

India: Potential and growth

Though the Indian steel industry has been touted for years as one with great potential for development, the promise never quite seems to materialise. In the mid to late nineties, after India finally concluded the liberalisation of the sector, many investments in steel capacity were announced with great pomp. With the private sector allowed a freer hand in production, entrepreneurs with vision could take advantage of India's wealth in natural resources, particularly iron ore, and bring the country into the forefront of international steelmaking.

However, when it became clear a few years later that the investments would not be pursued – for a number of reasons – the great expectation turned into great disappointment and a whole decade went by with the impression that India was destined to remain nothing but a hopeful candidate. In the meantime, Chinese output skyrocketed, pushed by the need to cover its own growing appetite for steel, and became a much more believable destination for investment: in short, a developing market that kept its alluring promises.

As this profile on India goes to press, a company with an Indian at its head is making headlines. The whole worldwide steel community is being rocked by the ripples Mittal Steel is making through its aggressive acquisition bids. Yet, though Mr Lakshmi Mittal hails from India, he conducts all his business from the UK and The Netherlands and, paradoxically, does not possess any steelmaking capacity on the subcontinent as yet, although he has recently announced his intention to build a greenfield 12Mt/y plant in Jharkhand state eastern India in a departure from his established business plan of growing by acquisition. At one time, rumour has it that for lack of faith in his national industry, he vowed never to make business in India before departing overseas to build the successful steel empire that has made Mittal Steel the largest steel group in the world. Is this new found show of confidence from India's most famous expatriate industrialist a concrete sign of changing times in the steel sector? Or are we witnessing a whole new wave of similar announcements (mundane occurrences really at the peak of an industry cycle) as were made in the nineties?

There are several indications to support the fact that the current growth of the Indian industry has solid foundations behind it and that the road ahead will unquestionably lead to progress. We talked to several of the leading steel businessmen in India for this profile and few seemed to doubt that the alluring predictions for the future of the industry would somehow fail to materialise. Most of them questioned the pace however. As an apology, we heard many times that in a democracy such a build-up would naturally be slower as the government can do little more than 'set the scene' and even then, its decision-making process suffers from the giant-democracy speed characteristic of Indian politics. India, they argued, would never achieve a growth of steel capacity comparable to that of China where the government frequently

enforces policy. On the other hand, many hammered the argument that slow growth would also result in healthier growth with fewer inadequacies between production

and consumption. In fact, the rate of growth of the domestic consumption of steel – which is extremely low in India at about 30kg/capita as opposed to a world

These 9 pages are devoted to the development of the steel industry in India. With a population close to that of China of 1bn, India's steel industry produced just 38.4Mt of crude steel in 2005 compared to China's 349.4Mt. This feature looks at India's potential to boost output to 110Mt by 2010 as announced by its government.

BY G DE BASSOMPIERRE & L ARENDSE



Item/Producers	2001-02	2002-03	2003-04	2004-05
Crude Steel				
Main Producers	17 552	18 767	19 756	19 738
ASP + VISL	210	215	256	277
Major and other Secondary Producers				
EAF Units/Corex-MBF-EOF	5 904	6 711	8 238	10 229
Induction Furnaces	4 298	4 750	5 998	8 242
TOTAL	27 964	30 443	34 248	38 486
% Share of Major / Secondary Producers	36.5	37.6	41.6	48.0
Finished Steel (Non-Alloy & Alloy)				
Main Producers	13 198	14 534	15 383	15 824
Majors	4 607	5 141	5 832	6 786
Other Secondary Producers	13 820	15 632	18 028	19 716
TOTAL FINISHED STEEL:	31 625	35 307	39 243	42 326

Source: Joint Plant Committee (JPC) – Kolkata, India

Table 1 Output of crude steel and finished products (kt in fiscal year)

