

ESSAR STEEL

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Essar aggressively promoting steel use in buildings

Jatinder Mehra , Managing Director, Essar Steel A graduate in Chemical Engineering, Jatinder Mehra started his career with the Steel Authority of India Ltd. After working in various capacities in SAIL, he joined as Director (Operations) of Vizag Steel in 1992, and became its Chairman- cum- Managing Director in 1993. On his superannuation as CMD, he joined Essar Steel in May, 1997 as its Managing Director. Mehra has served the steel industry for over 36 years, and he is recipient of several awards. In this exclusive interview with S M Sundaram of MMR, Mehra talks about the various steps taken by Essar to improve its performance and how the Indian steel industry is tackling the mismatch between supply and demand.

MMR: What is the trend in production performance so far? Will you be closing the year at a higher level than the last year's? Could you provide some details?

J.M. : Yes, we have ended the year with a higher production both in hot briquetted iron and hot rolled coils.

Product	2000-01	1999-2000	% change
Hot Briquetted Iron	1.662	1.582	+5%
Hot Rolled Coils	1.680	1.530	+10%

(all in million tonnes)

MMR: You stated at the time of Q1 results announcement that the cost cutting measures would result in a lower cost by Rs.1500 per tonne this year. What are the specific areas targeted for cost reduction? Are you hopeful of achieving the target?

J.M.: At the time of announcing the Q1 results, we had targeted the following areas for cutting cost:

- Reduce cost of power by using alternate fuels.
- Reduce specific consumption of power in steel making.
- Increase the yield factors at various stages of steel making.
- Increase utilisation at various stages of iron & steel making.

We have been largely able to achieve the target set by us.

Use of alternate fuel for generating power: We are now using 100 per cent NG for generating power and have replaced liquid fuel. This has yielded considerable benefits as our power cost has reduced drastically.

Reduce specific consumption of power in steel making: Technological improvements in the EAF (electric arc furnaces) have helped us reduce the specific consumption of power in steel making by 20 per cent. The key factor in achieving this reduction has been the charging of hot DRI in steel making.

Use of better metallic inputs to iron making and use of high quality scrap in steel making has improved the yield factors.

Various process re-engineering and technological improvements undertaken in the plant have improved the utilisation factor in all the shops.

However, our initiatives to achieve cost reduction could have been better but for the increasing cost of major inputs like iron ore and natural gas, the prices of which are controlled by the Government.

MMR : You are the largest exporter of HR coils. With the softening of international prices witnessed recently and anti-dumping duties in the US & EU, is it possible for you to maintain the export performance? Or do you foresee deceleration in exports in the coming year?

J.M. : Despite the anti-dumping duties in the US and EU, we continue to be the largest exporter of HR coils from India for the fifth consecutive year since our inception. In the year just ended, we have registered a growth of 8 per cent in exports in volume terms from 645,000 tonnes to 699,000 tonnes.

However, filing of anti-dumping proceedings in the US and price undertaking for exports to the EU, have affected our exports.

MMR: There is an excess of supply over demand for HR. Do you anticipate growth in this segment in the immediate future? If not, what action are you contemplating to expand the market?

J.M.: Though there is an excess of supply over the demand for HR, this segment experienced growth of approx. 6-7 per cent during 2000-01 over 1999-2000. However, the demand growth is insufficient to absorb the availability. Hence, there is an urgent need to promote the consumption of steel amongst the consumers in the domestic market. In any case, if the current demand growth is any indication, the excess supply should get absorbed in the next three-four years.

Several programmes, industry-led as well as by individual producers, have been initiated to promote the use of steel. These programmes focus on steel as a substitute to traditional materials like wood, aluminium, etc in various applications, use of steel in construction of bridges, quake resistant dwellings, commercial and residential buildings, pre-fabricated structures, steel body for trucks, grain storage bins, etc. Apart from promotion in the media, several seminars focusing on the above applications have been organised for the benefit of the user industry enumerating the advantages of steel over other materials. INSDAG has been promoted by the joint Plant Committee to undertake such projects on behalf of the industry. INSDAG has plans to organize training programs for the faculty members from some of the premier engineering colleges to promote the use of steel in construction.

As a steel producer, we have helped the industry by concentrating on exports to ease the pressure on the domestic market. Similarly, other exporters are also taking initiatives to export steel from the country.

MMR: Essar has attempted to promote more use of steel in buildings, it is believed. What is the response?

J.M.: Essar is aggressively promoting the use of steel in buildings especially the pre-fabricated buildings. With an objective to increase its presence in this segment, the company has tied up exclusively with a company specialising in building construction using steel. The response has been encouraging.

In fact, Essar is supplying 1000 quake resistant dwellings to the quake affected people of Gujarat. The dwellings are made completely out of our steel. The, response to the first lot of dwellings has been positive.

MMR: Has the Budget helped the steel producers to overcome their difficulties? If not, what are the specific measures you have suggested to the Govt.?

J.M. : The Budget has come as a disappointment to the steel industry. Despite a series of recommendations by the Ministry of Steel and the industry, no specific reliefs have been granted to the steel industry.

However, the Budget provides focus on infrastructure, which is crucial to spur industrial growth. We expect that the rationalisation of duty structure on steel consuming industries, such as white goods and automobiles, would spur demand for steel.

MMR : Essar has worked out a 2- pronged strategy to reduce its debt burden. What is the status? Do you visualise any problem in achieving this?

J.M.: Essar has already restructured its debt to ensure better cashflow i.e. extension of maturity and reduction of interest.

Essar Steel first approached unsecured debtors of USD 250 million - FRN holders for extension of maturity. The maturity of this debt has since been extended for a further 5- year term.

After successful restructuring of the FRNS, the company approached domestic secured debtors with a similar request. The company has received the approval from the lead domestic lending institution for extension of maturity by a further period of 8 years.

In addition, partly secured creditors have also agreed for extension of maturity by 5 -6 years.

MMR : In the first quarter of the fiscal 2000-01, Essar came into the black. What is the trend like? Will you be ending the year with net profit? If so, how much?

J.M.: While the financial performance in the 1st half registered improvement, the 2nd half of the year witnessed severe erosion of the prices both in the export and domestic markets.

The financial results of the year 2000-01 are under compilation.