

# GLOBAL STEEL 2011

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The Future of Steel is in India

A CONSUMER CONNECT INITIATIVE



## GALAXY OF SPEAKERS

- Chief Guest : Shri Virbhada Singh, Hon'ble Union Minister for Steel, Govt of India\*
- Dr J J Irani, Tata Sons
- Mr C S Verma, Chairman, SAIL\*
- Mr Partha S Bhattacharyya, Chairman, Coal India Ltd
- Mr Srinivas Dempo, Chairman, Dempo Group
- Mr Suketu Shah, Jt MD, Mukand Ltd\*
- Mr Malay Mukherjee, CEO, Essar Steel
- Mr Jayant Acharya, Director, JSW Steel\*
- Mr V R Sharma, CEO Steel Business, JSPL\*
- Dr Amit Chatterjee, Advisor, Tata Steel
- Mr R K Goyal, Director, JSL Steel Ltd
- Mr Dilip Oomen, CEO Indian Steel Business, Essar Steel
- Mr Michiel Hovers, Vice President, BHP Billiton, Singapore
- Mr Ajay Mishra, Noble Energy, Singapore
- Mr Jim Lennon, Executive Director, Macquarie Capital Ltd, UK
- Mr Gerard McCloskey, Founder, McCloskey group, UK
- Mr John Johnson, CRU, China
- Mr John Kearsey, Executive Director, SSI Consultancy & Research Ltd, UK
- Mr Stephen Randall, MD, The Steel Index, UK
- Mr Francis Browne, Global Director Steel and Metal Markets, Platts, USA
- Dr Rod Beddows, CEO, Hatch Corporate Finance, UK
- Ms Marian Hookham, Energy Publishing, Australia
- Mr Andrew Jones, CEO, Resource-net, Belgium
- Dr Neil J Bristow, MD, H & W Worldwide Consulting Ltd, Australia
- Mr Arun Kumar Jagatramka, CMD, Gujarat NRE Coke Ltd

\* confirmation awaited

# THE STEEL PANACHE

PAVING THE BOULEVARD OF 'THE GREAT INDIAN STEEL DREAM'

The global steel industry has been experiencing a roller coaster ride for the last three years: a low in 2007, a high in early 2008 followed by lows in end 2008 and early 2009.

The later half of 2009 and early 2010 have been quite encouraging thus adding more excitement to this spiraling ride. Amidst this turmoil, China and India were the two countries who could withstand the blizzard of downward pressures and yet deliver positive growth figures.

Though experts feel that India can foresee a bright steel future, the ride may not be as smooth as it seems. A small example of such turmoil is the fact that presently the steel manufacturers across the globe were reeling under downward pressure on



decreasing prices coupled with rising input costs and reducing demand from high consumption regions.

A closer inspection reveals of a few more concerns before India can actually realize the 'Great Indian Steel Dream' of attaining 300 MT of production by 2020.

What is India's raw material security plan? Does India have enough iron ore and coking coal to sustain the steel demand? If not so, what are the alternate sourcing options? What is the agenda for sustainable growth of the sector? Why has no large Greenfield project in India taken off in the recent past? Is the regulatory framework right in place or an imminent review is necessary?

To find answers to all of these above one needs to meet the experts around the world who will brainstorm a probable solution in January 2011 at the nation's capital — New Delhi.

Gujarat NRE and The Economic Times present Global Steel 2011, to be held from January 16 - 18, 2011 at the Taj Palace Hotel, New Delhi.

The conference would analyse the Indian Steel mills' proposed expansion plans and discover how supporting logistics and infrastructure networks are preparing themselves.

One of the prime focuses this year would be raw material security. International experts and captains of Indian and foreign steel industry would debate and deliberate in paving the boulevard of "The Great Indian Steel Dream".

