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INDIA

REGIONAL PERSPECTIVES ON NATIONAL, REGIONAL AND GLOBAL DEVELOPEMENTS:  
FOCUS ON INDIA

Joint India/OECD/IISI Workshop, New Delhi (India), 16-17 May 2006

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**REGIONAL PERSPECTIVES ON  
NATIONAL, REGIONAL & GLOBAL DEVELOPMENT**

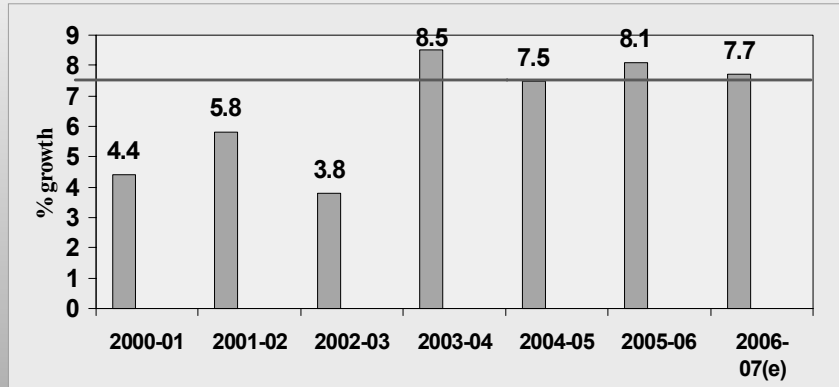
# **FOCUS ON INDIA**

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## **INDIA AHOY!!!!**

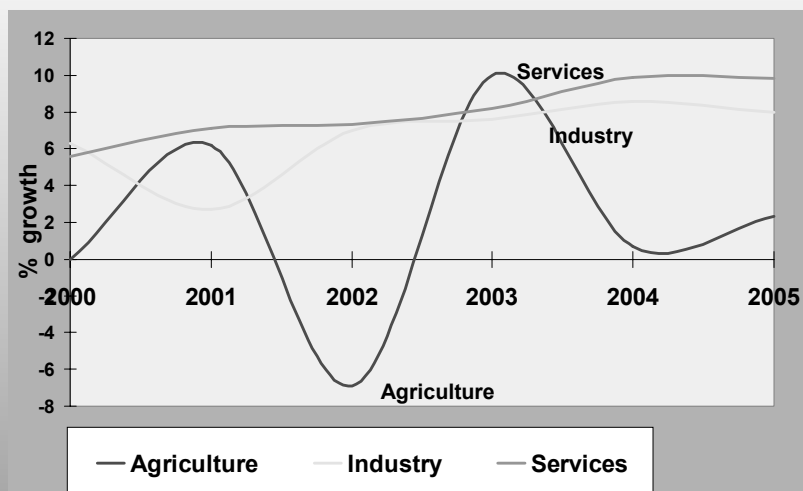


## Growing Indian Economy



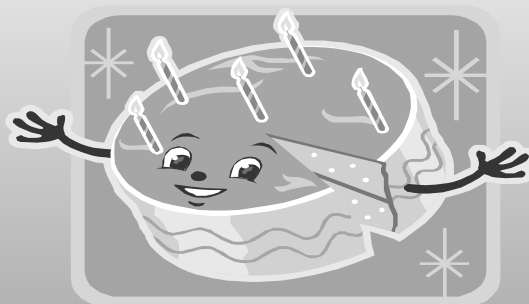
GDP growth rate above 7.5% for four consecutive years

## Turnaround in Industrial Activity



Services and Industry contribute to higher GDP growth

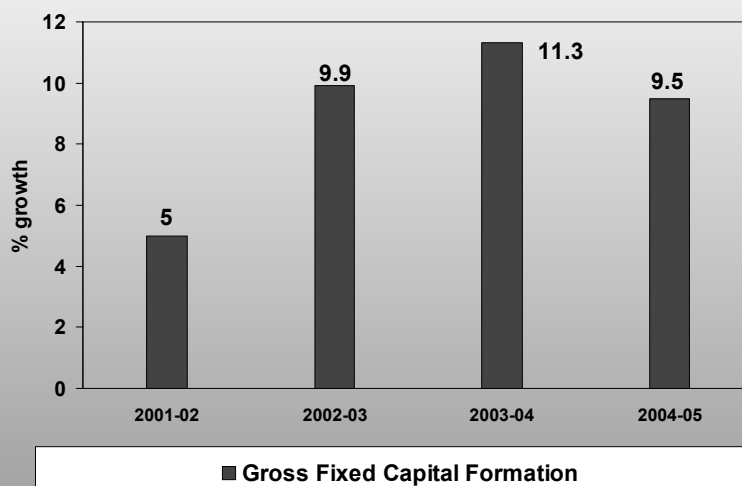
## Proof of the Pudding !



