels of steel in the country, especially in the rural areas and the need to boost steel consumption to improve quality of life and help in meeting the growing aspirations of masses.	To provide greater focus on research and development (R&D) for developing indigenous technologies especially for finding solutions for optimum utilization of indigenous resources and mitigating the concerns of environment and climate change.
There is no export duty on any steel item. Excise duty for steel is currently at 12 per cent.	The policy emphasized aggressive R&D efforts to create manufacturing capability for special types of steel, substitute coking coal, use iron ore fines, develop new products suited to rural needs, enhance material and energy efficiency, utilize waste, and arrest environmental degradation.	To develop indigenous capabilities of design, engineering and manufacturing of critical capital equipment's required for steel production.
For ensuring quality of steel several items have been brought under a quality control order issued by the government.	It acknowledged important role played by the secondary steel sector in providing employment, meeting local demand of steel in rural and semi-urban areas, and meeting the country's demand.	To encourage production and consumption of value added steel by providing necessary focus on availability and product development especially for (a) meeting the special requirements of rural India. (b) Meeting the special requirement of auto, power, and construction and shipping sectors. (c) Producing lighter but stronger steels which help in achieving higher energy efficiency in end applications and also help in mitigating the concerns on environment, climate change and human health (GOI, 2012).

Sources: (GOI, 2011),(GOI, 2015-2016 Outcome Budget).

Need for Study

The industrial performance in India has improved significantly in the post-liberalization period in terms of production, consumption, trade, etc. After the entry of foreign firms in the Indian market during the post-liberalization period, there has been a substantial improvement in the Indian iron and steel industry. So there is need to analyse impact of the industrial policy reform and the trends in the structure of Indian iron and steel industry.

Objectives of the Study

- To analyze the trends in the production and consumption structure of Indian iron and steel industry.
- To analyze the trends in the exports and imports structure of Indian iron and steel industry.

Table No. 1 Total Finished Steel (alloy + non-alloy) Production for Sale & Consumption of Steel

Year	Grand Total Production '000 Tonnes	Growth Rate	Grand Total Consumption '000 Tonnes	Growth Rate
1991-1992	14.234		14.86	
1992-1993	16.886	18.63	15.811	6.40
1993-1994	17.024	0.82	16.114	1.92
1994-1995	20.085	17.98	19.55	21.32
1995-1996	24.293	20.95	22.37	14.42
1996-1997	26.324	8.36	23.29	4.11
1997-1998	27.42	4.16	23.808	2.22
1998-1999	27.558	0.50	24.71	3.79
1999-2000	30.495	10.66	26.348	6.63
2000-2001	32.356	6.10	27.649	4.94
2001-2002	33.376	3.15	28.52	3.15
2002-2003	37.166	11.36	30.677	7.56
2003-2004	40.709	9.53	33.119	7.96
2004-2005	43.513	6.89	36.377	9.84
2005-2006	46.566	7.02	41.433	13.90
2006-2007	52.529	12.81	46.783	12.91
2007-2008	56.075	6.75	52.125	11.42
2008-2009	57.164	1.94	52.35	0.43
2009-2010	60.624	6.05	59.339	13.35
2010-2011	68.621	13.19	66.423	11.94
2011-2012	75.696	10.31	71.021	6.92
2012-2013	81.681	7.91	73.482	3.47
2013-2014	87.675	7.34	74.095	0.83
2014-2015	91.46	4.32	76.994	3.91

Sources: Joint Plant Committee

From the above table it is evident that 24 years of production and consumption pattern of Indian steel has been summarized. it is clear from the table that there is a steady and constant growth in production and consumption of steel without any negative trend. In the first 10 years period the highest production was seen in 1995-1996 ie; 20-95 and the highest consumption was in the ie; 21-32 years, 1994-1995. There was a steady increasing trend in the consumption and production of steel in tones but there was an ups and downs in the respective growth rate. Noticeably there was a lower growth rate in produc-

tion of steel in 2008-2009 i.e; 1.94 and in consumption of steel, a very lower growth rate was witnessed in 2008-2009 and in 2013-2014 i.e; 0.43and 0.83 respectively.

