

# Present Status & Future Prospects of Indian Steel Industry

(Paper presented in 5th Asian Steel Conference)

- By **J. S. Charlu**

Director, Steelmet Marketing (I) Pvt. Ltd.

## Indian economy at a Glance

- The Indian economy has been growing at more than 6 % during the last 3 years and it is poised to grow at 7 – 8 % p.a. during the next 5 years.

grow at the rate of 10 – 15 % during the next 5 years.

- Auto industry has witnessed significant growth during last few years and set for spectacular growth.

## 2006 – 07 10 Million (Expected)

- Construction sector has been growing at a rate of 7 – 8 % and is expected to continue at this pace for the next 10 years

- The strength of India consists in its natural and manpower resources by way of young population, big pool of technical personnel, high capability of absorbing new technologies and strong IT base.

- The country has initiated socio-economic reforms with a view to create a strong institutional and infrastructure base for sustained growth during next 15 years.

- FDI is going to play a pivotal role in the growth of the Indian economy during the next decade. As per an

international survey even though FDI at Global level has been declining (from US \$1.4 trillion in 2000 to US \$ 560 billion in 2003), inflows into India has been rising. India is rated as the third most favored destination for FDIs next only to China and the US.

- Private participation

- India is expected to be the third major economic power in the world in the next 15 years. (next only to USA & China)

- India's share in world GDP is expected to increase from 6 % to 11 % by 2025.

- India, which is the 4<sup>th</sup> largest economy in terms of purchasing power, is expected to overtake Japan and become the third major power during this decade (by 2015).

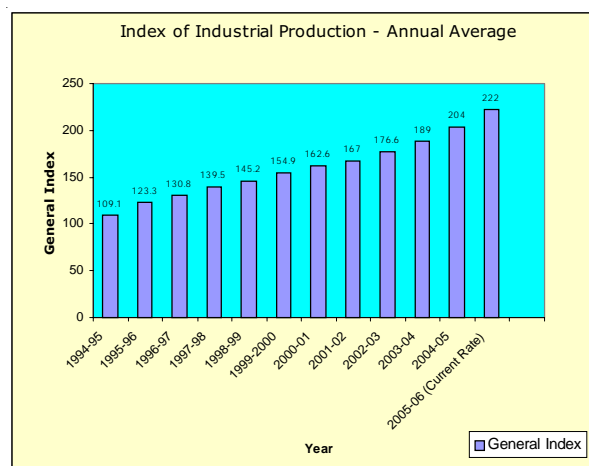
There has been a steady growth in industrial production and reflected in Index of Industrial Production

- Industries sector is expected to

## Total vehicles produced

**1998 – 99      4.2 Million**

**2003 – 04      7.3 Million**





in the growth in the infrastructure segment will form the base for future growth of the Economy

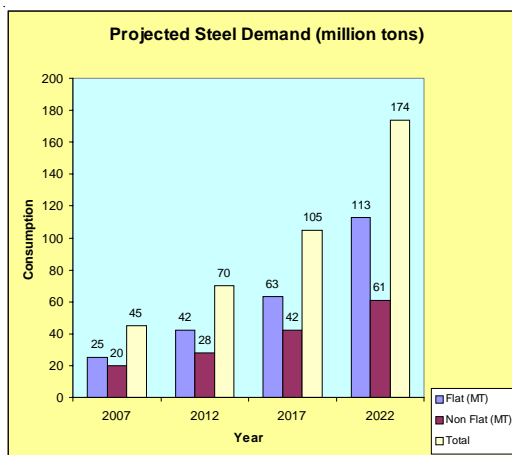
- The factors of young population, growing purchasing power and present unfulfilled demand are expected to generate tremendous demand for a variety of products and services.
- Some of the long term projects envisaged that will have direct impact on the demand for steel are:

Electrification of all the villages – The country would like to be energy

Country	Per capita steel consumption (2004) (Kg of finished steel)
US	410
Japan	603
France	290
Germany	455
UKS	260
Korea	997
Brazil	110
China	230
India	33

independent by 2030.

