

# ALL INDIA INDUCTION FURNACES ASSOCIATION



# AIIFA

## INDUCTION FURNACE NEWSLETTER

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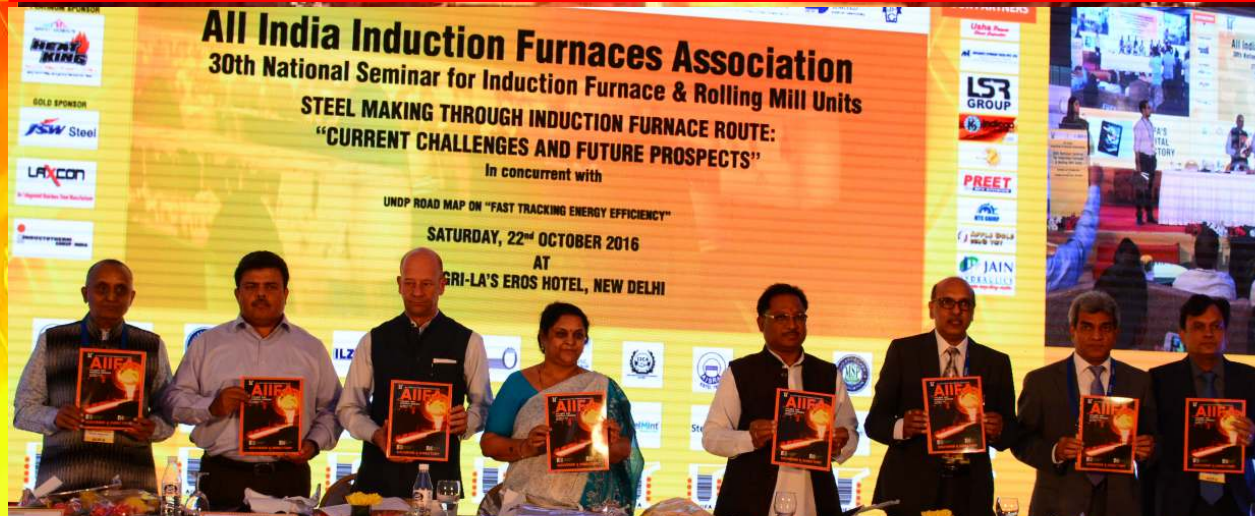
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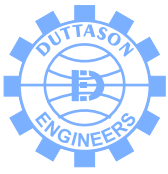
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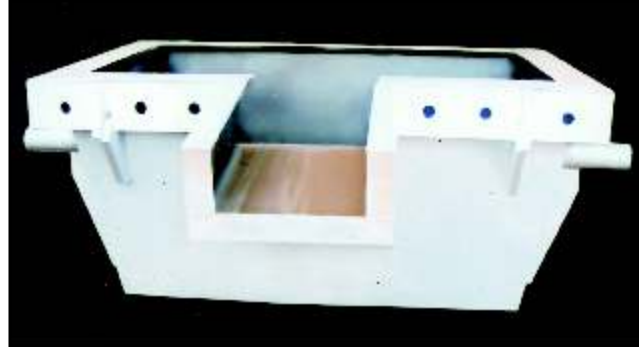
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## IMPACT OF DEMONETISATION ON DIFFERENT SECTOR & THE ECONOMY

**Kamal Aggarwal**  
*Hon. Sec. General, AIIFA*

As you are kindly aware that, our Hon'ble Prime Minister, Shri Narendra Modi has announced a war against black money and corruption. In an emboldened move, he declared that the 500 and 1000 Rupee notes will no longer be legal tender from the midnight of 8th November 2016. In this context, RBI has issued a new chip based Rs. 500 and Rs. 2,000 notes which is in circulation from 10th November 2016. Notes of 100, 50, 20, 10, 5, 2 and 1 Rupee will remain legal tender and will remain unfazed by this decision.

This measure has been taken by the PM in an attempt to address the resolve against corruption, black money, terrorism and counterfeit notes. This move is expected to cleanse the formal economic system and discard black money at the same time. One of the reasons that prompted the Government to demonetize Rs. 500 and Rs. 1000 notes is that their circulation was not in line with the Economic Growth. As per the Finance Ministry, during 2011-2016 periods, the circulation of all notes grew 40% but the circulation of Rs. 500 and Rs. 1000 notes went up by 76% and 109% respectively. Relatively speaking, the economy has grown only by 30% which is way below the money circulation.

