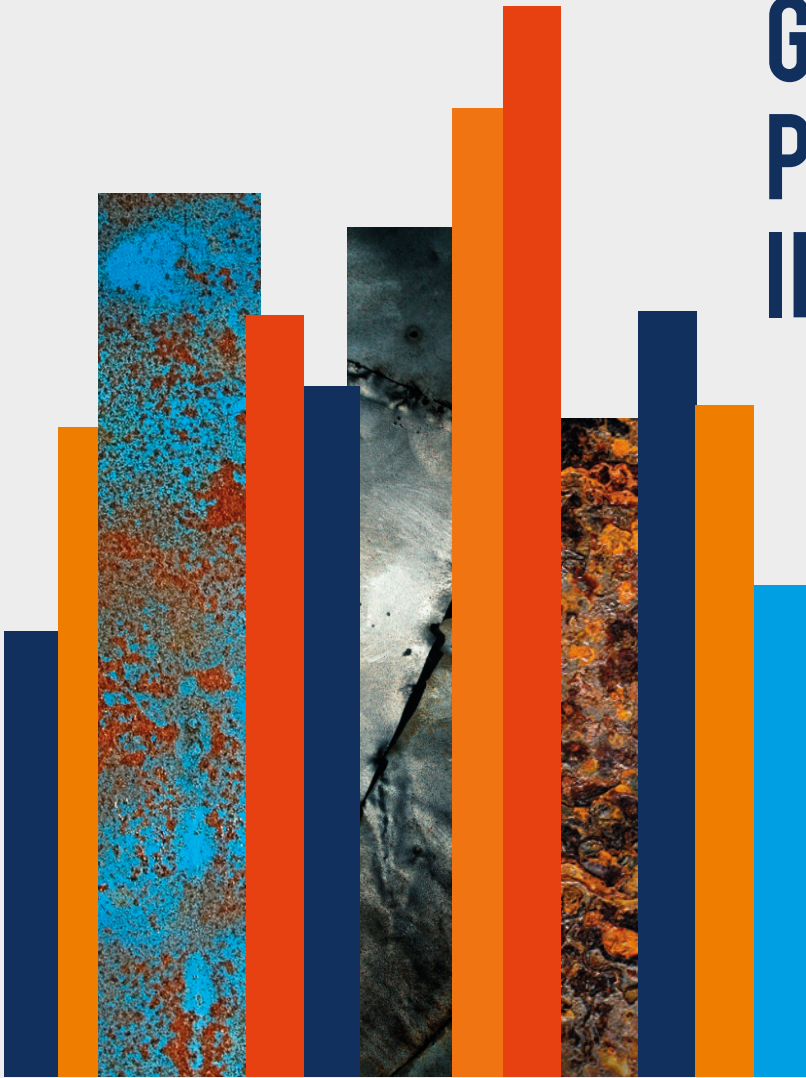


STUDY ON INDIA'S GALVANIZED PRODUCTS INDUSTRY



India is currently world's third largest crude steel producer in the world preceded by China and Japan. In financial year 2015-16, India's crude steel production was recorded at 89.76 MnT. Whereas, in current financial year from Jan-Sep'16, the same is recorded at 47.98 MnT, up by 7.5% against corresponding period of previous year.

The key players in the industry are JSW Steel, SAIL, Tata Steel, Essar Steel, and JSPL(Jindal Steel & Power) also called as Integrated Steel players (ISP). The percentage contribution of these players in total finish steel production is about 56% whereas, the contribution of other mini players is around 44%.



