

STEEL INSIGHT

A Shining Future

The steel industry in India has recorded an annual growth rate of about 10 per cent in the past two years.

HE Indian steel industry, in line with global trends, is at a crossroads, witnessing a resurgent phase of modernisation, expansion and consolidation, mainly through mergers and acquisitions. A sector that was moribund just about five years ago because of a worldwide slump in steel prices, the industry has turned the corner and has in fact been vibrant over the past two years. Domestic steel companies, both public and private, are surging ahead on the strength of an unprecedented buoyancy in the economy and the resultant boom in real estate and various infrastructure sectors such as roads and highways, ports and airports.

The official figures speak for themselves. Powered by an increased demand for steel from neighbouring China, which has been clocking a 15 per cent sectoral growth annually on account of construction projects in preparation for the Olympics, the steel industry in India has grown by about 10 per cent in the past two years, compared with the global growth rate of about 6 per cent a year.

The country's production of crude steel in 2005-06 stood at 42.1 million tonnes, reflecting an increase of 7.1 per cent over the previous fiscal. On the other hand, the consumption of steel during the year was pegged at 41.43 million tonnes, a massive growth of 13.88 per cent when compared with the 2004-05 figures. Likewise, the production of sponge iron also increased sharply by 25 per cent, from about 10.3 million tonnes in 2004-05 to 12.9 million tonnes in 2005-06. Currently, India is the largest sponge iron producer in the world and ranks seventh among steel-producing countries.

growth in domestic steel consumption is, by and large, in keeping with the International Iron and Steel Institute (IISI) forecast of a 10 per cent increase in steel use in 2006. While the IISI has projected the global demand for steel to grow by 4.9 per cent in the medium term up to 2010, it has pegged its forecast for the 2010-15 period at 4.2 per cent annually for the entire world. The IISI says India will lead the consumption growth story with an annual demand of 7.7 per cent, followed by China with 6.2 per cent.

More heartening is the indication that the exciting phase in the domestic steel industry is expected to continue for the next five to seven years at the least, in terms of both consumption and production. Already, the growth in steel consumption, as projected

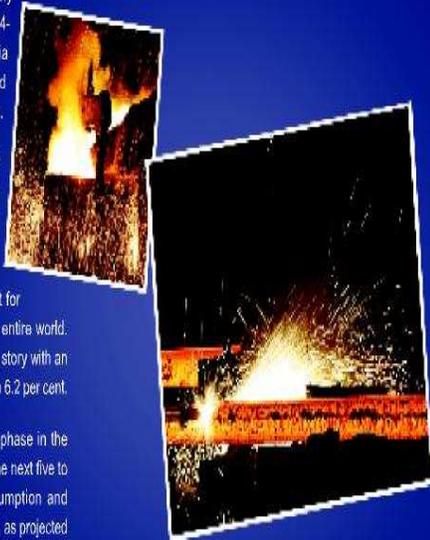
by the United Progressive Alliance (UPA) government in the National Steel Policy (NSP) formulated in 2005, stands exceeded by a huge margin.

The NSP had conservatively estimated the country's steel production to grow by 7.3 per cent, with an annual consumption growth of 6.9 per cent. Considering that the past two years have already witnessed a demand growth of over 10 per cent, the government expects the healthy trend to continue during the Eleventh Plan period (2007-12). provided an annual gross domestic product (GDP) growth of 9 per cent is achieved during the period as projected by the Planning Commission. Clearly, for primary steel producers, India is the place to be in as it has the greatest growth potential. Coupled with this are two other major factors. One, India is bestowed with the largest reserves of high-quality iron ore in the world. Secondly, the annual per capita consumption of steel in the country is still one of the lowest in the world, at 35 kilograms against the global benchmark of 250-400 kg. In effect, the growth story in India is here to stay for quite a few decades in view of the sheer disparity in consumption levels.

Not surprising, then, that when the three ore-rich States - Jharkhand, Orissa and Chhattisgarh - threw open their doors, steel-makers of all hues jumped into the fray to sign memoranda of understanding (MoUs) with more than one State government. In all, more than 116 MoUs have already been inked, pledging a total investment of a whopping Rs.3,57,344 crores in the coming years.

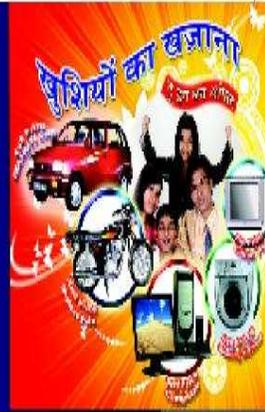
If all the pledges materialise, the country's installed steel production capacity will surge to anywhere between 150 million and 180 million tonnes by 2014-15, compared with the conservative NSP target of 110 million tonnes by 2019-20.

Orissa signed 43 MoUs to hike its production capacity to 58.04 million tonnes. Not to be left behind, Chhattisgarh entered into 42 MoUs to augment its steel capacity to 19.32 million tonnes, while Jharkhand signed 31 MoUs to increase its capacity to 68.67 million tonnes.



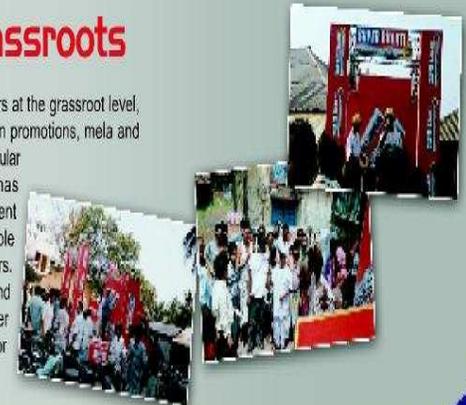
A Shower of Joy

The monsoons failed to dampen the enthusiasm of our sales and marketing team. A superb scheme called 'Khushiyon Ka Khazana' was launched in Bihar & Jharkhand with assured gifts and grand prizes to be won in a Lucky Draw. The first phase of the offer was very successful - bringing smiles to hundreds of Super Shakti users.



Down to the grassroots

True to its strategy of reaching to consumers at the grassroot level, Super Shakti initiated and intensified its van promotions, mela and haat activities in North & East Bengal. The popular sight of the branded Super Shakti van has succeeded in bringing smiles and excitement wherever it goes and has played a major role in securing a place in the hearts of customers. The company also implemented its mason and engineer meets, paving the way for stronger business relationships and endorsements for the brand.



Distributor Shakti

Senior management teams visited all Super Shakti distributors in an attempt to get to know them better and forge stronger partnerships through interaction and mutual understanding.