At an aggregate level, this move will significantly eliminate the existing stock of black money, fake currency and will benefit the economy in the medium- to long-run, but, the question as to how the creation of black money in the future will be prevented still remains unanswered.

Since our economy is heavily dependent on cash, as only less than half the population uses banking system for monetary transactions, demonetisation has hit trade and consumption hard. With people scrambling for cash to pay for goods and services, the move is likely to take a big toll on the country's growth and output during the current fiscal. Consumption makes up for around 56% of India's GDP, hence, a drop in spending will pull down growth. The current step could also lead to behavioural changes in households' savings and their consumption pattern.

Further, the key segments of the economy where cash transactions play a vital role are real estate /

construction, Secondary Steel sector, Gold and the informal sectors as such. As construction sector, which employs more than 30 million peoples, has two major components - large government infrastructure projects and realty. Realty projects, especially of smaller developers, will be in midpoint in the short term. Government projects have greater resilience, but sub-contractors in such projects, too, are finding it hard to pay for labour, leading to project delays.

Steel and Cement industry, closely aligned to construction, have also been badly hit. The secondary steel sector will be impacted as most of the business conducted by Mini mills and rolling factories is cash-based because steel business is typically a business of short cycles and steel producers need to settle payments immediately for electricity, scrap, coal, iron ore and wages for its workers as well as eager to realize payments immediately from stockists and dealers. Therefore, a sudden demonetization will adversely impact this segment of the economy. Let us consider the example of scrap business. As we know that, these mini mills uses indigenous scrap, imported scrap and DRI as raw material to produce semi-finished products. According to the data published by Ministry of Steel, Government of India (Annual Report-2015-16), India produced nearly **52 million tonnes** of steel through the **electric route**, of which about **24 million tonnes** was supported by **sponge iron** as feed material. This leaves about **28 million tonnes** of steel to be served by way of **steel scrap**. At **1.1 tonnes** of scrap per tonne of crude steel, one may expect that to produce **28 million tonnes** of steel, one would need **30.8 million tonnes** of scrap. India imports about close to **7 million tonnes of scrap** and rest **23 million tonnes** of steel scrap which will be generated in three ways; firstly through the manufacture of steel in the form of **mill scales** or **cut ends** in casting and rolling. The next source is called the **process scrap** which is generated out of shaping and fabricated metal products such as containers, automobiles and so on. The third source is **obsolescence**; consumer durables and automobiles, ships and railways etc. Scrap from these sources are processed by the units, local scrap collectors etc., within the market and sold to dealers who made arrangements to despatch the same to casting and rolling mills across the country.

Since, scrap business is labour intensive process and required immediate settlement of payments, therefore, demonetization also adversely affect this segment of the economy.

Beside this, ascertain sections of the society could face short term disruptions in facilitation of their transactions. These sections are:

- Agriculture and related sectors
- Small traders
- SME
- Services Sectors
- Households
- Professionals like doctors, carpenters, utility service providers, etc.
- Retail outlets

The nature, frequency and amounts of the commercial transactions involved within these sections of the economy necessitate cash transactions on a more frequent basis. Thus, these segments are expected to have the most significant impact post this demonetization process and the introduction of new notes in circulation.

#### Others Severely Hit

Hawala Traders, Bookies, & Scrap Dealers.

#### Our View

- Since most of the Rural Economy is based on Cash, it's going to impact the Rural Economy
- Sectors with a sizeable magnitude of Cash transactions such as Real Estate, Construction, steel industry, cement industry, Jewellery, high-end retail, White Goods and travel & tourism are expected to adversely affect.
- It will push the economy because of flow of more money into the banking system.

- In the long term, the economy will benefit from the reduction of the black money, which will lead to higher tax collection, better business environment, less corruption & transparency. It will improve the situation of Fiscal Deficit of the Country and hence reduce the fiscal deficit.
- Interest rates will decline further because of decrease on Inflation as banks are flushed with huge inflows.

Every initiative has its own disadvantages also and this goes for cashless economy too. The purpose behind the cashless economy is to bring maximum financial transaction done through the credit card, debit card, net banking and the other source of electronic payments under the single currency system namely RuPay payment system. So the Indian government will be able to monitor most of the financial transaction every Indian carry out. Under this Financial Surveillance we cannot rule out possibility of Financial Policing. It will certainly compromise our economical freedom and rights. Are we comfortable with the fact that we are being watched and tracked? NO.

