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# NEWS LETTER

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# Some things should last forever.

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## **INTRODUCTION**

This News Letter contains the write-ups on the following:

- 1 Draft National Steel Policy - 2012
- 2 Prospects of Alloy & Special Steel Industry in India
- 3 Aluminium: Tight market but realizations weak
- 4 Large government projects can lift steel consumption: INSDAG
- 5 Indian steel demand may touch 74 million tonne in 2013
- 6 Macroeconomic indicators - Economic recovery may be delayed – CII
- 7 Various news items relating to Ferrous and Non-Ferrous Sector.

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### **Draft National Steel Policy – 2012**

Most of the developed nations during their course of economic development had relied heavily on their domestic steel industry to meet the requirement of faster industrial development and for building physical infrastructure. Even though steel is a freely traded commodity, large scale dependence of a growing economy like India on imported steel may make the economy vulnerable to uncertainty in global supply, export policies of different countries and volatility in international prices. For India, the case for domestic production of steel is even stronger due to indigenous availability of resources and a need to minimize strain on current account balance.

#### Global Economic Slowdown

Post the Global Recession of 2008/2009, the economic development and growth across most of the geographies has slowed down affected by contracting liquidity and capital impacting investment & trade activities resulting in depressed demand. Most of the advanced economies reeled under the pressure of rising debt, deficit and unemployment while emerging & developing economies encountered high inflation, elevated interest rates, sharp depreciation of exchange rates with declining Industrial production, reducing Savings & Investment and decelerating trade opportunities while commodity prices continued to rule strong with high degree of volatility – thus adversely impacting the margins & profitability across various sectors including steel.

The Global slowdown is eloquently exhibited as under:

Global-Slowdown

Economic Indicator	Reference	Pre-Global Recession	Global- Recession	Post-Global Recession
		2006-2007 (avg. of 2-Yrs)	C.Y. 2009 (1-Yr)	2011-2012 (avg. of 2-Yrs)
World GDP Growth	IMF	5.3%	(0.6%)	3.6%
Industrial Production	World Bank	4.6%	(8.6%)	3.3%
World Trade	WTO	7.3%	(12%)	4.4%
Steel-Demand	World Steel Association	8.2%	(6.6%)	4.2%
Demand : GDP Elasticity	Derived	1.55	n. a.	1.15
Surplus Capacity	OECD/Derived	17%	32%	26%

The intensity of the Global Recession is proving to be far deeper, wider and longer than initially anticipated. The World-Today is definitely slower across most of the macro-economic indicators vis-à-vis Pre-Recessionary times. "Domestic Demand" has become extremely precious and dearer across economies and sectors and to every Business entity. World-Today is plagued by capacity far in excess to demand which has led to growing Trade Remedial measures by various economies with the sole objective of securing the domestic market from the growing threat of imports of "surplus" under duress and distress. Steel is no exception to this fact as can be seen from the growing surplus from 17% in the Pre-Recessionary times to 26% today.

### Rising Global Surplus

Post the Global slowdown of 2008/2009, economic condition across most of the countries has turned adverse with growing economic and financial uncertainties. This has led to a serious threat of Rising Surplus Steel capacity.

The following table exhibits the intensity of surplus steel capacity which is plaguing the world-Today viz:

Impact of Global Slowdown on Rising Surplus Steel

	<b>Pre-Recession</b>	<b>Post-Recession</b>	<b>Increment / (Reduction)</b>
	2007	2013-Proj.	
<b>Capacity</b>			Fig's in Million Tonnes
World	1584	2134	550
China	588	895	307
EU-27	246	259	13
Japan	130	134	4
Korea	57	85	28
Russia	78	92	14
Ukraine	45	48	3
India	60	105	45
<b>Demand</b>			
World	1220	1454	234
China	418	669	251
EU-27	201	140	(61)
Japan	82	63	(19)
Korea	55	54	(1)
Russia	40	43	3
Ukraine	8	6	(2)
India	52	78	26
<b>%-Surplus Intensity</b>			
World	17%	27%	n. a.
China	24%	20%	n. a.
EU-27	12%	42%	n. a.
Japan	32%	49%	n. a.
Korea	0%	32%	n. a.
Russia	45%	50%	n. a.
Ukraine	81%	87%	n. a.
India	7%	20%	n. a.

(Reference: World Steel Association and Joint Plant Committee)

From the above table it can be seen that post Global Recession, steel capacity across most of the geographies continued to remain elevated and growing completely in contrast to contracting / stagnant domestic demand – thus resulting in rising Surplus steel, a serious threat to

global trade balance aggravated by rising exports of surplus steel under duress and distress. It's important to review the paradox situation of capital-intensive steel industry having high fixed cost viz. in a state of declining demand, steel industry is compelled to improve productivity thereby spread the large fixed cost over larger volumes in order to manage cost-competitiveness and EBIDTA margins. As a result, the "surplus" quantities continue to increase and remain elevated - forcing producers to export the "Surplus" steel under duress – impacting the supply ~ demand balance of the trade partners and thereby resulting in subdued margins and profitability across geographies.

### Threat of Rising Surplus on Indian Steel Industry – “Today & Tomorrow”

Slowing down Economy with growing uncertainties has adversely impacted the Indian Demand which slowed down to 3.3% in FY 2012-13 – the 2<sup>nd</sup> most depressed growth rate during last 15 years. This amplifies the double whammy of Rising Capacity / Production with Declining Demand – could turn out to be a serious set-back to the “Young & Growing” Indian Steel Industry – especially since the steel industry is highly capital intensive with long gestation period. Capacity creation and expansion for steel industry involves large investment commitments with long gestation period and encounter a host of uncertainties during the project commissioning period. These investment commitments are based on the country's economic growth and prospects and the expenditure plans announced by the Government in various economic sectors including Infrastructure development and construction.

The point to appreciate is that decision / action once taken on capacity creation / expansion is irreversible due to the nature of large investment with high gestation period that are required to create these large integrated steel facilities. Therefore, in case the economic development and growth does not support the projected steel demand, it's a situation of large-dead investment which could have multiple and spiralling impact across various facets of steel industry as well as on the economy. The table below exhibits the projections given by the Government of India for steel Demand along with corresponding capacity and production requirement based on the projected economic growth and development viz.

Indian Supply ~ Demand Projection

	2011-12	2012-13	Variance	2016-17	%-CAGR	2025-26	%-CAGR
	Actual	Actual	-	Projected	-	Projected	-
Reference	JPC	JPC	Derived	12 <sup>th</sup> Plan Report	Derived	Draft NSP-2012*	Derived
Fig's in Million Tonnes							
Capacity	91	97	+6	149	11.3%	300	8.1%
Production	74	78	+4	126	12.7%	275	9.1%
Demand	71	73	+2	113	11.5%	244**	8.9%
Per Capita Steel Consumption	59-Kgs	60-Kgs	-	88-Kgs	-	170-Kgs	-

(\*) Draft-NSP-2012 is abbreviation of Draft National Steel Policy - 2012

(\*\*) Assuming GDP growth @ 8%-p.a.

From the above table it's clear that the FY 2012-13 has already witnessed a growing imbalance between expanding capacity & production with demand lagging far behind. If the situation continues in the same trend, which is very likely with the on-going economic uncertainties, could result in a stalemate situation for the country's steel industry saddled with huge capacities

without a commensurate demand. The country is witnessing rising capacity, growing production but with declining demand saddled with rising imports coupled with growing economic uncertainties – resulting in declining margins and profitability and increasing unutilized capacity.

We would like to reiterate that the Indian steel demand is falling short of capacity leading to a situation of large and growing unutilized capacity impacting margins and profitability – which is exhibited in the table given below:

Impact of Global Slowdown on Indian Steel

	Pre Global Slowdown	Post Global Slowdown	Variance	
	2007-08	2012-13	Absolute	%
	Fig's in Million Tonnes			(%)
Capacity	59.8	90.9	+31.1	+52%
Demand	52.125	73.33	+212	+41%
Unutilized Capacity	+7.675	+17.57	+9.895	+129%
%-Capacity Utilization	87%	81%	(7%)	n.a.
<b>EBIDTA-Margins</b>				
SAIL	32%	14%	(18%)	n.a.
RINL	35%	13%**	(22%)	n.a.
JSW Steel	23%	19%	(4%)	n.a.
<b>Net-Profit-Margins</b>				
SAIL	19%	5%	(14%)	n.a.
RINL	19%	6%**	(13%)	n.a.
JSW Steel	12%	5%	(7%)	n.a.

Reference: Joint Plant Committee and Annual Reports of respective companies.

(\*\*) Above figures are for the FY 2011-12 as Annual Report for FY 2012-13 is still not available.

It is important to take note of the OECD report on the Surplus steel capacity which summarises as under:

- Steel industry being highly capital intensive, has tendency to maximise productivity in times of subdued steel demand – with the objective of spreading the large fixed costs over larger volumes – thereby remain cost competitive.
- This in turn gives rise to rising surplus steel – which is salvaged through “Export-Push” under duress and distress.
- Thus impacting margins and profits of steel industry;
- Resulting in imbalance of supply and demand leading to disruptions of trade-balance and intensified trade actions.

