

'Cheap imports killing stainless steel industry'

Rajiv Rajvanshi, Senior Vice President, Corporate Strategy, Jindal Stainless Ltd. speaks to **Shakeb Ayaz** about the impact of cheap imports on domestic industry. He rues the fact that while most countries keep import duties high on stainless steel, India has a mere 7.5 per cent duty on its imports due to which the nascent domestic industry is languishing. Excerpts.

How do you rate the current state of affairs in the steel sector in general and stainless steel sector in particular?

Despite the huge size of the market and the tremendous potential for growth in demand, the steel sector is currently facing an unprecedented crisis on account of the following reasons:

- Surge in imports of steel products especially from China.
- Absence of mining linkages which has severely disrupted the production plans of almost all steel majors.
- Delayed implementation of projects on account of uncertainty in the policy environment has severely impacted the demand for steel.

Talking of Stainless Steel, the situation is even more dismal. India is the third largest producer and consumer of stainless steel in the world. The per capita consumption of Stainless Steel in India is only 2.1 kg as against the global average of 5 kg which suggestive of significant possibilities for growth. Keeping this in view, the Domestic Stainless Steel Industry has invested close to ` 35,000 crores towards capacity expansion. However,

owing to an import glut from countries like China, Korea and Japan, these capacities are lying unutilized and all domestic players are faced with massive losses. It is surprising that whereas China (the largest producer of stainless steel in the world) has 10% import duty on Stainless Steel Flat products, India has only 7.5% import duty. Even other major stainless steel producing countries like Brazil have 14% import duty.

Raw material security has also been a major challenge for the Domestic Stainless Steel Industry despite the availability of essential raw materials like iron ore and Chrome Ore within the country.

The steel sector is linked to mining sector, what kind of reforms would you suggest in mining sector that would help ease the steel sector

- Mines should be allotted to all genuine users without delay in a fair and transparent manner. While allotting such mines, due cognizance should be taken of the following factors:
 - Manufacturing capacities and capabilities of the applicant



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- The level of value addition proposed to be undertaken by the applicant
- The investment made by the applicant in the state where the mines are to be allotted along with efforts made by the applicant towards employment generation and development of the area.
- Fair and even distribution of resources so that we do not have a situation where in one party is allotted mines far in excess of requirements and genuine users are left thirsting for raw material.
- Preference should be given to fully integrated players in allotment of mines
- Key raw materials like nickel and molybdenum are not available in the country. Domestic Stainless

Steel Industry should have access to concessional funding so that they can explore possibilities of acquiring mines overseas in order to ensure raw material security.

- Suitable fiscal incentives may be provided to encourage recycling of scrap as this will help to improve scrap availability within the country and also help to conserve the environment.
- Discourage the export of essential raw materials like iron ore and chrome ore through which will not only improve domestic availability but also promote value addition within the country.

Clear cut guidelines should be laid down for auction of raw material by state owned mining companies and emphasis should be on formula based pricing instead of ad-hoc pricing mechanisms.

Imports of raw materials from China and other countries are hitting foreign exchange, what else could be done for indigenous supply of raw material?

Essential raw materials like nickel ore and molybdenum ore are not found in India and as such these have to be compulsorily imported. As regards steel scrap and stainless steel scrap, the domestic supply is enough to meet only a small portion of the total demand. One has to understand that the steel industry and in particular the stainless steel industry in India is a fairly young industry and considering the overall life cycle of stainless steel, the level of scrap generation is a long way off from attaining the desired levels. However, as pointed out earlier, suitable fiscal incentives could go a long way in ensuring that scrap recycling is promoted within the country.

For items like iron ore and chrome ore which are available within the

country, it is important to undertake mining sector reforms in order to create raw material security and completely do away with the need for importing items like steel scrap and Ferro chrome.

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Chinese stainless steel which is of low chromium content has flooded the Indian market and is hitting the Indian steel industry, kindly elaborate.

The glut in imports from China cuts across all segments of the stainless steel industry. While there is a general perception that Chinese imports are cheaper as compared to the products being offered by the Domestic Stainless Steel Industry, there is a darker underbelly to this so called price advantage.

Chinese stainless steel products very often do not conform to technical standards in terms of chemistry e.g. the nickel or chromium content is lower than what is given on the Mill Test Certificate. Added to this is the problem of radioactivity which has frequently been reported in stainless steel consignments imported from China. Instances like these cause considerable damage to the reputation of the stainless steel industry. Considering the strategic nature of

applications where stainless steel is used, there is a crying need for making BIS standards mandatory for Stainless Steel Flat Products.

It is a well known fact that the Chinese stainless steel industry is riddled with excess capacity. There was surplus production of 1.85 million tons of stainless steel in China in 2013 and this has resulted in widespread dumping of stainless steel flat products by Chinese manufacturers. Despite the imposition of anti-dumping duties, widespread circumvention practices have completely nullified the effects of such duties.

High levels of subsidies provided by the Chinese government to the Chinese manufacturers results in an artificially deflated price and cost structure for Chinese producers and it is therefore only natural that imported Stainless Steel Flat Products are cheaper than those manufactured by domestic stainless steel industry. This has caused irreparable damage to the Domestic Industry as rampant price undercutting has resulted in loss of market share, low capacity utilization and mounting financial losses. There is an urgent need for the government to adopt suitable trade remedial measures in order to counteract the trade distorting effects of subsidies and other unfair trade practices of Chinese stainless steel companies.

What is the international standard specifications of stainless steel production and are Indian firms following it?