Another danger associated with cashless economy is that it being based on the electronic payment system which is a part of huge network called Internet. A targeted cyber-attack and hacking can actually bring down the whole economy. Under such attack people will feel that their hard earned money is being siphoned off just because of internet which may lead them to frustration and eventually back to cash transactions.

So the dangers or disadvantages associated with the cashless economy are Financial Policing and Financial Meltdown because of cyber-attack and data theft.

## DEBACLE OF DEMONETIZATION – WHAT CASH BAN MEANS FOR THE STEEL INDUSTRY

**Dr. Susmita Dasgupta**

*Joint Chief Economist, Economic Research Unit, JPC*

Demonetization, in common usage is a term that denotes the rendering of currency notes of certain denominations as no longer being valid tender. The last demonetization took place in India in 1978, when currency denominations of Rs 1000, Rs 5000 and Rs 10,000 were demonetized. In terms of the value of money in 1978, only an infinitesimal percentage of the population would have ever possessed notes of such high denominations. In the present case, notes of Rs 500 and Rs 1000 being withdrawn as currency affected the entire population except perhaps for the children who do not usually possess money. Governments undertake demonetization basically to recall currency notes back when either there have

been glaring printing mistakes, or other forms of printing errors, or if the governments suspect fake currencies in circulation. The difference between the numbers of notes deposited and the number of notes printed gives us the figure for fake currency, which clearly is the black money. Sometimes, people do not pay taxes to the government and hoard back the money with them and as notes are required to be deposited during demonetization, the number of notes deposited less the amount due to the government as taxes becomes the black money and which is now easily retrievable. These aspects of demonetization as discussed above are not really

problematic; the trouble with the present demonetization does not lie in the episode of demonetization per se but to a coincidental adjunct to it, namely the shortage of cash in the system. The long queues in the banks, cash getting over, ATMs not working, not allowing the depositor to withdraw her own money, restrictions on money changing are all symptoms of there not being enough cash in the system; a veritable drain of wealth as that which happened with the British colonialism. It is the lack of cash rather than demonetization per se that has punctured the wheels of industry and commerce in India. Jean Dreze comments that demonetization has been like shooting at the tyres of a speeding car.

The question to ask is why does the Indian business not use cashless transactions in the form of cheques, e wallets, debit and credit cards? The simple answer to the above question is that business transactions are very large for which the server systems and the bank clearances are simply not adequate; mammoth investments need to back up banking through the Internet in order to enable transactions worth crores to travel through the cyberspaces. Assuming that the data networks and highways are in place and there are no technical glitches in the process of e-transactions, yet the cashless transactions cannot be made in economies without cash balances! Cashless means transacting cash by means other than currency, but surely it cannot mean transactions where there is no stock of cash in the economy. Unfortunately, in the present scenario, there has been a problem of cash balance in the economy and for which the cashless transactions are bound to fail as well. Since the present demonetization uses the note ban as a measure to draw cash out of the economy and plunge the system into a crisis of liquidity, whether transacted through currency or the e wallets, it is the lack of liquidity that will harm the industry in general and the steel industry in particular.

In the steel business there are areas in which credit is possible and areas in which dues must be settled immediately. The credit areas are those in which material is procured from corporate firms or public sector monopolies such as sponge iron, fuel and oil. Credit is also possible while serving large end users such as big builders who take material on credit. But steel producers need to settle payments immediately for electricity, scrap, coal, iron ore and wages for its workers. Steel producers are also eager to realize payments immediately from stockists and dealers. The operations of steel are such that the money in the banks held as reserve constitutes a small amount of the volume of moneys in circulation and it is for the

latter as a large proportion of the former that liquidity back up is essential for steel, irrespective of the means of transactions. The fact that money is held in banks and not allowed to be encashed against deposits constitute the liquidity crunch and when cashless payments are made against deposits in the bank but not allowed to come into circulation, such a transaction becomes not an immediate payment but a credit transaction. Cash which cannot be realized on demand is only credit money. The loss of liquidity in the steel business so heavily dependent on raw materials in the form of commodities is likely to be hit very badly.

