

September 20, 2023

**SECTOR REPORT** | Sector: Metals and Mining

# Steel Majors' Capex Plans

## Indian steel producers in a race to capture the Indian steel market...

### Key pointers of the National Steel Policy 2017 and its targets

The Indian Ministry of Steel set big targets for the growth of the Indian steel sector until 2030 on the back of having strong backward and forward linkages in terms of material flows and income generation. It is also one of the most important products of the modern world and of strategic importance to any industrial nation. From construction, industrial machinery to consumer products, steel finds its way into a wide variety of applications. According to the Ministry of Steel, in India, steel has an output multiplier effect of nearly 1.4x on GDP and employment multiplier factor of 6.8x.

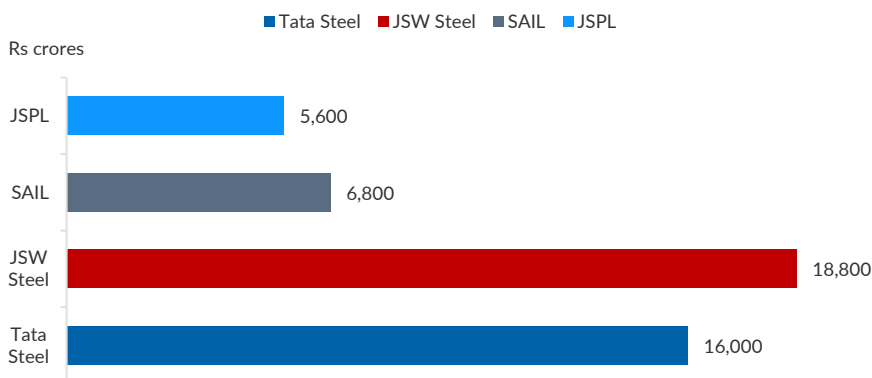
The key objectives outlined in the National Steel Policy are as follows-

- Increase per capita steel consumption to 160 Kgs (currently 81kgs) by 2030-31 by domestically meeting entire demand of high grade automotive steel, electrical steel, special steels and alloys for strategic applications by 2030-31.
- Increase domestic availability of washed coking coal so as to reduce import dependence on coking coal from ~85% to ~65% by 2030-31.
- It is anticipated that a crude steel capacity of 300 MT will be required by 2030-31, based on the demand projections and per capital steel consumption goals. BF/BOF route is expected to contribute about 60-65% of the crude steel capacity & production with remaining 35-40% by EAF & IF route in 2030-31.

In order for India to achieve its goals, government support on the policy front to help the steel producers has become quite necessary. The current capacity of Indian steel producers is ~160 MT whereas India's consumption is ~124 MT on an annual basis as per the latest data from World Steel Association. In order for India to nearly double its capacities, the ministry of steel believes that an investment of about Rs. 10 lakh crores would be required.

We take a look at the major players in the Indian steel business and how their capex plans line up for the targets they have set both in the short and the long run especially for capacity additions through the BF/BOF route. Major players like Tata Steel, JSW Steel, Jindal Steel & Power, SAIL and others are taking massive capacity additions in the short run as well as for the next 7 years.

### Exhibit 1: Indian Steel Companies Capex Spends in FY24E



Source: Companies, YES Sec

### Stock Recommendations

Stock	Recommendation	TP (Rs)
Tata Steel	NEUTRAL	133
JSW Steel	REDUCE	759
SAIL	REDUCE	86

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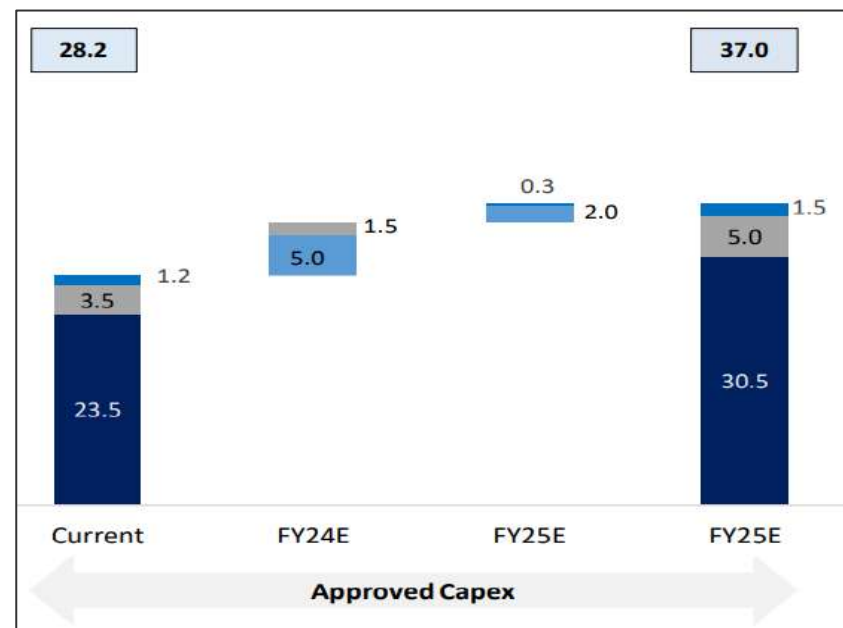
## AN OVERVIEW

