

# Steeling for the 'India story'

Private sector steelmakers have aggressive expansion plans with the end of the decade, betting on faster economic growth



ISHITA AYAN DUTT  
Kolkata, 10 July

On June 30, mining and metals giant Vedanta, announced that it had decided to initiate a strategic review of its steel and steel-making raw material businesses. The review would begin immediately and evaluate a broad range of options, including but not limited to a potential strategic sale of some or all of the steel businesses, the company said in its stock exchange filing.

The signs have been there — approaches had been made by steel players over the past year. Last December, Anil Agarwal, chairman, Vedanta group, told *Business Standard* that the steel plant capacity was about 3 million tonnes (mt). “We have to take it to 15-20 mt. We are either in that business or we are not.”

Vedanta’s philosophy is to be among the top three in any business that it operates. But getting there would require huge investments. That’s because the top three on the steel league table are sitting on a high perch — JSW Steel at 27.7 mt, Tata Steel 21.6 mt, and Steel Authority of India Ltd (SAIL) at 19.53 mt. And they too are upping the game.

Vedanta entered the steel sector in 2018 with the acquisition of Electrosteel Steels for ₹5,320 crore under the Insolvency and Bankruptcy Code (IBC), outbidding Tata Steel. It was on the Reserve Bank of India’s first list of non-performing assets (NPAs) to be resolved under the nascent insolvency law.

The Bokaro-based steel plant had an installed capacity of 2.51 mt, but the operational capacity at the time of acquisition was 1.3 mt. “Post-acquisition, Vedanta ESL has been able to increase its operational capacity to 1.6 mtpa through various business improvement projects and debottlenecking projects,” a company spokesperson said.

An expansion to 3 mt is in the works. Still, in the overall plot of a natural resources conglomerate like Vedanta and in an industry that’s growing at breakneck speed, it’s a minnow.

Steel production in India is dominated by six large integrated players — Tata Steel, JSW Steel, AM/NS India, JSPL and public

## THE STEEL MAP

Crude steel capacity:  
**157.585 million tonnes**

Crude steel production:  
**124.72 million tonnes**  
(provisional)

■ SAIL RINL, Tata Steel Group, AM/NS India, JSW Steel, and JSPL together produced **76.681 million tonnes, 61%** of total production

■ The remaining **48.039 million tonnes** came from the other producers

Note: As of January–December 2022  
Source: Ministry of Steel annual report 2022–2023

### ...AND WHERE IT'S HEADED

■ Between FY24 and FY26 about **30 mt** is expected to be added by JSW Steel, Tata Steel, JSPL and AM/NS India

■ Between FY26 and FY31, capacity addition by the big four private manufacturers and SAIL, is expected to be more than **70 mt**

Source: Industry

sector steel majors, SAIL and Rashtriya Ipat Nigam Ltd (RINL). And the first five are adding to their muscle.

About 30 mt capacity is expected to be added between FY24 and FY26 just by the four private sector players — JSW Steel, Tata Steel, Jindal Steel & Power and ArcelorMittal Nippon Steel (AM/NS India), according to Icrs. Between FY26 and FY31, the capacity addition according to company announcements by these players and SAIL, is expected to be more than 70 mt.

The domestic steel industry is quite concentrated at present, with the top five producers accounting for a little over 55 per cent of the total installed domestic

capacity, Jayanta Roy, senior vice-president, Icrs, said.

“The leading players are also in the midst of large expansion projects, which will increase their share in the total installed capacity to over 60 per cent after completion of these projects in the next three to four years.”

Steel demand is intrinsically linked to the growth of the economy and companies are betting on the India story. “If India’s GDP grows at 6 per cent, then steel consumption should grow at that rate at least. That’s about 7 mt a year on the current base. To stand on the spot and retain our market share, we need to expand,” a top steel producer explained.

Domestic steel demand, according to Crisil, is expected to grow by 7-9 per cent in FY24 and by a compounded annual growth rate (CAGR) of 5-6 per cent over the next five years. It’s largely fuelled by the government splurge on infrastructure; steelmakers are looking to grab a share of it.

India’s targeted steel capacity for 2030 is 300 mt and the top players have tuned their plans accordingly — JSW Steel is eyeing 50 mt, Tata Steel 40 mt, SAIL 34-35 mt, JSPL more than 25 mt (its capacity as of FY22 was 9.6 mt).

AM/NS India is going to 15 mt at Hazira, Gujarat, by early 2026 from a current capacity of 9 mt. It has options of taking Hazira capacity further to 20 mt and a 12 mt greenfield project in Odisha.

The major steelmakers have cornered the bulk of the capex spend in the last five years as well. “Around ₹2-2.2 trillion has been spent on capex (growth and maintenance) over fiscals 2018-2022 (both years inclusive),” Hetal Gandhi, director-research, Crisil Market Intelligence and Analytics, said, adding that the top six players accounted for close to 70-75 per cent of that spending.

In FY23, around ₹50,000 crore has been spent on capex with the top six accounting for 75-80 per cent of the spend. “Going ahead, the share is expected to remain elevated given aggressive capacity additions by the integrated steel players,” she added.

The mega capex plans entail big bucks. The estimated capex for greenfield capacity expansion via the blast furnace route typically is ₹5,000-6,000 crore per million tonne of crude steel capacity. For brownfield it’s about ₹3,000-4,000 crore per million tonne.

The expansion planned is mostly organic but acquisitions may speed it up. Opportunities are ahead with disinvestment targets like NMDC Steel and RINL. The sale process for NMDC Steel’s 3 mt steel plant in Chhattisgarh has started — six companies have reportedly submitted expressions of interest including JSW Steel, JSPL, AM/NS India and Essar.

The disinvestment of RINL — the corporate entity of the 7.3 mt Visakhapatnam Steel Plant — is also expected to pick up speed at some point.

The last phase of consolidation in the industry was led by IBC. In 2018, when five stressed steel assets were auctioned from the RBI’s first list of NPAs, it had opened the floodgates of opportunity — Tata Steel bagged 5.6 mt Bhushan Steel and JSW Steel, 2.5 mt Bhushan Power & Steel and 1 mt Monnet.

It also marked the end of ArcelorMittal’s decade-long struggle to set up steel plants in India. The global steel major acquired Essar Steel jointly with Nippon Steel. And Vedanta acquired Electrosteel.

That story, however, is still unfolding with a “strategic review” underway — perhaps, Vedanta’s upcoming AGM will help shed more light.