- Building Mass transport systems in Metros
- Distribution network for natural gas
- Interlinking of major rivers
- Dedicated freight/railway line (Freight Corridor) between metros (investment of US \$ 6 billion)
- Highway route connection across



the country (with an outlay of US \$ 27 billion during next 5 years)

- Modernization, expansion and establishment of new sea and airports.

## 2 . Indian Steel Industry - Present Status

### Demand

The present Apparent Consumption of 34 million tons and per capita consumption of 33 kgs is one of the lowest as indicated below:

- The low per capita consumption implies existence of huge potential

Production Capacity – 2005 (million tons)

Producer	Hot Metal	Finished Steel
Public Sector SAILRINL	13.753.50	13.124.00
<b>Total Public Sector</b>	<b>17.25</b>	<b>17.12</b>
Private Sector (Integrated)	11.60	11.04
Secondary producers	17.00	15.60
<b>Total Private Sector</b>	<b>28.60</b>	<b>26.64</b>
<b>Grand Total</b>	<b>42.85</b>	<b>39.76</b>

demand which will get converted into actual demand with the growing purchasing power, easy availability of steel and steel products and availability

of credit from financial institutes.

Taking into account the above factors following projections of demand have been made

### Supply

### Production

On the supply side the present production capacity is as follows:

### Exports

India has been in the Export market for long time. The recent increase in domestic demand has brought down the exports and increased the imports. Still the country remains a net exporter. Future plans of the industry makes provision for sustained exports.

### Imports

Earlier imports used to account for 10% of domestic consumption. With the new plants coming into existence in 2000, the % of imports declined.

With the increase in demand and lag in creation of new capacities, imports may account for about 10% of domestic demand during next 5 years.

Projection Of Availability – 2010 – 2015

Keeping in view the growing demand and the opportunities that exist in the Steel industry, all the

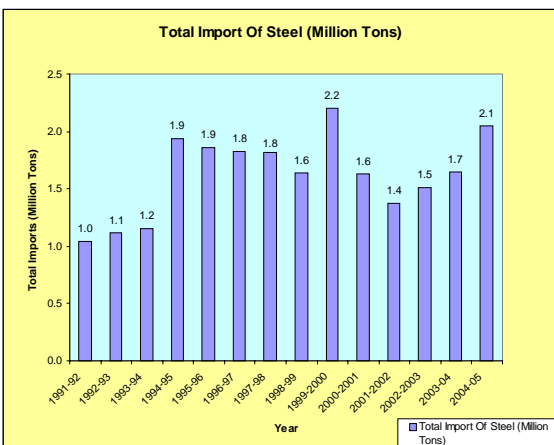


existing producers have planned increase in their capacities and new entrants have also announced their plans. The present indication of the availability scenario is as follows:

Opportunities for new investments in the steel, allied industries and services.

With the large scale modernization and investment in infrastructure and significant growth in the industrial sector, a number of opportunities exist not only by way of increasing volume of demand but also for a variety of products and services. Some of them are given below :

- Color coated sheets is still new to Indian market as it has only been



recently been introduced. Tremendous scope exists for this product in Construction and White Goods industry segments.

- A number of special sections manufactured in other countries catering to the demands of the Construction segment are not available in

India. There is scope for introducing them in consultation with Architects.

- Even the traditional items like Universal Structural or structurals with multiple weights, options of profiles required by structural designers are still scarce. There is scope for introducing these items in consultation with the designers.

- “Branding” of steel products is still in its infancy. With growing demand from

Construction segment, there is large scope for developing

the products with specific features for different end-uses and thus make “branding” a popular feature as it is in other countries.