In a bid to reach 300 mtpa of capacity by 2030, the Indian steel makers are in a race to capture the Indian steel industry market share. We have a look at the current pipeline of the major steel makers and how big of a market share would they be able to have by 2030. Out of the 300 mtpa capacity, 60-65% or 180-195 mtpa capacity will be through the traditional BF-BOF route. Indian steel makers are currently focused on investing in carbon capture technologies in order to curb the pollution by the steel industry. India has a substantial amount of iron ore reserves which gives the country and its steel makers a competitive advantage on the cost curve and profit margins as compared to the global competitors. We take a look at the biggest steelmakers in India and how are they placed in achieving the goals set by the Ministry of Steel for 2030-31.

### JSW Steel Ltd

JSW Steel Ltd is the largest Indian steel manufacturer in terms of capacities. The company has operations in India as well in the USA however, the company is much more focused on the Indian markets and are taking aggressive expansions in the country over the course of next two years as well as till 2030. The company's total steelmaking capacity is 29.70 mtpa. The firm's total steel capacity in India currently is 28.20 mtpa. JSW Steel plans to add ~8.0 mtpa of capacity over the next two years and maintain its position as the largest steel maker in India. The company plans to incur capex in the range of Rs. 18,000-20,000 crores on an annual basis till FY25E in order to complete its capex pipeline. The brownfield expansion at the Vijayanagar plant is expected to be completed by the end of FY24.

### Exhibit 2: JSW Steel Capacity Plans



Source: Company, YES Sec

The company wants to add 13.00 mt of more capacity post 2025 and it could either take brownfield expansions at its current sites or have a greenfield project of 13.00 mtpa in Orissa.

Organic growth options for the company after 2025:

- Brownfield growth potential of ~5mt at each of Vijayanagar, Dolvi and BPSL.
- Greenfield growth in Odisha (13.00 mt).
- Greenfield EAF at Kadapa, Andhra Pradesh Inorganic Growth.

- Selectively explore value-accretive acquisitions Value Added and Special Products.
- Maintain >50% share of VASP in total sales.

## Tata Steel Group

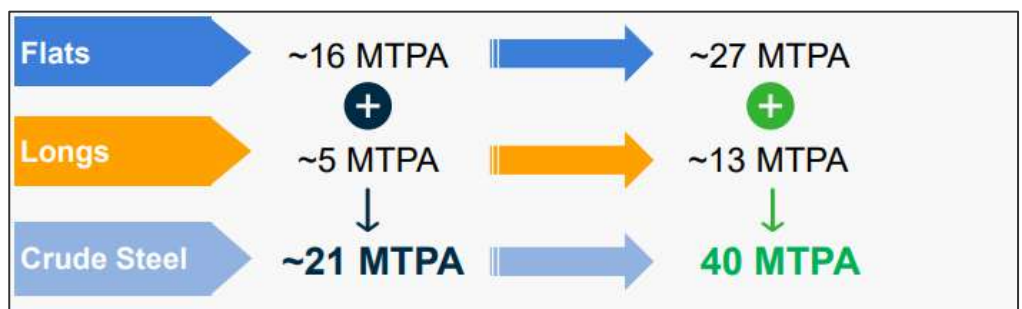
Tata Steel Group is one of the largest steel producers globally with operations in India, Europe (Netherlands and UK) and South-East Asia. The group has a total steelmaking capacity of ~35 mtpa across geographies where India accounts for 21.7 mtpa of the total. Tata Steel is scaling up to capitalize on the Indian growth opportunity which will be on the backbone of the steel industry. The company is looking to nearly double its steel making capacities in India from ~21 mtpa in 2023 to 40 mtpa by 2030.

**Exhibit 3: Tata Steel Indian Capacity**



Source: Company, YES Sec

**Exhibit 4: Tata Steel Indian Capacity Breakdown**



Source: Company, YES Sec

## Steel Authority of India Ltd (SAIL)

SAIL is a government steel manufacturer focused on operations in India. The company produces flat and long products of steel and has a total steelmaking capacity of 20.20 mtpa. Over the next few years, the company aims to incur maintenance capex at its plants and debottlenecking activities. The company plans to expense around Rs 6,800 crores for its capex activities, out of which Rs 1,500-2,000 crores would be towards the maintenance capex.

