

# Capacity Expansion in Indian Steel Industry

## An urgent need to meet future demand

The current boom phase in steel industry is expected to continue for at least the next four years if not beyond. Therefore, the integrated steel producers are scrambling for capacity expansion by hook or by crook. Domestic steel biggies have already announced their plans and they are all set to avail the required fund for these capacity additions. Let's have a look at the major ones.

### Steel Authority of India Ltd.

The Steel Authority of India Ltd (SAIL) proposes to expand its production capacity by around 66 per cent over the next eight years to 20 million tonnes per annum by the financial year 2011-12 from the present 12 million tonnes. The public sector steel major is in the process of giving a final shape to the mega expansion plan. It is expected to be finalised soon. For the current capacity expansions, the corporate plans are also afoot. The expansions will be carried out only in the company's existing locations and no greenfield project is envisaged. According to industry estimates, the minimum investment required for such a brownfield expansion programme would be about Rs 13,000 crore-15,000 crore, depending on the technology, products as also the choice of going in for a new or a second hand plant. To increase the supply of raw materials

for the targeted capacity expansion, the company is also working on plans to increase availability of iron ore and coal. While the existing facilities will continue to be in operation, "the company plans to develop the Chiria mines." SAIL may also invest in coal mining abroad to ensure secured supply of coal and coking coal.

### Vizag Steel

From a turbulent past to the fulfilment of rated capacities, then to making a successful turnaround and becoming a zero debt company, Vizag Steel Plant (VSP) has come a long way since its formation. Just think of the



company borrowing huge amounts from FIs at hefty interest rates to complete the project and suffering massive finance costs year after year! Vizag Steel's focus of putting continuous thrust on new processes and newer technologies enabled it to perform consistently beyond rated capacities consecutively during the last

three years. During last year, the company produced 4.05 MT of hot metal, 3.51 MT of liquid steel and 3.17 MT of saleable steel, which are also the yearly best performances since inception. These correspond to capacity utilisation ranging from 110 per cent to 120 per cent. The company's focus is now on widening its product mix and stabilisation of special steel production. During the last fiscal, over eight lakh tonnes of special steels were produced about a fourth of saleable steel production. Vizag Steel's aim is to produce 50 per cent of its saleable steel production as special steels to cater to the increasing market demand in that segment.

During the 2003-04, VSP sold 2.82 MT in the domestic market and 0.38 MT in export markets. Total sales of Rs.6174 crore includes Rs.5406 crore of domestic sales and Rs.768 crore of export sales. 'Vizag' the brand name of Vizag Steel, commands a premium in the market today.

The task for the future is to overcome present raw material constraints and chalkout the plan for expanding the plant capacity, which in turn will demand developing necessary infrastructure in the country. A corporate plan is under consideration for expanding capacity to 5.0 MT by 2008, 6.8 MT by 2012 and to 10.0 MT by 2018.

### Southern Iron and Steel Company Ltd

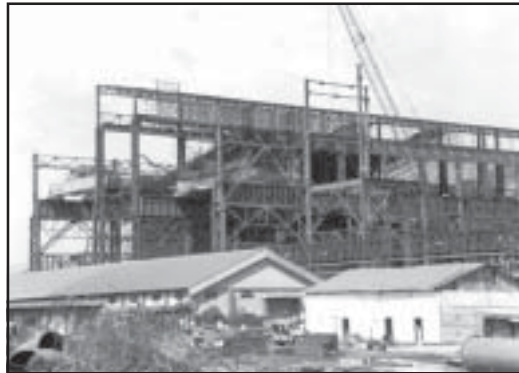
Southern Iron and Steel Company Ltd (Siscol), which has its plant at Pottaneri in Salem district of Tamil Nadu, has lined up an investment of about Rs 400 crore to modify the plant's existing facilities and to augment capacity. Mecon Ltd, which conducted a techno-economic feasibility study to make the project viable, had assessed a capital expenditure of Rs 400 crore for capacity expansion from 0.3 mtpa to 0.6 mtpa in two phases. While the cost of the first phase to be completed by July 2005 will be Rs 45 crore, the balance Rs 355 crore would be spent in the second phase scheduled for completion by June 2006. Siscol was originally promoted by the Coimbatore-based Lakshmi Machine Works Ltd and Tamilnadu Industrial Development Corporation Ltd. It is involved in the manufacture of pig iron, billets, bars and rods. LMW recently exited from the company by selling its entire shareholding to the Jindal group, which has a prominent presence in the steel industry.

### Tata Steel

Tata Steel has set a target of touching 15 million tonnes of steel by 2015 for which the company has already started acquiring mines and steel plants within India and abroad. The company is making changes in such a manner that whatever has not been achieved during the past 97 years of its history, would be carried out within a five-year timeframe. To put this action in place, the company is set to invest close to Rs 8,000 crore. The company, which currently has a production capacity of 4 million tonnes (mt) at its Jamshedpur facility, is upgrading to produce 7.4 mt by 2008. It will also have a new blast furnace and a production line that will produce

coils directly from liquid steel. Part of the 7.4-mt production has already been achieved with Tata Steel acquiring Nat Steel recently. This has given them an additional 2.4 mt capacity. The company would manufacture the 7.4 mt of steel with a staff strength of 30,000.

The company is also setting up a



6-mt capacity plant in Orissa to meet the total target of 15 mt. It has forayed into titanium and ferrochrome areas. The company has set up a ferrochrome plant in South Africa in Richard's Bay with a capacity of 1,25,000 tonnes and has invested close to Rs 800 crore in this facility. The chromite will be taken from India, converted into ferrochrome in South Africa and brought back. Tata Steel is doubling its capacity at the Bamnival facility in Orissa from 50,000 tonnes to 1,20,000 tonnes of ferrochrome.

### Essar Steel

Essar Steel Ltd is working on Rs 600-700 crore production capacity hike of hot rolled coils by 29.5 per cent to 2.5 million tonne. The company would also boost its sponge iron capacity by 30 per cent to 3 million tonne. The company also expects to start captive mining of iron ore in Chhattisgarh and Orissa after receiving the nod from the two state governments. The current expansion plan can boost Essar's HRC capacity by 1.2mt. Engineering and consultancy

firm Mecon has recommended an expansion plan for Essar Steel (ESL) that will increase its hot rolled coil (HRC) capacity to 3.6m tonnes from 2.4m tonnes, about 18 months after all engineering plans of the company were frozen.

### Ispat Industries

Apart from setting up greenfield plant with a capacity of one million tonnes in West Bengal, Mittal-controlled Ispat Industries is all set to expand capacity in its existing facility. The 1,200-acre Dolvi complex houses the 2.4 million tonne per annum (MTPA) hot rolled coils plant, that combines the latest technologies - the Conarc process for steel making and the compact strip process (CSP) - introduced for the first time in Asia. The complex also has a 1.4 MTPA sponge iron (DRI) plant, which was commissioned in 1994 as the world's largest and most efficient gas-based single mega module plant. The Dolvi complex also has a 2 MT blast furnace and a mechanised multi-functional jetty situated nearby that facilitates the automation of raw material handling. The Kalmeshwar complex houses Ispat's 0.5 MT cold rolling complex, which also includes the galvanised plain/ galvanised corrugated (GP/GC) lines and India's first colour coating mill. As far as future plans are concerned, IIL proposes an expansion of its HRC capacity to 3.6 MT and its CRC capacity to 1 MT. It also proposes to complete its vertical integration process, increase the proportion of high-grade and value-added steel products in its product mix and leverage the advantage offered by the modern design and size of the facilities.

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