- For various historic

reasons, the concept of Service Centers has not taken root in Indian market as in the case of other countries. With the steel plants capacities going up (in excess of 5 million tons), it becomes imperative to move products in bulk and at the same time, achieve customization of products, a necessity in a competitive market. These two demands of the market can best be harnessed through the medium of Service Centers. These centers, run with active cooperation of steel plants, should provide the value-added products that would justify their

Projected Production Producer	Million Tonnes	
	2010	2015
<b>A. Public Sector</b>		
SAIL	15.00	18.50
RINL	6.00	10.00
<b>Total (A)</b>	<b>21.00</b>	<b>28.50</b>
<b>B. Private Sector</b>		
- TISCO	7.40	12.00
- ISPAT	3.60	5.00
- ESSAR	5.00	6.50
- JVSL	8.00	12.00
- SISCO	1.00	1.00
<b>Total (B)</b>	<b>25.00</b>	<b>36.50</b>
<b>C. New Integrated Steel Plants</b>	15.00	25.00
<b>D. Secondary Steel Producers</b>	20.00	40.00
<b>Grand Total</b>	<b>81.00</b>	<b>130.00</b>

higher prices. Even if we assume that about 10 % of the domestic consumption will be routed through Service Centers, there is a need for 17 millions tons capacity by 2020.

**Scope For Development In**

**Ancillary Industries**

With the growth envisaged in the steel making capacity and the necessity of achieving optimum cost of production, there is tremendous scope for the Allied industrial segments like:

- Beneficiation of Iron ore
- Pellet plants
- Heat recovery Coke Ovens
- Ship breaking & processing of Scrap
- DRI
- Refractories
- Handling Equipment

In addition in the area of services the large scale movement of hundred million tons of finished steel and nearly 300 million tons of raw

materials, call for efficient, mechanical logistic services, new modes of transport, computerized operations, Testing and Inspection facilities, distribution networks etc.

**Related Areas**

The Alloy & Special steel industry had witnessed a long period of recession due to low domestic demand & high costs of production. With tremendous growth in the transport and personal transport and the increasing need for energy saving, the demand has picked up for Alloy & Special steel and this trend will continue during the next decade. The existing manufacturers are already planning expansion of their capacities and new entrants are also planning

additional capacities.

The consumption of stainless steel in India is in sharp contrast with other countries in the world. The per capita consumption is less than 1 kg as compared to 12 kgs in countries like South Korea. Secondly, the consumption of stainless in the Industrial segment and Architecture is hardly 20 %, the major user being utensil segment. With its long-term advantages and growing cost efficiency, as per the experts this segment promises tremendous growth opportunities.



**SUBSCRIPTION FORM**

# Steelworld

Monthly Journal devoted to Steel & Allied Industry

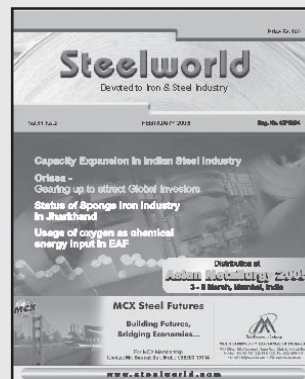
*I would like to subscribe to the journal.*

Name : \_\_\_\_\_  
 Designation : \_\_\_\_\_ Edu.Qual. \_\_\_\_\_  
 Company : \_\_\_\_\_  
 Address : \_\_\_\_\_  
 \_\_\_\_\_  
 City : \_\_\_\_\_ Pin : \_\_\_\_\_ State : \_\_\_\_\_  
 Tel : \_\_\_\_\_ Fax : \_\_\_\_\_  
 Email : \_\_\_\_\_  
 Website : \_\_\_\_\_

Please find enclosed Draft No \_\_\_\_\_ Dated \_\_\_\_\_

Payable at Mumbai in favour of **SANKET PRAKASHAN.**

**Steelworld:** 1/5, Vishnu Prasad, M.G.Road, Vile-Parle(E),  
 Mumbai-400 057. INDIA.  
**Tel :** 91-22- 2619 2376 / 26162817 • **Fax :** 91-22- 2616 2817  
 email : journal@steelworld.com



Subscription Details		
Period	Indian	International
One year (12 issues)	Rs 2000/-	US \$ 150
Two years (24 issues)	Rs 3750/-	US \$ 275
Three years (36 issues)	Rs 5500/-	US \$ 400

FREE BW Classified ADs (4cm X 5.5cm.) per year for subscribers only (Please send the matter along with the Subscription form)