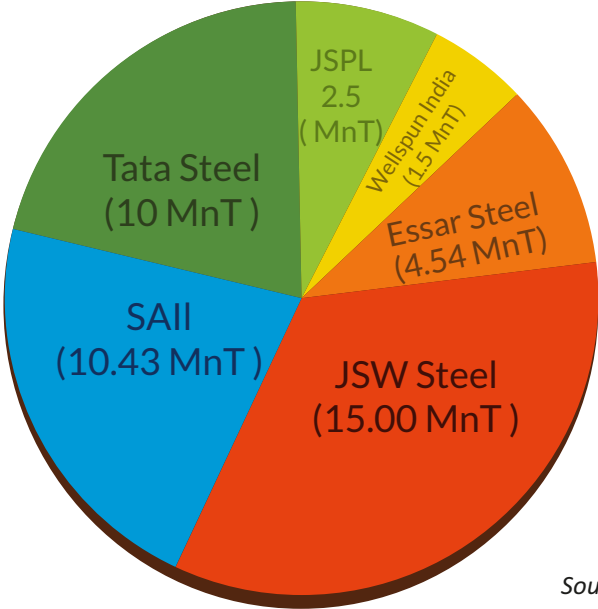


FLAT PRODUCTS OVERVIEW

Flat products category mainly includes

- Hot Rolled Coil (HRC) Product/Coil
- Cold Rolled Coil (CRC) (GP/GC/Galvalume)
- HR Plates • Electrical Sheets
- Galvanized • PPGI

India's Company-wise Finish Flat Capacity



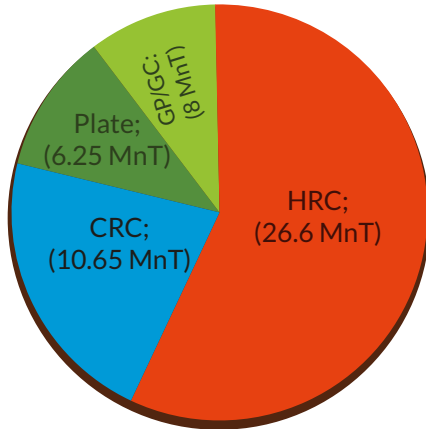
Source: SteelMint

It can be seen from the above graph that out of India's total finish flat capacity, JSW Steel has highest capacity followed by SAIL and Tata Steel.

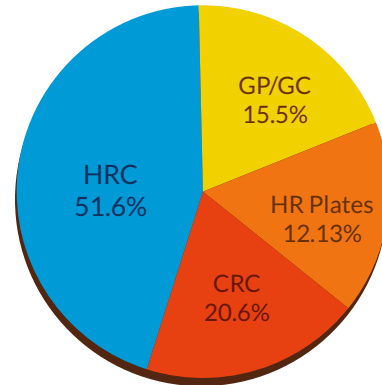


INDIA'S FINISH FLAT PRODUCT MIX

India's Product-wise Flat Steel Capacity



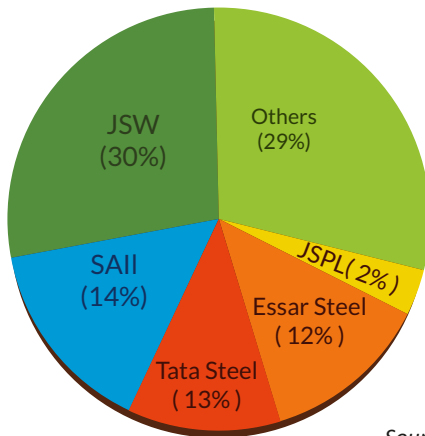
Product-wise Contribution in India's Finish Flat Product



Source: SteelMint

Out of the total production capacity for finish flat in India, installed capacity for HRC is the highest followed by CRC, HR Plates and then GP/GC.

Company-Wise % Contribution in Flat Products Production



Source: JPC

- JSW Steel's contribution is the highest in total flat products production, followed by SAIL and TATA Steel.
- However, with the start of Tata Steel's greenfield project for flat products at Kalinanagar, Odisha coupled with existing capacity expansion by other steel players, the equation of the companies' contribution in total flat products production may change in the coming future.