The steel business is typically a business of short cycles in the sense that dues must be settled in the immediate production cycle. There are many kinds of businesses where credit chains are very long and these are the ones in which the current incomes as proportion of the total assets sunk in the business are rather low. For businesses where the current incomes as proportions to fixed costs are high, cash settlements are best done within the production cycle. Steel happens to be a business where the variable costs are very high as percentages of fixed costs and this means that the dues must be cleared at the earliest. Raw materials, electricity, transport and warehouse rentals must be cleared immediately. Yes, all such payments can be done in the form of banker's cheques but those cheques can only be considered as being worthy if and only if they are backed by cash reserves. In case of banks unable to dispense with cash, cheque payments do not settle dues in the current production cycles. Production of steel, in the face of demonetization therefore faces the grim prospects of total closure.

Globally the trade in commodities like iron ore, coal, steel scrap are conducted against cash; in times of liquidity crunch in the systems, the trade in these commodities suffer irrespective of whether they are imported or are sourced from within the country. Some companies which have operations abroad like Tata Steel, JSW, Essar Steel, Bhushan Steel, LancoInfratech, GMR, GVK, ShyamSel among them, may like to transfer money abroad for the possibility of easier cash flow in foreign countries. Already GMR, GVK and LancoInfratech have shifted the bulk of operations in Australia and so have many ferro alloy producers who have migrated to Malaysia or Nepal. More money may flow out of India riding on the back of expansion of Indian investments abroad. Remittances from abroad into India may stall and plunge India into an abyss of cash drain. As during the British colonialism of which DadabhaiNaoroji wrote

his famous treatise on the *Economic Drain of Wealth* in "Poverty and Un British Rule in India" in 1901. Indeed, much of the problem of the cash crisis of the Indian banks have emerged from the bad loans of the steel companies such as JSW, Bhushan Steel, Essar Steel, GMR, GVK, LancoInfratech, Jaypee Group and many others and many of the above have shifted operations abroad. For instance, GMR, GVK and LancoInfratech have heavily invested and fallen in debt in Australia. These tendencies were fueled by the low value of the Indian rupee against the Australian dollars. Presently the demonetization will further exacerbate this problem when remittances will totally stop because while one cannot encash one's money in India, abroad there is no problem.

What is at stake is also the length of time over which the liquidity crisis is stretched; if the crisis in cash is stretched beyond two quarters which is the six months of which Mr P Chidambaram mentions then that would mean at least six credit cycles; the steel industry will have to cede production altogether and the supply chain may well be erased and wiped out.

With stalled steel production even for a quarter, a chain of suppliers and vendors are likely to move away from the steel business and soon the tracks created over years with effort are likely to be covered. This is likely to portend grim times. We must not overlook the psychological aspect of demonetization and cash retrenchment among the Indian entrepreneurs; there is despair and despondency in the present and doubts and indecisions about the future because one has no control over one's earned incomes. This has grave consequences especially for the capitalist economy, which dwells in the future in terms of expansion, innovation; take away the future from capitalism and you will reduce it to a subsistence economy if not a complete vacating of its vocation.

The supporters of demonetization are cheering at this lack of cash in the hands of traders by which they will no longer be able to source cheap imports; but what is overlooked in such an argument is that the domestic production would suffer even more deeply and while there would be no imports, there would also be no production except perhaps by the large steel makers who can operate out of long credit cycles.

## Amendment in Valuation Rule 2000 Rule 8, 9 & 10 and Notification No.20/2014-Central Excise (N.T.) Dt 11.07.2014

Ref No. AIIFA/58/2016-17

Dated: 05/12/2016

To  
**The Hon'ble Shri Arun Jaitley Jee**  
Finance Minister of India  
Govt. Of India  
Ministry of Finance  
North Block  
New Delhi-110001

Respected Sir,

We have been representing for amendment in Valuation Rule 2000, Section 4(1)(a) Rule 11 read with Rule 9(or 10) & once again we explain the issue as below:-

Many of our member units have their furnaces and rolling mills as separate entities with common directors/partners. The induction furnace units sell the final product "INGOT" to rolling mills (being the feed material) at market price. However, the units are being asked to pay duty on 110% of cost of production as per section 4A of Central Excise Act, thus causing a lot of problems and unnecessary litigation, whereas the whole exercise is revenue neutral as both of the units are registered under Central Excise and availing CENVAT credit.

Earlier vide Circular No. 643/34/2002-CX dt 01.07.2002 and Boards letter F.No. 354/81/2000- TRU dt. 30 June 2000, Para 12 whereby "In case of clearance to relative unit, earlier valuator gets affected only if whole of the clearance is to related unit.