### Free Trade Agreements

Indian economy continues to reel under a host of economic uncertainties viz. persistent & sticky inflation during 2008-2012 in the range of 7.5% to 10%, high interest rates, declining growth of Industrial production, decelerating rate of Investments and trade coupled with volatile & depreciating exchange rate – resulting in enlarging twin-deficits and declining GDP-growth.

Simultaneously, Indian steel capacities and production continue to increase based on the commitments already made. Moreover, India has accelerated its mandate of Globalization

resulting in declining rates of import duties leading to rising inflow of imports – which has facilitated the inflow from “Surplus” steel economies in the prevailing Global economic slowdown. The supply ~ demand imbalance has been further aggravated by surging imports under the Free Trade Agreements (FTA's) incentivized under concessional duty rates.

At this juncture it is relevant to appreciate the role played by Import Duty viz.

### Significance of Import Duty

Conventionally, Import Duty is viewed as a “Protective-Measure” but in real-terms is a balancing factor to offer a level-playing field to the domestic steel manufacturers' vis-à-vis the Global players – thereby narrowing down the large disparities prevailing in the domestic market and which are beyond the scope of Indian steel manufacturers. Significance of Import duty gets more prominent in times like today when economies across the globe are witnessing contracting demand with rising supplies and growing surplus – a serious threat of inviting imports under duress and distress to countries like India having a relatively better resilience to global slowdown. This has been duly acknowledged by the Draft National Steel Policy- 2012 viz. It is with this very intention the then Hon'ble Finance Minister, Shri Pranab Mukherjee increased the import duty on Flat Steel Products by 2.5% to 7.5% during early / mid 2012 – befitting the following major concerns viz. To narrow down the large disparities that Indian steel industry encounters vis-à-vis their global counterparts – with the basic objective of according a level playing field.

To arrest the imports of steel under the prevailing condition of duress and distress witnessing large growing surplus while the economies across the world are witnessing a slowdown with contracting demand. However, this measure of increase of import duty rates remained completely ineffective since Japan and Korea, the two major steel exporting economies remained completely insulated to this measure of duty hike under the prevailing Comprehensive Economic Partnership Agreement – CEPAFTA. It is important to take note of the amount of incentives being offered to imports of steel from these two countries while India's own steel demand is witnessing a serious slowdown viz.

Impact of Cepa-fta On Imports Of Steel Products Under Concessional Duty.

Product Reference: Hot Rolled Coil – HS Code 720836

Price Reference (\*\*): East Asia import price in June, 2013@US\$533-CFR

(\*\*) Reference: PLATTS – McGRAW HILL FINANCEIAL (www.steelbb.com)

Impact of Concessional Duty under FTA

<b>Parameters</b>	<b>MFN</b>	<b>Japan</b>	<b>Korea</b>
Import Duty	7.5%	2.5%	1%
Effective Import Duty	8.19%	2.97%	1.41%
Import Duty (US\$/mt)	43.7%	15.8%	7.5%
Duty Concession (US\$/mt)	NIL	27.9	36.2
Duty Concession	NIL	5.22%	6.78%

Reference: DGFT, respective CEPA-FTA documents

From the above, it can be inferred that the very purpose of the duty increment from 5% to 7.5% remains defeated or rather insulated for imports under concessional duty rates under CEPA-FTA from Japan and Korea.

### Domestic Disparities impacting Global Competitiveness of Indian Steel Industry

Indian steel companies have invested and committed large capital expenditure to create and expand steel capacities based on the projected domestic steel demand. Moreover, most of the

new-age Indian integrated steel companies have already been acclaimed as World-Class Steelmakers in terms of technological excellence, operational efficiency and best business practices when compared with few of the best Global majors including POSCO, ThyssenKrupp, Nippon Steel, ArcelorMittal and various other companies of Global repute as per World Steel Dynamics, an independent steel analytical agency of international acclaim based in the USA. However certain deep-rooted external disparities arising from the country's economic perspective and remaining completely beyond the scope of Indian Steel industry - adversely affect the Global Competitiveness of Indian Steel producers viz.

#### High cost of borrowing

Disparity of approx. 8-10% - a serious concern for a steel industry being highly Capital intensive and conventionally operating with high debt: equity ratio.

#### Inadequacy with High cost of local logistics and transportation

Every tonne of finished steel movement requires approx. 4-metric tonnes of inbound and outbound logistics traffic - reflects the gravity of adequacy and efficiency of logistics and transportation for steel sector.

#### High cost of input Raw material prices with depreciated exchange rate

Elevated depreciation of exchange rate coupled with high volatility adversely impact the operational efficiency and competitiveness of steel industry which has large dependence on imports of certain major input raw materials including Coking Coal / Coke and Consumables – significantly impact cost competitiveness by elevated depreciation of exchange rate. Various reports and documents of the Government of India have expressively reiterated the above stance as under: This has further been acknowledged by report on Iron & Steel Industry in India, published by Competition Commission of India on its website viz. In continuation to the above, Ministry of Commerce has quantified the extent of cost-impact caused by Inadequate and inefficient infrastructure when compared on Global-parity viz.

#### Summary

- Post the Global Recession of 2008/2009 has witnessed an immense set-back to a sustainable economic development and growth across geographies – with an imbalance of monetary and fiscal parameters – adversely impacting trade and investment opportunities with contracting liquidity and capital resulting in shrinking demand across various economic sectors including steel consuming sectors.
- India under its growing mandate of globalisation could not remain insulated to the perils of this Global slowdown – witnessing growing economic challenges of rising TWIN-Deficits with subdued economic growth.
- Under the growing economic uncertainties – Indian steel is witnessing rising capacities, growing production with declining demand coupled with rising imports - severely affecting the sustainability of the large investments already made and committed while margins and profits continue to remain under pressure.
- Rising imports with concessional duty tariff under FTA's further add to the woes of Indian steel industry – which is already reeling under the contracting and uncertain domestic steel demand.
- In addition the World continues to reel under the vagaries of rising threat of “surplus” steel with present levels of surplus steel capacity of 550 million tonnes or 27% of global steel capacity – when is in excess of 7-times the Indian steel production in 2012-13.

- This surplus steel poses serious threat to economies like India which is showing a relatively better resilience in terms of demand than other developed countries – thus offers a natural attraction to the large floating “surplus” steel through surging imports under duress and distress.
- New-Age Integrated Indian Steel industries although command a strong Technological-Excellence in terms of Operational productivity, efficiency and competitiveness on Global platform - the domestic originated external disparities in terms of high cost of credit, inadequate & inefficient Infrastructure facilities with high cost of logistics & transportation along with highly depreciated and volatile exchange rate - adversely impact their Global Competitiveness.
- In such times of duress and distress – the shrinking and uncertain domestic steel demand; gains immense significance for the survival of domestic steel industry.
- Sustainability of Domestic Steel industry having high multiplier output is extremely essential for ensuring a sustainable economic development and growth especially for emerging and developing economy like India which near to its economic inflection.
- It would be a great setback for the Indian steel industry as well as to the country’s economy if the large investments for creating the mega steel capacities fail to offer desired timely returns in terms of revenue and employment.

In such times of economic duress and distress, it's time to explore rational solutions based on the fundamentals for ‘Survival’ with a clear objective to tied over the crisis-phase. In accordance we sincerely submit for the following actions:

#### Rationality of Appeal

- World-Today is not the same as it was before the Great Global Recession of 2008/2009.
- Global economy is witnessing a slow recovery but with great degree of uncertainty.
- Capacity across most of the economic sectors and commodities including steel industry remains far in excess to subdued & uncertain demand – posing a serious threat of Trade under Duress & Distress.
- Indian economy is reeling under the pressure of rising TWIN-deficits impacting the sustainability of its economic growth – resulting in declining domestic demand across various economic sectors.
- Domestic disparities in terms of High cost of Credit, inadequate & inefficient Infrastructure development with high cost of logistics and depreciating & volatile exchange rate significantly impact the Global Competitiveness.
- Indian steel industry has committed large investments for capacity expansion to meet the projected domestic demand.
- Indian steel industry is witnessing rising capacity with growing production while domestic steel demand remains highly uncertain and depressed:
- On one count, rising imports from various surplus-steel economies poses a serious challenge to domestic steel industry in absence of a level playing parity.
- While the incentivized imports at concessional duty tariff under FTA's especially from “Steel-Surplus” economies remains a serious threat to survival of domestic steel industry.

Extracted by Shri S C Suri, Chairman, IIM DC from JPC Bulletin

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## **Prospects of Alloy & Special Steel Industry in India**

Alloy and Special Steels have an extremely important space in the Indian Iron and Steel industry. A variety of such steels are presently produced in the country. Alloy and Special Steels as per the 'alloy steels research committee' are those steels which contain more than 0.5% manganese and 0.5% silicon. During the last few decades, there has been growing demand for steels with higher tensile strength with good ductility coupled with adequate formability and weldability. Special Steels have usually stringent requirements with respect to sulphur & phosphorus levels, gas contents in steels, close tolerances with respect to chemistry and microstructure.