STUDY ON GP/GC MARKET

WHAT IS GP/GC

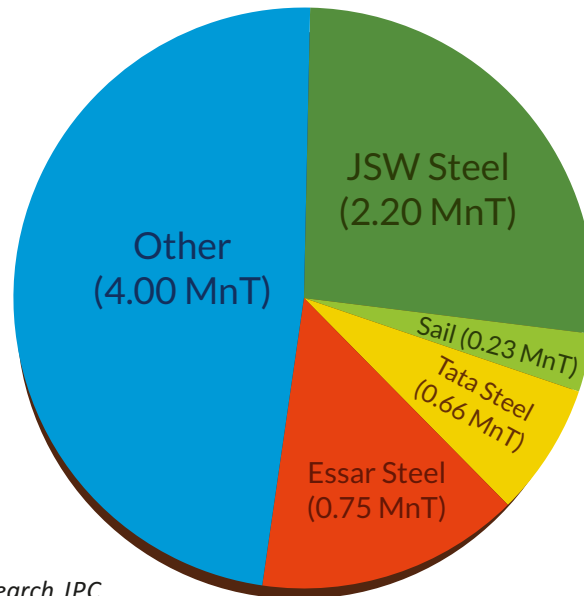
The galvanized plain coils / sheets are value - added steel products which basically involves zinc coating, are tough, sturdy, light weight, bright and corrosion resistant. In India these are produced in the thickness range of 0.15 mm to 2.0 mm and width range of 800 mm to 1560 mm.

Application of GP/GC

The sectors in which GP/GC majorly find its application are as follows:

- Construction
- Infrastructure
- Consumer Durable
- Automobiles

India's GP/GC Capacity



Source: SteelMint Research, JPC



What is PPGI?

PPGI is pre-painted galvanised iron, also known as pre-coated steel, coil coated steel, color coated steel etc., typically with a hot dip zinc coated steel substrate.

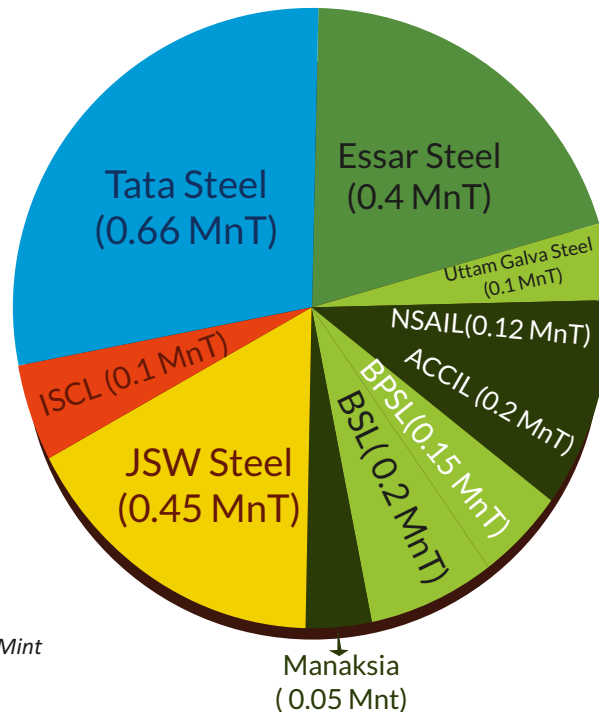
The term is an extension of GI which is a traditional abbreviation for Galvanised Iron. Today the term GI typically refers to essentially pure zinc (>99%) continuously hot dip coated steel, as opposed to batch dip processes. PPGI refers to factory pre-painted zinc coated steel, where the steel is painted before forming, as opposed to post painting which occurs after forming.