But as per Notification No. 14/2013 dt. 22.11.2013 made effective from 01.12.2013, this clause applies even if part of production is cleared to related unit and part is cleared to independent parties, then the clearing unit has to clear the good on 110% of cost of production." This has further complicated the issue.

Besides problem of valuation over and above the market value, payment of additional VAT and Local taxes, income tax assessments etc., there will be huge unutilized CENVAT credit with buying unit.



Further, while calculating the cost of production, the cost of raw material (scrap) is also taken into account. On calculating assessable value as per valuation rules as 110% of the cost of production, assessable value becomes much higher than the market value.

In this regard, we also bring your kind attention Notification No. 20/2014-Central Excise (N.T.) Dtd 11.07.2014, (copy enclosed) which states as under:

Provided that where price is not the sole consideration for sale of such excisable goods and they are sold by the assessee at a price less than manufacturing cost and profit, and no additional consideration is flowing directly or indirectly from the buyer to such assessee, the value of such goods shall be deemed to be the transaction value."

But as per valuation no. 8,9,10 even if the goods are sold at market price value (whether in profit or loss) the duty is to be paid on 110% of the cost of production derived as per CAS 4 formula.

Therefore we once again request you that the notification no. 20/2014-Central Excise (N.T.) Dt. 11.07.2014 should also be applicable to inter-related units (where both are registered under Central Excise) and value of sale of goods be deemed to be the transaction value.

We once again insist you that there is no loss of revenue to the government and only paper work increases.

Thanking You

For ALL INDIA INDUCTION FURNACES ASSOCIATION  
**SANDEEP JAIN**  
(President)

CC: a) The Chairman, CBEC, North Block, New Delhi-110001

b) The Joint Secretary (Revenue), Ministry of Finance, North Block, Room No. 48, New Delhi-110001

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB SECTION (i)]  
GOVERNMENT OF INDIA, MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

**NOTIFICATION**  
**No 20/2014 – Central Excise (N.T.)**

New Delhi, the 11<sup>th</sup> July, 2014

G.S.R. (E). – In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following rules further to amend the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000, namely:-

1.(1) These rules may be called the Central Excise Valuation (Determination of Price of Excisable Goods) Amendment Rules, 2014.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 (herewith referred to as the said rules), in rule 6, before Explanation 1, the following proviso shall be inserted, namely:-

"Provided that where price is not the sole consideration for sale of such excisable goods and they are sold by the assessee at a price less than manufacturing cost and profit, and no additional consideration is flowing directly or indirectly from the buyer to such assessee, the value of such goods shall be deemed to be the transaction value.,"-

(F. No. 334/15/2014-TRU)

**(Akshay Joshi)**

Under Secretary to the Government of India

**Note-** The principal rules were published in the Gazette of India, Extraordinary Part II, Section 3, Sub-section (i) vide notification No. 45/2000-Central Excise (N.T.), vide number G.S.R. 575(E), dated the 30<sup>th</sup> June, 2000 and last amended by notification No. 14/2013- Central Excise (N.T.), vide number G.S.R 748 (E), dated the 22<sup>nd</sup> November, 2013.

## Notification on Hot Rolled Flat Sheets and Plates

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

Government of India, Ministry of Finance, (Department of Revenue)

### Notification

#### No. 3/2016- Customs (SG)

New Delhi, the 23<sup>rd</sup> November, 2016

G.S.R. (E). – Whereas, in the matter of import of “Hot Rolled flat sheets and plates (excluding hot rolled flat products in coil form) of alloy or non-alloy steel having nominal thickness less than or equal to 150mm and nominal width of greater than or equal to 600mm” 13, 7225 40 19, 7225 40 20, 7224 40 30 and 7225 99 00 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the Customs Tariff Act), the Director General (Safeguard), in his final findings, published vide number G.S.R. 759(E), dated the 2<sup>nd</sup> August, 2016 had come to the conclusion that increased imports of subject goods into India has caused and threatened to cause serious injury to the domestic producers of subject goods, thereby necessitating the imposition of safeguard duty on imports of the subject goods into India;

Now, therefore, in exercise of the powers conferred by sub-section (1) of section (1) of section 8B of the Customs Tariff Act, read with rules 12, 14 and 17 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997, the Central Government, after considering the said findings of the Director General (Safeguards), hereby imposes on subject goods falling under heading 7208 or tariff items 7225 40 13, 7225 40 19, 7225 40 20, 7225 40 30 and 7225 99 00 of the First Schedule to the Customs Tariff Act, when imported into India, a safeguard duty at the following rate, namely:-

