

September 2018

# Metal Market Magazine

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**Stainless market  
strength review**



# An attractive market

India's stainless steel producers have the advantage of their location in one of the fastest growing regions for demand, but also a drawback of the nation's attractiveness as an export destination for foreign stainless mills. Kunal Bose reviews India's stainless industry and market outlook

The Indian stainless steel industry continuously complains that much of its melt capacity has remained unused because of large volumes of imports. India made 3.3 million tonnes of stainless steel in 2017, which left as much as 39% of 5.4 million tonnes per year of installed capacity unused.

The near double-digit percentage growth in stainless steel consumption in India, as it remains one of the fastest growing economies in the world, and an expectation that imports will be restricted to premium grades that are not produced locally led some groups to invest heavily in building capacity over the past ten years.

Industry leader Jindal Stainless Limited (JSL), which already owned a plant at Hisar in Haryana, built an integrated greenfield unit at Jajpur in Odisha, where capacity will be raised in phases to 3.2 million tonnes per year from 800,000 tpy. In recent years, the government-owned Steel Authority of India Limited invested nearly \$300 million in modernizing its Salem stainless steel plant. Now, China's Tsingshan Holding Group has started to build a 2 million tpy integrated stainless steel unit in Gujarat for an investment of Rs150 billion (\$2.3 billion). The plan is to make mainly 304 series hot-rolled products and cold-rolled products to sell in India, and in East and Southeast Asia, where demand growth is outpacing the rest of the world.

Despite the Indian government introducing anti-dumping duties on stainless steel cold-rolled flat products in October 2017 from a

number of countries, some exporters, particularly from China, continued selling such items in India. Some Indian producers claim certain imports circumvent the rules. For example, anti-dumping duty was imposed on flat products in widths of 600 mm to 1,250 mm, but in a petition to the government one Indian producer claiming trade injury said that flat products in widths exceeding 1,250 mm would be imported to India and slit into usable sizes there. Investigations by the Indian directorate general of anti-dumping and allied duties confirmed that such imports flouted the rules, leading the government to take corrective action.

The surge in Indian imports of stainless steel flat products from China since 2014-15, which has triggered angry representations by the local industry to government in New Delhi that subsidies are aiding Chinese exports, led India's government to conduct an investigation that revealed the existence of "a total of 81 subsidies." Based on its investigation report, the government imposed a countervailing duty of 18.95% on imports of stainless steel flat products from China on September 7, 2017.

An industry official says: "Because of the dual impact of ADD and CVD, imports from China were down to 179,530 tonnes in 2017-18 from a high of 276,456 tonnes in 2015-16. But we have reasons to suspect that in order to avoid paying the CVD, China is sending hot-rolled coils to ASEAN countries such as Thailand, Indonesia and

Vietnam, where these are converted into cold-rolled coils entailing value addition of up to 15% for export to India. Because of our free trade agreement with ASEAN countries, imports of cold-rolled coils from there come duty-free. The result is we ended up with total imports of 452,704 tonnes of flat products in 2017-18, against 532,033 tonnes in 2015-16. We think there are compelling reasons to introduce an effective anti-circumvention law for CVD in much the same way that we have for ADD."

Indian producers are worried that the countries that find it difficult to export stainless steel to the US because of the 25% duty applied under Section 232 rules there will become desperate to sell more in India. China, the European Union and South Korea all have good surpluses of stainless steel products for export. "India, where the demand for stainless steel is growing at the fastest rate in the world, will be the natural target for all these countries. Our government has got to be watchful," says JSL managing director Abhyuday Jindal.

Not only is the industry worried that some portions of steel priced out of the US market due to the tariff there may find their way into India, but also they fear that – unless New Delhi is able to secure tariff exemption for steel made in India – Indian exports of stainless steel to the US will also take a hit. With imports at over 33,301 tonnes and exports at 21,079 tonnes in 2017-18, India already has an adverse trade balance in stainless steel with the US. The industry is telling the Indian government that if India manages to gain recognition as a DFARS (Defense Federal Acquisition Regulations System) entity, then it will become easier for it to secure exemption from the 25% tariff.

### High-quality products

The industry draws assurances from India's 2017 steel policy, which says that the government will "protect ▶



**Jindal Stainless has invested heavily in production in India**



**JSL managing director Abhyuday Jindal says R & D is focused on enabling the Indian industry to make sophisticated grades of stainless steel**

the existing and upcoming stainless steel facilities from unfair trade practices through remedial trade measures.” But it also says that imports take place on “quality considerations.” Imports cannot be avoided for “most of the super duplex, super austenitic and highly alloyed varieties” needed for application in high-quality demanding areas. The steel ministry is, therefore, encouraging the indigenous industry to make strategic alliances with foreign groups to be able to “develop and produce the technologically more complex stainless steel.” Incidentally, India has gained much in terms of making higher grades of automotive and electrical steel from Tata Steel tying up with Nippon Steel, and JSW Steel with JFE Steel.