INDIA

Plant	Capacity 2004-05	2001-02		2002-03		2003-04		2004-05	
		Actual prod	% of capacity	Actual prod	% of capacity	Actual prod	% of capacity	Actual prod	% of capacity
BSP	3925	3967	101.1	4233	107.8	4743	120.8	4582	116.7
DSP	1802	1668	92.6	1708	94.8	1759	97.6	1806	100.2
RSP	1900	1324	70.2	1475	77.6	1572	82.7	1603	84.4
BSL	4360	3498	80.2	3670	84.2	3754	86.1	3835	88.0
IISCO	520	346	66.5	327	62.9	301	57.9	357	68.7
ASP	234	95	40.6	109	46.6	141	60.3	150	64.1
VISL	118	115	121.1	106	111.6	115	97.5	127	107.6
TOTAL (SAIL)	12 859	11 023	81.5	11 628	91.6	12 385	96.3	12 460	96.9
Tata Steel	4000	3749	107.1	4098	117.1	4224	105.6	4103	102.6
VSP	2910	2990	102.7	3256	111.9	3403	116.9	3452	118.6
TOTAL (majors)	19 767	17 762	93.0	18 982	99.4	20 012	101.2	20 015	101.2
Majors	6560	3763	78.9	4192	87.9	5108	77.9	6237	95.1
Other	16919	6439	62.5	7269	64.8	9128	54.0	12234	72.3
GRAND TOTAL	43 248	27 964	81.8	30 443	86.8	34 248	79.2	38 486	89.0

Source: JPC - Kolkata, India Note: Percentage refer to the capacity in the respective year

Table 2 Production and capacity utilisation of main and secondary producers (crude steel) (kt)

KEY FOR TABLES

SAIL (Steel Authority of India)
 BSP Bokaro Steel Plant DSP Durgapur RSP Rourkela BSL Bhilai IISCO India Iron & Steel ASP Alloy Steel Plant VISL Visvesvaraya
 OTHER
 Tata Tisco VSP Visakhapatnam (Rashtriya Ispat)

Plant	Capacity 2004-05	2001-02		2002-03		2003-04		2004-05	
		Actual prod	% of capacity	Actual prod	% of capacity	Actual prod	% of capacity	Actual prod	% of capacity
BSP	4080	4133	101.3	4409	108.1	4932	120.9	4511	110.6
DSP	2088	1843	88.3	1940	92.9	1982	94.9	2017	96.6
RSP	2000	1467	73.4	1645	82.3	1727	86.4	1691	84.6
BSL	4585	3884	84.7	4086	89.1	4108	89.6	4132	90.1
VISL	216	174	80.6	157	72.7	173	80.1	168	77.8
IISCO	850	688	80.9	671	78.9	641	75.4	684	80.5
Total (SAIL)	13 819	12 189	88.9	12 908	94.1	13 563	98.1	13 203	95.5
Tata Steel	4400	4040	106.3	4437	110.9	4466	101.5	4347	98.8
VSP	3400	3485	102.5	3942	115.9	4055	119.3	3920	115.3
TOTAL (majors)	21 619	19 714	94.4	21 287	100.8	22 084	102.2	21 470	99.3

Source: JPC - Kolkata, India Note: Percentage refer to the capacity in the respective year

Table 3 Production and capacity utilisation of main producers of hot metal (kt)

average of 150 kg/capita – may be the most determining factor when assessing the pace of steel output growth for the industry.

In short, the steel business community of India has absolute faith in the country's trumps when it comes to building up a much bigger industry in the future. "I'm very confident that India will be one of the lowest cost producers of steel", says Mr Rajinder Miglani, Chairman and Managing Director of Uttam Galva. He added that in Russia raw materials need to be moved several hundred kilometers to the steelworks or ports, likewise in Brazil, and that India was the only place where "the proximity of raw materials and the port, is very close".