Alloy and special steels are broadly classified as follows:

- Carbon Constructional Steel:

These steels include medium & high carbon, carbon tool and carbon constructional steels. These steels are normally hypo eutectoid steels with carbon content less than 0.8 per cent. Low carbon steels have a ferritic structure and high ductility, which is obtained by keeping the carbon content as low as possible. Such steels have very good drawing properties and used for cold forming purpose as well as for manufacturing electrode. Other grades of carbon constructional steels, by virtue of their micro structures and strength find applications in variety of uses. These other grades of steels are also known as engineering steels or special bar quality steels. These steels find application in machine parts, automobiles and many such uses. Carbon constructional steels with high manganese are used in those applications where resistance against wear is needed. Carbon constructional steels with high strength are used for structural purpose.

- Alloy Constructional Steel:

In these steels, a combination of one or more of the alloying elements such as Mn, Ni, Cr, Mo and V etc. are generally used. The alloying elements in construction steels vary from 2% to 6% depending upon the desired properties. These steels are used in a variety of applications where both static and dynamic loads are required together. One example of application of these steels is ball and roller bearings.

- Micro Alloyed Steel:

These are carbon steels whose physical and mechanical properties are enhanced by addition of very small quantity of alloying elements such as niobium etc. These steels find applications where high strength is needed.

- Spring Steel:

These steels are usually used for making different kind of springs and this category uses silicon manganese, chrome vanadium and carbon steels. These steels require high elastic and fatigue strength.

- Free Cutting Steel:

These steels are used where easy machining is the primary requirement. The main features of free cutting steels are high machinability and high quality surface finish after machining. These properties are due to high sulphur or lead content in these steels. Sulphur exists in these steels in the form of manganese sulphide, which stretches out in the direction of rolling. In lead bearing free cutting steels, lead is present in the composition in the range of 0.2% to 0.5%.

- Corrosion Resistant Steel:

These steels show property of corrosion resistance. Chromium Steel and Stainless Steel are part of this category. Those carbon steels which have properties of resistance to atmospheric corrosion contain around 0.3% copper. These steels are used for applications where steel is to put to use in corrosive environment.

○ Heat Resistant Steel:

These steels are put to use in those environment where temperature is high. These steels retain strength and show corrosion resistance properties at elevated temperatures.

○ Stainless Steel:

These steels include Martensitic, Ferritic and Austenitic stainless steels. Stainless steel containing 18% chromium and 8% nickel is used for stainless steel utensils. Stainless steels have both corrosion resistance and heat resistance properties. These steels after addition of selenium, sulphur or phosphorus get free machining properties.

○ High Speed Steel:

These are tungsten based or molybdenum based steels containing varying percentage of chromium, cobalt and vanadium. These steels retain hardness, strength and cutting properties at high machining speeds.

○ Die Blocks:

These steel include chromium, nickel, vanadium and molybdenum alloy steels used for production of die blocks both for hot and cold forging industries. These steels have good wear and shock resistance, high toughness, good strength and cutting properties because of carbide formation.

Importance and Scope for Alloy & Special Steel

Alloy and Special Steels are indispensable since it has got a variety of critical use. These steels find applications in practically all economic sectors, keeping the wheels of the industry moving. It is highly essential for industrial growth as tools for production of machineries. These steels are even needed for production of equipments that manufacture long and flat steel. Alloy and special steels also form strategic basic material for country's defense needs. These steels find critical use in the growth of industry, infrastructure and transport and other such sectors. Auto and auto ancillary industry is the major consumer of these steels which accounts for 49% of the total demand. Other major consumers of alloy and special steels are bright bar manufacturers, railways, fastener producers, bar and roller bearing manufacturers, seamless tubes and pipes manufacturers, equipment manufacturers and construction industry. Present production of alloy and special steels is inadequate to meet the country's requirements which necessitate imports of large quantities of these steels. As per JPC consumption of alloy and special steels in 2012-13 was about 4.6 MnT against about 5 MnT in 2011-12. The net import (Gross import minus export) of these steels in 2012-13 was 1.047 MnT as compared to 1.041 MnT in 2011-12. The consumption of alloy and special steels is expected to grow by 7 per cent in coming years.

Production Requirements during Alloy & Special Steel

Quality consciousness is a very important factor during production of alloy and special steels. These steels cannot be produced in a steel plant designed to produce mild steels. For meeting special requirement with respect to chemistry, physical and mechanical properties, special equipments are needed during production of these steels especially in the area of secondary metallurgy and in the area of rolling and shaping of these steels. Further close monitoring of manufacturing process as well as testing of intermediate and final products, is required for which adequate facilities in testing laboratory are needed. These equipment and facilities will depend on type and quantity of alloy and special steels to be manufactured.

Extracted from "Steel 360"

## **Aluminium: tight market is good news but outlook for realizations remains weak**

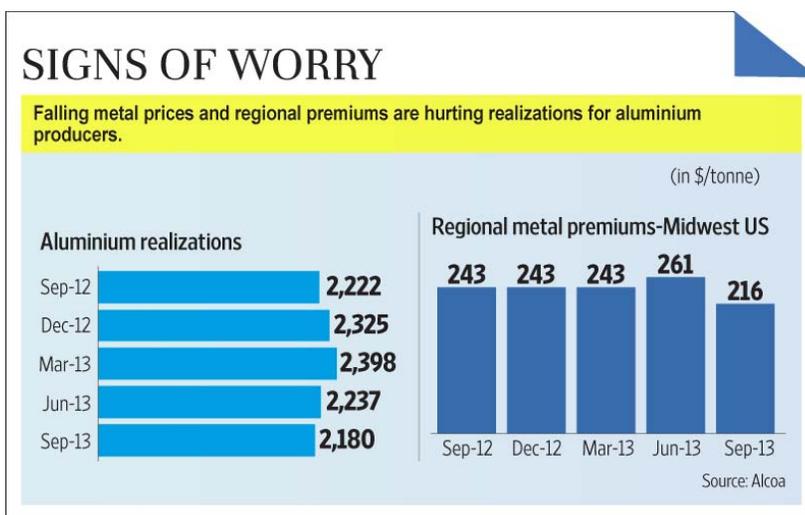
Alcoa Inc. has retained its forecast of 7% growth in the global demand for aluminium in 2013 and is expecting a tighter demand-supply situation. The company has revised its deficit forecast (demand exceeds supply) for the year to 400,000 tonne, up from its July forecast of 315,000 tonne. The main reason for this is slower-than-expected addition to smelting capacity, which is not surprising given weak price trends. The not-so-good news is that the forecast for alumina (an intermediate product) has been revised sharply

upwards, to 636,000 tonne from 130,000 tonne in its July forecast. Therefore, some pressure on alumina prices can be expected, unless demand conditions improve significantly. Earlier than expected commissioning of refining capacity during the year appears to be the main culprit here.

In the case of aluminium, though a higher deficit is a good thing, the price situation does not reflect it. Alcoa said that its realizations declined by 2.5% sequentially. LME (London Metal Exchange) prices have declined compared with the June quarter levels, but have been volatile in the September quarter

A bigger worry, perhaps, is that regional metal premiums have been falling. Compared with end-June quarter levels, regional premiums at the end of the September quarter for Midwest USA were down by 17.2% and down by 15.8% for Europe deliveries. That cuts into the sales realizations of aluminium companies. In the near future, a critical factor that will weigh on the market is what action the LME takes to redress complaints from end-users of delays in deliveries from its warehouses. Any action that results in more metal entering the market may weaken realizations. Once the dust on this issue settles, it will be back to watching China to see if economic growth strengthens, therefore, accelerating demand for aluminium, and then next to watch for signs of a recovery in Europe. Alcoa's results show that productivity improvements and value-added products played a key role in driving its performance. These could influence the results of Indian producers, too, though the currency effect is likely to play a bigger role in their September quarter earnings.

Source: Live Mint



## **Large government projects can lift steel consumption: INSDAG**

### ❖ ***What is the current state of the steel industry in India considering the subdued economic conditions?***

The economy is in bad shape. The steel consuming sectors have also been registering a dismal performance, for example, the automobiles, capital goods and consumer durables sectors. Steel consumption has been growing at the rate of 3-4 per cent. But real growth can only happen if there are investments in the infrastructure segment and there are enough construction projects underway. Government spending on social development can lead to steel consumption growth to some extent. The actual steel consumption growth can happen if there are enough projects. Investments in large government or industrial projects can lift steel consumption in the country.

❖ **Steel consumption growth had been dismal in the first half of 2013-14. How is the second half of 2013-14 likely to be?**

Some new projects, including a power project of around 4,500 MW each, had been awarded recently in Chhattisgarh and Uttar Pradesh. There are also reports of some construction projects in different states of the country. We expect some pick-up in steel consumption in the second half of 2013-14. We hope financial year 2013-14 will end with a steel consumption growth of 5-6 per cent compared to 3-4 per cent in 2012-13.

