

Rs 5 lakh crore to bolster steel sector

- Steelworld Research Team

The Indian steel industry is poised to witness an investment of more than Rs 5 lakh crore, which is over six times the total money ploughed into the sector since independence. This would create a production capacity of over 240 million tonnes, nearly five times of what the country has now. According to a steel ministry document on the investment scenario in the country, 193 memoranda of understanding (MoUs) have been signed between investors and state governments as on July 1, to create an additional capacity of 242.9 million tonnes at an investment of Rs 5,14,038 crore. This figure does not include JSW Steel's proposed investment of Rs 35,000 crore in West Bengal. (See the table)

If the Jindal project, where equity shares would be offered to those who lose land in addition to compensation, is taken into account, the total investment will stand at Rs 5,49,038 crore. Analysts said the sudden spurt in steel investments was a result of the GDP growth. "The world over, there is a strong co-relation between GDP growth and steel consumption," they said. The per capita consumption of steel in India was 38 kg, against a world average of 150 kg and the developed world average of 350 kg. "This low per capita consumption, combined with a large population and strong GDP growth, demonstrates the huge untapped potential of India," said industry sources. The country has abundant raw materials such as iron ore, pegged at approximately 23.59 billion tonnes, scattered across Jharkhand, Orissa, Chhattisgarh, Karnataka and Goa.

While investments have targeted the mineral-rich states such as Jharkhand, Orissa and Chhattisgarh, nearly 89 per cent of all the MoUs have been signed with the states. West Bengal has signed 12 agreements for a

capacity addition of 21 mts. Maharashtra and Gujarat have signed two and nine Mo Us respectively. Moosa Raza, president, Indian Steel Alliance (ISA), an association of major steel producers, said the industry would add another 30 million tonnes capacity by 2011-12. The capacity addition would mostly come through brownfield expansion, which does not require additional land or mines. According to the ministry's presentation, of the 107.86 million tonnes targeted by 2011-12, greenfield steel projects would account for 14 million tonnes and brownfield ones, 36.95 million tonnes, excluding foreign steel projects. Sanak Mishra, chief executive officer, Mittal Steel India, said the first phase of the plant in Orissa would become operational in the second half of 2011-12, after work begins by the end of 2008. A similar time frame has been planned for the Jharkhand unit as well. Posco, meanwhile, plans to start construction of its plant early next year.



Steeling Ahead

State	Total MoUs	Capacity (In MT)	Cost (Rs 'crore)
Orissa	45	78.2	1,92,380
Jharkhand	57	91.7	1,78,496
Chhattisgarh	57	33.8	89,232
West Bengal	12*	21	33,327
Maharashtra	2	3.2	4,665
Gujarat	9	8.7	9,577
Others	11	6.3	6,361
Total	193	242.9	5,14,038

*As per Mo Us signed on July 1, 2007 West Bengal refers to Mo U as agreement Source: Ministry of Steel