## Increasing FDI

Year	FDI (US\$ bn.)
1992-93	0.3
1993-94	0.6
1994-95	1.3
1995-96	2.1
1996-97	2.8
1997-98	3.6
1998-99	2.5
1999-00	2.2
2000-01	4.0
2001-02	6.1
2002-03	5.0
2003-04	4.3
2004-05	5.7
2005-06	5.8 (April-January)

## Growing Capital Formation



## Investment Intentions on Growth Path (IEM, LOI, DIL – US\$ bn.)

Year	Investments
2000	16.3
2001	20.5
2002	20.4
2003	26.6
2004	60.5
2005	79.3

*IEM* – Industrial  
Entrepreneurs  
Memorandum  
*LoI* - Letter of  
Intent  
*DIL*- Direct  
Industrial Licences

Source: ESI

## Booming Capital Market

Indicators	2003-04	2004-05	2005-06
<b>BSE Index as on March 31</b>	5591	6493	11280
<b>Market Capitalisation as on March 31 (US\$ bn.)</b>	266.8	377.33	671.5
<b>Foreign Institutional Investors Net Purchases in Equity market (US\$ bn.)</b> <i>(For Calendar Year)</i>	6.7	8.65	10.4

## Other Key Indicators

- ❖ Exports crossed US\$100bn. mark in 2005-06. Fourth consecutive year of more than 20% exports growth
- ❖ Imports of Capital goods increasing
- ❖ Moderate inflation rate - within 4-5%
- ❖ Stable Rupee against US dollar
- ❖ Growing corporate sector profits
- ❖ Growing Forex reserves - US\$ 160 bn.
- ❖ Business Confidence at all time high

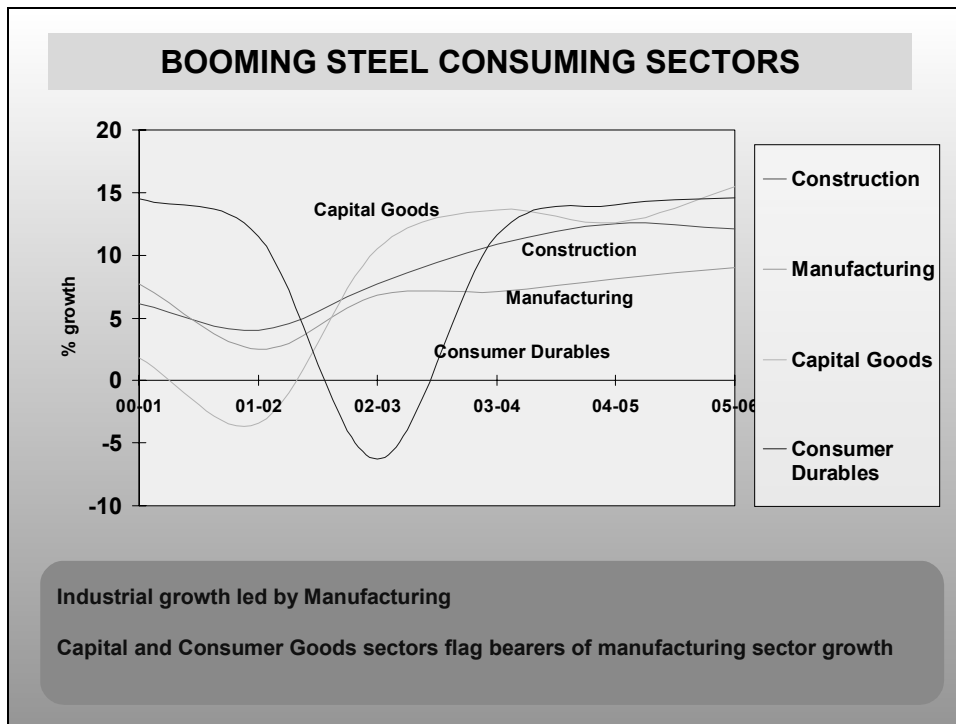
## Fuelling Economic Growth Music for (y)ears

