India’s stainless reputation

Overall economic growth almost certainly means India’s production of stainless steel and high-temp alloys will grow steadily.

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Nonferrous

The Brussels-based Bureau of International Recycling (BIR) held its annual autumn conference in New Delhi in October 2017, helping to put the recycling and basic materials sectors in that nation in the spotlight.

Among the speakers at the mid-October event’s Stainless Steel & Special Alloys Committee meeting was C. P. Gupta, the chairman and managing director of New Delhi-based Ambica Steels, one of India’s largest stainless steel producers.

Gupta was bullish on the growth outlook for India and its stainless steel sector, a development that can only help what has been, for much of this decade, a sagging branch on the recycling tree, weighed down by an oversaturated nickel pig iron supply.

PRIDE OF PLACE

“India represents a big potential market for stainless steel recycling,” Gupta told assembled BIR delegates. He said India already ranks as the world’s number one importer and consumer of stainless steel scrap, thanks to several factors.

Gupta said the production methods of India’s stainless steel producers rely heavily on scrap as infeed compared to many other nations. Although China makes considerably more stainless steel, that nation’s producers rely more heavily on nickel pig iron produced in Indonesia and the Philippines.

In India, “Stainless steel production rose to 3.32 million metric tons in 2016, [showing] impressive growth of 9 percent, with stainless steel applications in the building and construction, automotive, railway and transport sectors being the main drivers,” stated Gupta.

Gupta said the Indian government’s demonetization initiative in late 2016 led to a slowdown in manufacturing activity earlier in 2017, temporarily causing a three-year low in GDP growth rate of 5.7 percent. Subsequently, added Gupta, the Indian economy has rebounded and it “is bound to grow at 7.5 percent in the next two years,” he predicted.

However, at the same BIR committee meeting, Joost van Kleef of Netherlands-based Oryx Stainless BV, who also serves as chair of the BIR Stainless Steel & Special Alloys Committee, pointed to short-term problems in India. He said a second cash crunch had occurred there in mid-2017 following India’s implementation of a single, national goods and services tax. “Furthermore, banks are hounding the mills to reduce their debt exposure, which is also the reason for the mills being less bullish,” said van Kleef.

At SteelMint’s 2017 Steel Scrap & Raw Materials Conference Asia, held in Bangkok in late September, Mohit Pawnday of Mumbai-based Sarda Metals & Alloys Ltd. was bullish on the potential growth of India’s metals production sector.

He remarked that India’s per person steel consumption is low, at 63 kilograms (139 pounds) per person, but is growing, and added, “We should see major steel production growth in India.”

Pawnday said the ferroalloys niche represents a significant opportunity, with low energy prices driving the expansion of manganese output in Malaysia and Indonesia. Plants in India that produce ferrochrome have allowed that nation to become the world’s third largest exporter of that alloy, said Pawnday. In his view, India can remain competitive in this sector because power costs are falling and there remains access to cheap labor as well as to “skilled technical manpower.”

WORLD TOUR

In New Delhi, other BIR committee members contributed market reports painting a mixed picture of the current stainless steel and specialty alloys scrap market.

Stainless steel crude output in Europe during the third quarter of 2017 was influenced by maintenance downtime among producers, resulting in slightly lower demand for stainless scrap, said van Kleef. He also commented that year-to-date production is running “at previously forecasted levels and is actually showing a slight increase when compared to the same period in 2016.”

Meanwhile, Russian businesses are now enjoying improved conditions to export stainless steel scrap because the applicable duty now is 5 percent rather than 20 percent as in some previous years, according to van Kleef. “The problem at the current moment is logistics, because container volumes have reduced in Russia and shipment has become more difficult,” he added.

In the Middle East, the third quarter of 2017 had brought “great progress” in various parts of the stainless steel and special alloys sector, as local trading of the 304, 316, 309 and 310 grades improved thanks to higher LME (London Metal Exchange) nickel prices, with the same being true for cobalt and corrosion-resistant alloys.

In the United States, meanwhile, the short supply of available primary and secondary nickel has become the current market reality facing both stainless producers and scrap processors, according to the BIR committee.

China's government has continued with its crackdown on what it considers to be highly polluting and outdated mills and nickel pig iron producers within its own borders. "This has forced the latter to rethink their risk/reward margin, and also some of the outdated mini stainless mills to be phased out, surrendering their market to the larger, advanced stainless mills," said van Kleef. "There is currently a need to restock with raw materials - including stainless scrap - according to normal lead times, and so demand for scrap should be healthy in the fourth quarter [of 2017]."

Also potentially affecting China's stainless steel producers, added van Kleef, is the possibility that the Philippines will enact a tax on exported nickel ore. "All these factors are keeping us on our toes," said van Kleef.

As of the third week in October, *Metal Bulletin* was reporting that stainless scrap grades were surging in price in the United Kingdom, with grades gaining from £20 to £50 ($26 to $66) per metric ton in value.

In late October, primary nickel on the LME was trading at $11,745 per metric ton. That compares to an average September nickel cash settlement price of $11,227, representing a 4.6 percent gain in value.

A BETTER SECOND HALF

The news and predictions in the stainless sector represent steps forward from the predominant news in the first half of 2017, including when the BIR gathered in May in Hong Kong for its springtime World Recycling Convention.

At that time, BIR Stainless Steel & Special Alloys Committee member Jonathan Bower, based in the United Kingdom with ELG Haniel Metals Ltd., characterized the second quarter of 2017 as witnessing several setbacks. These included nickel pig iron mining restrictions in Indonesia and then the Philippines being lifted, causing what Bower called "a significant correction in the nickel price."

In June 2017, the average LME cash settlement nickel price was $8,924 per ton, having dropped 19 percent from its average price of more than $11,000 per metric ton six months earlier in December 2016.

At that same convention, however, Markus Moll of Austria-based Steel & Metals Market Research (SMR) pointed to conditions that caused him to correctly predict the subsequent nickel scrap pricing rebound that has occurred.

Moll said that while the abundant supply of nickel pig iron had suppressed nickel pricing and stainless scrap demand from 2011 to 2015, "2016 was the year of the turnaround."

SMR and Moll forecasted global stainless steel production to rise by some 3 million metric tons in 2017 (or 4.8 percent), and he said Indonesian stainless mill capacity is coming online that will help that country consume some of its own nickel pig iron by the end of this decade.

In general, said Moll, conditions are in place that should lead to rising scrap usage ratios in melt shops in both India and the United States starting in the second half of 2017, though China's producers will likely still rely on abundant nickel pig iron.