## ORGANISED BY



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# Tackling the coal crisis: Gujarat NRE way



**ARUN KUMAR JAGATRAMKA, CMD, GUJARAT NRE COKE LTD, FEELS THAT INDIA NEEDS TO RAMP UP ITS COAL PRODUCTION, EXPLOIT ITS OWN RESOURCES AND SUPPLEMENT THE SAME WITH IMPORTS TO TIDE OVER THE PROBLEM. EXCERPTS FROM A FREE WHEELING CHAT WITH ADITI GUHA**

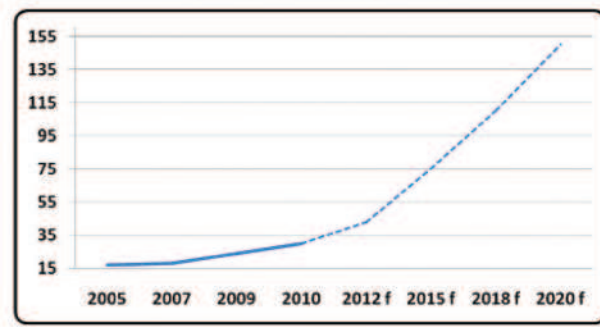
## We hear of reports of a looming coal crisis facing India. What is the actual picture and how grave is this crisis?

To start with, the crisis is serious. The scenario is graver in case of coking coal since India does not have prime quality hard coking coal resource. As per the revised estimate of the 11th planning commission, India would need to import 83 MT of coal by 2011-12. This includes 43 MT of coking coal and 40 MT of thermal coal. This when extrapolated, by 2020, based on our projected growth in the power and steel industry we are starting at a whopping shortfall of 500 MT per annum of coal which needs to be imported. This includes over 150 MT of prime hard coking coal.

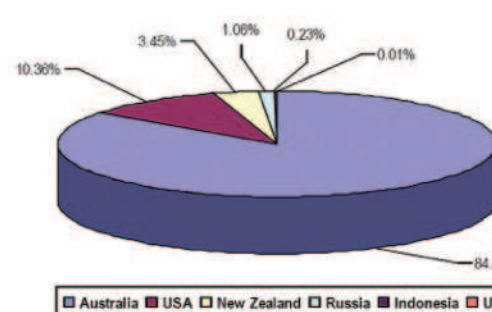
## What is the way forward to ensure India's coal resource security?

India will require to ramp up its coal production in a big way and exploit its own resources to the maximum and supplement the same with imports. To bridge the gap between demand and supply, India Inc has to venture to acquire coal resource abroad. There have been some recent initiatives but that is not enough. Australia is the largest exporter of coal in the world and opportunities exist for huge investments in Australia and secure coal offtake for thermal and semi soft coking coal. However, the scenario for hard coking coal is much tighter. The recent acquisition done by Adani group is a commendable effort in secur-

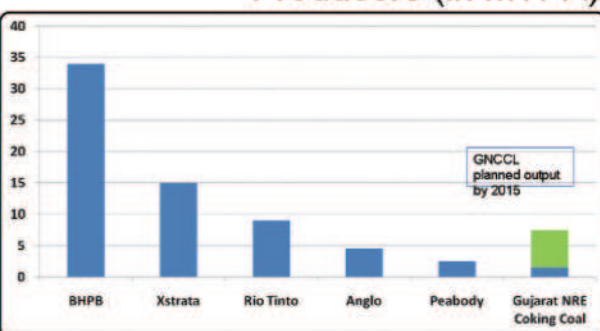
## Indian Coking Coal Imports (In Million Tonnes)



## Indian Coking Coal Imports—Source country (in 2009)



## Australian Hard Coking Coal Producers (in MTPA)



ing a large thermal coal asset even though further coal exploration and infrastructure development is yet to start and had cost ₹12221 crore (A\$ 2.9 billion). Taking reference to the Adani group's acquisition cost of the asset for thermal coal which is trading at US \$ 80-90 per tonne, and comparing it with coking coal which is currently at around US \$200-225 per tonne, one can easily understand the present value of the Gujarat NRE coking coal mines which are both in production.

