



STEEL AUTHORITY OF INDIA LIMITED

INDIA ON HIGH GROWTH TRAJECTORY UNDER
THE NEW COMPETITION REGIME
MAY 1, 2008



✓ Competition

✓ Steel Industry Outlook

- **ECONOMISTS SPEAK ABOUT PERFECT COMPETITION**
 - PERFECT COMPETITION IS THEORETICAL, WE CAN LOOK FOR **EFFECTIVE COMPETITION**

- **EFFECTIVE COMPETITION EXISTS IF**
 - ANY ONE OR TWO ORGANISATIONS, SINGLY OR JOINTLY ARE IN A POSITION TO INFLUENCE THE MARKET
 - THERE ARE NO RESTRICTIONS/ CONTROLS
 - ON PRICE
 - ON ENTRY OR EXIT
 - THE CONSUMER AS WELL AS THE PRODUCER/ SELLER HAS SUFFICIENT KNOWLEDGE ABOUT THE MARKET
 - HENCE, THERE IS RIVALRY AMONGST THE FIRMS

COMPETITION

PRODUCTIVITY

GDP GROWTH

COMPETITIVENESS



THE ABSENCE OF COMPETITION

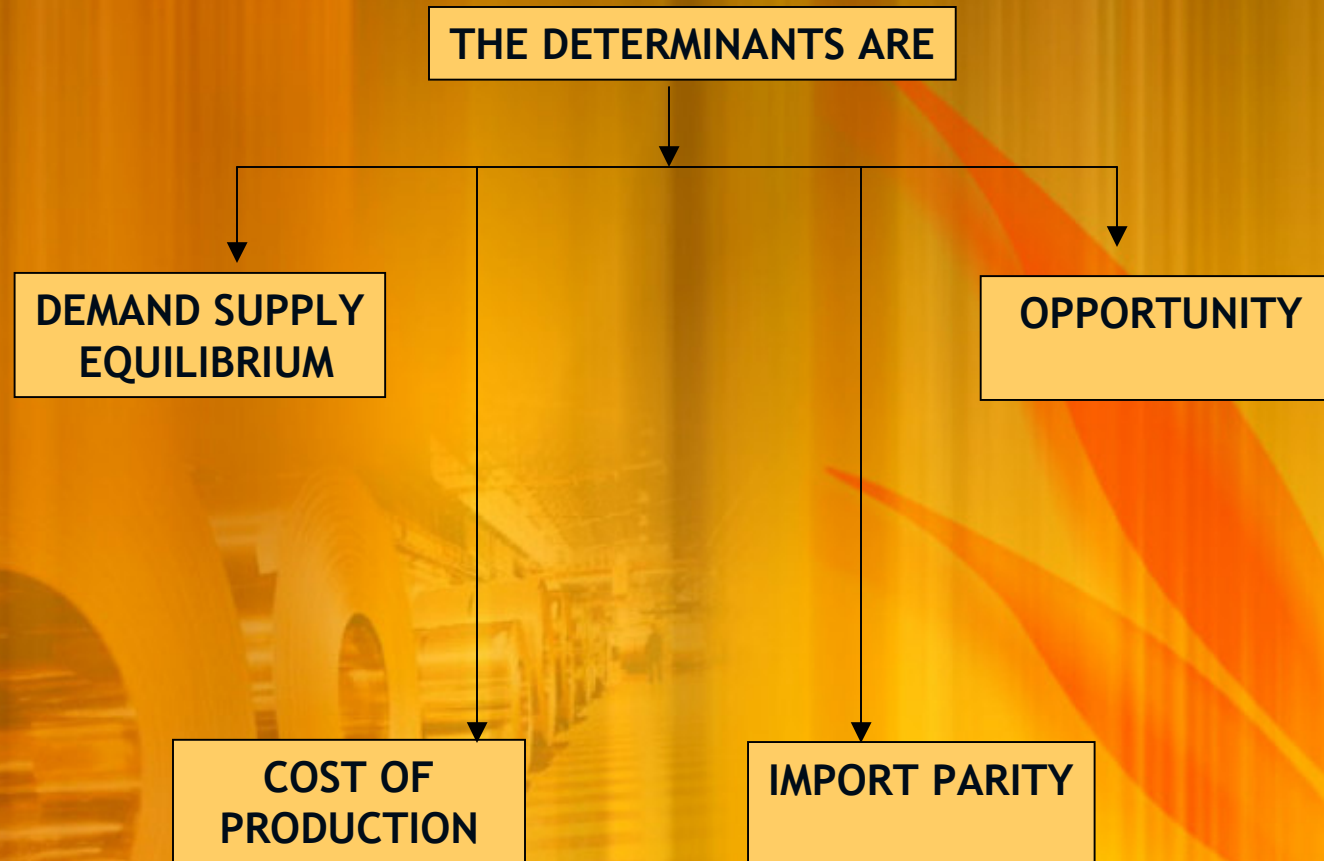
- **THE FORMATION OF CARTELS:**
 - IT MAY BE A POOL OF SUPPLIERS/ PRODUCERS/ BUYERS JOINING HANDS TO CONTROL THE SUPPLIES/ PRODUCTION/ PRICES/ DISTRIBUTION OR SALES OF PRODUCTS –GENERALLY TO GAIN UNDUE ADVANTAGE.