- (a) Ten per cent ad valorem minus anti-dumping duty payable, if any, when imported during the period from 23<sup>rd</sup> November, 2016 to 22<sup>nd</sup> November, 2017 (both days inclusive at an import price below US Dollar 504 per MT on CIF basis;
- (b) Eight per cent ad valorem minus anti-dumping duty payable, if any, when imported during the period from 23<sup>rd</sup> November, 2017 to 22<sup>nd</sup> November, 2018 (both days inclusive) at an import price below US Dollar 504 per MT on CIF basis; and
- (c) six per cent ad valorem minus anti-dumping duty payable, if any, when imported during the period from 23<sup>rd</sup> November, 2018 to 22<sup>nd</sup> May, 2019 (both days inclusive) at an import price below US Dollar 504 per MT on CIF basis.

2. Nothing contained in this notification shall apply to imports of subject goods from countries notified as developing countries clause (a) of sub-section (6) of section 8B of the Customs Tariff Act, except People's Republic of China, Ukraine and Indonesia.

Explanation 1. The following are not included in the scope of subject goods:

- a) Hot rolled flat products of stainless steel;
- b) API grade steel conforming to X-52 and higher API grades for manufacturing pipes used for pipeline transportation systems in the petroleum and natural gas industries;
- c) Hot rolled plated for manufacturing boilers and pressure vessels conforming to IS 2002 and IS 2041 or its equivalent specifications SA515, SA516, SA537, SA285, SA299;
- d) The grades JIS Standard G3106:2008, SM 400C, SM 490C, SM 570, JIS G3101: 2015, SS400, SS 490, the Specific alloy steel grades SA203, SA302, SA533, SA537, SA542, 15Mo<sub>3</sub>, 20MnMn<sub>55</sub>, 9CrMo and atmospheric corrosion resisting steels grades JIS G3125<sub>22</sub>, CORTEN<sub>23</sub>, ASTMA242<sub>24</sub>, ASTMA588<sub>25</sub> and ASTMA606<sub>26</sub>;
- e) Steel plates that satisfy reduction ratio of 1:3 and are above 85mm in thickness;
- f) Special grade material of steel C 45, P 20, 4140 grade;
- g) Silicon electrical steel;
- h) Cladded steel;
- i) Quenched and tempered steel;

Explanation 2. For the purpose of this notification “import price on CIF basis” means the assessable value as determined under section 14 of the Customs Act, 1962 (52 of 1962).”

[F.No. 354/158/2016-TRU]

(Anurag Sehgal)

Under Secretary to the Government of India

# IMPLICATIONS & CONSEQUENTIAL EFFECTS OF BIS MANDATORY GAZETTE NOTIFICATION FOR STEEL SECTOR – SERIES 7

Er P. K. Jain

B Tech IIT Delhi – Principal Consultant for BIS matters

**1. Ques. What is the status of applicability of BIS Mandatory Certification for Steel as notified by Gazette Notification dated 15-12-2015 as extended till 18-12-2016?**

**Answer:** The notification has come into effect after the expiry of final extension till 18-12-2016. This implies that "to manufacture or store for sale or sell or distribute Steel as notified in the Gazette Notification without the use of ISI Standard Mark is prohibited".

**2. Ques. Now what should Manufacturers do who have not yet obtained the BIS licence to manufacture ?**

**Answer:** Every such manufacturer has to essentially obtain BIS licence to produce steel of the notified category. He will not be able to participate in any Govt. Purchase Programme nor can file tenders till he obtains the BIS licence.

**3. Ques. How to proceed further to obtain BIS licence?**

**Answer:** The manufacturer should start preparing to set-up the test laboratory as per the relevant BIS Standard. In case he finds difficulty in doing so, he should take assistance of some good professional from the field. Since most of the manufacturers are old players and are well conversant with the relevant BIS Standards, they should be able to do it by themselves. However, assistance from Professionals is always available. But keep in mind that fee paid to the Consultant is not an expense but an investment for good services and better management of resources.

