



Goutam Kumar Basak
Executive Secretary
Joint Plant Committee (JPC)

No Defined Schedule for Market Recovery : G K Basak

Goutam Kumar Basak, Executive Secretary of Joint Plant Committee (JPC), is well known name in the steel fraternity. The Joint Plant Committee under the aegis of the Ministry of Steel, Govt. of India is a broad-based and an authentic information centre which collects, collates and analyses data on a nation-wide basis to be shared by all the stakeholders of the steel industry. It is the only authentic storehouse of data that has the Government

recognition.

G. K. Basak joined the Electronic Data Processing Unit of JPC in the Managerial Cadre in 1975 and subsequently headed the Information Services of JPC. Basak guided JPC in building up a vast database on iron and steel and its related items. JPC data under his leadership has emerged as an authentic information base in the country, unique in its kind and recognized by the Ministry of Steel, Govt. of India.

Following is an in-depth conversation with G. K. Basak.

Q) How do you analyse the current global recession in Asian and particular Indian steel industry?

Basak: The impact of economic recession which has affected the global economy and steel industry has been felt on production and price of steel in the country in recent times only.

During April–November 2008–09, overall crude steel production (36.22 mt) has recorded a growth of 2.4 percent compared to same period of last year. However, for the same period, crude steel production has seen a decline for the public sector plants, SAIL and RINL, while no notable declines have been observed in case of units in the private

sector during the concerned period.

Provisional monthly data for the last six months indicates that production of crude steel has declined in case of SAIL and RINL in the month of October 2008 and November 2008 as compared to same months of 2007, leading to declines in the respective production levels for the period, April–November 2008, as compared to same period of last year.

The slowdown has affected prices as well: data on prices for December 2008 indicates a decline of average prices of key items of iron and steel in the domestic market, compared to April 2008.

Crude steel production*, India, April–November 2008–09		
A. Public sector	Apr.–Nov. 2008–09 (‘000 tonnes)	% change**
SAIL	8978	-2.0
RINL	2027	-1.2
Sub-Total (A)	11005	-1.8
B. Private Sector		
Tata Steel	3609	10.0
Major Producers	6753	7.8
Other Producers	14853	1.5
Sub-Total (B)	25215	4.3
TOTAL (A + B)	36220	2.4
Source : JPC; *=prov.;		
**=compared to same period of last year		

Item	Domestic average market price (Rs/ton)		
	April 08	December 08	% change
Pig Iron	32,515	25,700	-21
Wire Rods 8 mm	46,567	39,000	-16
Rounds 12 mm	45,628	38,688	-15
TMT 10mm	49,484	37,699	-24
HR Coils 2.00mm	46,629	41,730	-11
Source : JPC			

The decline in prices and production is mainly due to slowdown in demand of steel. Data on consumption of total finished steel (non-alloy + alloy) in the country during April–November 2008–09 is shown in the table below, along with data on production for sale, export and import of total finished steel.



Year	Total Finished steel (unit: million tonnes)			
	Production for sale	Import	Export	Consumption
April-Nov. 2008-09*	30.57	4.2	2.6	33.03
% change**	1.7	-6	-28	1.1

Source: JPC; *=provisional; **= compared to same period, last year

The effect of slowdown is evident in all spheres: production for sale has registered 1.7 percent growth, imports have actually declined (after recording steady increase in early part of 2008-09), exports have declined at a steeper rate than earlier and most critically, domestic consumption of steel has recorded a mere growth of 1.1 percent, after its robust double digit growth over the last three years.

Q) In the mid of recession, to boost the Indian economy the government has announced the 30k-crore stimulus package. How will it help the Indian steel industry?

Basak: The stimulus package of the government is aimed at encouraging both domestic demand and ease credit availability in the system. The former is expected to boost the declining industrial production and slowed pace of growth in manufacturing and allied sectors while the latter is expected to address core issues regarding credit and money flow in the economy and ease the pressure on a financial system, which is being threatened by collapse of global financial bodies in the developed countries.

Q) Alongside the stimulus package, the government has also cut excise duty by 4 percent on steel and its products and scrapped export tax on iron ore. Will these steps invigorate the demand for steel?

Basak: Cut in excise duty is a direct measure for boosting demand by offering price relief and is expected to work, provided easy credit situation with consumers. On iron ore, the final outcome depends a lot on the global market, which

is already witnessing a decline in crude steel production. Indian crude steel production is also slowing down – though the extent is yet not much serious, indicating that domestic situation is still not as adversely impacted as the rest of the world.

Q) How do you see the recovery of demand and prices? What is the time frame in your mind?

Basak: There is no defined schedule for market recovery in a slowdown phase. In a globalised operating practise, a lot depends on the conditions prevailing globally and their impact on key segments of domestic market, financial market and commodity market, both. As said earlier, the Indian situation is not yet as adversely affected, as the US or EU or even Japan. But nevertheless, domestic prices have reported substantial declines, production cuts have been announced and also being implemented, raw material situation is of concern, trade situation is being monitored for possible trade cases are being contemplated and most importantly, demand has slowed down, in response to a slowed down pace of economy. Given the situation, as most point out also, it will be at least a period of six months for industry to come out of this phase.

Q) What is your advice for steel producers to tackle current global recession?

Basak : For steel producers, it is time to assess the all-round situation and explore ways for increasing efficiency, boosting demand/market potential of their products, avenues for generating revenues and put in place a flexible financial system with measured exposure to market uncertainties, and gauge market / economic potential so as to better monitor / re-plan the implementation of their expansion projects.