

# Industry the growth of the indian steel industry.

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Industry Overview Steel is integral to the development of any modern economy and is considered to be the backbone of human civilization. The level of per capita consumption of steel is treated as an important index of the level of socio-economic development and living standards of the people in any country. India's economic growth is contingent upon the growth of the Indian steel industry.

Consumption of steel is taken to be an indicator of economic development. Steel has been used in many industries such as construction, housing and ground transportation, special steels are increasingly being used in engineering industries such as power generation, petrochemicals and fertilizers. Growth in the private sector is expected to be increased by the new policies on Make in India, import of foreign technology and foreign direct investment. The Government has proposed a perspective plan to boost domestic steel capacity to 300 million tonnes per annum by 2025. India was the 3rd largest producer of crude steel in 2015 as well as in 2016. India was the largest producer of sponge iron or DRI in the world during the period 2003-2015 and emerged as the 2nd largest global producer of DRI in 2016 (after Iran). India is also the 3rd largest finished steel consumer in the world and maintained this status in 2016. These rankings are based on provisional data released by the World Steel Association for the years mentioned above.

The key players in the Indian steel sector industry are TATA Steel Ltd, SAIL, JSW Steel Ltd, Welspun-Gujarat StahlRohren Ltd, Bhushan Steel Ltd and Visa Steel Ltd. Following table shows India's steel production over the years: In India, Iron and Steel are freely importable and exportable as per the extant policy. For the year 2016-17, India emerged as a net exporter of total finished

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steel. Following two tables show the total finished steel import and export data over the last 5 years. India occupies a central position on the global steel map, with the establishment of new state-of-the-art steel mills, acquisition of global scale capacities by players, continuous modernization and up gradation of older plants, improving energy efficiency and backward integration into global raw material sources. There lies tremendous opportunity for the Indian steel industry to prosper and grow exponentially.

**Company Overview** JSW Steel Ltd., which is the flagship company of the \$11 billion conglomerate JSW Group, is one of India's leading steel manufacturers. It is one of India's most fast-growing companies with a capacity of about 18 MTPA and reach in over 140 countries. After JSW Steel's merger with Ispat Steel, it has become India's 2nd largest private sector steel company with a current capacity of 18 million tonnes per annum.

The JSW Group has presence across countries such as India, USA, South America and Africa. It is a part of the O. P. Jindal Group and functions across core economic sectors namely Steel, Infrastructure, Energy, Cement, Ventures and Sports. In 1982, JSW set up its first steel plant at Vasind near Mumbai. The Jindal Group obtained Piramal Steel Limited since it had wide experience in the steel industry. Piramal operated a small steel mill at Tarapur in Maharashtra and renamed it as Jindal Iron and Steel Company (JISCO). In 1994, Jindal Vijayanagar Steel Ltd.

(JVSL) set up its plant in Toranagallu in the Bellary-Hospet and External Areas of Andhra Pradesh. It is 340 kms (210 mi) from Bangalore, and is well

connected with the Goa Port and Chennai Port. JISCO and JVSL merged to form JSW Steel Ltd in 2005. Other than its mergers and acquisitions in India, JSW Steel has also formed a joint venture for steel plant in Georgia. JSW has also tied up with JFE Steel Corp, Japan for manufacturing high grade automotive steel. The Company has also obtained mining assets in Republic of Chile, United States and Mozambique.

**Emerging Trends in the Industry**

There has been a significant emphasis on technological innovations in the industry and some of the notable steps being taken in relation to this are as follows:

- In order to enhance their productivity and compete with the international players, Indian steel companies have now started benchmarking their facilities and processes against global standards. This is expected to help Indian companies improve consumption of raw material and energy as well as improve compliance with environmental and pollution yardsticks.

- Companies are attempting coal gasification and gas-based Direct-Reduced Iron (DRI) production. Other alternative technologies that are being adopted to produce hot metal are HIs melt, Finex and ITmk3.

Ministry of Steel has issued necessary direction to the steel companies to frame a strategy for taking up more research and development projects by spending at least 1 per cent of their sales turnover on R&D to facilitate technological innovations in the steel sector.

- Ministry of Steel has also established a task force to identify the need for technological upgradation and research and development.

- Ministry of Steel has adopted energy efficiency improvement projects for mills operating with obsolete or near obsolete technologies.
- Tata Steel's Noamundi iron ore mine introduced drone technology in mine monitoring in January 2017. The continuous increase in investments have played a major role in the growth of this industry. Some of the notable investments that undertook in the past few years are:
  - In order to be more cost efficient, majority of the companies in the steel industry are investing in modernization and expansion of plants. E. g. SAIL has invested in 6 of its plants for expansion and modernization.
  - A body functioning under Ministry of Steel, named Inter-Ministerial Group (IMG), has undertaken the role of monitoring and coordinating major steel investments in the country so that growth and investment can be ascertained in a proper manner.
- With an aggregate investment of US \$24.88 Billion, SAIL is expected to increase its production capacity from 13 million tonnes per annum to 50 million tonnes per annum. Strategic Alliances have been key to the synergies that have been created and have resulted in a significant contribution to the growth of this industry. Some of them are as follows:
  - International Coal Ventures Pvt Ltd was set up for acquisition of coal mines overseas. It comprised of SAIL, RINL, CIL, NTPC and NMDC.
  - The syndicate of SAIL and National Fertiliser Ltd. (NFL) has been selected for revival of Sindri Unit of the Fertiliser Corporation of India Ltd.
  - RINL, Vishakhapatnam Steel Plant and the Power Grid Corporation of India Ltd (POWERGRID) signed a Memorandum of Understanding to set up a joint venture to manufacture

transmission line towers and tower parts including research and development of new high-end products.

The entry of international companies has played a major role in the growth of the Indian steel sector industry. Various global steel players are planning to enter the industry owing to the immense growth potential in the industry.

NMDC, National Mineral Development Corporation, has signed a memorandum of understanding with Severstal, which is the 3rd largest steelmaker in Russia, for a Greenfield plant in Karnataka.