Indian Steel Industry – An Overview

69th OECD Steel Committee Meeting
Paris
2-3 December 2010
Indian Steel Demand – Buoyant

Steel consumption growth in last 5 yrs was range bound at 9-13%.
Per capita steel use is 48 kg vis-a-vis 35 kg in 2005
Steel demand expected to continue @10%+ CAGR till 2020

Steel Demand Driver

- GDP growth to continue at 8-9%
- Huge infrastructure investment by Govt. ~ $500 billion
Indian Steel Demand on High Pedestal

- High GDP growth - support to steel demand
- Steel intensity to go up with more fixed asset investment

Indian Steel Demand – Likely Sources

- Private sector investment growing at 15% plus
- Large infrastructure projects in Public-Private Partnership (PPP) mode
- Foreign investment of nearly $40 billion committed in steel sector
Steel consumption in Apr-Sep 2010 rose by 9.8% y-o-y
Capacity augmentation to meet domestic demand

Current capacity ~ 73 million MT
By the year 2012, Crude Steel Production Capacity Likely to be 110-120 million tonnes
Greenfield Projects – Update

- 10-15 million MT capacity at various stages where land has been acquired
- Another 50 million MT capacity at preliminary stages such as land acquisition, statutory clearances etc.
- The Global Crisis post-Sep. 2008 has caused deferment of some Greenfield projects
- Land acquisition has become a critical factor for a few projects
- Steel capacity by 2012 – expected to be 110-124 million MT

Indian Steel – Policy Imperatives

- Liberal policy regime – import duty at 5%
- Export of raw materials exceeding domestic consumption
- 100% foreign investment allowed through automatic route even in mining sector
- Focus on capacity building and consumption
- Large Infrastructure Project in Public-Private Partnership (PPP) mode.
- Demand Booster from infrastructure, housing, automobile, gas and oil pipelines, capital goods (machinery) and consumer goods.
Indian Steel – Impediments

- Capacity addition – hindered by difficulty in land acquisition
- Uncertain Time frame for land acquisition, environmental clearances.
- Concerns on depleting raw materials reserves
- Need for higher spending on infrastructure (roads, railways & ports)
- Significant infrastructure constraints in roads, railways, ports, power.

The Roadmap

- Accelerated capacity building in steel, through Brownfield route to meet demand in the medium term
- Fast-tracking of Greenfield projects by way of better coordination & monitoring
- New legal policy regimes on mining, land acquisition & rehabilitation
- Encourage value addition and production of value added steel products
The Roadmap (Contd.)

- Encourage beneficiation methods for utilization of low grade iron ore & fines
- Energy efficiency, carbon emission reduction and new technology for higher productivity
- Higher emphasis on resource optimization
- Spread to niche international markets through quality steel products
- World’s third largest steel producer by 2014

Thank You