The key question therefore is not whether or not India will be capable but rather how fast it will achieve it. If we are to believe that all of the announced investments for either brown-field expansions or green-field projects will see the light of day within their announced time frame, the rate of growth of Indian steel output would be quite impressive. Already about 60Mt of additional steel capacity have been committed to and the total figure underlined by the

government's National Steel Policy as the national objective would entail almost tripling output between now (39.1Mt/y) and the next fourteen years (to 110Mt/y by 2020). By 2010 already, it is believed that India could have achieved double its actual capacity and cross the 70Mt mark.

Nonetheless, to fulfill the entirety of its shiny promises for growth, the steel industry will still have to tackle some significant roadblocks. Issues such as the condition of the transport infrastructure, the flexibility of labour laws, the mining and raw materials policy, red tape at national or state level, the cost of power, etc. all need to be addressed comprehensively to nurse the industry forward. Individually, none of these obstacles will perhaps be enough to deter investors who believe in India's prospects to become a leading steel producer. Collectively they could combine to create powerful stumbling blocks on a path where confidence will also play a big part. This profile will take a look at the issues affecting the metallurgical industry in India as presented to us by some of its leading decision-makers and attempt to assess the brightness of its future as it embarks on a decisive development path.



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A picture of Indian steel

For an economy of its size, that finds itself in full development and posting growth rates that other developed countries can only fantasize about, India's rank as the 8th steel-producing nation, with 39.1Mt of output in 2005 (3.5% of world production), could be considered quite low. By comparison, neighbouring China, with a similar population and an equally late surge in terms of development of its steel industry, produced a mind-boggling 349.4Mt in the same year. It is therefore no surprise that the Indian government has outlined a National Steel Policy aimed at boosting the industry.

"It all depends on the government. If they plan, then 110Mt is nothing. In 1972, China and India were both producing around 12Mt of steel. Today China has reached the figure of 340Mt plus. If we have a firm policy and a firm government, the commitment is there. By just laying down guidelines, we cannot achieve anything. They have to make roads, they have to build the infrastructure, develop ports." As these words from Mr GD Agarwal, Director of the Adhunik Group show, the policy produces little more than a direction but in the case of India, it might be exactly what is needed. The National Steel Policy promises to work on two fronts, the demand side and the supply side. The Ministry for Steel may lack the muscle to enforce policies but by tackling some supply bottlenecks such as infrastructure, they may also succeed in boosting demand. Lack of infrastructure, particularly transport infrastructure in the form of roads, rail, bridges and ports, is often mentioned as one of the obstacles to proper development of the steel industry in India.

While this may be so, what we have here is a classical case of the chicken or the egg. Which comes first? As much as its absence is an obstacle, the build-up of infrastructure by the government, both at federal and regional level, will be one of the main engines of demand growth in India. Like in China, where per capita steel consumption is about five times that of India, or most other developing economies for that matter, it is not consumer goods that will spur demand on a large scale. Even if the demand for consumer products shows a promising upward curve, it will be a while before urban populations and rising incomes generate significant mass consumption of disposable goods made from steel. Instead, it is the build-up of infrastructure at every level that should be the main engine for domestic consumption growth, which is in turn correctly identified as the crucial factor that will determine how fast the steel industry develops in India. On this, the government can have a firm influence and therefore go beyond the 'talk', the 'policies' or the formulation of good intentions that private entrepreneurs often rightfully rile as quite useless in an open economy.

As we shall see in another article, the government also needs to provide much more clarity when it comes to mining policies and demonstrate that some coordination can be achieved between regional and federal authorities. At present, the process for allocation of mining leases is rather unclear, it is rumoured that the policy on exports of

India's secondary production route making steel by melting scrap and DRI (sponge iron) grew 6.4% in fiscal 04-05 to 18.471Mt, or 48% of total output. Almost confined to India, 8.2Mt was made in electric induction furnaces, against 10.23Mt in the more conventional electric arc furnace. Of the 20.015Mt made by integrated producers, 3Mt was still being made in open hearth furnaces (scheduled for closure), almost the last vestige of this obsolete technology other than Ukraine.

