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## GARAM MASALA AT GLOBAL STEEL



**JIM LENNON,**  
RED DOOR RESEARCH  
Can India match  
Chinese growth rates  
in steel?

Since 2000, Indian steel demand growth has averaged 7.6% a year while China's been 13.6% a year. India has fallen way behind China and last year's Indian steel consumption per person was at the same level that China achieved in 1992.

Crude steel production in India was around 81 MT last year and almost 800 MT in China. We need to examine China to check what triggered its rapid growth and see whether these triggers are or can be present in India.

China's growth was caused by many factors including an export-led boom, and government building massive infrastructure, debottlenecking the economy and lowered costs. High-savings rates plus a massive balance of payments surplus provided plentiful funds for investment-led growth. We will review the factors that could allow India to repeat the China experience.



**ANDREA CORNWELL,**  
VALE  
Vale presents the benefits of Mozambique coking coal in the Indian market, focusing on market and technical reasons.

Mozambique premium coking coal on a delivered basis provides a supply diversification source for India. Vale's Moatize project has a mine life of over 40 years and is cost competitive, giving a stable and high quality source of supply, especially as the market tightens in the medium term. Strong technical advantages provide compelling reasons for Indian consumption of this coking coal. Strong coking properties, high reactive content, benign ash chemistry, good carrying capacity, make this a good core coal. It is capable of being blended, with lower grade coals, Indian domestic coal, and especially with non-recovery coke oven technology, or with standard gravity fed coke ovens. The first phase commenced in 2011 with 9 MT having been exported in the last three years. The expansion phase that takes Moatize to 22 MTA of coal begins commissioning in 2015.



**DR NEIL J BRISTOW,**  
H & W WORLDWIDE CONSULTING

The global economy is at a crossroads. The traditional engine of growth of the past few years, namely China is slowing, Europe remains stuck in an economic stall and the US is only growing slowly. These facts present major problems for the global steel and steelmaking raw materials industries.

Weak steel conditions have seen industry restructuring with much more to come, years of raw material shortages have led to a strong supply response resulting in overcapacity in iron ore and coking coal, and prices that are causing major cost reduction initiatives and mine closures. The situation is not sustainable.

What will the future hold? More of the same or will there be a realisation that current short-term actions are not long-term strategies and that a more progressive longer term view is required in both the steel and iron ore and coking coal industries? Bringing together major players across the spectrum presents a great opportunity to consider a new world of mutual benefit rather than the antagonistic approach adopted by selected participants. Global Steel 2014 is that forum and should set the scene for an interesting 2015 and beyond.



**SRIDHAR KRISHNAMOORTHY,**  
GERDAU STEEL INDIA  
The process of building and operating a steel plant has been a long and tough journey for us at Gerdau India, due to many factors: the unique political situation of Andhra Pradesh which went through an acrimonious bifurcation, problems in sufficient electricity supply, land acquisition, shortage of water, challenges in attracting talent, reinforcing safe work practices and finally, the larger issue of socio economic factors that companies need to find a fine balance of.

What are the lessons learnt from the challenges we faced and what can be done to make our environment more investor friendly?



**DILIP OOMMEN,**  
ESSAR STEEL

Steel is crucial for the growth of any economy. Steel industry contributes over 3% of India's national GDP and

employs directly and indirectly more than two million people. In 2013-14, India produced 87.67 MT of finished steel and was ranked fourth largest steel producer in the world, after China, Japan and the US. However, the per capita steel consumption in India is low at 59 kg as against the world average of around 214 kg. It is therefore essential that the economy must grow fuelling steel consumption. A conducive environment has to be provided for the rapid growth of the steel industry.

There have been numerous issues like land acquisition, raw material availability, cost of capital, infrastructure policies and slow down of economy the world over that have come in the way of the development of the steel industry. Going forward Indian steel industry should deliberate on:

- >> Increase per capita consumption to global level, India should look at tripling its steel manufacturing capacity to 300 MT in the next 10 to 15 years.
- >> Focus on R&D to produce value added products and carve a niche for Made in India steel
- >> Focus on sustainable development considering the vast pressure it will have on mineral resource of the country.



