



Rising Stainless Steel imports a concern

- **Abhyuday Jindal**

Managing Director
Jindal Stainless Limited

Abhyuday Jindal, Managing Director, Jindal Stainless Limited is a Boston University graduate in Economics and Business Management. He has a wide ranging experience in the areas of project management, supply chain systems and strategic & general management.

Abhyuday started his career with the JSW Group. There, he played a prominent role in the stake acquisition of Ispat Industries and the post-acquisition integration of JSW and Ispat. Driven by the ambition to go beyond the ordinary, he took multiple strides in improving supply chain and operational efficiencies. Today, he is shaping the Jindal Stainless Group into a far more dynamic, responsive, predictive and solution-based organization.

As a leader in the stainless steel landscape of the country, he has explored and unlocked new avenues for providing stainless solutions to stakeholders with the vision to improve lives.

Speaking to **Sanjay Singh**, Assistant Editor of *Steelworld*, **Abhyuday Jindal** spoke in length about the issues faced by the Indian stainless industry, Excerpts

How is the stainless steel industry performing presently in terms of demand and supply?

Before delving into the demand-supply analysis of stainless steel in India, it is necessary to understand a fundamental distinction between stainless steel and other metals; stainless steel is a highly specialized product as compared to other alternatives. It is therefore, more value-driven than volume-driven.

With its unique and extensive gamut of



properties, stainless steel is revolutionizing several industries in India. Along with an inherent corrosion resistance, stainless steel has high strength-to-weight ratio, and high resistance to temperature and impact. As an inert metal, stainless steel requires minimal maintenance. It is long-lasting, hygienic, and low on life cycle cost. This is over and above its superior mechanical properties and unmistakable aesthetics.

Having said that, I am glad to share that India continues to be the second largest producer and consumer of stainless steel in the world after China. The CAGR of stainless steel demand in India has amounted to nearly 7% in the last five years. It is further expected to be around 8-9% over the next decade, as per a CRISIL research.

CY18 was a landmark year for the Indian stainless steel industry, as the country registered a robust growth of 9% (YoY); overall demand

stood at ~3.5 MT (as per the Indian Stainless Steel Development Association (ISSDA), the apex stainless steel industry association in India).

The major sources of stainless steel demand in India are as follows:

- Kitchen goods and white goods have been the primary drivers of stainless steel consumption in India, amounting to nearly 40% of its demand.
- Approx 20% of the total demand of stainless steel in India comes from Architecture, Building, and Construction (ABC) segment.
- Automobiles, Railway and Transport (ART) segment constitutes about 12% of this demand.
- Demand from the process industry has been consistent at nearly 14%.

Apart from this, Indian Railways has a fair share in the national stainless steel demand. It is majorly steered by railway wagons and coaches, along with rail infrastructure like foot-over-

bridges, station modernization, and dedicated freight corridors.

Currently, the estimated installed melt capacity of stainless steel in the country is about 6.43 MT, as per a Joint Plant Committee report. India's total stainless steel production stood at 3.5 MT in 2017 and ~3.7 MT in 2018, as per ISSDA.

With investments worth Rs 35,000 crore for capacity expansion and modernization, the Indian domestic industry is equipped to meet the overall growing demand for stainless steel. It is capable of producing all major series of stainless steel including 200, 300 and 400 series of stainless steel, as well as duplex and specialized stainless steel products which are used in a wide range of applications.

Presently, the per capita consumption of stainless steel in India is 2 kg, which is way lower than that of China at 14.1 kg and the world average of 6 Kg. It is noteworthy that the per

Indian Railways has a fair share in the national stainless steel demand.





Face to Face



capita consumption of stainless steel has a direct co-relation with the GDP of a developing economy.

How much is the Free Trade Agreement (FTA) hurting the domestic stainless steel industry in view of Chinese threat?

Being the second largest consumer of stainless steel, imports remain a threat to the Indian domestic industry. Imports from FTA nations such as Japan, Korea, and ASEAN countries have been on the surge, causing a huge trade deficit. Under the current provisions of FTA, all stainless steel flat products can be imported at zero duty from any of the ASEAN countries, provided they satisfy the 35% value addition rule.

It has been noticed that preferential tariffs were availed without authentic certifications or mis-declarations of value addition norms by ASEAN countries, which resulted in unwarranted imports in India. On the contrary, India's

access to countries like Thailand and Vietnam is restricted due to the non-tariff barriers erected in these countries.

Imposition of trade remedial measures like Anti-Dumping Duty (ADD) and countervailing duty (CVD) on stainless steel flat products have led to trade diversion. As a result, absolute import of stainless steel flat products has surged from ASEAN countries like Indonesia, Malaysia, and Vietnam etc. Simultaneously, it has also led to increased imports of downstream products like stainless steel pipes and tubes, especially from China and Vietnam.

Consequently, the domestic pipe and tube manufacturers are turning into mere traders, undermining the SMEs and domestic manufacturing significantly. If this transition continues, millions of jobs will be lost. After the imposition of the CVD on imports of stainless steel flat products from China, Chinese imports are being

re-routed through ASEAN countries in order to circumvent the CVD. The rally is led by Indonesia. The imports from Indonesia are increasing on account of two major factors:

a. Increase in capacities in Indonesia: These are Chinese investments in Indonesia made to take advantage of the raw material availability.

b. Re-routing of Chinese origin material through various countries in ASEAN region

Consequently, the stainless steel imports from Indonesia have suddenly grown by nearly 828% over a period of just one year, while imports from China have dramatically fallen by nearly 36% during the same period. This clearly establishes re-routing of goods to India through ASEAN countries.