- Huge Demand potential – Over 1 bn. Population.
- Booming middle class. 100mn. population earning more than US\$ 3000 per annum
- Increasing consumerism
- Urbanisation on fast track
- Housing demand boom
- Strong Banking & Judicial System
- Large English speaking population – 150 mn, powering Services sector
- Skilled labour and managerial work force
- Growing IT sector
- Large pool of skilled Technical work force



## Steel Sector The Back Seat Drivers!





### BOOMING AUTOMOBILE SECTOR (PRODN. IN '000 UNITS)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Passenger Cars</b>	513	564	609	842	960	1,045
<b>Multi Utility Vehicles</b>	127	105	114	146	249	263
<b>Commercial Vehicles</b>	157	162	204	275	350	391
<b>Two Wheelers</b>	3,758	4,271	5,076	5,625	6,528	7,600
<b>Three Wheelers</b>	203	212	276	340	374	434
<b>Total</b>	<b>4,759</b>	<b>5,316</b>	<b>6,277</b>	<b>7,229</b>	<b>8,460</b>	<b>9,735</b>
<b>% growth</b>		<b>11.70</b>	<b>18.60</b>	<b>15.12</b>	<b>16.8</b>	<b>14.97</b>



## Infrastructure Development - Roads

- Indian Road network is the largest in world
  - Total road length – 3.32 million km
  - National Highways – 65500 km
- NHDP under implementation for development of the existing highways
  - Total new length of roads planned – 18,300 km
  - Already completed – 6270 km, To be completed - 12000 km (by end 2009)
- 4 laning and 6 laning of the existing highways and development of Expressways after 2009.

## Infrastructure Development Ports & Airports

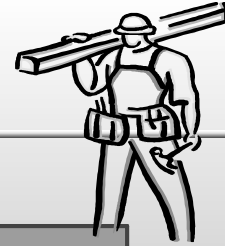
### Ports

- Port Capacity as of March '05 – approx. 400 mTpa
- Capacity likely to be added in near future - 100 mtpa (investment approx. US\$ 1.75bn.)

### Airports

- Rapid increase in domestic & international air traffic
- Modernisation of Delhi and Mumbai airports finalised – Total estimated investment US\$ 3.1 bn.
- Planning for development of 10 non-metro airports in advanced stages
- 20 more non metro airports identified for development

## Powering Steel Growth



Total Planned Capacity Addition (Thermal +Hydro+Nuclear)	
<b>2002-07</b>	41,100 MW <i>(Likely to be achieved – 34000 MW)</i>
<b>2007-12</b>	67,000 MW <i>(inclusive of Non Conventional Sources of Energy)</i>

## Infrastructure Development – Railways

- ❖ **63,000 km of track length**
- ❖ **Substantial track length due for renewal**
- ❖ **Dedicated North West and North East freight Corridors of 2,800 km planned for implementation**
- ❖ **Growth plans include additional wagons and passenger coaches**
- ❖ **Indian Railways offer huge opportunity for increasing steel consumption**

## Construction Investments

(US\$ Bn.)

	IX plan (1997-02)	X plan (2002-07)	% Growth
Airports	0.6	0.9	56.7
Irrigation	7.6	19.3	152.9
Ports	0.5	1.1	98.6
Power	7.8	11.7	49.3
<i>Thermal</i>	2.1	3.6	72.7
<i>Hydel</i>	5.4	4.5	23.2
<i>Nuclear</i>	0.3	1.3	395.2
Railways	4.3	5.6	30.6
Roads	12.1	19.0	57.4
Telecom	1.8	1.9	8.6
Tourism	0.1	0.35	392.4
Urban infrastructure	7.8	18.5	135.4
<b>Total</b>	<b>42.8</b>	<b>78.5</b>	<b>83.6</b>

