

● 5-MTPA JV UNIT

Govt in talks with Japanese, Korean firms for steel plant

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PRODDED BY THE Prime Minister's Office (PMO), the steel ministry has initiated talks with Japanese and Korean steel companies for setting up a 5-mtpa steel plant through a joint venture with state-run Rashtriya Ispat Nigam (RINL) in Visakhapatnam. The proposed venture, entailing an estimated ₹30,000 crore investment, would produce high-end steel meant for automotive and other sectors aimed at imports substitution.

In preliminary discussions with the representatives of major steel producers including Posco held recently here, the ministry has ensured uninterrupted supply of iron ore, a key raw material in steelmaking and the required land, already in possession with RINL, for the proposed unit.

Aimed at giving a boost to the Prime Minister's Make in India programme, the PMO recently instructed the steel ministry to "hold discussions with the concerned ministries/parties to facilitate domestic manufacturing of high-grade steel with the help of Japanese and Korean firms."

Steel secretary Binoy Kumar told *FE* that the share-



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holding pattern of the proposed joint venture would be decided on commercial parameters.

Apart from their rich experience in the manufacturing of value-added steel, the particular reference to the Japanese and Korean firms in the PMO directive might have stemmed from the fact that India is a regular exporter of iron ore to the Japanese steel mills (since 1963) and Posco, South Korea (since 1973).

"As a part of our bi-lateral relations, we export iron ore to Japan. We also export to Posco. However, the quantity of exports is small. At the same time, we import value-added steel from these countries. So, we have asked the steel mills of these countries to consider

putting up a steel plant where they don't have to bother about raw material nor about land. A 5-mtpa steel plant in joint venture with a PSU would be win-win for both the parties," said a source.

The proposed venture will add muscle to India's capacity augmentation effort, under which the government has targeted to jack up the domestic installed steel-making capacity to 300 million tonne per annum by 2030-31 from around 134 mtpa now. However, there is no foreign steel firm doing the manufacturing here, though many tried their luck in vain in the past.

South Korean major Posco, whose representatives were present in the recent meeting, had signed an initial pact with

state-run Steel Authority of India (SAIL) in 2007 to form a steelmaking joint venture here but could not taste success. Russian firm Severstal's plan for a joint venture with another state-run firm, NMDC, also failed to bear fruit. In both these cases, the overseas partners wanted to retain the majority stake in the venture, which SAIL and NMDC opposed, leading to their death even before they saw the light of the day.

Under the SAIL-Posco pact, a 3-mtpa unit was supposed to come up at Bokaro in Jharkhand for setting up a 3-mtpa steelmaking unit last year with a ₹16,000-crore investment. The NMDC-Severstal pact, signed in 2010, was supposed to set up a 2-mtpa plant initially in Karnataka with an around ₹20,000 crore investment.

Apart from Posco and Severstal, NRI billionaire LN Mittal-led ArcelorMittal also tried hard in the past to set up greenfield steel-making facilities in India, but has not tested success yet.

Steel is one of the core sectors of the Indian economy. India is the third largest steel producer in the world. It contributes to over 2% to India's GDP.