DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE

RECENT STEEL MARKET DEVELOPMENTS AND INDUSTRY OUTLOOK IN INDIA

17 May 2007

Presentation by Mr. V. Ramachandran, Essar Group. Steel Committee meeting 17 May 2007, Istanbul, Turkey.

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JT03227788

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RECENT STEEL MARKET DEVELOPMENTS AND INDUSTRY OUTLOOK IN INDIA

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SCOPE

- RECENT DEVELOPMENTS IN STEEL MARKET IN INDIA
  - STATE OF ECONOMY AND INDUSTRY
- TO ASSESS WHAT STEEL MARKET IN INDIA WILL LIKELY BE IN 2011-12 AND 2019-20.
  - SUPPLY SIDE
  - DEMAND SIDE
  - INTERNATIONAL TRADE (EXPORT/IMPORT SCENARIO)
Indian Steel Industry On High Growth Phase

- De-regulated in 1992
- Duty reduced from 105% to 5%
- Private sector contributes 65%
- Moved up to 7th largest steel producer

Source: MOS

Steel Production in India (MT)
INDIAN STEEL SCENARIO
RECENT DEVELOPMENTS

- INDIAN STEEL INDUSTRY IS GROWING AT AN AVERAGE OF OVER 12 % P.A. DURING LAST TWO YEARS.

- NATIONAL STEEL POLICY (NSP) : 2005 HAS BEEN FORMULATED TO FACILITATE GROWTH IN CONSUMPTION AND PRODUCTION
  - OBJECTIVE IS TO STIMULATE STEEL CONSUMPTION TO A LEVEL OF 167 KG BY 2020 FROM 36 KG AS IN 2005

- 11TH FIVE YEAR PLAN (2007-2012) HAS BEEN FORMULATED WHERE GROWTH RATE OF ECONOMY IS PEGGED AT OVER 9% AND GROWTH IN STEEL MARKET IS LIKELY TO BE ATLEAST 10 %

INDIAN STEEL SCENARIO
RECENT DEVELOPMENTS

- THERE IS ALL ROUND GROWTH IN STEEL CONSUMING SECTORS IN LAST 2-3 YEARS

- IMPORTANT SECTORS GROWTH (WRT STEEL CONSUMPTION) IN 2006-07, COMPARED TO 2005-06 ARE :
  - CONSTRUCTION – 19 %, AUTO – 18 %, POWER – 40 %, OIL/GAS – 30 %

- STEEL SECTOR HAS WITNESSED SIGNIFICANT INVESTMENT PLANS BOTH FROM EXISTING AND NEW PLAYERS
INDIAN STEEL SCENARIO
DEMAND VIS-À-VIS PRODUCTION

- THE PRODUCTION IN TERM OF CRUDE STEEL
- DEMAND IN TERMS OF FINISHED STEEL

SOURCE: JPC/PRIMARY

FACTORS DRIVING INDIAN STEEL DEMAND
FACTORS DRIVING INDIAN STEEL DEMAND
ONE OF THE FASTEST GROWING ECONOMIES


- China: 9.8
- India: 8.2
- Russia: 6.7
- Malaysia: 5.8
- Thailand: 5.0
- Indonesia: 5.3
- Chile: 5.2
- Korea: 4.4
- Mexico: 3.5
- Brazil: 3.3

SOURCE: IMF, 2006

FACTORS DRIVING INDIAN STEEL DEMAND
INDIA: DEMAND “INFLUXION” FACTORS

- INFRASTRUCTURE
- AUTOMOBILE
- SEZ / SME DEVELOPMENT
- RURAL STEEL DEMAND
- OIL & GAS PIPELINE
FACTORS DRIVING INDIAN STEEL DEMAND
STEEL CONSUMPTION – POTENTIAL ECONOMIES

IN C.Y. 2006

• INDIA’S PERCENTAGE GDP GROWTH - 9.2%
• SHARE OF INDUSTRY IN GDP GROWTH - 26%
• PER CAPITAL STEEL CONSUMPTION – 39 KG

HIGH GDP GROWTH DRIVEN BY INDUSTRIALISATION TO DRIVE STEEL DEMAND

FACTORS DRIVING INDIAN STEEL DEMAND
INDIAN ECONOMY SECTORIAL DISTRIBUTION

Source: RBI / CSO
FACTORS DRIVING INDIAN STEEL DEMAND

INDIAN INFRASTRUCTURE INVESTMENT
(IN XI PLAN) (2007-12)

- OUTLAY OF RAILWAYS IS 198% HIGHER THAN PREVIOUS PLAN PERIOD.
- POWER SECTOR IS POISED TO ADD OVER 100 THOUSAND MW (0.1 MILLION) IN 11 TH PLAN.