- **THE APPARENT AND VISIBLE IMPACT IS SEEN BY WAY OF:**
 - (UNHEALTHY) PRICE FIXATION
 - LIMITATION ON SUPPLY OF QUANTITY
 - MARKET SHARING
 - COLLECTIVE PRICE/ BID RIGGING

- **MARKET DOMINANCE BY AN ENTERPRISE**
 - TO PREVENT EFFECTIVE COMPETITION



STEEL PRICES IN INDIA





MAJOR PLAYERS IN STEEL INDUSTRY IN INDIA

- SAIL
- TATA
- RINL
- ESSAR
- JSW
- ISPAT
- JSPL
- IMPORTS



MARKET SHARE OF MAJOR STEEL PLAYERS

CATEGORY	SAIL	RINL	TISCO	SECONDARY PRODUCERS	IMPORTS
A. PIG IRON	5.3	2.8		91.6	0.2
B. SEMI-FINISHED STEEL	6.3	0.9	0.2	91.0	1.6
BARS AND RODS	7.8	11.0	5.8	73.4	2.0
STRUCTURALS	12.4	5.3	0.0	81.0	1.3
RAILWAY MATERIALS	86.8	0.0	0.0	11.3	1.9
TOTAL LONG PRODUCTS	11.7	9.5	4.4	72.6	1.9
PLATES	43.5		3.1	26.6	26.8
HR COILS/SKELP	25.6		6.0	45.0	23.4
HR SHEETS	23.0		4.9	68.4	3.6
CR SHEETS/ COILS	16.8		20.8	46.7	15.8
GP/ GC SHEETS/ COILS	10.2		15.7	62.4	11.7
TOTAL FLAT PRODUCTS	26.3		9.1	43.6	21.0
PIPES, TIN PLATES, ESS	7.6			66.7	25.7
TOTAL FINISHED STEEL	18.2	4.7	6.4	59.1	11.6

STEEL INDUSTRY IN INDIA

- STEEL WAS DE-CONTROLLED IN 1991.
 - CONTROL OF PRICES WAS REMOVED
 - REQUIREMENT OF LICENCE FOR SETTING UP STEEL PLANTS WAS REMOVED.
 - NO. OF NEW STEEL UNITS WERE SET UP .
 - THE INCREASE SUPPLY LED TO FREE PLAY OF MARKET FORCES

- OVER A PERIOD THE IMPORT DUTY HAS BEEN GRADUALLY REDUCED/ REMOVED

- THIS WAS COUPLED WITH STRENGTHENING OF RUPEE

- COMPETITION IN STEEL INDUSTRY HAS BECOME GLOBAL.



GROWTH IN GDP AND IMPACT ON STEEL

- GROWTH IN TAX REVENUE IS AT A RATE OF OVER 20% IN THE LAST 4 YEARS
- AMBITIOUS PLAN FOR GROWTH OF INFRASTRUCTURE IN 11TH & 12TH PLAN
 - AT USD 500 BILLION AND USD ONE TRILLION RESPECTIVELY.
- INCREASING INVESTMENTS FOR BASIC INFRASTRUCTURE
 - ELECTRICITY, ROADS, BRIDGES, TELECOMMUNICATIONS, RAILWAYS, IRRIGATION, WATER SUPPLY & SANITATION, PORTS AND AIRPORTS.
 - MOST OF IT IS DEPENDENT ON REQUIREMENT OF STEEL
- EXPECTING THE GROWTH IN GDP AT 8 TO 8.5%,
 - THE CONSUMPTION OF STEEL IS EXPECTED TO GROW AT A RATE OF 11-12% P.A.