Source: Plan Documents

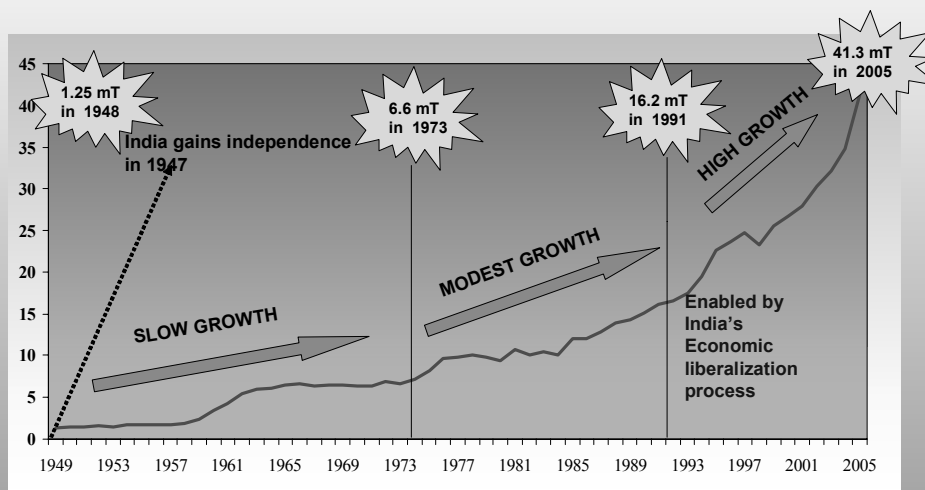
## Indian Steel Industry



## Indian Steel Industry – An Overview

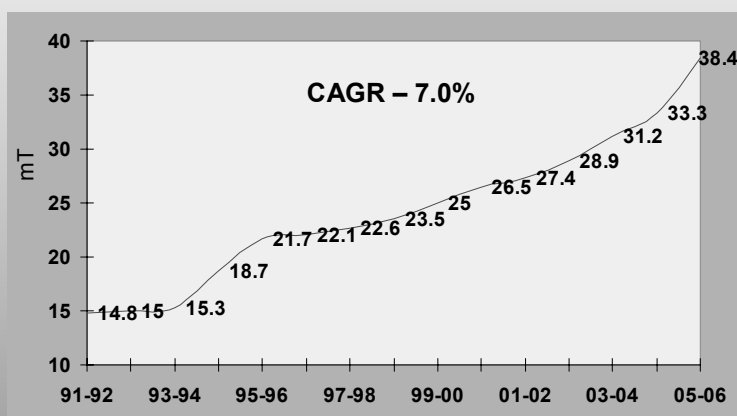
- 8<sup>th</sup> largest steel producer in the world
- Production of Finished steel in 2005-06, 42.7 mT, a growth of 11%.
- Apparent Consumption of Finished Steel in 2005-06 - 38.1mT, growth of 10.8%. Apparent consumption of Longs -16.2 mT, Flats - 21.8 mT.
- Largest producer of Sponge Iron - 12.8 mT in 2005-06 (a growth of 25%).
- India's exports of Finished Steel in 2005-06, 4.4 mT, Imports 3.7 mT
- Huge Iron Ore reserves – 23 bn. tonnes
- Private Steel Producers are opting for Forward as well as Backward Integration
- Indian Steel Producers are increasingly looking for overseas acquisitions in steel as well as raw materials.

## INDIA'S CRUDE STEEL PRODUCTION (MT) HISTORIC TRENDS



\* Year indicates FY

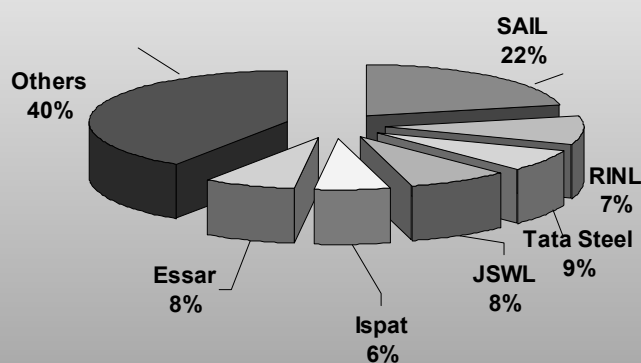
## Apparent Finished Steel Consumption (mT)



