Budget Update - Hike in import duty tops wish list of Indian steel sector

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TATA Steel Managing Director (India and South Asia) T V Narendran said “Indian Steel industry is facing surging imports from countries like China, Russia, Japan and Korea. We expect necessary measures would be taken to arrest this trend to make the domestic industry competitive.”

Mr Koushik Chatterjee group ED finance and corporate at Tata Steel added that “Unlike in the US, which acts swiftly in response to indications of potential injury to their domestic sector, it takes a long time to put tariff barriers in place in India. Protecting Indian manufacturers would be an important trade issue to handle, especially if we are focusing on Make in India.”

Mr Seshagiri Rao joint MD and CFO of JSW Steel said that “An overwhelming 75% of the steel imports over the last six months have come from these two countries. If all categories of steel are taken together, imports have risen 58% in the first nine months of FY15. Also, the steel that is coming into the country is of an inferior quality. If the government can enforce strict quality standards on the steel, a lot of imports will be automatically weeded out.”

Mr TK Chand director commercial of Rashtriya Ispat Nigam Limited said that "We want the finance minister to come up with export incentives to increase exports to African, South East Asian and South Asian countries and increase customs duty on steel imports, especially rebar and wire rod products to prevent the Chinese from dumping their products here. Steel imports have almost doubled from 4 million tonnes per month to 8 million tonnes per month in recent times, adversely affecting the domestic steel manufacturers."

Imports of steel to India, a net importer, went up to 8.1 million tonnes during April-January period of current fiscal. As much as 2.9 million tonnes of that came from China. While for Russia, India is a traditional export market; Japan and Korea also exporting steel to India taking advantage of the free trade agreements.

Source - Strategic Research Institute, Steel Guru   Get latest updates through Twitter - Follow @steelguru

Mr CS Verma Chairman of SAIL has given following reaction to Union Budget 2015

Under intense expectations, Honourable FM has presented a budget that addresses crucial areas of the economy and has planned for building capacities as well as capabilities. The pursuit of growth aimed at double digit in near future is to be attained along with fiscal consolidation, thus ensuring its sustainability.

It is heartening that Infrastructure sector initiatives have been given a major thrust, which will both spur the domestic demand and ease the supply side constraints with an increase of investment of INR 70,000 crore in 2015-16 over 2014-15. Setting up of 5 Ultra Mega Power Projects and announcement of similar projects for roads, rail and ports along with rural and urban housing development will also provide a fillip to the economy. All these measures will see a boost in demand for construction materials such as steel and cement, which have witnessed subdued growth on account of sluggish global as well as domestic market conditions in the recent times.

A low and stable corporate tax regime by bringing the corporate income tax down from 30% to 25% is also a very welcome measure which will improve business sentiments and rejuvenate the corporate sector. The announcement on new bankruptcy code to replace BIFR and SICA are reform measures much awaited.

Source - Strategic Research Institute, Steel Guru

Budget Update - TATA Steel reaction

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Mr TV Narendran Managing Director (India and South East Asia) of TATA Steel has given the following reaction to the Union Budget 2015

The budget seeks to provide an environment that attracts investment in industry and propels economic growth. The proposal to do away with different types of foreign investment caps and replace them with a composite cap is welcome. Quick implementation of market and policy reforms proposed in the budget will help in achieving a GDP growth of 8.5-9 per cent y-o-y. The proposal to reduce corporate tax to 25 per cent in the next few years is welcome.

The INR 70,000 crore earmarked for the infrastructure sector, too, augers well for sectors such as steel and cement. The proposed National Skills Mission will enhance employability of rural youth in industry. The new tourism scheme and the government's proposal to issue visa on arrival to nationals from 150 countries will greatly benefit the hospitality and services sectors.

The Finance Minister's proposals on social security for all and welfare schemes for senior citizens indicates the government's intent in achieving inclusive and equitable growth.

The move to appoint an expert committee to prepare a draft legislation for obtaining regulatory clearances expeditiously is a step in the right direction. Increase in the import duty on steel will help in improving the competitiveness of the domestic steel industry.

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Budget Update - JSW reaction

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Mr Sheshagiri Rao Joint MD & Group CFO of JSW Steel has given following reaction to Union Budget 2015

A sincere attempt was made to meet the expectation of delivering a Budget for 2015-16 with growth orientation blended with fiscal prudence. It is comforting to see the print of fiscal deficit of 4.1% and 3.9% for 2014-15 and 2015-16, respectively, with a clear road map to achieve 3% over 3 years. There are several laudable initiatives: Implementation of GST by April 2016, intention to reduce corporate taxes to 25% over 4 years, deferral of GAAR by 2 years with prospective application, abolition of wealth tax, cutting subsidy leakages, measures to curb black money, etc. It will pave the way for good governance and ease of doing business. The government deserves full credit in containing fiscal deficit except the minor slip in 2015-16.

The government emphasised the importance of reviving manufacturing via 'Make in India'. As the core sectors of economy are currently beset with challenges, participation by the private sector in fresh investments is estimated to take some time. It is expected that the government will increase the outlays in the Budget on short gestation infrastructure projects. As an incremental amount of R1,86,000 crore is to be shared with the states, out of total additional tax revenues of R1,98,000 crore, the central government's ability to commit large outlays on the Plan expenditure is constrained.

Private sector's participation through an appropriate PPP model is the need of the hour to create a world-class, viable and sustainable infrastructure. The Budget stated that the PPP mode of will be revisited and revitalised. The government should expeditiously take up to correct the imbalance in sharing of risks in the current PPP infrastructure model. The execution of the plugand-play model should not be delayed and should be extended to the stalled projects.

The steel sector is competitive as reflected by ranking of six of Indian steel companies among the top 34 world-class steel companies as per the ranking of world steel dynamics. Unfortunately, this competitiveness is threatened by unrestrained dumping of steel into India. Japan, Korea, China and Russia together constitute over 75% of imports into India. Imports surged over 70% this year. It is disappointing that the government has kept effective import duty on steel products unchanged inspite of enhancing the peak rate to 15%. Hike in the peak rate will not serve any purpose if the dumping of steel is not arrested. It is also surprising that the input cost duty on metallurgical coke is increased, carbon cess on coal is doubled, railway freight is increased, without any relief to the steel sector.

Source - Strategic Research Institute, Steel Guru

Budget Update - JSPL reaction

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Mr Ravi Uppal MD & Group CEO of Jindal Steel and Power Limited

If India is to pull swathes of people out of poverty, it would need to grow at a double-digit clip over a sustained period of time. Therefore, in his second Budget, the finance minister stressed on themes supporting the Make-in-India mantra. However, it lacked details of how the government proposed to turn India into a manufacturing hub.

A touch disappointing was that there were no major measures announced for reviving sectors such as steel, cement and power. The rise in clean energy cess, on top of the 6.3 per cent increase in coal freight announced in the rail budget, is likely to nullify any gain that the sector might have expected following the coal auction process.

In a proposal that should please the steel sector, reeling from a market glut, the rate of the basic Customs duty on iron and steel has been increased from 10 to 15 per cent. On the downside, the proposed increase in service tax and excise duty may inflict more pain on domestic steel makers. The proposal to build 400,000 houses in rural India and 200,000 in urban India could deliver a powerful impetus to the construction sector and accelerate the growth of steel, cement, and related sectors. The massive commitments to reboot the infrastructure sector could be significant growth drivers.

Source - Strategic Research Institute, Steel Guru

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