Application of GP/GC

The sectors in which GP/GC majorly find its application are as follows:

- Construction
- Infrastructure
- Consumer Durable
- Automobiles

India's PPGI Capacity



Source: SteelMint



India's GP/GC Import-Export Analysis

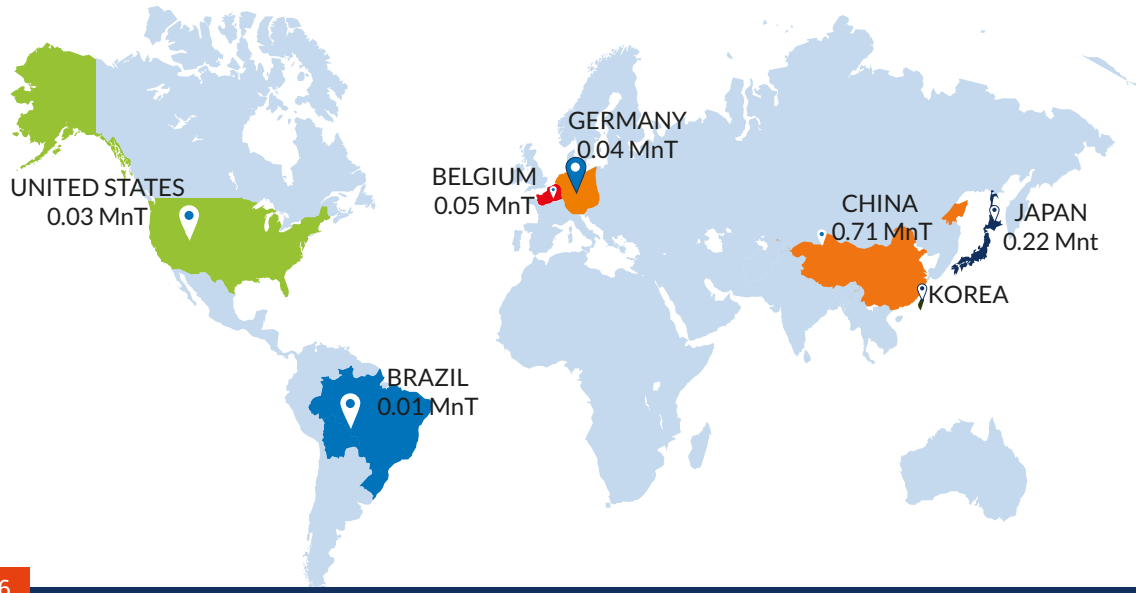
As per our analysis, India is a net exporter of GP/GC since last three years. In FY16, India's GP/GC import stood at 0.44 MnT whereas, its export stood at 1.58 MnT.

India's GP/GC Import Analysis

Country	FY14	FY15	FY16	FY17(Apr - Sep)
China	0.09	0.25	0.71	0.16
Korea	0.23	0.29	0.28	0.17
Japan	0.23	0.25	0.22	0.09
Belgium	0.04	0.11	0.05	0.02
United States	0.04	0.04	0.03	0.02
Germany	0.03	0.04	0.04	0.02
Brazil	0.02	0.04	0.01	0.01
Others	0.14	0.06	0.10	0.05
Total	0.82	1.07	1.44	0.54

Source: SteelMint

The key importing countries for India in case of GP/GC are China followed by Korea and Japan.





India's GP/GC Export Analysis

Country	FY14	FY15	FY16	FY17(Apr - Sep)
UAE	0.33	0.25	0.21	0.14
United States	0.35	0.33	0.12	0.08
Africa	0.11	0.12	0.13	0.10
Belgium	0.13	0.08	0.09	0.13
Spain	0.06	0.12	0.09	0.08
Italy	0.10	0.09	0.11	0.04
Greece	0.18	0.03	0.04	0.02
Others	1.14	1.07	0.79	0.41
Total	2.40	2.10	1.58	1.00

Source: SteelMint

While, India's majority of GP/GC exports are directed towards Middle east followed by US and African countries.





Consumption Analysis of GP/GC

In this section we have analyzed the apparent consumption of GP/GC in the next two financial years i.e. FY17 and FY18.

The apparent consumption means combining three factors production, export, and import in order to find out what is actually being consumed in the country.