## Indian Steel Industry – An Overview

### Major Players

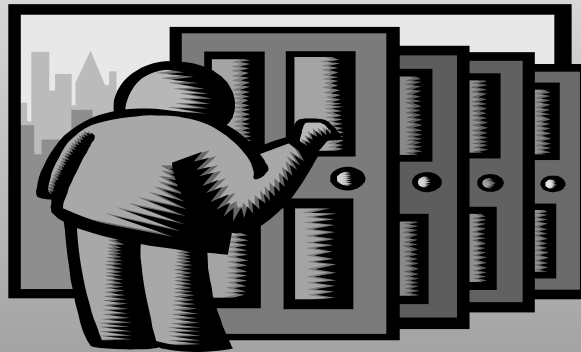
### Finished Steel Production 2005-06



Company	05-06 (MT)
SAIL	9.15
Tata Steel	3.8
RINL	3.0
ESSAR	3.3
ISPAT	2.6
JSWL	3.5
OTHERS	17.2
Total	42.7

Source - JPC

# Indian Steel Industry SWOT Analysis



## SWOT ANALYSIS OF INDIAN STEEL INDUSTRY

### STRENGTHS

- Abundant resources of iron ore
- Low cost and efficient labour force
- Strong managerial capability
- Strongly globalised industry and emerging global competitiveness
- Modern new plants & modernised old plants
- Strong DRI production base
- Regionally dispersed merchant rolling mills

### WEAKNESSES

- High cost of energy
- Higher duties and taxes
- Infrastructure
- Quality of coking coal
- Labour laws
- Dependence on imports for steel manufacturing equipments & technology
- Slow statutory clearances for development of mines

## **SWOT ANALYSIS OF INDIAN STEEL INDUSTRY**

### **OPPORTUNITIES**

- Huge Infrastructure demand
- Rapid urbanisation
- Increasing demand for consumer durables
- Untapped rural demand
- Increasing interest of foreign steel producers in India

### **THREATS**

- Slow growth in infrastructure development
- Market fluctuations and China's export possibilities
- Global economic slow down

## **National Steel Policy**

**Addressing the Weaknesses  
&  
Harnessing the Opportunities**

## OBJECTIVE

- ❖ To have modern and efficient steel industry of world standards, catering to diversified steel demand.
- ❖ To achieve global competitiveness in cost, quality, product-mix, efficiency and productivity
- ❖ To attain Finished Steel production of 110 mTpa by 2019-20

	Production	Imports	Exports	Consumption
2019-20	110	6	26	90
CAGR (Base – 04-05)	7.3%	7.1%	13.3%	6.9%

## STRATEGY

### ❖ Demand Side

- Strengthening of delivery chain
- Interface between producers, designers of steel intensive products, fabricators and ultimate user
- Creating awareness about cost-effective and technically efficient end-use of steel

### ❖ Supply side

- Enhanced and easy access to critical inputs – iron ore & coking coal
- Expansion and improvement in quality of infrastructure
- Well developed financial market
- Increased focus on R&D, training of manpower and integrated information services



## Strategies For Fuelling Demand

- Facilitate Rural Consumption
- Increased usage in Bridges, Crash Barriers, Flyovers and Building Constructions
- Closer interaction between INSDAG / Large Producers and Architects/ Engineers/ Students

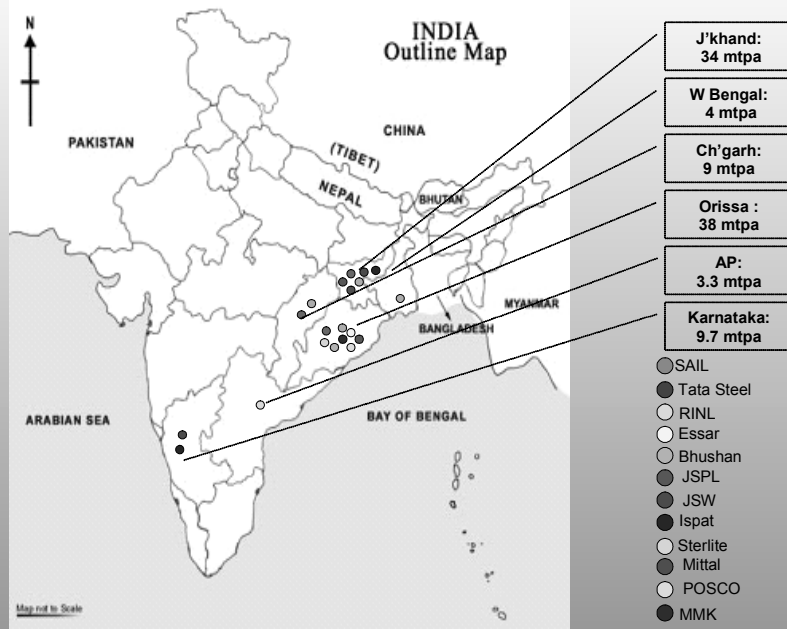
**Huge potential upside in Per Capita Consumption**