❖ **What is the steel consumption pattern like in the country?**

Currently, steel consumption by the construction sector makes up about 63 per cent of that consumed in the entire country. Steel consumed by the automobile sector makes up 10-11 per cent of the steel consumed in the country. The rest is being consumed by other sectors like consumer durable, capital goods etc.

❖ **India's per capita steel consumption is merely at 60 kg against the world average of 210 kg and China's average of 460 kg. Where do you think is India lacking?**

India's average per capita steel consumption of 60 kg is made up of 117 kg of consumption in the cities and around 13-14 kg of consumption in the rural areas. So there is enough scope for development of steel consumption in the rural areas. INSDAG is now making sincere attempts to propagate steel fabrication facilities in villages under central/state government schemes. INSDAG strives to expand the use of steel in the residential, commercial, infrastructure, industrial and rural segments of the construction industry. INSDAG organises a series of seminars and workshops which act as a platform for all connected to the steel value chain-architects, consultants, structural engineers, steel producers, contractors, fabricators, hardware suppliers, government agencies, etc. These seminars and workshops are not only a forum for addressing the best practices in steel usage but also focus on identifying the constraints in the usage of this commodity and removing the impediments. INSDAG has also been organising an award competition for best innovative designs among the students of civil engineering and architecture and there has been a very encouraging response from the academic/engineering institutes in India towards these competitions.

❖ **Can you elaborate on the steel promotion campaigns in rural areas?**

One of the major lacunae in steel promotion activities in the rural areas has been the lack of regular availability of the commodity. The major integrated steel plants, i.e., SAIL, Tata Steel, JSW and Essar, have set up a number of outlets in the rural areas to make steel readily availability through the appointment of a substantial number of rural dealers and distributors and by setting up hyper marts and shops which can display various product profiles for readymade sales. As a result, the availability of steel in the semi-urban and rural-areas has gone up, leading to a much higher per capita consumption in the rural areas than projected earlier. INSDAG has been propagating steel promotion campaigns in the rural areas by designing low-cost rural housing. It has designed residential houses, schools, community buildings, in Maddivanipalam under the sponsorship of RINL. INSDAG is now making sincere attempts to propagate steel fabrication facilities in villages under central/state government schemes. Once successful, this would lead to considerable progress in penetration of steel promotion in the rural hinterland.

India has seen a growth in the application of steel in newer areas like airports, flyovers, high-rise commercial buildings, bridges, infrastructure projects etc. The steel intensity in the

Index of Industrial Production (IIP) has also been rising over the years. INSDAG can humbly take pride in the fact that its efforts have ultimately borne fruit. Research has also shown that there will be an 18 per cent cost saving in the long run if a 22-level building is built with steel structures rather than concrete slabs although the initial investment may be a bit high.

We have also taken up projects like building houses at a cost of Rs 150,000 in Burdwan (West Bengal) with steel structures to propagate the use of steel. Research has also shown us that use of steel in structurals through the limit state method makes construction easier and the material can also be used to resist fire and earthquake shocks.

❖ ***What is the status of the National Steel Policy, a draft of which had been formulated to propagate steel projects?***

A draft of the National Steel Policy had been released earlier by the steel ministry for public feedback. The government has set a target of trebling steel production capacity to 300 million ton by 2025 amidst Prime Minister Manmohan Singh's assertions that giving a boost to the manufacturing sector is key to achieving 8-9 per cent economic growth. Thus the entire steel policy needs to be realigned in line with the targets set by the Prime Minister. Currently, a process is underway and it will take some times to redraft the policy in line with the new targets. I expect a fresh policy to be ready by the end of the current financial year.

❖ ***What is the current steelmaking capacity in India and what will it be like by the end of 2013-14?***

India's current crude steelmaking capacity is at 96-97 million tons. By the end of 2013-14, it is likely to be around 100 million tons with the full commissioning of capacities in SAIL, Tata Steel and RINL.

❖ ***Of late, India has been looking at increasing exports from the country to take advantage of the rupee depreciation. Do think that steel mills will gain from this initiative?***

Higher exports would definitely strengthen the position of steel mills in India and benefit the exchequer. But India has been targeting traditional countries like the US, Europe and Japan for its exports. If it needs to grow its exports basket it has to target developing countries in South East Asia and the Middle East where a lot of infrastructure projects are currently on. Countries where reconstruction work would be undertaken are Egypt, Syria and Turkey and these may also be interesting export destinations.

❖ ***Despite low consumption of steel, India is a net importer of the material. In 2012-13, India imported 7.87 million tons of steel. Will capacity addition bring down imports?***

There is definitely a gap in the availability of certain grades steel in the country – like special auto grade of steel, cold rolled grain – oriented steel (CRGO) or electrical steel. A lot of the steel mills expanding capacities plan to produce such special grades. But there is still a gap and the CRGO market in India is estimated to 200,000-250,000 tons. Thus, there had been a great deal of trading in or imports of defective CRGO. A lot of the imported material comes from CIS countries and China. Moreover, Japan and Korea have free trade agreements and a substantial portion gets imported to these countries as well.

❖ ***What sort of recent steel promotion initiatives have been undertaken by INSDAG?***

INSDAG has been concentration on research and innovative designs in areas like

residential housing, bridges, parking plazas, commercial complexes, foot bridges, etc and has published a good number of books and manuals containing details of designs and methodologies for implementation. It is increasingly being felt that some of the innovative ideas need to be converted into prototypes to showcase the features of construction propagated by INSDAG. The institute, therefore, has been closely interacting with various agencies, like the Kolkata Metropolitan Development Authority, Ministry of Urban Development and Poverty Alleviation, Ministry of Rural Development, Railways, Border Road Organisation, State Bank of India, Life Insurance Corporation of India, Development Authority in North-East, etc., in connection with various assignments on structural designs in steel/composite constructions. The institute has been associated with various steel-related codes and standards under BIS and IRC. INSDAG has also created an advisory desk for prompt responses to interpretation of standards, construction techniques, cost benefit analyses, sources of supplies and welding and corrosion protection methods.

Source: Steel Insights

### **Indian steel demand may touch 74 million tonne in 2013**

Economic Times reported that steel demand in India is expected to grow by 3.4% in 2013, slightly higher than the rate of 3.1% rate at which global use of steel is estimated to grow to touch 1.47 billion tonne during the year. In terms of volume, steel demand in India is expected to touch 74 million tonne in 2013. This follows a 2.6% growth in 2012 during which high inflation and structural problems restrained the use of steel. Next year, however, demand is expected to grow by 5.6% in India, helped by accelerated attempts to implement structural reforms. These are part of the predictions made by leading international steel body, World Steel Association in its Short Range Outlook for 2013 and 2014. Next year, global steel demand is likely to grow to 3.3%, signalling a slow but steady recovery in steel demand worldwide. The forecast said that world steel demand will touch 1.52 billion tonne in 2014. WSA, which represents 170 steel producers globally said, steel demand in 2013, is forecasted to grow by 6% in China. Thus, despite growing by only 0.7% in the rest of the world, total global steel demand is forecast to grow by 3.1% during 2013. Mr Hans Jurgen Kerkhoff, chairman of WSA Economics Committee said that "The key risks in the global economy, the eurozone crisis and a hard landing for the Chinese economy have continued to stabilize in last 6 months since April. The correction in the eurozone has been more severe than forecast but the improvement seen recently is now expected to continue for the rest of 2013." In 2014, WSA said that it expects to see continued recovery in global steel demand with the developed economies overall returning to positive growth. Apparent steel use in China is expected to grow by 6% in 2013 to 699.7 mt following a 2.9% increase in 2012.

Source: Steel Guru

### **Steel makers in race to buy Stemcor's assets**

For Indian steel makers like the Jindal brothers and Tata Steel, the proposed sale of assets by British metal trading firm Stemcor comes at an opportune time. One of the assets on the block is Aryan Mining & Trading Corporation which owns a mine in Odisha that can produce 5 million tonnes of the raw material every year - enough to make over 3 million tonnes of steel. In this background, steel makers and metal companies- Tata Steel, the Jindal brothers (Sajjan and Navin Jindal), MESCO Steel, Vedanta and the Aditya Birla group- have queued up to take over Stemcor's assets which include a pellet plant and trading rights apart from the iron ore mine. The pellet plant has an annual capacity of 4 million tonnes. The plant, which can turn low-grade iron ore fines into chunks for use in blast furnaces, is also up for grabs.