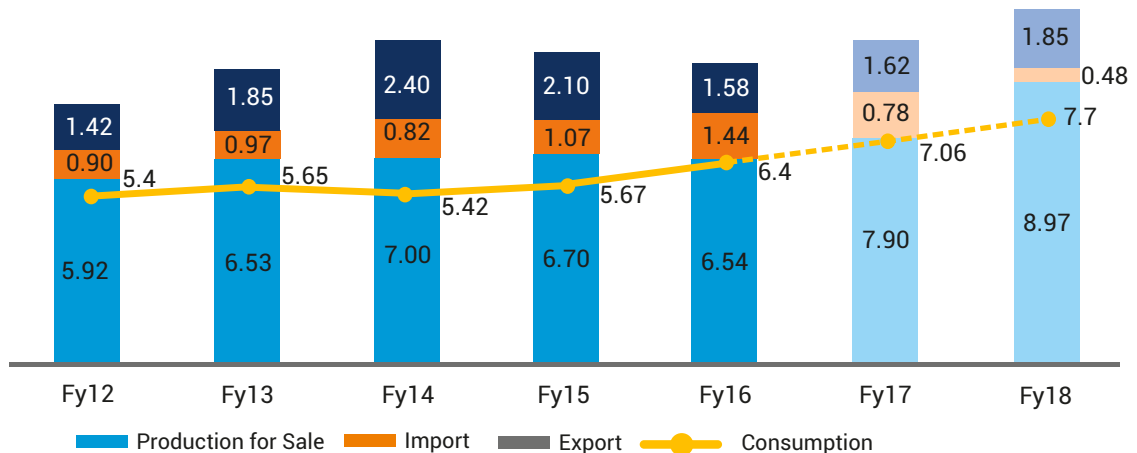
The mathematical formula for the same is:

$$\text{Apparent Consumption} = \text{Production} + \text{Import} - \text{Export}$$

In order to make the projections we have analysed the the import, export, production and consumption pattern of GP/GC in last five years i.e. From FY12 to FY16.

We have projected import, export and production figures of GP/GC for FY17 and FY18 and has then calculated its apparent consumption for the same years.

India GP/GC Import, Export, Production & Consumption (in MnT)



Source: SteelMint Research, JPC



From the above graph it can be seen that based on import, export and production pattern, India's apparent consumption for GP/GC is estimated to be 7.06 MNT in FY17 and 7.80 MNT in FY18.

Imports although increasing since FY14, are likely to fall in current and subsequent years because of the recently imposed trade restrictions such as MIP (Minimum Import Price) and anti-dumping duty on flat products imports. As per our analysis, the average quantity of GP/GC that is anticipated to be imported into India after trade barriers will be around 0.04 MNT.

As imports will fall, domestic demand is likely to be met by either increasing the country's in-house production or reducing exports.

However, given the good sales realizations from export market, Indian players are unlikely to reduce their exports. Now, the requirement that will arise due to fall in imports is likely to be met by increasing domestic GP/GC production.

In case of exports, the growth is compounded annually to make future projections.

The apparent consumption of GP/GC in FY17 and FY18 will be around 7.06 MNT and 7.80 MNT respectively.






Currently, India's installed production capacity for GP/GC is around 8 MNT which will not be sufficient to meet India's consumption amid growth in demand in next two years. Moreover, Indian manufacturers have also planned to make additions to their existing capacities of GP/GC in the coming future.