BY G DE BASSOMPIERRE & L ARENDSE

Category	2001-02	2002-03	2003-04	2004-05
PIG IRON	1 016.2	964.3	966.3	624.7
A. Semis for Sale				
Billets/Squares	2 280.7	2 189.6	2 258.0	2 000.6
Other Rerollables	844.5	840.2	823.6	659.7
TOTAL (Semis)	3 125.2	3 029.8	3 081.6	2 660.3
B. FINISHED STEEL				
Bars & Rods	3 805.0	4 088.3	4 235.4	4 496.3
Structurals	1 042.1	1 090.1	1 176.3	1 043.3
Rails & Railway Materials	611.5	799.1	834.2	911.6
Plates	1 618.7	1 627.4	1 932.9	2 248.2
H R Sheets	353.4	310.2	301.7	298.6
H R Coils/Skelp	3 377.7	3 853.9	3 949.0	3 803.9
C R Coils/Sheets	1 552.8	1 766.6	1 768.4	1 843.0
GP/GC Sheets	520.8	665.6	774.1	803.8
Elec. Sheets	50.2	64.7	71.4	56.6
Tin Plate	33.7	39.7	41.3	35.2
Pipes (Large Diam)	61.0	47.0	70.8	52.7
TMBP	24.9	33.3	31.8	17.7
Total Finished Steel (Non-Alloy)	13 051.8	14 385.9	15 187.3	15 610.9
Alloy Steel	146	148	196.0	213.0
Total Finished Steel	13 197.8	14 533.9	15 383.3	15 823.9

Source: JPC - Kolkata, India Note: Main producers include BSP DSP RSP, BOKARO, IISCO, TISCO, VSP ASP, SSP & VISI

Table 4 Categorywise production of main producers (kt)

Category	2001-02	2002-03	2003-04	2004-05
PIG IRON	3 055.0	4 178.0	2 798.0	2 603.0
A. Semis for sale				
Concast Billets/Pencil Ingots	10 202.0	11 461.0	14 236.0	17 796.0
B. FINISHED STEEL (Non-Alloy)				
Bars & Rods	6 231.0	6 588.0	6 910.0	7 331.0
Structurals	1 291.0	1 277.0	1 890.0	2 003.0
Rails & Railway Materials	90.0	85.0	95.0	95.0
Plates	246.0	205.0	249.0	327.0
H R Sheets	302.0	209.0	554.0	811.0
H R Coils/Skelp/Patra	3 831.0	4 881.0	5 331.0	5 971.0
C R Coils/Sheet	3 906.0	3 257.0	3 707.0	4 298.0
GP/GC Sheets	1 835.0	2 124.0	2 356.0	2 868.0
Elec. Sheets	79.0	93.0	68.0	64.0
Tin Plates	102.0	108.0	124.0	141.0
Pipes (Large Diam)*	480.0	440.0	486.0	535.0
Total Finished Steel (Non-Alloy)	17 583.0	19 285.0	21 770.0	24 444.0
Alloy Steel	844.0	1 488.0	2 090.0	2 058.0
Total Finished Steel	18 427.0	20 773.0	23 860.0	26 502.0

* Estimated Hot Metal has been reported

Source: JPC - Kolkata, India Note: The Category-wise production of secondary producers includes the estimated production of non-reporting units

Table 5 Categorywise production of major/secondary producers (kt) (Non-Alloy & Alloy)

resources will be revised and the industry also sheds its load of uncertainty by launching wave after wave of bombastic announcements whose feasibility is hence tough to assess in realistic terms. Without indulging in vague speculation about what remains a very promising future for the

Indian iron & steel industry, whatever the uncertainties, what we can do is try to paint a picture of what the industry looks like today.

