

Colour coated steel - A fast growing segment

Steel industry is directly linked with the gross domestic product (GDP) of the country. Therefore, the growth in the GDP percolates to steel industry growth directly. But, due to rising demand from the construction activities planned by the government for infrastructure development, the steel consumption growth has superseded the growth in GDP.

Steel consumption growth rate has been slightly over 7% whereas growth in GDP has been over 6%. In the recent years, steel consumption has been growing consistently over 7%. Take off in steel consumption has begun.

Based on recent experiences steel consumption can grow either at 7% per annum average (exportable surplus) or at 8% per annum average (no exportable surplus) assuming that GDP continues to grow at higher rates.

Drivers of steel demand growth

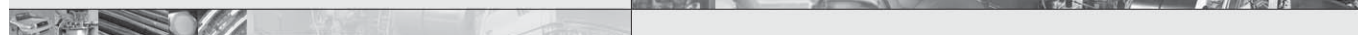
Following are the drivers of steel demand growth: Power sector – more than 100,000 MW power generating capacity (almost 90% of the present) is

likely over the next seven years, Road building: government announced plans to take up 48 new projects to four lane about 10,000 KM of roads, Construction: Housing construction, housing and urban development construction has plans to add two million houses every year (with 39%

Growth rates of GDP at factor cost and apparent steel consumption

Years	GDP at factor cost (Rs crore)	Annual growth rate	Apparent steel consumption ('000) MT	Annual growth rate
1992-93	737,792		15,477	
1993-94	781,345	5.9%	14,946	3.4%
1994-95	838,031	7.3%	18,368	22.9%
1995-96	898,563	7.2%	21,498	17.0%
1996-97	970,082	8.0%	22,621	5.2%
1997-98	1,016,585	4.8%	23,282	2.9%
1998-99	1,082,748	6.5%	23,232	-0.2%
1999-2000	1,148,368	6.1%	26,106	12.4%
2000-01	1,198,592	4.4%	28,003	7.3%
2001-02	1,267,833	5.8%	29,191	4.2%
2002-03	1,318,321	4.0%	30,638	5.0%
2003-04	1,424,507	8.1%	33,621	9.7%
2004-05	1,524,222	7.0%	36,113	7.4%
Average		6.2%		7.5%

(Fig.In MT), Source: Economic Survey & Steel Scenario Statistical Year Book 2005



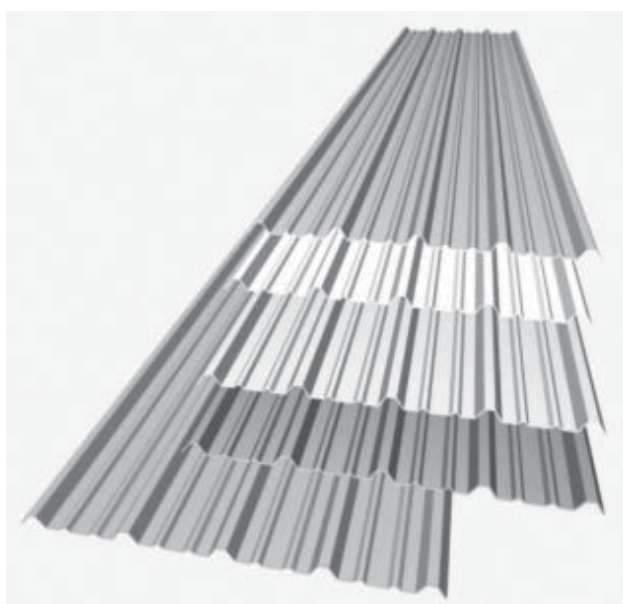
Domestic demand growth of steel and capacity growth planned

Year ending	Projected steel demand at various rates of growth		Planned capacity
	7%	8%	
2004	32.0	32.0	40.0
2012	60.2	64.0	60.0
2020	103.5	118.4	110.0

coming in urban areas).

The new steel plants envisaged to come up amounts to nearly 60 million tonnes of additional capacity which itself would require lot of steel. During financial year 2005, the auto industry which used 2.8 million tonnes (about 8% of the total consumption of India, it is expected that the industry would grow at a pace of 11-12% in the coming three years.

In order to protect steel from corrosion, coatings are applied like metallic coatings and organic coatings. Metallic coatings followed by organic coatings is known as duplex coatings. Life of these coatings depends on the environmental conditions and the quality of protection. Coil



durability.

The domestic demand of colour coated steel is current stands at 5.42 lakh MT which is expected to go up to 7.52 lakh MT by the end of June 2006. The year 2002-03 witnessed the colour coated steel demand at 39,000 MT which shot up to 41,000 MT 2003-04 and 60,000 MT in 2004-05. The demand for colour coated steel is estimated to surge to 85,000 MT, 110 MT and 140 MT in 2005-06, 2006-07 and 2007-08 respectively. Therefore, there would be a major export of colour coated steel by India.

Towards meeting rising demand of colour coated steel, colour coated sheets are gaining momentum. Colour coated sheets are getting a fast acceptance in building and construction segment due to its inherent strength and aesthetic appeal. With pre-fab construction trend becoming increasingly popular in India, colour coated sheet demand has improved significantly. The user industries find pre-coated sheets to be more environment friendly with tightening of pollution norms.



Projected growth rates in per capita steel consumption

Year	Population (in Crore)	Growth over previous decade (actual) and forecast growth rates (beyond 2001)	Apparent steel consumption (million MT)	Estimated per capita steel consumption (KG)
1981	68.33	24.7%	9.658	14.13
1991	84.63	23.9%	14.856	17.55
2001	102.70	21.4%	29.191	28.42
2011	122.21	19%	52.600	43.04
2021	142.99	17%	103.000	72.03

Assumptions: Growth rates in decades subsequent to 2001 will drop by 2% as in the last decade, Apparent steel consumption would grow at 7% per annum.

Source: Population – Census of India and apparent steel consumption – Year Book.

coating is a continuous process for coating over the metal