CONSUMPTION AND SUPPLY SCENARIO

- THE CONSUMPTION OF STEEL IN INDIA IS AS LOW AS 40 KG PER PERSON / PER ANNUM
 - AVERAGE CONSUMPTION OF 185 KG PER PERSON /PER ANNUM GLOBALLY.
 - CONSUMPTION IN RURAL AREAS IS ALMOST NIL OR NEGLIGIBLE.
- STEEL PRODUCTION IS EXPECTED TO GROW TO A LEVEL OF 200 MT BY 2020 AS AGAINST THE CURRENT LEVEL OF PRODUCTION OF 50MT.
- THE MASSIVE GROWTH OF INDUSTRY AND INFRASTRUCTURE HAS RESULTED IN
 - TEMPORARY MIS-MATCH BETWEEN DEMAND AND SUPPLY OF STEEL IN INDIA,
 - INDIA BECOMING NET IMPORTER OF STEEL,
 - CAPACITY EXPANSION IS EXPECTED TO BRIDGE THE GAP BY THE YEAR 2010.
- EVEN GLOBALLY, THE IMPROVEMENT IN PRODUCTION AND DEMAND OF STEEL IS EXPECTED TO GROW OVER 6%.



COMPETITIVE SCENARIO IN STEEL INDUSTRY

- THE PRESSURE OF INPUT COST GOING UP IS TREMENDOUSLY.
 - THE COAL PRICES HAVE ALMOST TREBLED.
 - THE PRICE OF OTHER INPUTS ARE ALSO INCREASING.
- IN VIEW OF INCREASE INFLATION IN THE COUNTRY THERE IS PRESSURE OF THE GOVT. TO NOT TO INCREASE PRICE OF FINISHED PRODUCTS.
- IMPORTS OF BOTH INPUTS AS WELL AS FINISHED PRODUCTS HAVE BEEN MORE LIBERALISED.
- EXPORTS ARE UNDER PRESSURE IN VIEW OF ENSUING LIKELIHOOD OF HIGH EXPORT DUTY
- IN THE FIERCE COMPETITIVE WORLDWIDE, THE COMPANIES HAVE THE ONLY OPTION OF CUTTING DOWN THEIR COSTS TO MAINTAIN THEIR BOTTOM LINE.



SAIL STRATEGY TO REMAIN COMPETITIVE

- **SAIL HAS TAKEN A NUMBER OF STEPS TO REMAIN COMPETITIVE SUCH AS:**
 - **CONTINUOUSLY IMPROVING TECHNO-ECONOMIC PARAMETERS LEADING TO REDUCTION IN CONSUMPTION OF COAL / COKE, ENERGY CONSUMPTION.**
 - **IMPROVING PRODUCT-MIX BY ADDING MORE OF VALUE ADDED PRODUCTS LEADING TO IMPROVEMENT IN REALISATIONS.**
 - **REACHING OUT TO CONSUMERS BY SETTING UP DEALER NETWORK IN EACH DISTRICT OF THE COUNTRY.**
 - **IMPROVING SYNERGIES BY WAY OF ENTERING INTO JOINT VENTURES, MERGERS AND ALSO ESTABLISHING NUMBER OF MOUs.**



SAIL STRATEGY TO REMAIN COMPETITIVE

- **SAIL HAS ALSO TAKEN MASSIVE MODERNISATION/ EXPANSION PLAN THAT WOULD RESULT IN BETTER PRODUCT MIX SUCH AS**
 - PRODUCTION OF TRACK FOR METRO RAILS,
 - PRODUCTION OF BEAMS AND PLATES OF WIDER WIDTH FOR LARGE INFRASTRUCTURE PROJECTS,
 - PLATES AND PIPES FOR TRANSMISSION OF HIGH PRESSURE OIL AND GAS.

- **LOWER CONSUMPTION OF COKE AND ENERGY BY**
 - IMPROVING TECHNOLOGY.
 - USE OF ENVIRONMENT FRIENDLY MEANS OF PRODUCTION.
 - DOING AWAY WITH ENERGY IN-EFFICIENT ROUTES OF PRODUCTION SUCH AS TWIN-HEARTH, INGOT ROUTE

- **SAIL IS TAKING PROACTIVE ACTION TO REMAIN THE MARKET LEADER AND ALSO KEEPING ITS COSTS AT LOWEST TO REMAIN COMPETITIVE.**



EXPECTATION OF THE SOCIETY

- EXPECTATIONS OF THE STAKE HOLDERS ARE NEVERTHELESS INCREASING.
 - THE SHAREHOLDERS LIKE TO HAVE IMPROVED DIVIDENDS
 - THE SOCIETY EXPECTS THE LARGE ORGANISATION TO CONTRIBUTE TO THE SOCIAL CAUSE
 - THE EMPLOYEES LIKE TO HAVE BETTER PAY PACKAGE.
- SAIL IS STILL THE FRONT RUNNER TO FULFIL THE EXPECTATIONS OF ALL THE STAKE HOLDERS.