Plenty of time has elapsed since the liberalisation of the steel market and the elimination of licences for steel

manufacturing. One can confidently say that the industry has achieved a healthy balance between private and public operators. The largest company on the market, the Steel Authority of India (SAIL) is still a public undertaking (PSU), and likely to remain so as there is no further privatisation on the cards in the years to come, but the private sector is on the uptake. Tata Iron & Steel Co (TISCO), one of the few to have held licenses before deregulation, is the most established and hence the largest of the integrated steel producers in the private sector. TISCO and POSCO of South Korea are actually both challengers for the title of 'lowest-cost producer' of steel worldwide, which is a testimony both to the competitiveness that stems from being a producer located in India and to the quality of management the large integrated Indian (and international) players have achieved.

Many of the newer entrants in the sub-continent have also shown tremendous dynamism and acute managerial skills. These include, among others, companies such as the Jindal Group. Brainchild of the late OP Jindal, it is now divided into four companies managed by his four sons. Three of them are involved in steel per se (Jindal Southwest Ltd, Jindal Steel & Power Ltd and Jindal Stainless) and run like independent companies while one deals with downstream production of submerged arc-welded pipes.

Essar Steel, the steel manufacturing arm of the Ruia family business group, is another illustration of the fact that the private sector is no longer crushed under the weight of the big public undertakings. Companies such as these have slowly started their internationalisation, particularly but not exclusively with the aim of securing raw materials supply. They are likely to continue to do so in the future even as they launch large expansion programmes domestically. Mr Ratan Jindal, of Jindal Stainless, talked of his expansion drive as a "major stand we are taking to become a global player" while adding that "we are investing in Indonesia and we are definitely on the lookout for other port holdings because there is major market growth in Southeast Asia".

Keeping in line with the worldwide trend to seek further and further integration of the steel production chain, there is talk of merging some of the steel PSUs with some of the mining PSUs. The most notable example to date is the merger between SAIL and Indian Iron & Steel Company (IISCO) which became effective in February 2006 but it is likely that other similar movements could take place in the future for the sake of size, scale and competitiveness in an increasingly consolidating industry.

Another strength the Indian steel industry can pride itself on, in spite of the fairly low output, is the quality of its production and the varied offer to come out of its plants. Mr Rajesh Shah, MD of Mukand Ltd, which makes long stainless steel products and alloy steel underlines this. "The quality of the products made in India now is the same as to what you would get elsewhere. India's technology and its ability to run the plants efficiently are on a par with anywhere else in the world". Thanks to internationally recognised quality, India is already present



Service industries account for 50% of India's GDP Tourism: The tomb of Emperor Mumtaz Mahal 1629-30 Agra

in several export markets both close to home and further a field. If capacities are to grow as planned but local demand does not follow at the same pace, it is likely that Indian companies will seek to increase their exports even more, particularly in higher-end niches. Mr Anil Sureka, Executive Director of Ispat Industries, gave us a good illustration of this trend. Even as they exported \$60M worth of products last year, he told us that "our focus is to first cater to the domestic market and whatever surplus we hold, then we export the remainder. Combined with this approach, we want to have our presence in all steel consuming countries so that whenever we expand capacity in the future we can tap into exports because today, if we look at the Indian scenario, there is already surplus capacity."

There are several specialised players active on the market in niche areas such as alloy steel and stainless steel. Companies like Mukand, Mahindra Ugine Steel Co, Kalyani Steels have all suffered financial duress a few years ago and are now creeping out of crisis with renewed strength. All three can boast business linkages to the automobile industry and this has helped them to attain quality benchmarks which are now paying off as they now position themselves for domestic and indirect export growth. Indeed automobile parts are being sourced dynamically from India to the world. This



Mr Nitan Chhatwal of Viraj Group

has helped to sustain their recovery and is now providing alloy steel manufacturers with positive prospects.