“Technology progress achieved in carbon steel through partnerships with foreign groups should be the model for local stainless steel manufacturers,” says Indian Steel Secretary Aruna Sharma. “The government has been proactive in stopping imports of stainless steel, which is either priced lower than actual production costs in originating countries or subsidized. Our policy of giving preference to domestically manufactured steel products in procurement under government tenders that include stainless steel will work to the advantage of domestic industry,” says Sharma. According to her, the government procurement policy, likely to be emulated by municipal corporations across the country, should see better utilization of the local industry’s capacity as a large number of stainless-steel-intensive infrastructure projects, including 100 smart cities, are launched.

The two principal raw materials for the EAF-based Indian industry are stainless steel scrap and ferro-nickel. For ferro-nickel the country is totally import dependent, but the demand for scrap is also largely met by imports.

The scrap generated in India from kitchenware, consumer durables and automobiles is usually 200 and 400 series. But local scrap supply is not enough to meet the demand of EAFs. As the industry is geared to

## Applications evolve in India

With the Indian economy gaining in sophistication, spurred by sustained high rates of GDP growth, the profile of the areas of application of stainless steel in the country has undergone significant change. The 80% share of cookware and consumer durables in the country’s total use of stainless steel in 1997-98 has fallen to around 50%, as the growing demand for higher grades of the metal from sectors such as architecture, building and construction (ABC), automotive, railway and transport (ART), process industries and power is met by a fast-maturing domestic industry and imports.

Jindal Stainless Limited (JSL) managing director Abhyuday Jindal says: “We have to go on putting more and more money in research & development for the local industry to be able to make the sophisticated grades of stainless steel. The twin goals are import substitution and to make application breakthroughs, particularly in the defense sector and urban water supply and storage.”

Both India’s Steel Secretary Aruna Sharma and Jindal are leading a campaign for the municipalities in India to install stainless steel pipes for water distribution in cities. Jindal claims stainless steel pipes will cut water leakages from a prevailing 40% to 2%. “Moreover, it will be at least 30 years before stainless steel pipes will require any maintenance. In contrast, the pipes now in use need repairing every third or fourth year, causing major disruptions in city life.”

But will not the fact that stainless steel pipes are a lot more expensive than ductile iron pipes make municipal corporations hesitant to go for the change?

Sharma says: “I shall say going by the life-cycle cost and 100% recyclability, stainless steel pipes will prove to be the most cost-effective option for municipalities. Then if any proof of efficacy of the recommended water supply system is needed, we have the shining examples of Tokyo and Seoul, which have installed stainless steel pipes for drinking water supply. Stainless steel being non-carcinogenic, its claim for application in drinking water supply is strong.”

make higher grades of steel, the requirement for 300 series scrap is set to grow rapidly. In scarce supply locally, the demand for 300 series scrap is met by imports. India’s scrap imports were up from 710,930 tonnes in 2014-15 to 892,598 tonnes in 2017-18. The period saw ferro-nickel imports rising sharply to 155,318 tonnes from 20,839 tonnes.

“What is denying us a level playing field *vis a vis* other stainless steel exporting countries is the 2.5%

Most cities, including the capital city New Delhi, suffer from acute water shortages during the long hot Indian summer. Citizens will have some relief if water leakages are sealed by using stainless steel pipes. The countrywide changeover should give a major boost to stainless steel demand, leading to use of capacity lying idle. Buildings in India generally store water in tanks made from concrete, iron or plastic and placed on the rooftop. Encouraged by what he saw in Ho Chi Minh City and some other cities in Vietnam, Jindal finds a “huge opportunity in promoting the use of stainless steel water tanks for use in residential buildings and office complexes.”

India has a coastline running to 7,517 km where carbon steel used in reinforced-concrete structures starts to corrode in just a few years. “I am very strongly recommending the use of stainless steel rebar in building construction in coastal areas for its anti-corrosion, very favourable strength-to-weight ratio and extra-long-life properties,” says Sharma. Industry officials say that coastal structures using stainless steel rebar will easily last for 150 years. In addition, according to Jindal, the government deciding to build the bodies of coaches and wagons for railways with stainless steel for its “good resistance to impact and temperature shocks” is good news for an industry burdened with idle capacity.

As local production of military hardware has been made an important component of the government’s ‘Make in India’ campaign, Jindal is setting great store by good demand for high grades of stainless steel emerging from the defense sector. In anticipation, JSL is continuing to invest heavily to be able to produce the grades that the sector will need in growing quantities. Giving two examples, Jindal says: “JSL is making high-nitrogen steel for mine trawling application. We are about to be ready to make ultra-high strength steel for armour application. The way demand from ABC, ART and defense sectors is growing, I’m sure the Indian per capita use of stainless steel at 2 kg will in the next few years catch up with the world average of 6 kg.”

import duty here on stainless steel scrap and ferro-nickel. China has no import duty on scrap and ferro-nickel there invites a duty of 1%. As a result, Chinese steelmakers enjoy a cost advantage of about Rs1,800 (\$26) a tonne of stainless steel over their Indian peers,” says Jindal. Convinced that the import duty on two critical raw materials is hurting the competitiveness of Indian stainless steel, Sharma has recommended the total waiver of that duty to the finance ministry.