In terms of new projects, the company got in-principle approvals for IISCO and Bokaro steel plants by 4.50 mt and 3.00 mt respectively for capacity expansions. IISCO Steel plant expansion plans would be finalized during the Q3 and Q4 of this financial year. The capex for these

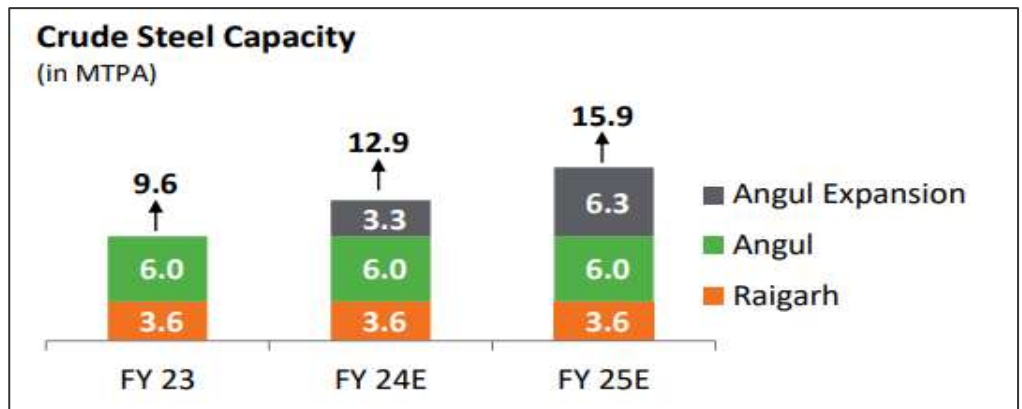
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expansions would start from the second half of the financial year. However, the company hasn't declared a timeline for any of the projects.

## Jindal Steel & Power (JSPL)

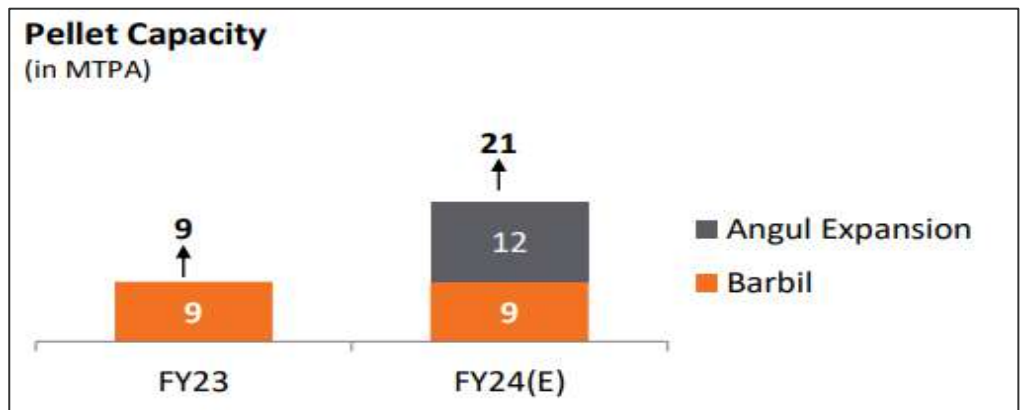
Jindal Steel & Power is an integrated steel player with operations running from mining of iron ore to production of finished steel products. The company currently has a liquid/crude steel capacity of 9.60 mtpa and a finished steel capacity 6.70 mtpa.

**Exhibit 5: Jindal Steel & Power Capacity Breakdown**



Source: Company, YES Sec

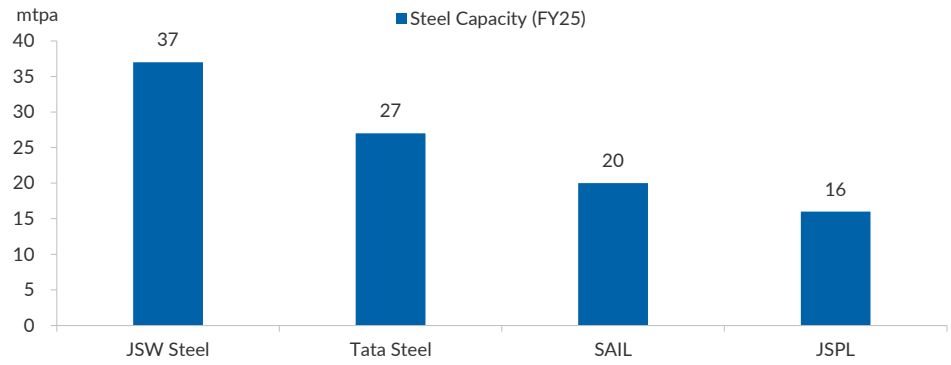
**Exhibit 6: Jindal Steel & Power Capacity Breakdown**



Source: Company, YES Sec

## How will the steel players look at the end of FY25?

**Exhibit 7: Steel Majors Capacities by the end of FY 25....**



Source: Company, YES Sec

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