

Essar Hypermart in expansion mode



Girish Rao
CEO of Essar Hypermart

Essar Hypermart is truly changing the paradigms of marketing and promotion in steel business. Steel – a commodity considered as boring and unattractive to advertise and promote, has suddenly become more interactive and new age; thanks to the innovative ideas from Essar Hypermart.

Essar Steel has always been a pioneer and trendsetter in providing innovative solutions to serve the customer better. With many firsts to its name, Essar Hypermart is the first and largest retail chain for steel products in India.

Essar Hypermart, with its pan-India presence is a one-stop shop for a wide range of flat steel products. Hypermarkets in each city are conveniently located near existing and upcoming industrial hubs of that area. These Hypermarkets stock and sell flat products, which include hot rolled, cold rolled and galvanised steel sheets and TMT bars. Today, anyone who needs steel can approach a Hypermart and place an order of any kind – be it just a single sheet or a few tons.

Essar's promise is Sahi Price, Sahi Delivery and Sahi Quality, which is all any steel buyer can ask for. The retail market for steel has been untapped world over. Small volume, immediate delivery, transparent pricing and above all consistent and guaranteed quality are just some of the basic requirements of retail customers. Over the years servicing these requirements has been a challenge for large steel producers.

There is a wide variety of dubious, secondary and non standard steel available in the market from various countries today, but at Essar Hypermart, customers are assured of materials from an ISO 9002 and 14001 certified mill. Moreover, these materials are available with a quality test certificate.

Essar Hypermart has is a strong network of over 91 Hypermarkets and over 400 Expressmarts servicing requirements of small and medium enterprises across the country. The company has tied up with service provider to partner in this innovative promotion. Essar Hypermart recently launched one such programme – Essar Steel 24 Carat Bandhan. Bandhan is the first of its kind initiative in the industry which rewards customers for buying a certain quantity of steel. We are also in expansion and are looking to make a global presence. Girish Rao, CEO of Essar Hypermart explains to Sanjay Singh, the company's growth strategy in the coming days. Excerpts

Q What has been the progress of Essar Hypermart since its inception?

Ans Essar Hypermart started operation in December 2006. Our objective was to reach to the smallest possible customer with good quality of product offerings. In the last two years we have doubled our sales volume from 0.6 million tons (MT) to 1.1 million tons. We have 91 Hypermarts and 407 Expressmarts as on May'10.

Q How many outlets the company has on its own presently and on a franchise basis?

Ans Currently Essar Hypermart is operating through business associate. All Hypermarts are on leased model.

Q What is the target for the next two years?

Ans We have a Pan India presence, and our aim is to keep on servicing the last mile customers. We have planned to have 150 Hypermarts and 500 Expressmarts.

Q The company also offers micro finance option. Can you elaborate further on this?

Ans We have tied up with three nationalised banks where in the small and medium customers will be facilitated with financing options at an attractive rate of interest. Bank facilitates other benefits to the customers who have long-term association with Hypermart. We also offer Letter of Credit facility to our customers.

Q Essar Hypermart has started consumer awareness and loyalty programme. How has this been received by your customers?

Ans This is a unique programme in steel industry called Bandhan. It has been very well accepted by the customers and currently we have 5000 plus customers benefited out of our loyalty programmes. We intend to add 2500 more Bandhan customers in this year.

Q What percentage of sales did Essar Hypermart contribute to Essar Steel



total sales for the year 2010?

Ans With Hypermart sales of 1.1 million tons in FY'10, it contributed 33 percent to the total sales volume.

Q On a pan India basis, which is your most lucrative market?

Ans All markets are lucrative for us. However, West is most advantageous to us in terms of freight. Our objective is to service all India markets through effective logistic solution.

Q Does Essar Hypermart have any future plans to distribute other products through the company's outlets other than its own products?

Ans Yes. We are planning to increase our product basket by introducing products which augment our current business. Planned to be a one shop stop for all steel needs.

Q What is the biggest challenge you face in your endeavour to make the products reach the doorsteps of your customers?

Ans Being into retail segment our customer folio consists majorly of small and medium customers. To deliver small packets and customised sizes which is a challenge, we use service centres at four locations to react quicker to customer needs.

Q The company has started outlets in Indonesia. What is the investment envisaged and how many outlets are you targeting.

Ans We currently have six Hypermarts operating. We are in the process of stabilising Hypermart operations in Indonesia.

Q Other than Indonesia, which other countries are you planning to set up your outlets?

Ans We will be shortly opening our UAE Hypermart which will service GCC. We are also planning to open Hypermart at Sri Lanka and Nepal.

Q Can you give a brief on the requirements or formalities required to start a franchise?

Ans 1) A Franchise must have a land on a major highway near or in the point of consumption. 2) Investment depending on the size of the Hypermart. 3) Long-term association with Hypermart and ability to carry on operations. 4) Strong distribution capabilities for products like Galvanised and TMT.

Siemens bags 60 million euro order from Krakatau Steel

Siemens has received an order from PT Krakatau Steel, Cilegon, Indonesia, to completely modernise its slab steel works no. 1. The purpose of the project is to both increase the production capacity and reduce the specific consumption of energy and operational resources. The order has a value of some 60 million euros. The modernised works is scheduled to come into production in the summer of 2012.

Krakatau Steel – based in Cilegon, Banten Province – is the largest steel producer in Indonesia. It produces some 1.5 million tons of direct reduced iron and 2.4 million tons of raw steel per annum in its integrated steel works. This is then further

processed to make hot and cold-rolled coils and bar steels. Slab steel works no. 1 will also be renovated as part of a programme to expand the hot-rolled coil production to 2.4 million tons per annum. Siemens will, at the same time, install new electrical and automation equipment in the hot strip mill.

Siemens is responsible for the design, engineering, procurement and the turnkey installation of all new and modernised components of the slab steel works, and will coordinate the necessary constructional measures. Raw steel is produced in the works by four electric arc furnaces, three of which will be completely replaced during the project. This will not only

increase reliability and productivity but also reduce the consumption of electricity, electrodes and refractory materials. The installation of new electric arc furnaces also makes it necessary to modify the associated dust cleaning systems. Their cleaning capacity and availability are to be substantially increased. The project also includes the conversion of the two continuous slab casters CCM 1 and CCM 2. A number of technology packages, specially developed for casting plants, will ensure that they produce slabs with the consistently high quality required by the downstream hot rolling process.



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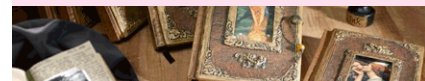
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