

Monnet Ispat & Energy stays afloat amid stifling challenges

Monnet Ispat & Energy Ltd. (MIEL) is the Flagship company of the Monnet Group which is an industrial conglomerate born out of a conviction. It is this strength of conviction that makes Monnet, the second largest coal-based sponge iron manufacturer with thriving facilities at Raipur and Raigarh in Chattisgarh.

Monnet Ispat & Energy, Ltd. manufactures sponge iron, ferro alloys, mild steel billets, mild steel ingots and rolled products. The company currently manages manufacturing units for sponge iron, steel melting and rolling mill, ferro- alloys plant, power generation units, mining & mineral beneficiation of coal, iron ore and other minerals. The company is presently generating 290 megawatt of power from its Raipur and Raigarh plants for captive consumption and is also operating the single largest underground coal mine in India.

In an email interaction **Mr Sandeep Jajodia**, CMD, Monnet Ispat & Energy Ltd, shared more information about the group's activities and its strategies to overcome the challenges facing the sponge iron manufacturers in the light of rising input costs and the effects of industrial slowdown on steel demand with **Lucas D'Souza**.

Excerpts:

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Mr. Sandeep Jajodia,
CMD, Monnet Ispat & Energy Limited



The sponge iron producers are impacted by the acute shortage of raw material. How does Monnet Ispat overcome this constraint?

Monnet Group, the second largest coal based sponge iron producer in the country, has had a business philosophy of integration of operations since its inception. Under the aegis of this philosophy, the Group has developed a de-risked business portfolio through forward and backward integration of operations thereby insulating the group from the ever changing macro-economic conditions. As a result, the Group has been able to minimize the dependency on external sources for raw material requirements and has also been able to cut down the cost of the vital raw materials for its sponge iron and power plants.

What is your reaction to the Union Budget for overlooking the demand of sponge iron makers?

The Finance Minister in the budget has rightly pointed out the

concerns pertaining to the current account deficit and the importance of focusing on FDI, FII and ECB to lower the current account deficit. However, the industry was also expecting that reforms would be announced to restore investment confidence and spur economic growth as our economic growth has been below the potential growth rate in the backdrop of global economic slowdown. The budget announcements falls short of industry expectations and have not taken adequate steps in rescuing the domestic steel industry which is facing scarcity of raw materials and demand.

It was expected that the Finance Minister would take active steps to remove import duty on iron ore to tackle the problems arising out of shortage of iron ore. Besides this, a hike in the import duty on steel imports was also anticipated in order to discourage dumping of products in India and to provide

a fillip to the domestic steel industry. However, sadly no such issues have been addressed in the budget for 2013-14.

Can you please elaborate on the power generation business of Monnet Power Company Ltd., a unit of the Monnet Group?

MIEL is generating power for captive consumption and has set up a 60 Mw power plant at Raipur & a 230 Mw power plant in Raigarh. Monnet Group has gained extensive experience in setting up and operating power plants over the past several years. Therefore, from producing power for captive consumption, Monnet has transformed to be an independent power producer through its subsidiary Monnet Power Company Limited (MPCL). Endorsing its strength in this segment, the Blackstone Group has taken 12.5% stake in Monnet Power.

MPCL, the 87.5% subsidiary of MIEL, is setting up thermal power plant of IPP of 1050 Mw (2 units of 525 Mw) backed with pit head captive coal mine in Angul, Orissa. The capacity is further being enhanced to 1710 Mw by adding additional 660 Mw at the same site.

Leveraging the availability of the pit head coal mine, the Group has ensured availability of coal and has enhanced logistic efficiency of transporting coal from coal mine via conveyer belts. This has been of vital importance as it negates dependency on the domestic market for coal and considerably reduces logistics cost. All these factors collectively have enabled this project to be amongst the lowest cost generation units in the world.

Your thrust areas are steel making and power generation. Can you please explain your business strategies in both the areas?

Monnet Group has business operations in Steel, Power and

Mining and the Group is focusing in all the three areas of business operations. The group is progressing strongly in all its projects i.e. 1.5 MTPA integrated steel facility at Raigarh, Chhattisgarh to produce TMT bars, plate mill plates (PMPs), HR coils and wire rods, thermal power plant of IPP of 1050 Mw (2 units of 525 Mw) backed with pit head captive coal mine in Angul, Orissa. MIEL also has a strong presence in the mining segment and owns and operates the single largest underground coal mine in India. The Group also carries out extensive coal washing and beneficiation for its internal consumption as well as for other users, both in the public and private sectors. The services in this field extend from concept to commissioning under a single roof, and operation of washery both in coking and non-coking sectors.

