

VIZAG STEEL

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CORPORATE BROCHURE



The image shows three steelworkers in silhouette, wearing hard hats and clear face shields, standing in front of a bright, glowing background of molten steel. The workers are positioned from left to right, looking towards the right. The overall scene is dominated by warm orange and yellow tones from the molten metal.

Jewel of India

Steel production in India may not match the volumes being produced in China but it is still a massive industry, as Alan Swaby learns in conversation with one of the most productive manufacturers in the country



The Indian economic boom is such a hot topic of discussion in the media that we tend to think of it as a recent development. The quickening pace actually goes back to 1991, when the government opened up the economy to outside interests— but the seeds were sown even before that date.

In preparation for growth, the government realised that greater capacity of iron and steel making was needed. It already had the Steel Authority of India (SAIL is the largest publicly owned facility, with a capacity of 13 million tons per annum) and in 1982 set up Rashtriya Ispat Nigam Limited (RINL) with the sole purpose of building a new plant, strategically placed to serve the south of the country. Although RINL will next year celebrate its 30th anniversary, it will be another 10 years before the Vizag plant in Visakhapatnam, in the state of Andhra Pradesh, will get around to its own celebrations through realization of its potential for growth at Visakhapatnam.

The plant itself is among the most efficient in India and the last time a comprehensive analysis was made in 2004, by the economic consultants CRU, Vizag had the fourth lowest costs and the best conversion efficiency rate in the world compared with other long product manufacturers.

Long products is industry terminology for items such as wire rod, reinforcing bars, structural profiles and specialised bars that are made in long lengths. These products are being used extensively in the infrastructural boom that is found everywhere in India and form the backbone of Vizag's commercial success. Despite being up

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against the formidable Tata group, which itself has 1.5 million ton capacity in longs, plus literally hundreds of smaller producers recycling scrap metal into longs, Vizag is the largest producer with a 10 per cent share of the market.

Growth in India, other than from investments in infrastructure, is linked with the fate of the rural community—not the wealthiest sector of society. “Traditionally,” explains chairman and managing director AP Choudhary, “Indians like to

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buy products that last a lifetime, however, there is a definite shift in preference from durability to affordability, which has triggered growth in demand for consumer items built to a lower price.”

Although the Vizag plant was designed as a three million ton per annum mild steel plant, output has been tweaked several times already in its history depending on market needs. There is now a sizable automotive industry in the south located between Bangalore and Chennai, making affordable and cheerful runabouts for locals. These call for a better grade of steel, incorporating micro amounts of additional alloys. From next to nothing in 1997, 75 per cent of Vizag’s output is now in this value-added grade of steel and no other plant in the country makes more.

More diversification is on the horizon. Early

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Dasturco has been associated with Vizag Steel as principal consultant for over three decades. Vizag Steel is doubling its present capacity of three million tons, and Dasturco is providing consultancy services for this expansion programme. Dasturco is also preparing a project report for its next phase of expansion to 11/12 million tons and a master plan to reach 20 million tons.



next year the capacity of the plant will effectively be doubled from 3.0 million to 6.3 million tons per annum when new facilities come on stream at a cost of US\$2.4 billion—all paid for without loans, from accrued profit.

Further down the line there are plans for collaboration with Indian Railways to produce axles for rolling stock using semi-finished steel from the plant. This is planned for 2014 while a couple of years later capacity should jump yet further to 11 million tons per annum based around a flat sheet production line with capability to produce high end special grades of steel. It's possible that finance for the latter two developments will partly come from borrowings and dilution of the government's current 100 per cent share holding through an IPO.

More investments have been made in the search

for a strategic stake in both iron ore and coal mining companies to exercise greater control over high costs of raw materials. There is even a scheme to diversify into cement production which will enable some of the fly ash and slag produced in the iron conversion process to be used productively.

With a huge land bank at its disposal, the 20,000 acre site has sufficient space to accommodate even more expansion than is already on the drawing board. Depending on which consultant you listen to, capacity could go to 20 or 25 million tons, should demand warrant this kind of growth.

Not only has its location been instrumental in Vizag's success, but the fact remains that the plant was ahead of its time when built. "Even by today's standards," says Choudhary, "the plant is exceedingly green. From day one it was



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designed to be sustainable and incorporates advanced technology in both the coking plant and blast furnaces, capturing what would be otherwise wasted heat and using it to generate electricity upwards of 40MW of power. The steel melt shop and rolling shops also play their part, reducing CO2 emissions by an estimated 12 per cent by recycling waste heat.”

Vizag was also way ahead of its time with an ambitious objective to plant one tree for every ton of steel produced. So far something like 40 per cent of the site's area has been greened in protected belts by around 4.5 million trees. Add to all of this the two per cent of profit that is earmarked for

social projects—schools, community health and a wider encouragement of entrepreneurial activity are all being helped by Vizag contributions—and you begin to see the esteem in which this iron and steel making business is held.

Government recognition has followed with the elevation of Vizag to Navratna status. Literally meaning 'nine jewels', Navratna originally referred to an ornament made from nine precious stones but now represents a highly selective group of (currently) 16 public sector companies that have been given greater autonomy to compete in the global market.

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