Source: Business Standard

## **Macroeconomic indicators - Economic recovery may be delayed – CII**

A CII's CEO snap poll conducted at its National Council Meeting, indicated that growth may not touch 5% in the current fiscal. Most of the respondents expected the economy to grow in the range of 4.5 to 5.0%, followed by 32% expecting it to register a growth in the range of 5.0 to 5.5%. Commenting on the result, Mr Chandrajit Banerjee director general of CII stated that "We believe that 5% plus growth is still not out of reach. With a significant improvement expected in the growth of agriculture output in the current year, we hope to see an upswing in the sectors which have traction from rural demand." When asked to predict the timing of investment revival, 65% of the respondents said that they did not expect it before the Q2 of next fiscal. Political uncertainty was ranked as the highest risk factor affecting the business confidence of India Inc. In an indication of easing current account deficit situation 82% of the respondents felt that the value of rupee against US dollar was favorably affecting their exports. Contrary to the expectation that low rupee will lead to increase in their import bill, 53% of the business leaders felt that their imports will remain unchanged during the second half of the year. Going forward, majority of the respondents expected the rupee to prevail below INR 62 per US dollar by the end of the current fiscal.

Most of the respondents expected that their credit demand will remain unchanged during the second half of the current fiscal. Similarly, 50 of the business leaders did not see any perceptible change in their investment level during the second half of this year. Commenting on the efficacy of the Cabinet Committee on Investment in clearing large projects, 56% of the respondents did not feel it had the intended impact on the investments so far at the ground level. Mr Banerjee added that "This clearly implies that there is a need for strengthening policy intervention to revive investment demand, both by the Government as well as RBI. Among other critical measures, the Government should be focusing on stepping up its capital expenditure whereas RBI should be adopting a softer monetary stance." In the survey, 50% of the respondents expected their sales and exports to grow moderately during the second half of this fiscal. However, profit margin was expected to decline by majority of the respondents due to pressure from hardening of input prices. Indicating that the economy is moving towards a situation of stagflation, majority of the respondents expected inflation to increase moderately in the second half of the year.

Source: Steel Guru

## **Indian steel mills take chance on scarcity in flat market by hiking price**

October saw yet another round of price hike in HRC by most of mills. Coming with a pinch of surprise when market is struggling to buy the reason seems to be borne out of scarcity. After severe mauling of INR in August there was surfeit in export bookings by most of the mills to maintain bottom line with domestic market showing no sign of revival. Some steel majors have clocked astounding growth in exports led by SAIL and RINL by 37% and 63% in April-August. Other steel majors have been even more aggressive in export sales diverting nearly 25-30% of their production for exports. At same time hike in input material cost has dealt a crippling blow on mills dependent on imported raw material for production. It learnt that it has led to steep drop in capacity utilization. Hike in railway freight in October after the expiry of off season discount has done its bit in hiking cost. Concomitant dip in material availability and increased cost has encouraged mills to hike price to the tune of INR 1250-1500 per tonne in HRC even though buying remains unmoved.

Source: Steel Guru

## **Slowdown hits Essar Steel hard**

Essar Steel has been hit by the macroeconomic uncertainty. The company is finding it difficult to service its debt, prompting CARE Ratings to downgrade the company's long-term rating to 'default', the lowest rating among India's leading primary steel makers.

"CARE downgraded Essar Steel's long- and short-term bank facilities from BBB-, reflecting the delays in servicing debt obligations by the company on account of its weakened liquidity position, as a result of continuing net losses," the ratings agency said. The rating agency attributed this to a steady decline of the company's liquidity position, owing to a sharp fall in operating profits. The company's interest liability continued to be in line with the rise in its borrowings and rising interest rates. CARE Ratings said at this rate, the company would either need fresh capital infusion by promoters or it would have to sell some of its assets.

### **TOUGH TIMES**

Consolidated Figures Company name	₹ crore			Credit Rating*
	Net sales	Operating profit	Interest	
<b>Tata Steel</b>	134,711.54	5,410.48	3,968.11	<b>AA+</b>
<b>JSW Steel</b>	38,209.65	6,204.28	1,967.46	<b>AA</b>
<b>Jindal Steel</b>	19,806.78	6,328.73	956.06	<b>AA</b>
<b>Essar Steel</b>	15,697.60	-1,651.91	2,954.70	<b>D</b>
<b>Bhushan Steel</b>	10,744.27	3,327.75	1,287.45	<b>A+</b>

\* For Long Term Debt source from Capitaline  
Compiled by BS Research Bureau

Source Capitaline

Source: Business Standard

## **RINL and Indian Railways ink pact for Forged Wheel Plant**

India's largest Forged Wheel Plant projects 'Agreements' got signed between Rashtriya Ispat Nigam Limited and Indian Railways in the presence of Union Minister of Steel, Mr Beni Prasad Verma and Union Minister of Railways.

Mr A P Choudhary CMD of RINL while welcoming the dignitaries mentioned that the project has already frozen and process of order placement is in the advance stage. The global technology/equipment suppliers from Germany, Russia, China along with reputed Indian agencies are participating in the bidding process. The quality of wheels manufactured in the plant will be tested and certified by International certifying agency "TTCr, USA. Land has also been identified and preliminary site activities commenced. The Forged Wheel Plant at Lalganj, Raebareli will be set up near to Rail Coach Factory in Uttar Pradesh and will produce 1 lakh numbers of Forged Wheels per annum in the First phase for 'Locos and High speed trains' with an investment of about INR 1100 crores. The capacity of the plant will be doubled in the Second phase for a production of over 2 lakh wheels per annum. The Factory will become operational in 36 months from order placement date and will provide employment to about 500 to 600 people. The unit will have an added locational advantage due to its proximity with the Rail Coach Factory, Raebareli. RINL will supply Steel Cast Rounds to the Wheel Plant from its state of the art new Caster being installed with German technology at its unit at Visakhapatnam.

Source: Steel Guru

## **Indian Steel Corporation launches innovative roofing solution in Rajasthan**

Indian Steel Corporation Limited, a joint venture of Indian conglomerate Ruchi Group of Industries and Japan based Mitsui & Co, is all set to revolutionize the construction sector in the state of Rajasthan with its innovative product 'UltraShine XL', first ever innovative colour coated profile sheet in 4 feet width. With the array of new products, ISC positions itself as a comprehensive steel company in terms of product quality. ISC has always been a firm believer in commissioning of top-notch technology and that apparent with the superior production of their latest products. ISC, since its inception has registered an average annual sales growth rate of over 25%. ISC is focused on further strengthening its presence in the state of Rajasthan with its

recently introduced new product "Ultrashine XL". The product matches the norms of highest international standards that are evident from the superior finish of the product. The product "Ultrashine XL" has been made with the most advanced technology and designed for longer paint life, better strength and it comes with perfect overlapping for optimum waterproofing, has best in class tensile strength of over 650 MPa and can withstand high wind velocity upto 180 km/hr. The product, available in wide spectrum of colours, can be used in airports, stadium, industrial, residential roofing and cladding applications.

Source: Steel Guru

### **Steel pickling units can sell stock : DPCC assures NGT**

The Delhi Pollution Control Committee (DPCC) today assured the National Green Tribunal that the authority will abide by the NGT's order permitting steel pickling units here to sell the stock manufactured by them so far. Steel pickling is the process of removing impurities, such as stains, inorganic contaminants, from the metal. A bench headed by NGT Chairperson Justice Swatanter Kumar directed the DPCC to inspect the units in terms of its order of October 9, 2013 and submit a report on the next date of hearing, November 27. The assurance came during the hearing of an application by the steel pickling units which claimed that despite the NGT's October 9 order permitting them to sell their stock, the DPCC ordered on October 10 that all activity, including commercial, be stopped at their premises. The DPCC told the bench that the closure order was issued as per an Environment Ministry notification of September 23, 2013, but assured that it will abide by the NGT's October 9 order. The units were granted liberty by the NGT to challenge the ministry's notification and the DPCC's October 10 order. Meanwhile, the Delhi Development Authority told the Tribunal that it has already put steel pickling industry into the negative/prohibited list. The Tribunal had in August this year restrained such steel pickling units from carrying out operations without the DPCC consent on the plea by an NGO, All India Lokadhikar Sangthan. However, on October 9 the NGT had allowed the units to sell the stock they had manufactured till they were shut down but made it clear that if the DPCC on inspection found any manufacturing activity at any plant then the authority was free to shut it down. It had also directed the DPCC to conduct surprise checks of the units. Stainless steel products are in demand during Diwali and it is one of the grounds cited by the units when they moved the NGT for permission to sell their stock.

