

# Metalworld

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## Editorial Desk

Dear Readers,

The global as well as Indian metals industry is surrounded with grave problems. Let us discuss one by one!

The overcapacity in the industry has been a big worry since last 4 to 5 years. Till 2008, before the eruption of meltdown, the industry sentiment was so high as if the industry is going to defy the conventional cyclic phenomenon and there will be no downtrend at all. This environment inspired or rather instigated a lot of metal business houses to go for huge capacity expansion, Brownfield as well as Greenfield, to be able to cater to future big demand. We all know what happened afterwards and how demand and price manifested almost a free fall. After six or seven years in 2015, industry is far from normal and yet to find a solution on overcapacity. The global or rather western world meltdown was followed by considerable slowdown in economic activity which naturally resulted in demand stagnation. One will agree that overcapacity coupled with demand stagnation becomes too heavy a burden for the industry to move forward!

This capacity creation phenomenon was maximum in China. They have created unbelievable production capacity in last decade or so. Yes, they also built huge infrastructure but now since last one or two years, China's metal appetite seems to have reduced. Naturally Chinese export component has increased so much to create a perception of threat to metals sector in other countries. The problems created by such imports have many dimensions. Firstly, it reduces the sale of local mills to the extent of their volume. Secondly and more importantly, if imports are cheap, then it depresses the price curve and hits the realization and bottomline of the local mills too. This exactly has happened in case of Chinese exports to India and I suppose to many countries. They have not only spoiled the volumes but also the price. The third angle to this is imports of defectives. In many cases, these defectives are imported at a very low price. Further, in some cases they are also used for prime material applications and further spoil the market.

In India, a lot of metals and its alloys go into auto sector. If one looks at its present condition, it's far from healthy. Auto production is not growing at all and it had badly affected the foundry sector all over the country. The future of auto sector depends on the purchasing power of common man and also on general condition of the economy. Let's hope the Indian economic wheel speeds up and its effect percolates down till the common man !

**D. A. Chandekar**