We should also mention a specific characteristic of the Indian industry and that is the large number of plants operating in secondary production using electric arc furnaces (EAFs), and almost confined to India, induction furnaces (IFs). Nature has dictated that as India does not hold economic reserves of coking coal, the direct reduced iron route (DRI) through the production and use of sponge iron has bloomed in India. Mr Ashok Pandit, MD of Tata Sponge Iron, gave us a long, detailed description of the genesis of the industry. He described how the "electric steel industry came into being and became bigger than the integrated steel plant". As the only substitute for increasingly rare scrap metal, Mr Pandit expressed his faith in the further development of the sponge iron industry. As he rightfully pointed out, "today you only have 30Mt of open hearth steel - 27Mt in Ukraine and 3Mt India (in Durgapur). That's all. All the other open hearths in the world have shut down and in another 2 to 3 years Durgapur will shut down as well and so there'll be a bigger crisis for scrap. So the future for sponge iron is very bright."

India's abundant reserves of non-coking coal have also favoured the development of the sponge iron industry as it largely uses coal-based kilns. With current hydrocarbon prices, those few who have bet on gas-based shaft furnaces, mainly on the western coast of India, are struggling to be competitive but on the whole, the evolution of scrap prices worldwide shows no sign of dipping and this is good news for the Indian metallurgical industry. According to the www.steelworld.com website, installed production capacity of sponge iron in India has increased from 1.52Mt/y in 1990-91 to over 7Mt/y in 2002-03 and demand of sponge iron is to reach 12.77Mt by 2005. India is already the largest producer of sponge iron in the world (Table 6).

This is likely to increase as new capacities contemplated for investment will also choose the secondary steel-making route. The downside of this is that this industry will also be expecting to get its fair share of access to mineral resources, thereby making the battle for mining rights even more intense. The next article takes a look at the issues surrounding raw materials and how they affect the future of India's iron and steel sector.

STI

Year	Installed capacity (Mt)			Production (Mt)		
	Gas based	Coal based	Total	Gas based	Coal based	Total
2004-05	6.1	6.0	12.1	4.6	5.5	10.1
2005-06	6.1	8.5	14.6	5.7	6.5	12.2
2006-07	7.1	11.0	18.1	7.0	8.5	15.5
2007-08	7.1	13.0	20.1	7.0	10.0	17.0
2008-09	7.1	15.0	22.1	7.0	11.0	18.0
2009-10	7.1	18.0	25.1	7.0	14.0	21.0

Source Dr A Chatterjee TISCO

Three large gas-based units (Essar Steel, Ispat Industries and Vikram Ispat) capacities of 3.60, 1.60 and 0.9 Mt. in operation.

Many coal-based plants (capacity 30-400 kt/y) in operation in Orissa, Chattisgarh, Jharkhand and West.Bengal due to availability of ore.

India is the leader and will further consolidate its DRI position in the world

Table 6 DRI production and capacity in India present and forecast (Mt)

The mineral wealth of India

Despite India's vast mineral wealth, in particular concentrated in the three eastern states of Orissa, Jharkhand and Chattisgarh, local steelmakers are calling on State governments to stop or cap exports of ore to conserve resources long-term for Indian steelmakers.

BY G DE BASSOMPIERRE & L ARENDSE

“The industry cannot develop with the current heavy pricing of raw materials. So, as a country, this has to be decided at the highest levels, that if we are to grow as an industrial steel base, if we have to empower India, then we have to get away from this small time attraction of selling primary raw material.” Those are the words of trader turned manufacturer, Mr Vishambhar Saran of Visa Steel illustrating the importance that access to raw materials plays in the steel industry today. India in this regard is rather blessed. Not only does it hold sizeable reserves of iron and coal, they are also located not too far from ports. If India is therefore generating interest today, it is mainly because of its capacity to be one of the most competitive steelmaking economies globally. As stated in the introduction, Mittal Steel has for the first time expressed real interest in India. Another foreign giant, South Korean POSCO, is for the first time crossing the boundaries of its hermit nation to invest in India. Additionally, all Indian players in the steel industry, big or small, public or private have participated in the hype and announced either brownfield expansion plans or greenfield investments in different parts of the country.