Can you please share the details of the 1.5 MTPA integrated steel manufacturing facility at Raigarh?

MIEL from its 1.5 MTPA integrated steel manufacturing facility at Raigarh, Chhattisgarh will be producing TMT bars, plate mill plates (PMPs), HR coils and wire rods to cater to the rapidly growing infrastructure & construction industry. The TMT bars mill having H-V configuration under technical know-how from NCO Italy, will produce Fe-500/Fe-500D grades of reinforcement steel, sizes ranging from 8mm to 40mm and will have variants of HCR/EQR quality. Implementation of the quenching & tempering enables the production of TMT bars of higher UTS with guaranteed UTS/YS ratio and higher elongation to ensure excellent earthquake resistance property. We are planning an extensive distributor/dealer network and company owned stockyards on pan India basis to ensure excellent servicing

of demand by maintaining just in time service.

The plate mill will be a single stand 4Hi reversible mill with primary & secondary descaler to produce plates of 2500mm width with thickness ranging from 8mm to 110mm, whereas the Steckel Mill will be producing HR coils of thickness ranging from 2mm to 12mm having width ranging from 900 to 1550mm, processed under closed type furnace. Our plate mill products will concentrate on value added applications like line pipes, boilers, pressure vessels, reactor vessels, tanks for cryogenic applications and heavy construction etc.

What are the top two salient trends in terms of demand for steel products? How are you expecting the market to move?

The two primary trends governing the demand for steel products are:

- Infrastructure development
- Economic growth of the country

Infrastructure Development

When it comes to infrastructure, steel has a definitive grip. There are traditional sectors like construction, housing, ground transportation and there are those requiring hi-tech engineering including power generation, petrochemicals and fertilizers. The requirements are met with established base for steel production at the domestic level.

The Indian steel industry is going through a difficult phase as slow pace in infrastructure development projects and power projects have affected steel industry negatively. Also, the issues pertaining to coal & iron ore mines have had an adverse effect on the power and steel sectors.

Production of Indian steel has grown from 57 million tonne (MT) in 2008 to 76 MT over a period of 5 years in the year 2012. These figures establish India as having

high potential to be a major player, though not enough to be a leader. Having said that, it is also true that the per capita consumption of steel stands at a mere 56 kg as against an estimated 450 kg in developed countries and the world average of 215 kg.

With the consumption of steel seen as indicative of the development of the nation and per capita steel consumption an index of economic development, these figures emphasize the need for infrastructure development in the country to further economic growth.

In the Union Budget 2013, infrastructure got a boost by promising long-term debt funds and quick action on new major ports, series of highways, quick approvals to oil and gas blocks, and development of two towns along the Delhi-Mumbai industrial corridor.

On the roads sector, projects adding up to 3,000 km covering states such as Gujarat, Madhya

Pradesh, Maharashtra, Rajasthan and Uttar Pradesh would take off in the first half of the new fiscal year.

The government would push for building of two new major ports, one at Sagar and another in Tamil Nadu. To encourage investment, companies would be given investment allowance for projects of INR 100 crore or above between April 1, 2014 and March 31, 2015. The companies would be allowed to deduct 15% of the investment in addition to the normal depreciation rates.

Economic growth of the country

Considering steel in construction is influenced by factors like GDP growth, Government investment in infrastructure, base price of steel and fabrication work, availability of Codes and Standards and the pace of construction. Sensitization to the properties of steel and increased efficiency in its use has become the need of the hour.

With the current focus on infrastructure development, it is the rural areas that need to be attended to and included to ensure the overall development of the country. Further, encouraging infrastructure projects in the form of roads, rail and port facilities would encourage the domestic steel verticals to remain competitive. These present plenty of opportunity to boost the steel usage figures through development projects such as housing.

The construction of major infrastructure projects like flyovers, metro rails, there is a growing confidence that steel demand will pick up and will be a reliable, cost and time efficient material. Increasing quality standardization and supply guarantees along with sops from the Government can once again project the steel industry as a sunrise sector.