



- V. R. Sharma

## Long Term Prospects for Indian Steel Industry are very Bright

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Jindal Steel and Power Limited (JSPL) is one of India's major steel producers with a significant presence in sectors like Mining, Power Generation and Infrastructure. With an annual turnover of over US\$ 3.5 billion, JSPL is a part of the US\$ 18 billion diversified O. P. Jindal Group and is consistently tapping new opportunities by increasing production capacity, diversifying investments, and leveraging its core capabilities to venture into new businesses. The company has committed investments exceeding US\$ 30 billion in the future and has several business initiatives running simultaneously across continents. From the widest flat products to a whole range of long products, JSPL today sports a product portfolio that caters to varied needs in the steel market. The company also has the distinction of producing the world's longest 121 metre rails and large size parallel flange beams for the first time in India.

JSPL has a 3.00 MTPY Plant at Raigarh (Chhattisgarh) and adding new Steel Making facility at Angul (Odisha) having capacity of 6.00 MTPY, out of which 2.00 MTPY capacity for manufacturing 5.00 mtr. wide plates is commissioned and balance is under installation. In addition to above, another 3.00 MTPY capacity at Patratu (Jharkhand) is

under installation, out of which a 1.00 MTPY Bar Mill and 0.60 MTPY wire rod Mills are already commissioned. In addition to above, JSPL has a DRI Plant in Oman and now adding a 2.00 MTPY Steel Making facility (Steel Melting Shop + Rolling Mills) in OMAN.

V. R. Sharma is CEO & Dy. MD (Steel Business) of Jindal Steel & Power Ltd. He is a Mechanical Engineer with MBA and has 30 years of experience globally in steel industry. He worked with Bhushan Steel Group, Ispat Industries, Lloyd Steel Group, Socialist Steel Ltd. (Government of Libya) and Arrasate Steel in Europe. V.R.Sharma is Co-Chairman of CII (Confederation of Indian Industry) for Metal & Metallurgy Chapter & also Chairman of India Lead Zinc Development Association, New Delhi.

"The Specific consumption of Steel per capita would have to grow from 54 kg to more than 120 kg in the next ten years and then to 200 kg in the long term," says V. R. Sharma, CEO & Dy. MD (Steel Business) of Jindal Steel & Power Ltd in an exclusive interview to Steelworld. Excerpts:



### **How do you access the present slowdown in Indian Iron and Steel Industry?**

- Last year there were pressures from the prices and availability of Raw materials faced by all Indian steel makers, still Indian Steel industry saw a production increase from 72 Million Tonnes in 2011 to more than 76 Million Tonnes in 2012. Although the Consumption during the same time was seen to grow at a slower pace than the production, the increase in Exports from India was still feasible during the time and rose compared to the last year.

\$ 1 Trillion of infrastructure spent was committed in the 12<sup>th</sup> 5 year plan. Now the time has come when the government must make those spendings. The Initiatives like the Industry cell to directly monitor and support the larger than Rs. 1000 Crs investment in the PMO office would certainly improve the industry environment more favorable for the Industry to blossom and increase the steel demand. Another decision taken in the right step by the government is to discourage the investment in Gold by making the PAN compulsory for high value buying will certainly divert lot of dead investments into gold into lively infrastructure investments.

Also, the partial lifting of Mining ban in Karnataka regions has also come as a great boost to the Steel industry. It would not only ease the production constraints by increasing the Ore, but also many stalled Iron and Steel projects in the south would start their work again.

Most of the Indian Steel Producers, including SAIL had their highest ever sales volumes in the last quarter and the prices also moved upwards during

the same period. Certainly the overall scenario looks very bright.

### **How in your opinion should the issue of pricing be tackled, to maintain the profitability?**

- The Steel Price is related to the Raw Material Cost and as the prices of raw material have been on the increasing trend for the most part of the last year, the profitability had been under pressure as the steel demand was low and any steel price increase saw tough resistance from the buyers. But to maintain profitability we have a simple mantra to produce Value Added Products. Especially our products 250 mm Angles, 600mm and above beams, 3 m and more wide Plates, 6mm X 2500mm coil have been received well with the market. Also as we are able to produce higher grade products efficiently, better profitability is ensured. To constantly develop newer grades and better products to suit the market and fill any gaps available in the available product range available is the only mantra for maintaining profitability.

### **How do you see the long term prospects for Indian Iron and Steel industry?**

- Long term prospect of the Indian Steel Industry is very bright. The Specific consumption of Steel per capita would have to grow from 54 kg to more than 120 kg in the next ten years and then to 200 kg in the long term. The rural consumption would increase with the increase in the infrastructure development. To support this huge requirement we already see a good capacity buildup happening in India. We at JSPL, have already started producing Steel in our Augul facility, which is going to be a 1.8 Million Tonne plant. Also we have started our expansion of

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the same plant to 6.0 Million Ton Plant by 2016. Similarly we would have a 3.0 Million Tonne Plant in Patratu, Jharkhand by 2017. With an expanded capacity of 3.5 Million Tonnes in Raigarh, JSPL would be a 12.5 Million Tonne Steel Producer in India. Certainly the prospects for Indian Steel Industry are very good in the Long Term.

### **Do you see any possibilities for mergers and acquisitions within the top Indian industry players?**

- Other than the Ispat Industries takeover by JSW, we have hardly seen any major merger or acquisitions in the Indian Steel Industry. It is very difficult to have such M & A activities in India. There can be few M & A activities in some Medium scale industries which have their own mining rights and activities and at the same time not doing well financially, but there won't be many cases like that. With this opinion, I don't expect many mergers and Acquisitions happening in India in the near future.

### **How would you describe the effect of 'China factor' on Indian Iron & Steel industry?**

- We cannot deny the fact the capacities are huge in China. It is in true sense the World's workshop. This dominance in capacities and production would not be challenged by anyone else for decades to come. But Indian industry would remain competitive if the Government allots/provides the Raw materials to the Indian Steel industry, especially Iron Ore. I am sure if Raw material availability is securitized, then Indian Steel industry shall remain very competitive to the Chinese, and the 'China Factor' shall not hurt the Indigenous Industry in India.