Apart from this, imports from Japan and Korea continue to increase, given the preferential duty as per the operational FTAs of India with these countries. Further, the stainless steel industry in India has not seen any investment from Japan after the signing of the FTA, while investment from Korea is restricted to only three service centres. Hence, both in terms of trade as well as investment, the FTAs have had a negative impact on the entire value chain.

Another imminent threat to the domestic stainless steel industry is the inclusion of stainless steel

Under the current provisions of FTA, all stainless steel flat products can be imported at zero duty from any of the ASEAN countries, provided they satisfy the 35% value addition rule.



products in RCEP (Regional Comprehensive Economic Partnership), which will result in a huge surge in imports from China. This will make operations for domestic producers non-viable, thereby resulting in long-term losses. This may also lead to immediate shutdown of small scale units, which will simultaneously cascade into the organised sector. Significant investments made by domestic industry in capacity building would stand in jeopardy.

As you are aware, Infrastructure has been given a big boost by the government. How do you see the future of Stainless Industry in India?

Key government infrastructure projects like Smart City Mission, Sagarmala Project, Bharatmala project and Railway station redevelopment plan will create huge demand for stainless steel. Water transportation, oil & gas, and real estate sectors will also boost the demand. The potential for usage of stainless steel in these and future projects is immense.

With major demand springing from segments like ABC (sinks, elevators, hand rails, gates, roofing and facade cladding, street furniture, builders' hardware), ART (railway infrastructure including bridges and foot-over-bridges, bus bodies, BS VI compliant exhaust systems,



Mass Rapid Transit System (MRTS)), process industry, etc., architectural and engineering firms are increasingly exploring possibilities for stainless steel as a structural material. The concept of lifecycle costing has recently started to gain importance in government projects.

In today's age, where a premium is placed on better performance, long service life, and minimal maintenance of buildings and infrastructure, stainless steel certainly has an edge.

Can you give more details on your subsidiary company, JSL Lifestyle and what volume of business you are looking at in the next three years from the Railways?

JSL Lifestyle Limited is a subsidiary of Jindal Stainless promoting stainless steel in a variety of state-of-the-art lifestyle solutions. The company, through its brands – Artd'inox and Arc, emphasizes on the versatility of stainless steel

in industrial solutions, home décor, kitchenware, and industry segment. Through Arc, JSL Lifestyle Limited has created a strong presence in the ABC and ART sectors, including retail customers.

We expect stainless steel demand in the Railways to grow by 8-9% annually for the next 5 years.

What are the future expansion plans chalked out by JSL?

The first level of expansion in our Jajpur plant, which is from 0.8 MT to 1.1 MT annual capacity, will actually be done with an investment of Rs 40-50 crore only, and is expected to be completed within a couple of months. Besides, owing to the presence of Jindal Stainless Limited at Jajpur, the neighbouring area offers immense scope for setting up a downstream stainless steel park.

The presence of an industry leader fosters development of ancillary industries. For instance, in

The concept of lifecycle costing has recently started to gain importance in government projects.



Face to Face

Hisar, several ancillary industries have come up around our plant area. These SMEs (small and medium enterprises) have an annual capacity of 1.75 lakh tonnes, which translates into an annual turnover of approximately Rs 3,000 crore in value terms. These units in Hisar emerged without any government support. In Jajpur, with the facilitation from the government, we expect a far more organized and successful growth story. Proposed to be developed in an area of 300 acres, the park promises immense potential for a variety of downstream industries (pipes and tubes, re-rollers, rice mills, general fabrication etc.).

The park will accommodate more than 90 downstream units as well as one or more anchor investors for need-based re-rolling and service centre facilities. Jindal Stainless Limited, Jajpur will develop the land and provide infrastructure, such as roads, water, drainage, power, etc., along with the social infrastructure.

By 2020, we expect all service utilities for the park to be ready. Our focus will be on two major industry segments: Thrust Industries (engineering and electrochemical industries) and Base Industries (ABC, ART, Kitchenware, Processing and Power industries).

What incentives do you expect from the government to make the domestic Stainless Steel industry compete in the international market?

The stainless steel industry uses both stainless steel scrap and mild steel scrap as raw materials in large quantities. Stainless steel scrap, in particular, is procured mainly from countries in Europe and South East Asia, and Korea. The increased usage of stainless steel scrap as a substitute for pure Nickel and Ferro-Nickel has helped to considerably lower the raw material cost for domestic producers. However, the existing 2.5% import duty on key raw materials, like Ferro-Nickel and stainless steel scrap, which account for 50% of the total raw material cost, has made Indian products non-competitive.

Besides, there is a need to increase Basic Customs Duty (BCD) on stainless steel flat products from 7.5% to 12.5%, at par with other steel products, in order to curb glut of imports in the country. This will also provide a level-playing field to the domestic players.

Additionally, infrastructural constraints at ports; lack of smooth logistics for raw materials; high power tariffs; high borrowing costs including volatile rupee, ultimately increase the overall production cost in India



compared to other major stainless steel producing countries in the world. These issues also need to be actively addressed for creating a healthy manufacturing environment in the country.

Apart from this, we urge the government to actively review the existing FTAs with partner countries, and to put stainless steel in the 'Sensitive List' while offering tariff concessions under the FTAs.

We have requested the government to review the import duty on raw materials and review Japanese and Korean FTAs, along with FTAs with ASEAN countries. Additionally, the proposed RCEP scheme endangers the domestic stainless steel industry as imports from China will become duty-free. A comprehensive assessment by the government is critical before signing any FTA to ensure a level-playing field for the domestic manufacturing sector.

We have requested the government to review the import duty on raw materials and review Japanese and Korean FTAs, along with FTAs with ASEAN countries.