Internationally, standards like ASTM (American Standard), EN (European Standard) and JIS (Japanese) are most widely used. All the players in the organized sector of the Domestic Stainless Steel Industry especially big players like JSL conform to all these standards. Further, we have extensive quality control systems which ensure that the product being dispatched meets

the most exacting standard.

In addition to the above, big players like JSL have played an instrumental role in the formulation of BIS standards on stainless steel like IS 5522, IS 6911 & IS 15997.

So, despite not following the standard specifications how are the Chinese pushing their products in global market and India?

As mentioned above, BIS have certain standards for Stainless Steel which covers all major grades in 200 series, 300 series and 400 series. However, the standards formulated by BIS are not mandatory which makes it easy for sub-standard material to be imported into this country.

Another notable fact is that most of the imports from China can be attributed to traders. OEMs normally do not import from China and by virtue of this fact, it is easy for sub-standard material to come into the country. It is only after the trader has sold the sub-standard material to a customer and after the customer uses the stainless steel for the end-application does one get to know that the material is not as per specifications. As against this, OEMs have primary level checks

to ensure that the material being purchased (whether from domestic sources or from imported sources) conforms to the required specifications

What ails the Indian stainless steel sector?

Given the fact that India is the largest market for stainless steel and with extremely healthy growth rates projected for the next 10 years, it is a paradox that the Indian stainless steel industry is fighting for survival. The multitude of problems being faced by the Domestic Industry (as covered in question nos. 1 to 5) require extremely strong wide ranging policy action by the Government in order

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to revive the industry. The policy action required ranges from mining sector reforms to trade remedial action by the government to counter dumped imports. Changes in duty structure on input and output is also of paramount importance.

What is the quantum of production of stainless steel in India, and how has your company contributed to it?

As per the figures released by the International Stainless Steel Forum, the stainless steel production reported in India during 2013 was 2.43 million tons. In its capacity as the largest player in the domestic stainless steel market, JSL reported a production of approximately 1.1 million tons as against an installed capacity of 1.8 million tons. The level of capacity utilisation was extremely poor because of surge in imports of stainless steel flat products especially from China.

What are the production facilities of your company?

JSL's production facilities are located at Hisar in Haryana and Jajpur in Odisha. The Hisar plant has a melt capacity of 0.8 million tons and is a fully integrated plant with manufacturing facilities starting from melt shop and slab casting and ending with Cold Rolling and Blade Steel. This plant is geared to produce material in a wide variety of finishes and in extremely fine gauge.

The Odisha plant is a state of the art facility with a capacity of 1 million tons. While it is a fully integrated plant like the Hisar facility, the concept of backward integration has been taken one step ahead and the Jajpur complex also houses a captive power plant (2 x 125MW +13MW), coke oven facility and Ferro alloy plant for producing intermediate products like Ferro chrome, Ferro manganese and silico manganese (all these items are critical





raw materials required for production of stainless steel).

Both the plants are capable of producing a wide variety of grades in both Hot Rolled and Cold Rolled condition and in the exact dimension, finish and edge condition required by the customer.

JSL has a well organized infrastructure to ensure quality in the form of a Quality Assurance Department whose area of operation includes:

- Raw material monitoring
- Process Monitoring
- Inspection, Testing and Certification
- Customer Support Services

The Quality Assurance Department has well equipped labs with fully calibrated instruments as well as an independent R& D facility to conduct various tests like chemical testing, mechanical testing, Microstructure, Corrosion test and weld tests. There is a 24 *7 online manual inspection system at every stage of manufacturing which is further reinforced through an Automated Inspection System. In addition to this, there are well defined work procedures for critical control areas.

The investments made by JSL in

As a result of FTA's signed with Korea, Japan and ASEAN countries , import duties have already come down to nil or will come to nil over the next 2 years. This has resulted in an import glut from these countries

Quality Assurance are well reflected in the various certifications that we have received over the years like ISO 9001:2008, ISO 14001: 2004, BS OHSAS 18001: 2007, AD 2000 WO, PED /97/23/EC & CPD Certification (CE).

How much is spent on R&D in the sector?

As the largest player in the Stainless Steel Industry, JSL's spend on R&D has been going up consistently from year to year. JSL in fact was the pioneer in the development of low nickel austenitic grades popularly referred to as 200 series. As a result

of consistent efforts put in towards R &D , JSL produces a wide range encompassing lean austenitic to super-austenitic, lean duplex to super duplex , low cost ferritic to high chromium ferritic, stabilized austenitic to stabilized ferritic & lean martensitic to highly alloyed martensitic stainless steel. The products cover complete requirements of customers seeking materials that are lustrous, resistant to corrosion, withstand high as well as cryogenic temperature , easy to draw and highly weldable

What else do you expect from the government on the policy front?

- Mining sector reform to ensure availability of critical raw materials to genuine users
- Lowering of import duties to zero, is essential on critical inputs like Ferro nickel, pure nickel and SS Scrap to make the domestic industry competitive and place it at par with the Chinese stainless steel industry which enjoys zero import duty on inputs.
- Making BIS standards mandatory for all stainless steel flat products

As a result of FTA's signed with Korea, Japan and ASEAN countries , import duties have already come down to nil or will come to nil over the next 2 years. This has resulted in an import glut from these countries. These tariff concessions need to be reversed, and if that is not possible, then government should introduce bilateral safeguard measures to counter the negative impact of FTA's on domestic industry. Another important aspect is that Stainless Steel Flat products should be kept in the list of excluded items in the ongoing Regional Comprehensive Economic Partnership (RCEP) negotiations. ❏