**4. Ques. How long will it take to obtain the licence from BIS?**

**Answer:** You have 2 options available with you i.e., Simplified Procedure and Regular Procedure. The process or method of grant of licence is same except some minor difference of re-arranging the sequence of operations. In Simplified Procedure, licence is granted on the basis of documents filed and routine/compliance inspection is carried out later for verification of the Standard requirements. Whereas in Regular Procedure, Inspection is carried out first. If found compliant, the licence is granted. Later procedure is slightly time consuming but sure shot whereas in the first Procedure, there is always a risk of licence being rejected at later stages. The choice is as per individual likings.

**5. Ques. What are financial implications of the licence so opted?**

**Answer:** The final implications depend on the deficiencies observed in the test facilities available at present in the factory. The short fall is made good with a review of the total production and inspection procedures followed at the factory. The Licence Fee and Inspection Fee etc. charged by BIS are very nominal and affordable.

In case of any difficulty in meeting the requirements of relevant Standard, Units are welcome to approach the undersigned with a flexible and helpful approach.

### **New National Steel Policy in Conceptual Stage: Government**

The government has proposed to revisit the existing National Steel Policy, the work on which is at "conceptual stage", Parliament was informed today amid the sector reeling under global glut and surge in import prices.

"The Government proposes to revisit the existing National Steel Policy. It is at conceptual stage," Minister of State for Steel Vishnu Deo Sai said in a written reply to Lok Sabha.

Last month, the government's think tank Niti Aayog had floated a working paper where it had mooted a new and dynamic steel policy to bring the over USD 100 billion industry back on track as well as meet the target of 300 million tonnes (MT) capacity by 2025.

The country's premier policy maker feels that mere changes in the National Steel Policy, 2012, will not help the sector that in the last few years has been flooded with cheap imports from China, Korea and Japan impacting its sales and profits, which has negatively influenced its capacity to repay debts.

Niti Aayog feels that there is a need to examine the entire value chain associated with the industry -- from raw materials to production of finished products -- to discover the bottlenecks in the sector.

The Working Paper -- prepared by Niti Aayog Member V K Saraswat and Niti Aayog professional Ripunjaya Bansal -- said that an ecosystem has to be created that will ensure profitability of the associated industry be it mining, pet coke, pellet or sponge iron.

Source: ET

### **Govt imposes safeguard duties on some steel imports**

The Modi government has imposed a safeguard duty on certain hot rolled flat sheets and plates with effect from November 23, 2016 till May 22, 2019.

As in the case of hot rolled coils, the safeguard duty would be tapering, with the peak duty being 10%. Subsequently, it would taper to 8% and 6% up to 2019.

"The petition for the safeguard duty on hot rolled sheets and plates had been filed after the safeguard duty was imposed on hot rolled coils last year. The notification has just happened," a producer said.

In September 2015, the Centre had imposed a safeguard duty of 20% hot-rolled coils for a period of 200 days. This March, a tapering safeguard duty was extended till 2018 with the peak duty at 20%. The

prevailing safeguard duty on hot rolled coils, however, is 18%.

Producers pointed out a provisional anti-dumping duty was already in place on hot rolled coils, sheets and plates. However, the duties had become infructuous because international prices had increased following a surge in coking coal prices, one of the key raw materials for producing steel through the blast furnace route. Spot coking coal prices which were at \$90 a tonne in July have now breached the \$300-mark.

Source: Business Standard

### **India extends MIP till Feb 4, 2017 on 19 products**

India has yet again extended the minimum import price (MIP) on imports of steel products for a further two months in a bid to protect the domestic industry from cheap overseas shipments.

MIP is considered to be a temporary defence mechanism capable of restricting the entry of huge imports into the country from any global producer. Unlike Antidumping or Safeguard which take years of investigation, MIP provides temporary relief and is levied almost immediately after relatively brief examination. Also, Antidumping and safeguard do not cover 100 percent imports like MIP can do.

India imposed MIP for the first time in February 2016 on 173 products. MIP has been extended four times in the last 10 months and the latest extension came on Saturday night. The current extension of MIP is till 4<sup>th</sup> February 2017 for 19 products only which include coated steel products.

India is very cautious on its stand on MIP. India had been strenuously reviewing MIP every two months and has reduced the number of products from 173 in February to 19 in October. It shows India's willingness to introduce a permanent measure instead of relying on a temporary relief for its steel industry.

As often said, "desperate times call for desperate measures" – India had to impose MIP when the certainty of threat of survival of the domestic steel industry was clearly visible due to sharp rise in imports and the banks which started to protest at the rising level of NPAs from the steel sector.