Chart No. 1 Total Finished Steel (alloy + non-alloy) Production for Sale & Consumption of Steel

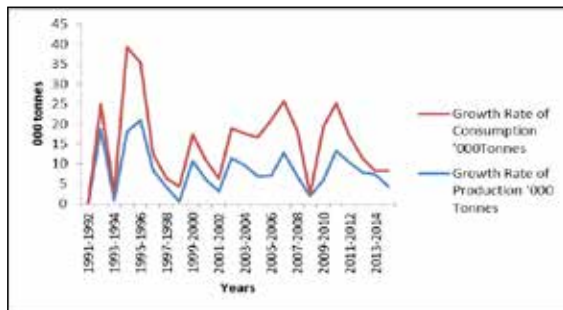
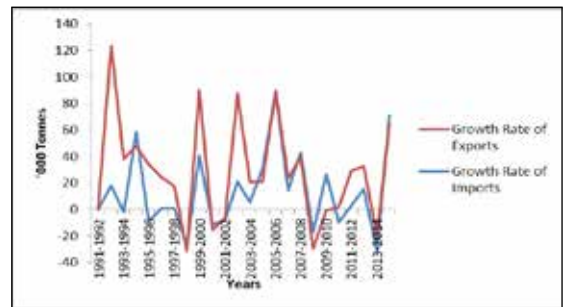


Table No. 2 Export and Imports of Iron and Steel

Year	Imports of Total Finished Steel (Alloy and Non-Alloy) ('000 Tonnes)	Growth Rate	Exports of Total Finished Steel (Alloy and Non-Alloy) ('000 Tonnes)	Growth Rate
1991-1992	970		368	
1992-1993	1143	17.84	756	105.43
1993-1994	1119	-2.10	1060	40.21
1994-1995	1775	58.62	944	-10.94
1995-1996	1617	-8.90	1350	43.01
1996-1997	1632	0.93	1662	23.11
1997-1998	1648	0.98	1934	16.37
1998-1999	1194	-27.55	1860	-3.83
1999-2000	1678	40.54	2782	49.57
2000-2001	1491	-11.14	2671	-3.99
2001-2002	1373	-7.91	2709	1.42
2002-2003	1663	21.12	4517	66.74
2003-2004	1753	5.41	5207	15.28
2004-2005	2293	30.80	4705	-9.64
2005-2006	4305	87.75	4801	2.04
2006-2007	4927	14.45	5242	9.19
2007-2008	7029	42.66	5077	-3.15
2008-2009	5841	-16.90	4437	-12.61
2009-2010	7382	26.38	3251	-26.73
2010-2011	6664	-9.73	3637	11.87
2011-2012	6863	2.99	4588	26.15
2012-2013	7925	15.47	5368	17.00
2013-2014	5450	-31.23	5985	11.49
2014-2015	9320	71.01	5596	-6.50

Sources: Joint Plant Committee

Chart No. 2 Export and Imports of Iron and Steel



From the above table reveals the import and export pattern of steel industry in India for 24 years from 1991 – 1992 to 2014 – 2015. It is evident that there were wider ups and downs, even negative trends in import and export. In the first ten years period the higher negative import were in 1998 – 1999 with -27.55 growth rates and in export -10.94 growth rates in the year 1994 – 1995. In the last ten years the higher negative import was in 2013 – 2014 with -31.23 growth rates and in export -26.73 growth rates in the year 2009 – 2010. Noticeable the higher positive growth rate for import was experienced in 2005 – 2006 with 87.75 and for export 105.43 in 1992 – 1993. In 2014 – 2015, there was a contrast trend in import and export of steel with 71.01 growth rates in imports and -6.50 growth rates in exports of steels in India.

Conclusion

The economic policy reforms and liberalization in respect of Indian manufacturing in general and Indian iron and steel industry in particular, since 1980's resulted in a phenomenal growth of this sector. The Liberalisation of industrial policy and other initiatives taken by the Government of India have given a definite push for entry, participation and growth in the steel industry. While the existing units are being modernized or expanded, a large number of new steel plants have also come up in different parts of the country based on modern, cost effective, state of the art technologies.

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