

JSW Steel

to appoint more
District Level
Dealers to have
Pan India Presence
: Sharad Mahendra



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JSW Group is one of the fastest growing business conglomerates with a strong presence in the core economic sector. This Sajjan Jindal led enterprise has grown from a steel rolling mill in 1982 to a multi business conglomerate worth US\$ 3.7 billion within a short span of time.

As part of the US\$ 8 billion O. P. Jindal Group, JSW Group has diversified interests in Steel, Energy, Minerals and Mining, Aluminum, Infrastructure and Logistic, Cement and Information Technology.

In an exclusive interview to Sanjay Singh of Steelworld Sharad Mahendra, VP Sales and Marketing, JSW Steel Limited– Mumbai speaks about the company's marketing strategy and plans to further increase its market share. Excerpts from the Interview.

Q1: As of now, the steel industry is on a roll with prices firming up. How do you place JSW Steel in the coming days?

SM : Yes, the steel prices are moving upwards internationally but this is due to substantial increase in prices of key raw materials viz. Iron ore, Coking Coal and Coke. In fact, steel producers have been suffocating to the oligopoly of miners.

The year 2010 could be viewed as the period of economic recovery coupled with economic revival in the advanced economies. The mining majors seem to remain isolated of all these facts and realities, demanding abnormally large increments viz. approx. 40-60-80 percent, trying to break the conventional “Annual” LTA pricing structure to quarterly basis.

These price-spikes for most of the

principal input raw material commodities for steel making would lead to a compelled “Cost-Push” by steel producers across the globe inflating steel prices in absolute terms but for the bottom lines.

Q2 : What marketing strategies you have lined up to get the best possible prices for your products?

SM : We are moving ahead with a two prong strategy wherein on one side we are focusing on the domestic market catering mainly to OEM segment by servicing them with all value added products customized to their requirement and on the other hand a special drive in the retail segment will continue by opening of state-of-the-art branded steel retail outlets with brand name “JSW Shoppe”. The company is in the process of appointing more District Level Dealers (DLD) across the length and breadth of the country to have PAN India presence with a special focus on rural and semi urban markets where per capita steel is extremely low. This will help in faster and environment friendly development of rural India and also supports the SME sector growing in this area which is considered to be the back bone of the Indian economy.

The company is focusing on various infrastructure projects funded by government as well as private players, and signed MoUs with various companies for fixed quantity and at a reasonable rate, to encourage the infrastructure development in the country.

Q3 : In which category of finished products, is JSW Steel a market leader?

SM : JSW Steel provides the entire product range of steel under one umbrella. The company manufactures Flat as well Long Products in its Vijayanagar plant as well as Salem plant. The down stream capacity located at Vasind and Tarapur of Maharashtra.

In terms of capacity today, JSW Steel



is the largest players in the private sector having a capacity of 6.8 (million tones) mt at its Vijayanagar plant and 1 mt at its Salem plant, making its crude steel capacity of 7.8 mt

In terms of Finished Steel, the company produced: HRP, HRC/S, CRCA, GP/GC Sheets, Colour Coated Sheets, Galvalume, Rebar, Wire Rods, and Alloy Steel.

Point to be noted that JSW Steel has the only license to manufacture Galvalume in the country, having license from BIEC.

In terms of capacity, JSW Steel is the market leader in Coated Steel having a capacity of 0.9 mt with a market share of 14 percent followed by Uttam, Bhushan and Essar Steel, and terms of production company has market share of 16 percent for the FY 2008-09.

Q4 : How long do you foresee the steel prices to rally or do you see a correction in the coming months?

SM : Commodity pricing is a function of production, inventory, demand (both domestic and cross-border) and cost, steered majorly by the economic fundamentals and to an extent seasonal factor as well, across the economies.

Economic fundamentals are majorly driven by the savings and investment-intensity, disposable-income coupled with the dollar-liquidity.

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In times ahead, there is an economic-recovery expected across the globe leading to a “Demand-Pull” coupled with rising dollar-liquidity for promising economies. Over and above, “Cost-Push” would further intensify the pricing intentions. The only caution factor would be the rising production from under-utilized capacities.

Q5 : With the government emphasis on increased spending in the infrastructure sector, do you think that the steel industry is geared up to meet the increased demand?