FACTORs DRIVING INDIAN STEEL DEMAND
FROM CONSUMPTION TO INVESTMENT LED GROWTH
FACTORS DRIVING INDIAN STEEL DEMAND

INDIAN ECONOMY – MANUFACTURING AND CONSTRUCTION

Growth Rate

MANUFACTURING


CONSTRUCTION


Source: CSO

INDIAN CONSTRUCTION:
MACRO CONTEXT

- INDUSTRIAL PROJECTS: ROBUST DEMAND GROWTH AND HIGH OPERATING RATE IN MOST SECTORS.
- INFRASTRUCTURE: FAVOURABLE GOVERNMENT POLICIES AND INCREASING PRIVATE PARTICIPATION AND ACCESS TO FUND.
- HOUSING: FAVOURABLE DEMOGRAPHICS, RISING INCOME, INCREASING PENETRATION OF HOUSING FINANCE.

CONSTRUCTION SECTOR TO GROW FASTER THAN THE COUNTRY’S PROJECTED GDP GROWTH
INDIAN AUTOMOBILE

- SECOND FASTEST GROWING AUTO MARKET AFTER CHINA.
- SIZE OF INDIAN AUTO MARKET IS US $ 22 BILLION.
- INDIA RANKS LOW ON AUTO SALES/PERSON, INDICATING VAST UNTAPPED POTENTIAL.

INDIAN AUTOMOBILE:
GROWTH DURING 2000-01 TO 2006-07
- PASSENGER VEHICLES – CAGR @ 15 %
- COMMERCIAL VEHICLE – CAGR @ 22 %

INDIAN AUTOMOTIVE BUSINESS:
PROJECTED GROWTH DURING 2005-06 TO 2015
- INDIAN AUTOMOBILE EXPORT – CAGR @ 16 %
- AUTO COMPONENT EXPORT - CAGR @ 30 %.

TRANSPORT – ROAD NETWORK

- EXPRESSWAYS: 200 km
- NATIONAL H’WAYS: 65,600 km
- STATE H’WAYS: 137,700 km
- MAJOR / OTHER DIST. ROAD: 7,25,425 km
- RURAL & OTHER ROAD: 24,62,100 km
- TOTAL: 33,91,025 km

ROADS CARRY 85% PASSENGERS & 61% FREIGHT
LESS THAN 2% OF NH’s CARRY 40% FREIGHT

BHARAT NIRMAN – A TOTAL COMMITMENT OF US $ 4.2 BN,
ENVISAGED CONSTRUCTION OF ADDITIONAL 146,185 KM NATIONAL HIGHWAYS by 2009
POWER

WORLD AVERAGE PER CAPITA CONSUMPTION
AT 2500 kwh / YEAR

INDIA - INSTALLED CAPACITY DISTRIBUTION

THERMAL : 68%
HYDRO-POWER : 26%
WIND-POWER : 2.5%
NUCLEAR : 2.3%
OTHERS (RES) : 0.7%

POWER FOR ALL BY 2012: OPPORTUNITY FOR POWER GENERATION, TRANSMISSION AND DISTRIBUTION

OUTLOOK OF INDIAN STEEL MARKET
(UP TO 2020)
**OVERALL INTENDED CAPACITY BY 2020**

![Graph showing the intended capacity by 2020 with different colors representing New-ISPs, Green field ISPs, Non-ISPs, and Brown field ISPs.](image)

**COMMENTS**

ALTHOUGH A SUM OF 287 MT APPEARS UNLIKELY BY 2020, CAPACITY DOESN’T APPEAR TO BE A CONSTRAINT IN MEETING THE EXPECTED DEMAND. DRIVER FOR CAPACITY BUILD-UP WOULD BE “DEMAND”, “INFRASTRUCTURE” AND LINKAGE WITH RAW MATERIALS.
INDIA’S INTERNATIONAL TRADE SCENARIO

30% of total world production is exported while in India, the export is only 10% with a low base.
CONCLUSION

- **POSITIVE DEMAND DRIVERS**
  - GROWTH IN ECONOMY
  - INFRASTRUCTURE GROWTH
  - AVAILABILITY OF RAW MATERIALS
  - PENETRATION OF SUPPLY CHAIN TO RURAL AREAS

- **RETARDING ELEMENTS**
  - AFFORDABILITY OF STEEL
  - GROWTH OF SUBSTITUTES – CEMENT, ASBESTOS, HDPE