## Gujarat NRE has coking coal mines in Australia. What is the current status of your Australian operation?

Gujarat NRE owns and operates two coking coal mines having over 572 million tonnes of prime quality hard coking coal resource. We are the only stand alone pure coking coal mining company focussed on hard coking coal while all other hard coking coal is consolidated within the five big mining majors.

Our mines are under operation and we have already invested A\$ 400 million in development of the mines and plan to invest another A\$ 450 million to increase the production from our coking coal mines. The necessary infrastructures are well in place with excellent rail / road connectivity, and our mines are in close vicinity to the uncongested Port Kembla Coal Terminal. We are presently producing 1.5 million tonnes of hard coking coal which would go up to over 2.2 million tonnes by the end of this fiscal and would

steadily increase to 6 MTPA by 2014-15.

## Any acquisitions in the pipeline?

We are open to more acquisitions and would certainly go for it as and when opportunity arises. Just to refresh our memories, Gujarat NRE has around 7% stake (second largest stake holder) in Pike River Coal Ltd, New Zealand which produces hard coking coal and also 12% stake in Rey Resources which has coal and coal gas methane exploration tenements.

However, I strongly believe in value based acquisition and would never get into a deal for the glamour of doing the deal. Another important point to note is that the quality of coal in our mines is second to none in the world and such mines are not available at all. As such we are concentrating on developing both our mines to their full potential.

## Investors are ecstatic by the returns that your company has given them in the recent past. How do you foresee the future of a long term investor in your company?

(Smiles) We have always believed in creating wealth and sharing it with our shareholders. We have paid six bonuses in the last seven years and have constantly paid dividends on the enhanced equity base. We were identified as the fourth best performing stock of this decade (CAGR wise) as per a report in *The Times of India*. I would not be surprised if we repeat the feat in the current decade to 2020 as well.

## Upcoming ICAI Conference on Capital Markets

The Eastern India Regional Council of The Institute of Chartered Accountants of India (ICAI) is hosting a full-day conference on Capital Markets being organised by CMII & CFMP on September 11, 2010 at Hotel Oberoi Grand in Kolkata. The theme of the conference is **Indian Capital Market – its growth potential and challenges**. The conference is being organised in an apt time when many economists around the world are echoing worried voices based on developments over the last quarter which are creating perceptions that sustainability of the global recovery may be turning somewhat adverse and not as strong as was expected. The silver lining however is that foreign funds continue to put money into the Indian market as it is seen as a safer destination with our financial system robust and well managed.

The conference has a host of eminent speaker which includes CA Amarjit Chopra, President, ICAI; CA G. Ramaswamy, Vice-President, ICAI; CA S.P. Tulsyan; CA Nilesh Shah, Dy MD, ICICI Prudential AMC; Joseph Massey, MD & CEO, MCX, Mumbai; CA Panjaj Jain and Mudar Pathery among others.

Speaking on the initiative, Arun Kumar Jagatramka, CMD Gujarat NRE Coke Ltd and a Keynote speaker at the conference, who himself is a CA and bears the distinction of being an all India 1st rank and a gold medalist said "Chartered Accountants act like mirrors for the corporate world. Internally they advice to the management what corrective actions need to be taken and externally they represent the corporate world, reflecting the initiatives and connecting with the outside world."

CA Subodh Kr. Agrawal, programme co-chairman and chairman, Committee for Members in Industry, ICAI opined that while the conference would primarily debate and discuss the role of capital markets for inclusive economic growth, it would also look at the impact of European upheaval on the world economy and implication of hedge fund on Indian capital market. "The conference would also deal with topics of interest to the general investors like wealth creation through common sense and annual reports and wealth creation, thus paving a wholesome discussion to the road ahead for the Indian Capital market", added CA Sumantra Guha, Programme Director. Further details of the event may be obtained by dialing +91-9831384972 or 033- 30211104/33/32.