Source: The Economic Times

### **NGT permits Essar to start work on part of project in Odisha**

Essar Steel was today permitted by the National Green Tribunal (NGT) to start construction for laying a portion of its 253-km long slurry pipeline to transport iron ore from its steel beneficiation plant in Keonjhar district of Odisha to another unit in Paradeep. A bench headed by NGT Chairperson Justice Swatanter Kumar made it clear that Essar is allowed to begin work only on 0.723 hectare of forest land in the state for which it has received clearance from the authorities. The order came on an application of Essar which informed the bench that it has received forest clearance (FC) to commence work in 0.723 hectare of land and sought that the tribunal's December 19, 2012 order prohibiting any construction without FC be modified and the company be allowed to start work at its cost. Essar also informed the bench that till date it has already laid 227 km of the pipeline and is awaiting FC for other sections of project site to complete the work. Meanwhile, senior advocate Raj Panjwani appearing for petitioner Sarbeshwar Mishra argued that unless FC is granted for all components of the project, Essar should not be allowed to start the work which the NGT had halted last year for want of clearance. After hearing contentions of both sides, the bench listed the matter for final arguments on December 11 and 12. The 253-km long slurry transportation system, envisaged from beneficiation plant to Paradeep, will traverse through four Odisha districts of Keonjhar, Jajpur, Kendrapada and Jagatsinghpur and will use the

water of river Baitrani. Beneficiation is the process of removing impurities from the ore. Mishra in his petition has challenged as "illegal, arbitrary and unreasonable" the decision of the Centre and the Odisha government to allow Essar to draw water from the river. He has alleged that Essar was drawing water from the river without forest clearance to facilitate iron ore transportation from its plant to another unit in Paradeep. On his petition, the tribunal had in December last year restrained Essar from using the river water contrary to the agreement between it and the state government and had also directed it to not go ahead with the project without obtaining forest clearance. According to Mishra, a memorandum of understanding was signed between Essar and Odisha government on April 21, 2005 to set up a steel plant at Paradeep in Jagatsinghpur district and as part of the project the industry also proposes to set up a 10.7 MTPA (million tonnes per annum) capacity iron ore beneficiation plant at village Dubuna in the district of Keonjhar, Odisha.

Source: The Economic Times

### **Tata Steel might sell assets worth \$1.2 billion: Sources**

Tata Steel, planning to raise \$1 billion through a foreign bond issue, is looking at the option to raise another \$1.2 billion by selling stake in other Tata Group companies, according to reports. Tata Steel has 54.5 per cent stake in Tata Sponge and Taty Rolls, and a 5.6 per cent stake in Tata Motors worth Rs. 5,300 crore, apart from 4.4 per cent in Titan Industries. It could also sell stake in Dhamra Port and in African Alloys, bankers said.

### **Tata Sons to take stake**

The Group's holding company, Tata Sons, which made a record net profit of Rs. 3,713 crore in 2012-13, is likely to pick up the stake in other Tata group companies bankers say. Ahmedabad-based Adani Group is said to be the frontrunner to buy out both Tata Steel and Larsen & Toubro's stake in Dhamra. Tata Steel will use these funds to retire its consolidated debt of Rs. 66,074 crore as of March, which it had taken to buy Corus in 2007.

Source: Business Standard

### **Record steel output credit-positive for Indian companies – Moody**

Economic Times reported that record steel production by major steel makers notwithstanding the tepid economic scenario and lackluster consumption is credit positive and would aid in boosting their profitability. The research arm of rating agency Moody's said that "It appears that, despite lukewarm economic environment and slowing Indian steel consumption, India's largest steel producers are churning out steel at record level. This credit positive event will help boost their profitability." Attributing two factors depreciation of rupee and gas shortage for some of this anomaly between the growth in output and demand, it said that there was a risk for further dip in plant utilization in the short term. While depreciation of the rupee from 54.3/USD at the end of March to 62.6/USD at the end of September has supported domestic prices, shortage of gas has spoiled the hope of DRI based steel minor producers, benefiting major players. According to a Joint Plant Committee report, India's real steel consumption showed a marginal increase of 0.8% for the 6 months ending on September 30th 2013 at 36.58 million tonne. It said that "Nevertheless, large Indian steel producers have markedly increased their production and sales in the quarter ending September." Moody's Investor Services said in the medium-term, the supply demand balance looks manageable based on expected capacity additions. It said that "However, in the short term, given that the growth in domestic steel production has outpaced real domestic steel consumption over the last 5 years, there is a risk of further reductions in plant utilization unless infrastructure building and the large steel intensive industries restore their former growth trajectories."

Source: Steel Guru

## **DUPLEX IS THE KEY TO LONG LASTING, LIGHT WEIGHT FOOT BRIDGES**

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**Outokumpu provides unmatched added value for the design and construction of an innovative stainless footbridge in Zumaia, Spain.**

### Light Bridge for Maritime Environment:

The small Basque city of Zumaia is located at the junction of two rivers that flow into the Bay of Biscay. First fortified in the Middle Ages, this city of 9,000 people on the green slopes of hillsides looks to the future and has undertaken an ambitious urban development program, building a new park and a football field, and upgrading the river banks.

The rivers slice through the city, so one crucial part of the development program is a footbridge to improve accessibility. The program's project director and design agency Pedelta Structural Engineers looked for a type of bridge that would withstand Zumaia's maritime climate but would be very lightweight at the same time. They opted for a novel design with a composite structure that achieved both these aims. The bridge is constructed using both duplex stainless steel and fiberglass. Thanks to its high mechanical strength, the use of duplex allows reduced thickness and hence weight compared to traditional materials. The duplex grade family also meets the corrosion resistance requirements in all climatic conditions, so no coatings are required and maintenance is reduced throughout the life of the bridge.

### Composite Structure:

Compared to conventional bridge types, Pedelta achieved significant weight savings with the innovative combination of high-strength stainless steel and lightweight fiber-reinforced plastics. They were able to design the bridge for a service life of 120 years. The Zumaia bridge is the first of its kind in the world.

To find the right duplex grade, Pedelta turned to Outokumpu relying on a solid precedent : Outokumpu had helped Pedelta select the duplex grade for the world's first all-stainless road bridge in the Spanish Mediterranean island of Menorca. The maritime environment of Zumaia prompted Outokumpu to advise Pedelta to use duplex Outokumpu 2205, a molybdenum-containing grade that withstands the harsh environment created by airborne sea salt.

### Prefabricated for Quick Assembly:

The bridge construction itself was undertaken by Spanish steel fabricator ASCAMON, which had previous experience in bridge building in stainless steel through the Menorca bridge project. ASCAMON turned to Outokumpu, trusting them with delivery of the entire stainless steel package.

Outokumpu can provide all stainless bridge components as custom-designed parts, prefabricated for quick assembly at the site. This allowed ASCAMON to concentrate on their core task.

Outokumpu's plate service center PSC Nordic in Sweden cut and formed duplex plates from the

adjacent Outokumpu hot rolled plate plant according to design drawings and prepared the edges for welding. The prefabricated sections were delivered directly to the site without intermediaries. The benefit to ASCAMON was cost-efficiency and superior ease in project management.

**Metallurgical Coal Prices**  
**Steelmaking input costs - historic price trends**

Coking coal export prices

Year/Moth	Coking Coal \$/Ton	Year/Moth	Coking Coal \$/Ton	Year/Month	Coking Coal \$/Ton
1996 Q1	\$46.28	2002 Q1	\$46.82	2008 Q1	\$98.90
1996 Q2	\$45.73	2002 Q2	\$44.24	2008 Q2	\$129.91
1996 Q3	\$45.08	2002 Q3	\$45.33	2008 Q3	\$149.30
1996 Q4	\$44.95	2002 Q4	\$45.70	2008 Q4	\$156.65
1997 Q1	\$46.60	2003 Q1	\$46.34	2009 Q1	\$133.86
1997 Q2	\$45.58	2003 Q2	\$44.62	2009 Q2	\$115.25
1997 Q3	\$44.73	2003 Q3	\$43.10	2009 Q3	\$111.64
1997 Q4	\$44.96	2003 Q4	\$43.99	2009 Q4	\$112.91
1998 Q1	\$46.09	2004 Q1	\$54.10	2010 Q1	\$117.36
1998 Q2	\$44.65	2004 Q2	\$65.32	2010 Q2	\$143.7
1998 Q3	\$43.93	2004 Q3	\$67.33	2010 Q3	\$162.5
1998 Q4	\$43.46	2004 Q4	\$68.43	2010 Q4	\$160.6
1999 Q1	\$44.87	2005 Q1	\$73.65	2011 Q1	\$170.4
1999 Q2	\$41.97	2005 Q2	\$81.27	2011 Q2	\$191.2
1999 Q3	\$40.29	2005 Q3	\$85.92	2011 Q3	\$201.6
1999 Q4	\$40.20	2005 Q4	\$85.98	2011 Q4	\$181.4
2000 Q1	\$40.49	2006 Q1	\$91.90	2012 Q1	\$169.0
2000 Q2	\$38.20	2006 Q2	\$90.08	2012 Q2	\$157.2
2000 Q3	\$39.53	2006 Q3	\$90.65	2012 Q3	\$148.0
2000 Q4	\$37.67	2006 Q4	\$90.70	2012 Q4	\$131.1
2001 Q1	\$39.25	2007 Q1	\$91.81	2013 Q1	\$119.4
2001 Q2	\$40.12	2007 Q2	\$86.49		
2001 Q3	\$43.19	2007 Q3	\$87.99		
2001 Q4	\$44.74	2007 Q4	\$90.19		

Table last updated: 8th August 2013

**METALS-Copper gains on China GDP, but caution limits rise**

London copper futures edged up supported by data showing China's economy grew as forecast in the third quarter, although concerns its upward momentum may be short-lived limited price gains. China's economy grew 7.8 percent in July-September, its fastest pace this year, as

firmer foreign and domestic demand lifted factory production and retail sales. China is the top consumer of copper, accounting for 40 percent of global copper use. But the outlook going forward is not as rosy amid volatile global demand and Beijing's reforms aimed at more sustainable growth, analysts say. Three-month copper on the London Metal Exchange rose 0.4 percent to \$7,255 a tonne by 0711 GMT. The metal has traded in a tight range of \$7,139-\$7,300 this week, and is up 0.7 percent for the week so far. "The strong GDP number implies solid and growing demand for copper," said Helen Lau, senior metals analyst at UOB Kay Hian Securities in Hong Kong. "But I haven't really changed my bearish view for 2014 and 2015 because we expect China's industrial production growth to slow as the growth becomes less investment-driven."