## Focus on Infrastructure

- ❖ **Planned additional 75 MTPA of steel implies 300MT of additional traffic.**
- ❖ **Railways :**
  - Participation by Steel Industry in the creation of railway infrastructure.
- ❖ **Roads:**
  - Road network to be expanded; national highway development.
- ❖ **Ports:**
  - Steel producers would be encouraged to develop port and berth facilities.

# New Capacities

## Proposed state-wise capacity additions upto 2012.

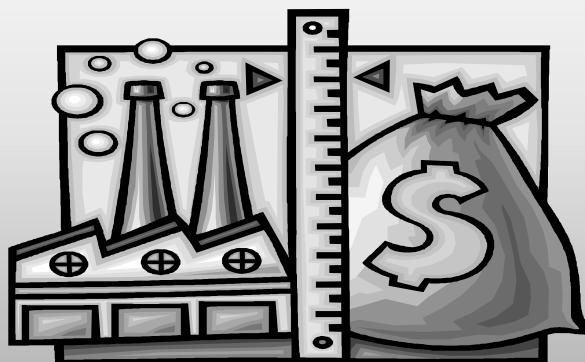


## SAIL'S GROWTH PLANS

	<i>mT</i>	
	2005-06	2011-12
Hot Metal	14.60	22.5
Crude Steel	13.47	21.6
Saleable Steel	12.05	20

- Planned Investments of US\$ 7.7 bn.  
- Includes only growth in existing Units

## Future of Indian Steel Industry



You ain't seen nothing yet !

### Projected per Capita consumption of Finished Steel in India (kg)

Year	Per Capita Steel Consumption
2011-12	48
2019-20	80
2024-25	110
2029-30	135
2034-35	175

India's current population is - 1050 million  
It is assumed that till 2051, population would be about : 1.4 bn.

### GROWTH SCENARIOS

	Optimistic Case		Medium Growth		Conservative	
	Fin. Steel Cons. Growth Rate	Consumption (mTpa)	Fin. Steel Cons. Growth Rate	Consumption (mTpa)	Fin. Steel Cons. Growth Rate	Consumption (mTpa)
<b>2005-2020</b>	<b>7.6%</b>	<b>100</b>	<b>6.9%</b>	<b>90 *</b>	<b>5.5%</b>	<b>76</b>
<b>2020-2030</b>	<b>6.5%</b>	<b>188</b>	<b>5.5%</b>	<b>147</b>	<b>4.5%</b>	<b>118</b>
<b>2030-2040</b>	<b>5.0%</b>	<b>305</b>	<b>4.0%</b>	<b>217</b>	<b>3%</b>	<b>158</b>
<b>2040-2050</b>	<b>5.0%</b>	<b>498</b>	<b>4.0%</b>	<b>322</b>	<b>3%</b>	<b>212</b>

\* - Also projected by National Steel Policy

## INDIAN STEEL INDUSTRY A BRIGHT FUTURE

### RESOURCES

- ↓ Abundant Iron Ore reserves
- ↓ Strong Managerial skills in Iron and Steel making
- ↓ Large pool of skilled Man-power
- ↓ Established steel players with strong skills in steel making

### OPPORTUNITIES

- ↓ High economic growth driven increasingly by industry
- ↓ Faster Urbanisation
- ↓ Increased Fixed Asset Building
- ↓ Automobiles and component industry growth

### POLICY

- ↓ Pro-active stance of Govt.
- ↓ Encouragement for overseas investments



THANK  
YOU