**RENATE CAKULE,**  
WOOD MACKENZIE

The surge in Australian exports has coincided with a severe slowdown in the Chinese property sector. This has resulted in an oversupplied iron ore market and in response, iron ore prices have fallen by ~ 40% since January 2014.

This has had an adverse impact on Chinese domestic iron ore production and we estimate that almost a third of privately-owned contestable supply has already ceased with more private operators to follow suit. It will take several years for displacement to run its course in China and iron ore prices will not see a sustainable increase till 2018.



## STEELING THE RECOVERY

With the economy poised to grow stronger, steel demand is expected to be higher at around 5% in the year 2014-15 and potentially around 10% in 2015-16

The Indian economy is poised to grow much faster in 2015. Development, reforms and infrastructure are perceived to be once again ready to take the centre

### KEY SESSIONS

- >> INAUGURATION AND SETTING THE TONE
- >> GLOBAL STEEL INDUSTRY
- >> INDIAN STEEL INDUSTRY
- >> RAW MATERIAL - COKING COAL
- >> RAW MATERIAL - METALLURGICAL COKE
- >> RAW MATERIAL - IRON ORE



## SPEAKERS AT GLOBAL STEEL 2014

- >> **Narendra Singh Tomar**, minister of mines, steel and labour & employment, Government of India \*
- >> **Rakesh Singh**, IAS, secretary ministry of steel, Government of India \*
- >> **Dr JJ Irani**, former director, Tata Sons
- >> **C S Verma**, chairman, SAIL
- >> **Narendra Kothari**, CMD, NMDC
- >> **Malay Chatterjee**, CMD, KIOCL
- >> **Dilip Oommen**, MD & CEO, Essar Steel
- >> **T K Chand**, director commercial, RINL
- >> **S S Mohanty**, director technical, SAIL
- >> **Jayant Acharya**, director commercial and marketing, JSW Steel
- >> **R P Ritolia**, advisor (coal) Tata Steel & former CMD Central Coalfields Ltd.
- >> **R K Goyal**, MD, Kalyani Steels
- >> **Anjani Agrawal**, national leader-Mining and metal sector, Ernst & Young LLP
- >> **Dipak Agarwalla**, director, Saurashtra Fuels Pvt. Ltd.
- >> **Sridhar Krishnamoorthy**, MD, Gerdau India
- >> **Ernie Thrasher**, CEO, Xcoal, USA
- >> **John Kearsey**, head of research, SSI, UK
- >> **Dr Rod Beddows**, senior adviser, Royal Bank of Canada for steel and HCF International Advisers for mining
- >> **Andrea Cornwell**, head of coal marketing, Vale
- >> **Jim Lennon**, principal consultant, Macquarie, UK
- >> **John Johnson**, CEO, CRU China, Beijing
- >> **Cedric Goode**, CEO, NSL Consolidated, Australia
- >> **Andrew Wells**, managing editor, IHS, UK
- >> **Paul Bartholomew**, managing editor, Platts, Australia
- >> **Tim Hard**, director, The Steel Index, Singapore
- >> **Jim Nicholson**, vice-president, Asia, Argus Media, Singapore
- >> **Renate Cakule**, senior analyst, steel and iron-ore, Wood Mackenzie, Australia
- >> **Alan Oster**, group chief economist, National Australia Bank, Australia
- >> **Edwin Yeo**, editor, Platts, Singapore
- >> **Dr Neil J Bristow**, managing director, H & W Worldwide Consulting, Australia
- >> **Arun Kumar Jagatramka**, chairman and managing director, Gujarat NRE Coke Ltd