After three decades of expansion fuelled by exports and investment, Beijing is trying to shift the economic mix so that activity is geared much more towards consumption. That means a slowdown from the double-digit growth of previous years. China's copper imports jumped 18 percent from August to hit an 18-month high in September as end-users rebuilt inventories, although analysts said the chances of the momentum being sustained may be slim as recent improvements in the economy could fade. Copper could average \$6,825 in 2014 compared to a projected \$7,304 this year, said Lau of UOB Kay Hian. The most-traded January copper contract on the Shanghai Futures Exchange closed up 0.3 percent at 52,250 yuan (\$8,600) a tonne. Concern over the impact of the 16-day shutdown on the U.S. government has also weighed on investor sentiment, trapping prices in narrow ranges. U.S. federal agencies resumed operations on Thursday after lawmakers passed legislation to sustain funding and avoid a debt default. But economists warned the shutdown had chipped away 0.1 percentage point each week from fourth-quarter U.S. gross domestic product. "The damage to the (U.S.) economy is real," INTL FCStone analyst Edward Meir said in a note.

Source: Reuters

### **NMDC iron ore sales up 8% in April to September 2013**

Economic Times reported that NMDC, the country's largest iron ore mining company has reported a 8% rise in sales of iron ore in the half year ended September 30th 2013. The company has said it sold 13.75 million tonne of iron ore between April to September 2013 up from 12.72 million tonne in the same period last year. During the same period, April to September 2013, NMDC produced 12.89 million tonne of ore, registering a 5.31% increase compared to 12.24 million tonne in the same period last year. Out of this, NMDC reported a 9.9% growth in production from its mines in Karnataka. In the half year ended September 30th 2013, NMDC produced 4.44 million tonne in Karnataka over 4.04 million tonne in the same period last year. In Chhattisgarh, NMDC produced 8.45 million tonne in April to September 2013, showing a 3.05% increase in production over 8.2 million tonne in the same period last year. In terms of sale, Karnataka accounted for a 13.33% growth to 4.42 million tonne against 3.92 million tonne in April to September 2012. Chhattisgarh accounted for sales of 9.33 million tonne showing a 5.78% increase over 8.82 million tonne of iron ore sold from NMDC's mines in the state during the April to September period last year.

Source: Steel Guru

### **Indian iron ore exports drop 54pct to 7 million tonne in H1 FY2014**

BS reported that India's iron ore exports have further declined by 54% to 6.8 million tonne for the six months (April to September) of the current fiscal. In the corresponding period last fiscal, India exported 14.65 million tonne and 31.44 million tonne in the same period a year before (2011 to 2012). The major factor that led to the drop in iron ore exports this year is the absence of Goa in the export market. The exports from Goa were halted in September 2012 following the Supreme

Court ban on mining and movement of the raw material. The Apex Court on October 5th 2012 ordered suspension of all mining operations including transportation in Goa. Exports from Karnataka have been suspended since July 2010, when the state government banned exports which was subsequently upheld by the Apex Court. Though mining is resuming in Karnataka slowly, there is no clearance yet to resume exports from the state. Mr Prakash Duvvuri head of research with Ore Team, a Delhi based iron ore research firm said that "During the period April to September 2013, exports have taken place largely from the eastern ports like Paradip, Vizag and Haldia. A limited quantity was exported from Redi port in Maharashtra during the period." India's exports have been on the decline over the past three years due to ban on mining in Karnataka, Goa besides imposition of 30% export duty. Higher freight charged by the Indian Railways on the export-bound raw material has also affected the export performance.

As per OreTeam's provisional data for September 2013, India exported 1.325 million tonne of iron ore in September based on the vessels which berthed in the month. The total exported quantity to China was just 1.44 million tonne while 163,710 tonne was exported to Japan and a shipment of 31,500 tonne of pig iron was moved to Taiwan. As a comparative view, in September 2009, Indian exports were 5.68 million tonne while in 2010 the same figure fell to 3.13 million tonne. In 2011, the exports picked up slightly to 3.39 million tonne while in 2012, the exports drowned sharply to 0.45 million tonne. The current figure for September 2013 is a welcome relief, giving a good cheer to the market but it is still quite low as compared to the volumes done from the country in the past, Duvvuri said. Mr Duvvuri said that meanwhile, one of the leading iron ore export houses - Synergy Resources, exported close to 2.5 million tonne of iron ore to China till date in 2013. Considering India's exports for 2013 till date at 10 million tonne (between January and September 2013), Synergy's share is nearly 25%. The company is planning to export over 3 million tonne in the full year. He said that "India's iron ore will always enjoy a good demand in the Chinese markets and there will always be a need for Indian iron ore in China which would keep the exports alive from the country. The export figures might diminish to mere 5 million tonne to 8 million tonne in the coming years and then may even become extinct at a later stage but the fact that the Indian iron ore is always required world over due to its quality and price, will prevail."

Source: Steel Guru

### **Minister asks MOIL to increase business volume**

Economic Times reported that Steel Minister Mr Beni Prasad Verma asked MOIL Limited to increase business volume by raising production of manganese ore. An official statement said that "The Steel Minister stressed on the need for increasing the volume of business of the company. Mr Verma said that the company should further increase its production of manganese ore and also increase production of value added products." Mr Verma met MOIL Limited officials here when they came calling him to present the final dividend cheque of INR 42.08 crore for the year 2012 to 13. MOIL Limited earned INR 431.72 crore Profit After Tax as against INR 410.77 in the year 2011 to 12 registering an increase of 5.10%. Government of India holds 71.57% stake in MOIL Limited, 4.62% by Government of Maharashtra, 3.81% by Government of Madhya Pradesh and 20% is owned by public. During 2012 to 13, MOIL Limited produced 11.39 lakh tonne of manganese ore, registering an increase of 6.35% over the previous fiscal.

Source: Steel Guru

### **Where is the MONEY?**

China with 3 times the GDP of India, achieved a growth of 7.5% in the last fiscal (on a very high base figure) largely on the back of the manufacturing sector of the country. Manufacturing

sector for China is what agriculture sector is for India. India's manufacturing sector with enormous potential is surely advancing, however, unwarranted government intervention, frequent policy makeovers, delayed decisions, high dependence on imports and an unstable political situation to some extent, is keeping check on the rate of growth. Achievement of government's ambitious 6 plus percent growth rate is possible with implementation of serious growth-oriented and medium term policies. Iron ore as the prime raw material for manufacturing steel has a very vital role in the industry as well as the Indian economy to some extent. This industry since the mining ban across the country is in shambles.

	IRON ORE	<p>↓ Iron ore production has dropped by about 15% in 2012-13</p> <p>↓ Iron ore exports have dropped by about 70%</p>
	COAL	<p>Coal India's production has marginally grown in the past year ↑</p> <p>Coal Imports have jumped by over 20% ↑</p>
	SCRAP	<p>↑ Scrap imports have expanded by over 25% in 2012-13</p>
	SPONGE IRON	<p>Sponge Iron production lower by 9% ↓</p>
	CRUDE STEEL	<p>↓ Crude Steel production growth significantly below estimates</p> <p>↓ India's per capital consumption is below 60 kg</p>
	INGOT/BILLET	<p>Indian secondary manufacturers operating at below 60% capacity utilization ↓</p>
	RUPEE	<p>↓ Rupee trading at all time low against the USD</p>
	INFLATION	<p>India's current Inflation is around 5% ↓</p>
	CURRENT ACCOUNT DEFICIT	<p>↓ CAD in Jan-Mar quarter was USD 18.1 billion; ~3.6% of GDP</p>

Source: Steel360

### **Mr A P Choudhary emphasizes the need of R&D**

The first Research Council meeting for R&D was held under the chairmanship of Mr AP Choudhary CMD of RINL at VSP. Members of Research Council Prof V Ramaswamy, Professor of Department of Metallurgical Engineering, PSG College of Technology, Coimbatore; Dr S Srikanth director National Metallurgical Laboratory, Jamshedpur; Mr Umesh Chandra, Director {Operations}, RINL and Mr A K Mukherjee, General Manager (T&R), VSP attended the meeting. Mr Ravindra Ranjan, Executive Director (Works) I/c and Dr A Syam Sundar Deputy General Manager (R&D) I/c also attended as special invitees. The Research Council shall provide strategic directions for R&D and define its long term priorities. The Council would also facilitate collaborative research in strategic areas where R&D would need expert support for achieving desired goals. Mr AP Choudhary CMD of RINL launched Intranet Portal for Research & Development Department during the meeting of Research Council for R&D.

