

Q How do you anticipate growth in the steel construction industry for 2020?



Overall steel industry experienced robust growth of 6-8 per cent during past two fiscals, however demand momentum has slowed down to around 4 per cent in H1 FY 20 due to lower economic growth and muted demand from automobile and construction sector. Demand is expected to rebound in the upcoming quarters and further in FY 21 as economy recovers due to infrastructure investments by government and growth in affordable housing.

China's steel production grew by 9 per cent year-on-year from Jan-Aug 2019, despite moderating steel demand of ~4-5 per cent. This coupled with trade tensions with USA led to high inventory levels of steel in China, which in turn affected steel prices. Following global cues, domestic steel prices also declined. Government has taken various measures to tackle current signs of economic slowdown like the corporate tax cut which is positive in the long term. GOI has recently imposed anti-dumping duty on aluminium and zinc coated flat products which will provide a level playing field for local industry by guarding against below-cost imports. They have also introduced steel import monitoring system, which will help industry in keeping track of imports which are coming either in form of defectives or as circumvention of the BIS standards.

Though the scenario within the steel industry seemed challenging in H1 of this year, there would be favourable turnaround soon due to several factors. Pre-Engineered Buildings is one such opportunity in steel construction sector. India has emerged as one of the major markets for pre-engineered buildings. Warehousing, Infrastructure and Industrial segments being the main drivers; PEB market size is estimated to grow at a CAGR of 12-15 per cent for next 5 years. Even though the acceptability of metal buildings is on the rise, there is a lot that is yet to be tapped. Apart from PEBs, projects in Railways, Metros, Airport are some larger segments to look for within infrastructure sector. GOI's focus on affordable housing will push demand for prefabricated structures that promise ease of installation and quick completion of projects.

Solar compatible roofing is also gaining much attention that will trigger demand for our solar mounted structures as well as roofing solutions. With the country experiencing a good monsoon, we expect the agricultural sector to do well resulting in fund availability in the rural markets. This will drive our retail business.

RITEN CHOUDHURY
Managing Director, Tata BlueScope Steel