INDIAN STEEL IN THE EIGHTIES

BY

RUSSI MOHY

High-powered working groups and planning 'pundits' have gone into steel demands and supplies in India in the eighties. And, they are still at this nerve-racking job. As against the existing installed capacity of 14.5 million tonnes of crude steel, including over 3 million tonnes from mini steel plants, it is proposed to augment India's crude steel capacity to 17.7 million tonnes by 1983-84 and 23.7 million tonnes by 1988-89, mainly through expansion of the existing steel plants and construction of new ones in the south-eastern coastal areas of the country. In a recent statement in the Lok Sabha, our Steel Minister hoped to ring in the nineties with a crude steel output of 24 to 25 million tonnes.

If these targets survive innumerable uncertainties inherent in a massive mobilisation of monetary, material and manpower resources—past experiences point towards a nagging distance between the dream and the reality—the country can reasonably expect a much-needed balance between the demand and supply of indigenous steel. As far as imports go, India roughly spends over Rs. 270 crores a year on bringing in 780,000 tonnes of saleable steel from the world market. (In 1980-81, these are expected to go up appreciably.) While these imports can be reduced to a certain extent through increased indigenous production, they cannot, in India or anywhere else, be eliminated altogether, because, to quote the Steel Minister again, "the order of requirement and the economics of production may make it advisable to import certain items, wholly or partly, depending on the economics of scale in the production of these items."

Realistic Capacity Targets

Against this background, what are the imperatives of planning and development of Indian steel in the eighties? First and foremost is the fixation of realistic capacity targets. While it has taken the country about three decades to achieve a capacity of 14.5 million tonnes, a projected 100% increase in capacity in only a decade—which will entail an investment of over Rs. 15,000 crores at current prices on plant and machinery, an additional production of about 75 million tonnes of iron ore, coal, limestone and other raw material, billions of gallons of water, hundreds of megawatts of electric power, hundreds of miles of railway tracks, tens of thousands of wagons, and over 200,000 steel-oriented skilled manpower—appears anything but attainable, particularly in the light of unpredictable socio-economic conditions and our past lessons. Added to the problem of pragmatism at the planning stage are bureaucratic delays in decision-making which have already cost the country a fortune and caused the proverbial time-lag between words and deeds. Ambition has a positive value only if it can be translated into quick action. Capacity targets on paper mean precious little. A result-oriented approach is the crying need of the hour.
Capacity Utilisation

Augmentation of steel capacity is not an end in itself. What is important is the optimum utilisation of the capacity which, for reasons oft-repeated and well known, remains unrealised in our country. In 1979-80, the country, on an average, produced only 65% of its installed capacity at 9.4 million tonnes of crude steel. While some of the constraints, like shortages of coal and power, as also transport bottlenecks, were common to all the steel plants, the performance of some of the steel plants left much to be desired. Likewise, with almost similar handicaps, there were captive power plants of some steel works which produced almost 82% of their installed capacity while there were others which somehow coughed their way to 40%, if not even less! Why this wide gap between one plant and another? There must be a number of valid reasons, including local conditions, but imperatives of optimum output call for an in-depth study of the maladies on a plant-to-plant basis, as reportedly ordered by our Prime Minister, and, what is more important, a crash programme of remedial action. The antiquated policy of procrastination in the name of perfection will not do. While it is beyond the ambit of this article to question any change in the national strategy of steel development, it may not be out of place to plead for a closer co-ordination between steel plants’ operations and their infra-structural needs. As it is, the steel industry has a very high break-even point, compared to other processing industries. Under-utilisation of the installed capacity has spelt economic disaster for more than one giant enterprise and Indian steel would do well to learn from this. Even in a broader national context, the panacea for all our economic ills lies in maximising our output, both in fields and factories, and the larger our steel output the broader will be its spread effect on the Indian economy. Indian steel in the eighties, therefore, will call for a two-pronged offensive—one on optimising the use of the existing capacity and the other on creating new capacities, exactly in that order. Plant-wise strategies can be worked out on the basis of their specific needs.

Technology—Old and New

As regards the ever-widening horizons of steel technology, Indian steel will, of necessity, have to strike a balance between the old and the new. The latest steel technology, such as bottom blown oxygen process of steel making, continuous casting and modern rolling mill practices, are being gradually introduced under various modernisation and/or expansion programmes. R and D efforts have, over the years, resulted in new processes, such as the Direct Reduction Process and the Electro-flux Refining process, as also a wide range of micro-alloyed products. A developing country like India, however, will not be in a position to discard some of its old processes totally as long as their productive abilities remain unimpaired.

Whither Export?

Export of Indian steel in scarcity conditions is a debatable point and it is difficult to foresee exactly what the position will be in the eighties. With a widening trade gap, now over Rs. 2,000 crores, it might be found expedient to postpone some of the current consumptions and permit steel, now a non-traditional export item, to play its part in narrowing the imbalance between imports and exports. Another school of thought
envisages the role of Indian steel in the export market through a wider ambit of engineering goods. Be that as it may, in view of the low cost of Indian steel, the prices of which are almost half the prices of foreign steels, particularly structural bars and rods, and the fact that India has been able to explore export markets in a number of foreign countries, it should be possible and profitable to increase exports of value-added items like finished steel in the eighties, instead of marketing raw materials such as iron ore, pellets and fines. Since additional export surpluses cannot be created overnight, a balanced approach, with export areas clearly defined both for raw materials and finished products, might be called for in the decade that we have just entered.

Price Distortions

There are other aspects of the steel industry, such as price mechanism and marketing strategy, which will demand added attention in the eighties. That the present pricing policy needs further review has been repeated again and again by all the main producers. What should be of common concern is the nagging distortions in market prices caused by speculative forces, backed by an active parallel economy, from which neither the producers nor the consumers gain anything. What will be needed by the industry will be a realistic pricing policy under which the gains of production and sales will not be appropriated by unscrupulous middle men, but shared equitably by producers for the purposes of growth and by consumers for getting the maximum spread effect of a basic industry like steel. The future marketing strategy will, of course, have to concentrate heavily on new products, a wide range of which is expected to come into the Indian market in the years to come, as also on the judicious application of steel for maximum advantage. Indian consumers, both by tradition and temperament, are a little allergic to change and a lot of drive and ingenuity will be required from Indian steel’s marketing experts to highlight the values of their new hardware.

In short, Indian steel industry in the eighties will throw up a multiplicity of challenges, not only for those who make and shape steel, but also for those who are saddled with the task of giving policy guidance and direct many-sided operations, right from raw materials to the marketing of finished products. Their success will depend on their capacity to measure up to new situations and to cross the bridge when they come to it.

Courtesy: The Economic Times