Source: Steel Guru

### **Macroeconomic indicators - US crisis to impact world - Mr Pranab Mukherjee**

The Hindu Business Line reported that President Mr Pranab Mukherjee said that developments in the US impact the whole world and India's economic recovery is dependent on the external environment. Although it was for the Prime Minister Mr Manmohan Singh and Finance Minister Mr P Chidambaram to respond to the US shutdown, he said that "I, in general terms, can say that we would like to have economic recovery faster but surely, in a globalized economy as ours it does not depend only on our efforts. The external environment should also be considered".

Mr Mukherjee was speaking to reporters aboard the special aircraft on way from Belgium to Turkey.

Answering questions on the impact of the present US crisis on India, the President said that "Generally US economy has its influence over world economy as it is the most powerful economy of the world. But on this issue the proper response should come from the Prime Minister and the Finance Minister and not from me as to how they are handling. What is their assessment of the situation? How far they consider the gravity of the situation. It is for the PM and the FM to respond. Starting this month, the US government closed non-essential operations after Congress failed to strike a deal on spending and budget due to differences over 'Obamacare', the signature healthcare programme of President Barack Mr Obama. Republicans and Democrats are blaming each other for the impasse. The US shutdown has left nearly 800,000 employees on unpaid leave and closed national parks, tourist sites, official websites, office buildings and more establishments and the prolonged stalemate is likely to have repercussions around the globe. It may also have implications for India which is trying to arrest declining growth which had slipped to decade's low of 5% in 2012 to 13 and recorded a low of 4.4% in the first quarter of the current fiscal.

Source: Steel Guru

### **India growth strategy holds lessons for developing nations**

India's strategy of fuelling growth with market based policies and eradicating poverty by growing the pie rather than slicing it holds lessons for other developing countries. Mr Jagdish Bhagwati senior fellow at Council on Foreign Relations and Mr Arvind Panagariya, Columbia University professor, in a new book, have demonstrated how growth was the strategy successfully deployed to reduce poverty in India. However, further reforms in labour and land markets are essential to translate growth into more employment, they argue in the new CFR book that "Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for Other Developing Countries." Official poverty estimates provided by India's Planning Commission show the proportion of the population below the poverty line in India decreased 17% in 2 decades from 44.5% in 1983 to 27.5% in 2004-2005. Mr Bhagwati and Mr Panagariya were quoted as said in the book by New York Daily News that "We cannot emphasize enough that our analysis, while it is addressed to India's development experience and underlines the centrality of growth in reducing poverty, has clear lessons for aid and development agencies, as well as NGOs that continually work to affect poverty all over the world." They said that "And while growth generates revenues to provide health and education, Doors need to be opened wider to the private sector in higher education as well, to permit better access for the massive population of the young."

Source: Steel Guru

### **China's spent \$ 164.1 billion in R&D in 2012**

China has emerged as one of the top countries in Research and Development (R&D), spending about USD 164.1 billion last year. The R&D spending reached one trillion yuan (USD 164.1 billion) in 2012, about 1.98 per cent of its gross domestic product (GDP), China's Finance Minister Lou Jiwei said today. The R&D expenditure as a percentage of GDP is viewed as an important indicator to evaluate a country's investment in innovation. R&D spending as a percentage of GDP in China was 1.54 per cent in 2008. The growth rate of fiscal expenditure in R&D surpassed the growth rate of fiscal revenue, Lou said while delivering a report to the ongoing bi-monthly session of the

Standing Committee of the National People's Congress, the country's top legislature. Fiscal expenditure in science and technology development increased to 560 billion yuan in 2012 from 168.9 billion yuan in 2006, an average annual growth rate of 22.73 per cent, Lou told senior legislators. Total expenditure in science and technology in the last seven years has reached 2.42 trillion yuan, accounting for 4.37 per cent of the country's fiscal expenditure. Lou said the increase in spending has helped developments in science and technology, and improved the country's innovation capabilities, state-run Xinhua news agency reported. According to the Global Competitiveness Report issued by the World Economic Forum, China's innovation capabilities ranking rose to 26th in 2012 from 48th in 2006. Improved capabilities have played an important role in developing advanced and strategically important sectors, and in the meantime, science and technology have helped provide better services for people, Lou said.

Source: The Economic Times

### **Indian economy to grow at 4.9% in 2013-14: India Ratings and Research**

The economy would grow 4.9% in the current financial year despite favourable monsoon brightening the scope for agriculture performance. The economy will grow 4.9% year-on-year in 2013-14, similar to the 5% growth recorded in 2012-13, India Ratings and Research said. The industrial and services sector growth performance in 2013-14 (FY14) is likely to be lower than 2012-13 (FY13), it said. "While in general economic growth performance in FY14 is likely to be similar to the FY13 levels, the current account may improve considerably" said Mr. Devendra Kumar Pant, Chief Economist and head of public finance, India Ratings. This will strengthen rupee which the agency expects to stabilize to around 59-61 to the dollar by the end of 2013-14. Bolstered by agriculture and exports, India Ratings expects economic growth to improve from the third quarter of FY14. Three consecutive months of double-digit exports growth and healthy agriculture performance due to 6% above normal rainfall in 2013 would increase demand for industrial goods and services, it said. However, the growth is unlikely to be stupendous. "Slower growth in the industrial sector and rigid expenditure are likely to result in a slippage from the FY14 (budget) fiscal deficit (4.8% of GDP) to 5.2%," the agency said. However, fiscal deficit control by cutting planned expenditure will not be favourable for the economy in the medium- to long-run, it said.

Despite the slower growth and fiscal slippage, India Ratings, which is part of the Fitch Group, does not expect consolidated debt (centre and states) to be unsustainable. "Debt/GDP (gross domestic product), which has corrected sharply during the years of fiscal consolidation, continues to improve, albeit at a slower pace," the agency said. While domestic demand is likely to revive from the third quarter of FY14, the recovery will remain fragile so long as investment demand does not revive, it said. "A speedier administrative action on the economic/policy initiatives already taken and quick movements on pending reforms agenda are therefore crucial," the agency said. "Passing of the Land Acquisition Bill could be a right step forward, but environment/forest clearances remain bottlenecks for project implementation. Sorting such issues at the earliest would be crucial for reviving investment demand in the economy," it said. India Ratings expects average inflation in FY14 to be lower than FY13, but outside Reserve Bank of India's (RBI) comfort zone. It also expects monetary conditions to remain tight and another 25 bps-50 bps (0.25%-0.5%) hike in the repo rate in the remaining part of FY14.

Source: The Times of India

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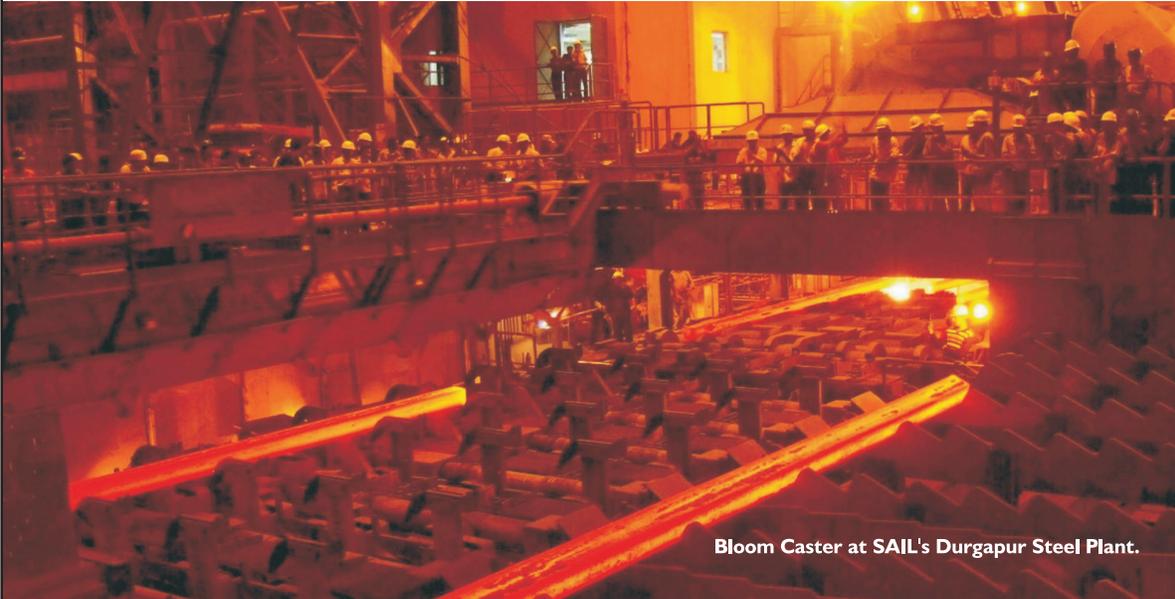
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