Steel

The domestic steel industry, as also the global steel industry, is poised at very crucial juncture. After recording sharp rises throughout 2002–03, international steel prices declined by around $100 per tonne in April. The rise throughout 2002–03 was on account of healthy demand growth from China. The decline in prices in April was caused by Chinese steel importers exhausting their quota for steel imports. Indian steel manufacturers believe that this is only a temporary decline and that prices would firm up when China announces fresh import quotas in May.

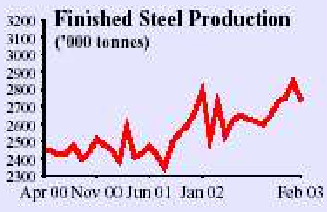
According to World Steel Dynamics, the pre–April prices would be sustained upto the first half of 2003. WSD expects prices to fall in the second half as it expects the Chinese bubble to have burst by then. WSD expects Chinese demand to decline in the second half of 2003. This would result in oversupply in the world market, with added pressure on account of higher supplies from China. With the global economy still in the midst of a downturn, there are no signs of any significant improvement in global demand, outside China.

The performance of the Indian steel industry is largely dependent on international developments in the sector. The recovery in 2002–03 was mainly on account of higher international prices, which enabled domestic producers to raise their steel prices. Finished steel production during April–February 2002–03 rose by six per cent to 293.4 lakh tonnes. With the completion of the Golden Quadrilateral project slated for December 2003, demand for steel from the infrastructure sector is expected to continue for a good part of 2003–04. However, industrial growth is expected to slow down during the year. We expect steel production growth to be in the region of four per cent. The trend of steel prices would have a major bearing on the financial performance of the sector.

Given WSD's forecast of prices crashing in the second half of the year, domestic demand will play a crucial role in sustaining the improved financial performance of the sector. The longer term outlook for the sector would therefore depend on investments in infrastructure and demand from user industries such as automobiles and white goods. Domestic companies appear to be optimistic about demand as a number of large investments have been planned. TISCO, SAIL, Jindal Strips and Rashtriya Ispat Nigam are the companies that have announced expansion plans in March and April. Together, they envisage an investment of Rs.20,255.8 crore. Of these, RINL and TISCO have the largest plans of Rs.18,000 crore and Rs.1,995 crore respectively.

Finished Steel Production: Apr–Feb

	'000 tonnes	% chg.
Total		
2001–02	27670	3.0
2002–03	29342	6.0
Steel Authority Of India		
2001–02	8713	4.1
2002–03	9598	10.2
Tata Iron & Steel Co.		
2001–02	2810	9.0
2002–03	3104	10.5



Prices: Apr–Feb

	Rs./tonne	% chg.
HR Coils 2.00 mm: Chennai		
2001–02	15927	-19.34
2002–03	20891	31.16
HR Coils 2.00 mm: Delhi		
2001–02	16173	-12.62
2002–03	19764	22.20
HR Coils 2.00 mm: Kolkata		
2001–02	16234	-13.42
2002–03	19380	19.38
HR Coils 2.00 mm: Mumbai		
2001–02	16282	-12.85
2002–03	20536	26.13
HR coils 3.15 mm: Chennai		
2001–02	15573	-19.54
2002–03	20400	31.00
HR coils 3.15 mm: Delhi		
2001–02	15318	-15.28
2002–03	19073	24.51
HR coils 3.15 mm: Kolkata		
2001–02	14707	-15.01
2002–03	18427	25.30
HR coils 3.15 mm: Mumbai		
2001–02	15427	-13.81
2002–03	19864	28.76