Though by no means the only ore-rich states of India, attention is concentrated on three of the easternmost ones (but west of Bangladesh), namely Jharkhand, Orissa and Chattisgarh. The reserves there are not only abundant but also said to be of high-grade iron ore, thereby increasing the efficiency of steel production and minimising the cost of initial investment required to exploit the mineral industrially. Additionally, these states concentrate other mineral wealth used in the production of steel thus making the location even more attractive.

Take the case of Orissa which is said to hold more than 30% of the country's iron deposits but also 24% of the country's coal reserves, substantial amounts of dolomite, ferro-alloys such as chrome and manganese and some limestone, as well as 76% of the country's bauxite (see mineral map).

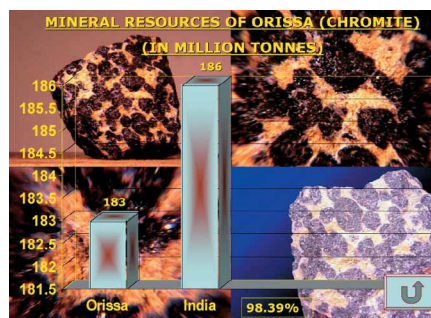
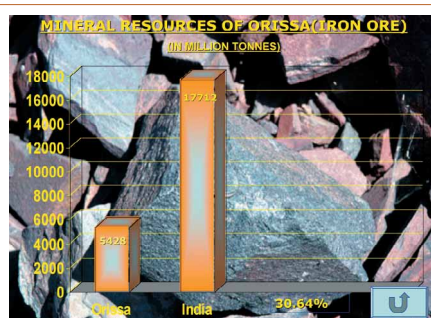
Jharkhand and Chattisgarh are young states within the Indian federation. Chattisgarh was carved out of Madhya Pradesh and Jharkhand out of Bihar in 2000 only, thereby forming the 27th and 28th states. Perhaps this also provided a new impetus for renewed development drives within their mineral-rich boundaries, beyond the other obvious economic reasons which include access to reasonably cheap power and a favourable commercial location. Indeed, their geographic location near the eastern coast also provides for easy access to both imported raw material (mainly metallurgical coking coal) and the major steel consuming markets of Asia.

‘Attention’ in the case of these states might actually be a gross understatement. What we have witnessed in the last eighteen months or

so is a rush of no minor proportions to sign memorandums of understanding (MoU) with the local governments. In Orissa alone, there have been to date forty-three companies of different sizes wanting a part of the action and claiming to be committed to investing in the state a total of 25Mt/y of iron and steelmaking capacity. Jharkhand presents a similar picture. If the Mittal Steel projected investment of \$9bn for a greenfield plant materialises as planned, it alone will produce 12Mt/y of steel annually – similar to that already agreed by Posco with the Orissa State government. If we add all signed MoUs (30), all MoUs in the pipeline (39) and the projected expansions of facilities like the Tata Steel Jamshedpur plant, a generous estimate of planned capacity could bring Jharkhand to a whopping 51Mt/y of annual steel output.

Obviously there is real interest by all actors involved in this mad rush but at the same time, Indian businessmen accuse each other of being engaged in a ‘war of words’ to outdo each other by making bigger and bigger announcements. As Mr Ratan Jindal, MD of Jindal Stainless ironically remarks, “when one person announces two million, the other will announce three, then another five, and now five million is also considered small...”

The object of course is to woo the local government and secure the crucial mining exploitation rights that justify any type of investment. This obviously complicates matters and makes the task of the state quite delicate when it comes to sifting through serious investors and opportunistic hopefuls. We asked the Minister for Steel & Mines of the State of Orissa, Mr Padmanabha Behera, and the Principal Secretary to Government for this Department, Mr Bhaskar Chatterjee, if the amounts of investment envisaged to pour into the state were realistic. Their reply was quite pragmatic: “the efficient rate of MoUs across the world is well known... I do not think we live in any kind of realistic vision that every single one of these planned investments will see the light of day but the fact remains that all these 43 companies have signed MoUs with us. Therefore, we go on the principle that every one of them will set up and our linkages with mines, with land, with power, with water, etc are established for all these 43. We will just wait for people who run the course and for those who drop out it does not make any difference. In the mean time, we must treat all of them equally, big or small and facilitate the profits for everyone.”