SM : Around 80 percent of the investment in infrastructure translated into steel and this is around 2.3 times increase in investment in the infrastructure segment in comparison to Tenth Five-Year Plan. The sectoral distribution of steel clearly indicates that 62 percent of the steel goes to infrastructure and construction sector, which will directly be beneficial to the steel producers. The government emphasis to bring infrastructure investment to GDP ratio from 5 percent during the base year of Eleventh Five-Year Plan to 9 percent at the end of Eleventh Five-Year Plan will be the great opportunity for steel producers to make their steel capacity fully utilized meeting the demand for the country.

Q6 : Which are your major export markets and what kind of finished products you supply overseas?

SM : The economic downtrend and rising domestic demand dented the export opportunity of the company in the advanced world like Europe and USA, but JSW has made its serious efforts in developing export market mainly in the Emerging World like African sub continent, Middle East, and its neighboring countries like Srilanka, Nepal, Bangladesh etc.

JSW Steel mainly exports its Coated steel products like GP/GC, Colour

SM : Government Infrastructure Investment Plan: (US\$-Bn)

Total Tenth Plan	222
2007-08	68
2008-09	80
2009-10	97
2010-11	120
2011-12	149
Total 11th Plan	514

Coated steel, and Galvalume to the overseas market. The export sales constituted around 28 percent in the FY 2008-09.

Q7 : In your opinion do you see a revival in the global steel market or is it still a glut in overseas demand?

SM : The world crude steel figures published by WSA clearly sends a positive signal after experiencing a downtrend of -8 percent in the C.Y. 2009, that there is a revival of steel production across the globe, the Jan-10 World Crude Steel Production grows by around 26 percent Y-o-Y basis and 2.1 percent M-o-M basis, Dec-10, is the period when the capacity utilization of the world is around 58 percent. In the month of January 2010, the capacity utilization of the world steel seems to be quite impressive of around 73 percent.

The World Finished Steel Demand is shrunk by 8.6 percent in the C.Y. 2009, and is likely to revive in the C.Y. 2010 by 9 percent as per the data published by WSA. The economic recovery in most part of the world, recovering auto production in Europe



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and USA, rising housing demand, new project investments by various countries across the globe will certainly bring back the steel demand on fast track during this calendar year.

Q8 : Do you think that the Indian steel industry will see a surplus in supply with so many new steel projects proposed to be set up in the near future?

SM : India is a net importer of steel, production is less but the demand is more, having a big consumption base and low per capita consumption in comparison to world average the country needs more capacity to cater to the domestic demand specially the semi urban and rural demand that is still unexplored.

The current crude steel capacity of 66 mt in the country is likely to expand by 96 mt by 2012-13 and further to 124 mt by 2014-15 through various Brownfield and Greenfield expansion.

In the current economic scenario with the GDP growth of 6.7 percent and likely to grow by 7.2 percent in the current fiscal, the steel demand is growing almost 9 percent showing a elasticity of 1.2 to 1.3 will certainly made the country a big consumption base after China.

With government focus on infrastructure in the coming years, automobiles and appliance sectors

showing a phenomenal growth we don't see a situation where surplus steel will be available in the country.

Q9 : With JSW Steel lining up Greenfield projects, how do you position your company vis a vis other major competitors?

SM : After facing downturn in the recent past, the cash crunch, and the land problems, steel companies in India is only opting through Brownfield Expansion. The Green Field Expansion announced by various companies in the country is not expected in the coming years.

However, JSW has commissioned its largest Blast in the country at the time when the whole world is in the financial crunch bringing the capacity from 3.8 to 6.8 mt at Vijayanagar plant. The company is in the process of installing another Blast Furnace which will enable the company to reach 10 mt capacity by 2011-12.

Our Greenfield project is in line with company approach to the growing market and we position JSW Steel as one of the key and strategic steel producer in the country catering to almost all segments with range of steel products.

Q 10 : Can you brief on the upcoming projects of JSW Steel?

SM : The Green Field Projects' Announced by JSW STEEL is as under:

- * West Bengal : 10 mt
- * Jharkhand : 10 mt

In addition another 1 mt capacity addition is likely to be added in Salem Works, making it 2 mt in the future. The total capacity will make JSW Steel a 32 mt capacity steel plant by 2020.

Q11: In your opinion will the high prices of coking coal put pressure on the steel prices in the future?

SM : Yes, as mentioned above, high prices of coking coal will definitely put pressure on steel prices, a phenomenon which the market has already started experiencing.