\*Invited

## AGENDA FOR REVIVAL OF INDIAN STEEL INDUSTRY

### High-level panel discussion on various issues, challenges and bottlenecks



**Arun Kumar Jagatramka**, chairman & managing director – Gujarat NRE Coke Ltd and conference co-chairman – Global Steel 2014 discusses the need for such a panel discussion in a free-wheeling chat with Aditi Guha

#### What is the reason behind organising this panel discussion?

The Indian steel industry is in a state of concussion. The demand for steel is at its lowest. Domestic consumption is severely affected due to lack of activity in infrastructure as well as in the manufacturing space. Most of the nation's major steel plants are not operating to their full capacity due to want of demand. On the other hand, steel plants that are ready for capacity expansion have not been able to commission their projects in time due to a host of issues like, land availability, environment and other clearances, raw material issues, credit availability, and many more. We need to break this vicious cycle and pave the path for the revival of the industry.

#### What can be done in this regard?

The only way to break this impasse is to increase domestic consumption. The domestic market has huge potential and we need to increase steel usage. The ambitious infrastructure projects and the thrust in manufacturing are steps in the right direction. The plan for smart cities, improved road and rail connectivity by building highways, bridges and dedicated freight and super fast rail corridors have huge potential to spur domestic steel demand. However, the wrinkles in the way of project implementation need to be ironed out and the much needed

#### SHARING OF ISSUES

We welcome inputs on the various challenges and issues that are being faced by the steel industry for discussion at the special session by the high-level panel

- >> Issues need to be practical
- >> Issues need to be generic in nature and not company-specific
- >> Issues should be accompanied with practical solutions
- >> We confirm absolute confidentiality if the sender of the issue so desires
- >> Issues may be sent to us by email at the following email id: [panel@globalsteel.in](mailto:panel@globalsteel.in)

policy reforms require urgent implementation to remove the bottlenecks in attaining a sustainable economic development of the nation.

#### What is the biggest challenge blocking the growth of Indian steel industry?

Crony capitalism and corruption have long been intertwined. Corruption has been identified as one of the major impediments to our growth and development. However, having identified the problem, we have failed in tackling the root cause of the problem. Instead, the public and social outcry against corruption has resulted in a total paralysis of the system. We, in an Abhimanyu like fashion, have entered the *chakravayuh* of corruption with no knowledge of striking at it or the means to conquer it; with the result that the whole country is suffering and an entire generation may be lost in recouping unless we act in time.

With the new government at the Centre, it is the right time to change

#### PARTICIPATION

Participation for the sessions is restricted to registered delegates of Global Steel 2014 only. We would also send specific invitations for participation on special request and on sharing of some genuine issues along with solutions for discussion at the session. However, invitations would be at the sole discretion of the organisers.

the course of history and break and finish the *chakravayuh* of corruption and to move forward.

#### What would the panel discussion aim to achieve?

The ease of doing business needs to be improved by relieving the industry from the burden of excessive and bad regulations. We need to scrutinize our regulations which discourage transparent and ethical businesses to flourish.

In certain cases, the numbers of regulations and laws cross epic proportions, making implementation subjective, and thus resulting in corruption. Since tougher the law or the punishment, violation would be more with a higher payout. We need laws that can be complied by the majority of Indian citizens and non-compliance be met with certainty of punishment. The high-level panel discussion is hence just an honest attempt to chart out a roadmap for the dwindling steel industry and allied sectors

#### What makes the panel discussion more relevant?

The silver lining that makes this panel discussion more relevant is that the government of the day acknowledges the challenges faced by the industry, is receptive to suggestions and is willing to bring growth back on track. We, as an industry, understand that there is no magic wand that the government may wield to bring about the desired changes instantly.

However, it needs to be understood that time is running out and it is now or never for the country. This urgency arises from the fact that the industry has been reeling under the downturn for the last six years, and a further prolonged paralysis will be lethal. Thus, an immediate booster dose is required to revive the key areas of India's development model.

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