



Outlook for Special Steel Industry Looks Bright in the Short Term

Sridhar Krishnamoorthy is the Managing Director of Gerdau Steel India Pvt Ltd.

In 1984 after graduation from IIT Madras in Chemical Engineering, Sridhar started his career as a graduate engineer in Thermax India, and later worked in Thailand, Australia, Kazakhstan, China, Abu Dhabi and since last 4+ years with Gerdau Steel India in Tadipatri, Anantapur, A.P.

During the last 3 decades, Sridhar has worked in a variety of industries, namely process automation, engineering consulting, sales and marketing and in mergers and acquisitions. And the last 20 years, he has worked extensively in the steel industry, majority of that with ArcelorMittal.

Sridhar is also on the Board of The Indus Entrepreneurs (TiE) Amaravathi Chapter, which was recently set up with other industry partners, to foster entrepreneurship in different sectors in

Andhra Pradesh.

He also has a Masters in Energy Technology from the Asian Institute of Technology Thailand and a MBA from Monash University Australia. His hobbies include learning languages, tennis and reading. He speaks Hindi, Tamil, Chinese (Mandarin), Russian and some Thai & Arabic.

Speaking to **Sushma Upadhyay** of **Steelworld** he talks about his perspective on the specials industry on a global and national level.

Excerpts

How is specials industry doing globally and in India?

Special Steel Industry is essentially serving the demand of the automobile, energy and the oil and gas sectors mainly. Apart from oil and gas (which in recent time is showing signs of improvement) the other sectors are growing well.

The Indian economy has recovered

- Sridhar Krishnamoorthy
Managing Director,
Gerdau Steel India Pvt. Ltd.

well from the shocks of Demonetisation and GST. The latest forecast of IMF shows India growing at 7.4% in 2018. Greater purchasing power backed by an excellent monsoon last year has boosted the automobile sales. Make in India program of the Government is now settling on the ground with lot of activity. Construction sector is also buzzing with activity and several Port /Railway / Metro programs under implementation. The outlook for special steel industry looks very bright in the short term.

Globally the SBQ industry looks to be recovering as well. American and other Asian markets are back on the growth track with the industry growing at around 3-4 %, however European markets are

still a bit subdued. Overall looks to be good time for the industry.

How do you see the future of this industry in India?

The automotive industry and the auto component industry comprise the main end use segments for special steel (Close to 70% SBQ demand comes from this segment). Automobile segment is growing at a brisk pace of 5-7% and the outlook is same for 2018 also. Commercial vehicles which is the main consumer in this segment has shown close to 7% growth in the recent months which is providing a big boost to the demand. In the long term will see sustained growth as infrastructure continues to improve and people start to own/buy/rent more cars and construction activities increase. India still has a very low per capita steel consumption of around 61 kg against a world average of 200 kg+. The steel industry as whole and special steel specifically looks poised for big time demand in the coming years.

The other segment that is doing well is the renewable energy segment. Government is pushing the Energy segment with lot of emphasis on wind power. Special steel is used in applications such as fasteners. This again is a segment that has a bright future.

Infrastructure, railways, defence are other sectors where special steel is used and all these areas are witnessing increased investments from the government / FDI. Lot of new investments in ports and defence have been announced and are under implementation which will boost the demand.

Auto industry is going through huge transition. What effect do you see on special steels industry?

There are many trends within the automotive industry such as meeting tougher emission norms, light weighting, improved fatigue requirements, growth of hybrid and electric vehicles, autonomous vehicles etc. Not all of them have an impact on the special steel industry directly.

Automobile industry has been evolving continuously and these trends are aimed towards having a more environment friendly vehicles. Electric vehicles are a part of this process and will definitely pose a challenge for special



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steel segment in the longer term.

However even the most optimistic estimates aim at having 20-25% Electric vehicles on road over a period of 5-7 years. The likely segment that will first shift towards electric vehicles are public transport, fleet cars and possibly some freight carriers. Having a centralized parking and charging base would be essential. It is not only the vehicle, there is a whole range of support infrastructure that needs to come in place for this transition to happen.

In our opinion, looking at the growth rate (5-7%) and the replacement demands of the automobile industry there doesn't seem to be any threat in the immediate term. However on a longer term the special steel industry also needs to evolve and find other avenues/ segments to negate the shortfall due to change in the Engines/ Ignition systems. Also worth noting is that these areas constitute only 25-30% of the SBQ use in automobiles. The other areas like suspension/ Transmission/ Drivetrains etc. may not be affected.

Having said this, our company and other special steel producers too, are

working very closely with OEMs to develop newer grades of steel that can impart the desired characteristics in the finished auto part for eg. Lighter in weight, improved fatigue resistance etc

Tell us about the Gerdau's present facilities and future growth plans.

Gerdau Steel India has a fully integrated special steel plant in Tadipatri, Anantapur district, Andhra Pradesh. Our process starts with iron ore and coal as raw materials and have our own coking plant and produce special steel through the blast furnace, BOF, LRF, VD route. We produce a range of profiles in various grades and sizes to serve the needs of our customers. We have a capacity to produce 300,000 tons per year and we are currently operating at a capacity utilization of over 85%.

Our business has grown steadily over the years gaining market share as well as serving more stringent applications. We have market presence pan-India and supply all customers in a timely manner.

We have placed a lot of emphasis on sustainable growth including employee safety, the environment and the community around us. We produce 21 MW of power using our waste heat recovery and by product gas and thus 70% of our energy needs are captive power and produced in an environmentally friendly way. We also reuse all our internal scrap and conserve every drop of water.

The distinguishing aspect of our plant is not in the hardware of the business but in our stringent process controls and business processes that ensures consistency in quality and reliability of product characteristics.

Input costs have gone up in recent times with iron ore and coal prices going up sharply. So it is important to have good fiscal management, higher productivity and manage our costs carefully.

We are constantly evaluating our strategies for growth. In terms of future plans, our ambition is at this stage to maximize our capacity utilization, optimise the production process and through marginal investments improve the throughput in our existing facility. We aspire to grow in line with demand.