The products removed from MIP are majorly covered under permanent measures like antidumping or safeguard but an uncertainty of infiltration of these products from countries not covered under these permanent measures may still harm the domestic industry in near time.

## **Narendra Modi govt asks Nalco to ditch \$2 bn Iran plan, turn to Orissa instead**

The Centre has asked state-run National Aluminium Co (Nalco) to do a rethink on the company's proposal to build a \$2-billion smelter unit in Iran, and instead consider setting it up in mineral-rich Odisha.

Speaking on the sidelines of the Make in Odisha conclave in Bhubaneswar, power, mines and coal minister Piyush Goyal said: "So far they (Nalco) are looking at setting up a plant in Iran. So I have asked the board to reconsider that."

"I believe that we should make in India... Ideally it should be in Odisha where the material is mined," he added. The conclave has been organised by the government of Odisha and the Department of Industrial Policy and Promotion.

In May, Nalco signed a memorandum of understanding (MoU) with the Iranian Mines & Mining Industries Development Renovation Organization to jointly explore the possibility of setting up the smelter in Iran. The smelter was expected to be part of a joint venture aluminium company that Nalco would establish in Iran, which will utilise the supply of alumina from the state-run company's refinery in India. Nalco has been exploring the feasibility of setting up a 500,000-tonne-per-year smelter and an associated power plant in West Asia.

On Coal India, Goyal said that the centre has no plan to split the the world's largest coal miner, as such a move would not add any value.

Media reports earlier suggested that the government was considering splitting Coal India into seven different independent companies.

"I have made my view known in June 2014. Coal India's strength comes from it being one company," Goyal said. Talks of breaking Coal India gained momentum in recent months on grounds that the government wants to address the inefficiency of the coal sector to boost electricity generation. This is because coal makes up for over a half of India's power generation and is still the cheapest raw material for electricity production.

Goyal had earlier said the government will not split Coal India but will work towards improving its efficiency and performance. The company accounts for over 80% of the country's coal production. It is aiming to produce 598 million tonne of the fossil fuel in 2016-17 and 1 billion tonne by 2020.

The government had withdrawn a similar proposal to split Coal India in 2014, thanks to massive protests by

the company's union, representing over 350,000 of its employees.

Source – FE

## **Expect challenging times ahead for India steel players: ICRA**

The sharp rise in international coking coal prices besides an almost stagnant steel demand pose challenging times ahead for the domestic steel players, ratings agency ICRA said. Domestic steel demand remained largely stagnant in Q1 2016-17, with consumption growing by just 0.4 percent year-on-year (y-o-y) during this period, ICRA said in a statement.

"Cost pressures amidst weak demand signal challenging times ahead for domestic steel players," it added. With demand for steel starting to improve from July 2016 onwards, steel consumption growth in Q2 2016-17 was much higher at 6.8 percent.

"However, going forward, an anticipated slowdown in the real-estate sector on account of government's demonetisation drive will impact demand of long steel players in the immediate term," it said. ICRA Senior VP and Head (Corporate Ratings) Jayanta Roy said given that a majority of the small to medium-sized secondary steel players in India are positioned in the long product segment, impact of this slowdown in real estate demand is expected to affect their capacity utilisation levels. In the flat product category on the other hand, impact of the slowdown would be limited, though rural demand for some of the flat products like corrugated sheets, galvanised sheets etc is likely to reduce in the near term, transactions being largely cash-based, ICRA said.

For the auto sector, the impact of demonetisation is expected to be marginally negative in the near term, especially for the 2/3 wheeler segments, where the share of the cash purchases has remained higher, it added. ICRA expects the recent sharp rally in international coking coal prices to hurt the profitability of domestic blast furnace players in Q4 2016-17.

Global contract prices of benchmark low volatile premium hard coking coal (HCC) for Q3 2016-17 have been settled at USD 200 per tonne, showing a 116 percent quarter-on-quarter (q-o-q) increase.

Moreover, given that premium hard coking coal prices have steadily increased since October 2016 from USD 213 a tonne to USD 309 per tonne at present in the spot market, contract prices in Q4 2016-17 are poised to be settled at an even higher level than USD 200 a tonne.

Source – Moneycontrol

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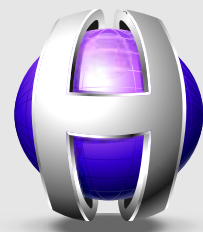


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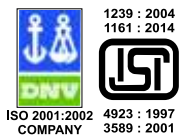
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