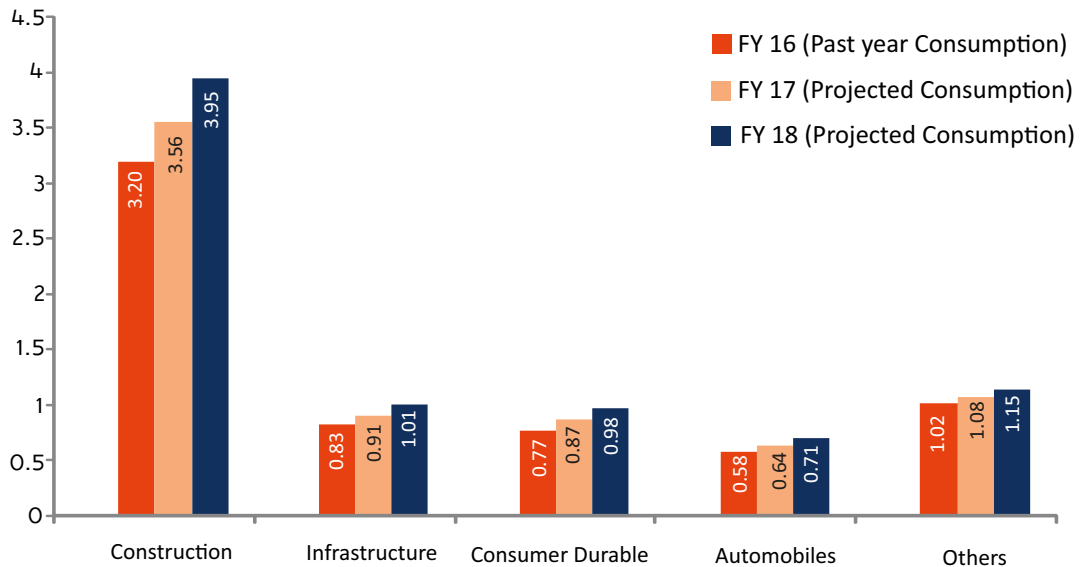
Due to Anti dumping duty imposed on various countries, Indian export market is rising. Considering this GP/GC market shows positive outlook in coming future.



Sector-wise Apparent Consumption Analysis of GP/GC

Here we have analysed the increase in sector-wise consumption of GP/GC in FY17 and GY18.

Sector	% Share of GP/GC Consumption	CAGR Of Sectors
 CONSTRUCTION	50%	11.20%
 INFRASTRUCTURE	13%	9.98%
 CONSUMER DURABLE	12%	13%
 AUTOMOBILE	9%	11%
 OTHERS	16%	6%



Source: SteelMint

Quantity in MnT

GP/GC is majorly used in Construction, Infrastructure, Consumer durable, and Automobile industry. Others category include barrels, pipes and engineering sector.

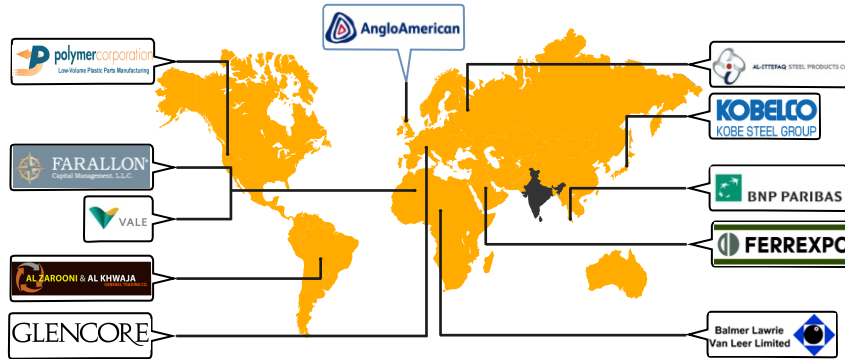
As it can be seen from the table above that the construction sector is expected to grow at the CAGR (Compounded annual growth rate) of 11.20%. Subsequently the consumption of GP/GC in this sector will also increase and will stand at 3.56 MnT in FY17 and at 3.95 MnT in FY18.

Similarly, the consumption of GP/GC in other sectors is also projected to rise at specified CAGR, which will result in total consumption of GP/GC in FY17 at 7.06 MnT and 7.80 MnT in FY18 respectively.

CONCLUSION

With trade restrictions such as MIP and anti-dumping duty on galvanized products, imports are likely to become highly restricted in coming months. With reduced imports, Indian manufacturers will have opportunity to increase their in-house production in order to meet the domestic demand and subsequently increase their sales and profitability.

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SteelMint provides its clients with information, data and its analysis on steel markets of various products and help them take informed business decisions.

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