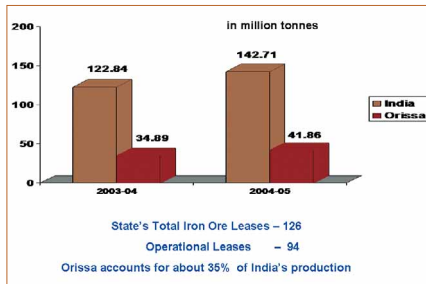
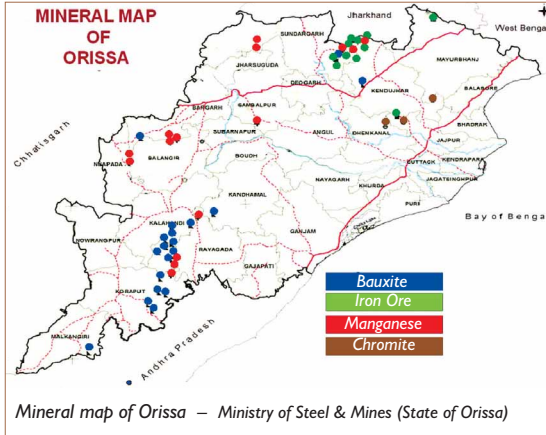
Jewels of India: Iron, Manganese, Chromite, Coal

Pics courtesy M Ahmed Orissa Mining Corp Ltd

STOP ORE EXPORTS

As the battle rages for mining leases and industrials try to gain proper positioning, it complicates a realistic assessment of what is on the cards for the future. There may well not be enough room for everyone, or enough ore to supply all committed capacities in the long run, in spite of the massive volumes buried in Indian soil. Consequently, there has been a drive to change the national export policy with regards to strategic resources such as iron and chrome ore. The Indian steel industry is quite united in its desire to encourage the government to introduce some sort of ban or cap on exports that would limit, at the very least, the sale of higher-grade ores outside of India's borders. Mr Saran of Visa Steel drives the point home by detailing the adverse effects of such open trade. "By exporting good quality iron ore, what we are doing is one, empowering our competitors, and two, making the raw materials which is domestically available, more expensive." Veteran of the industry and Tata Iron and Steel Co board member, Dr Jamshed J Irani wholeheartedly agrees saying, "there should be a cap on materials that are not easily available and which Indians want... Hard ore is in short supply in India and as far as export is concerned it should be banned, there should be no export of that".

This is obviously directed at India's mining sector which has been exporting



Iron ore production in Orissa and all India (Mt)
Source M Ahmed Orissa Mining Corp Ltd

large amounts of iron ore to key international markets such as China but also to global steel players coming to invest in India. Indeed, there is widespread suspicion that Posco's and Mittal Steel's drive to secure mining leases through investment in Orissa and Jharkhand will also serve to feed their other facilities worldwide. Unlike the Indian giants who have virtually no steel-making capacities outside their borders, it is part of these companies' strategies to streamline raw materials supply on a global scale. While it makes sense for them, it goes against the desire of the states to add as much value as possible locally to minerals dug up within their soil. In turn, this adds fuel to the raw materials battle as Indian companies can wave the nationalistic argument to try to limit the scope of their international rivals' investments.

However, the fog cast over all these unresolved mining issues presents a serious obstacle to the smooth development drive the steel industry wishes to embark on. As long as clarity and direction are not firmly introduced, investors will only be able to speculate as to what the future will hold. In a cyclical and capital-intensive industry such as this one, where investment projects take years to materialise, this is a definite roadblock that both the federal and regional governments should hustle to remove. **STI**

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