

CHAIRMAN'S MESSAGE

Dear Shareholders,

The evolution of Steel making through Induction Furnace (IF) Route in India is extremely interesting and needs a relook at this critical juncture, when India is at an inflexion point in terms of new capacity creation and steel production. The Country recently overtook Japan to become the 2nd Largest Steel Producing Nation and is looking to build a total Steelmaking Capacity of 300 Million Tons by 2030.



Steelmaking through Induction Furnace Route was introduced in early 80s when India's Steel production was barely 10–15 MTPA, mostly through Blast Furnace (BF) – Basic Oxygen Furnace (BOF) route. Since then, India's production increased about 10 times, out of which a good portion of the capacity addition happened through Induction Furnace Route – around 30 Million Ton out of 95 Million Ton of capacity addition. Today, about 30% of India's steel production comes from Induction Furnace Route while balance is produced through BF-BOF and Electric Arc Furnace Routes. However, major capacity addition through IF route has happened in last 5 – 10 years, when appropriate technologies and processes have evolved for making this route competent and capable on quality, cost and environmental aspects.

Not only has the size of an Induction Furnace increased from 3 Tons in mid 80s to 60 Tons currently, the power density has also increased substantially. Such gradually increasing Furnace capacity, together with drastic improvement in efficiency of the Induction Furnace has made the operating cost as competitive as any other route, in fact more competitive than EAF route. As more and more Sponge Iron capacity has been added in the Country, Scrap which was the primary raw material for this route, has majorly been replaced by Sponge Iron, especially in Iron Ore Belts.

Almost 60% of the Steel produced through Induction Furnace Route in the Country is produced using Sponge Iron. Also, with a sizeable Pelletisation capacity in the Country of 100 MTPA by 2020, which is further expected to increase to about 250 MTPA by 2030, and the draft of Scrap Policy of Ministry of Steel already in place, raw material availability will not be a problem for the Induction Furnace Route in the foreseeable future.

The technological challenges, specifically with reference to reducing Sulphur and Phosphorus in Steel produced through IF route aggravated due to higher usage of Sponge Iron, has also been resolved fully. The Invent of improvised version of Ladle Refining Furnace (LRF), with appropriate process has eventually made it possible to reduce Phosphorus, besides Sulphur, Gas and Solid Inclusions, enabling integrated route of IF – LRF to produce Construction Grade Steel, whose quality is absolutely at par (in terms of chemical composition and physical & mechanical properties) with BF-BOF or EAF route for TMT bars and other long products like Angles & Channels.

Direct rolling of hot billets from Continuous Casting Machine without cooling and reheating, a Novel Concept adopted in 2012 with availability of High Speed Casters, further revolutionized IF based Steelmaking.

An Integrated Plant based on Induction Furnace Route, comprising of Beneficiation-Pelletisation-Sponge Iron- Power Generation-IF-LRF and Rolling Mill of 1MT capacity will only cost Rs.2500 Crores as against a CAPEX of Rs.6000 Crores per Million needed to commission a plant through the BF-BOF route.

Under these circumstances, wherein integrated IF – LRF route offers several distinct advantages over BF-BOF-LRF or EAF-LRF route, for Construction Grade Steelmaking on one hand and Government of India committed to put the Country on its fastest ever growth path over next one decade or so on the other hand, IF – LRF technology is ideally positioned to contribute maximum in this Steel Journey of the Country. Considering Government of India's intent to spend about Rs.100 Lakh Crores on Infrastructure Development, with intense focus on development of roads & highways, railways, airports, seaports, smart cities, and 1.95 crore houses to be built by the Government in next 2 years and many more Steel-Intensive Projects initiated during last five years, it becomes evident that India will have an installed capacity of 300 MTPA for Steelmaking and actual production in excess of about 255 MTPA by financial year 2030. This is also envisaged by National Steel Policy 2017 of India.

About 40% Steel products are consumed by Construction and Infrastructure Sectors, which is expected to reach 60% by 2030. Therefore, it would be prudent that an atmosphere is created where almost complete Housing Construction and Critical Infrastructure Sectors' requirements are met by Steel produced through Integrated Route of IF – LRF conforming to BIS norms, while Flat Products for automobiles, white goods, electrical grades and other value added grades are produced by Integrated BF-BOF/EAF based plants.

Considering current balance between the three processes of Steelmaking in India, capability of Integrated IF – LRF route to meet all BIS quality norms, lower CAPEX and OPEX, difficulties in getting coking coal for BF, and considerably long gestation period needed for building BF-BOF and EAF based steelmaking plants, we see no reason, why a substantial portion of the new capacity to be added for long products, over the next 10 years, should not be through the Integrated IF-LRF Route.

In view of the above, we believe that the Engineering and Projects Division, which is a major supplier to the Steel Industry, will continue to grow at a rapid pace even from here. Newer products like LRF, APCS and Scrap Processing Machines are expected to contribute more to the total sales of the E&P division starting this year.

The Steel & Pipe Division of the Company continues to do well. ET TMT, the TMT brand of Company, has further consolidated its market share in Gujarat and continues to command a Price Premium. The Company has, during the year, received approvals from a few Key Government Organizations for supply of TMT. This should augur well as Company commissioned its third TMT Rolling Mill. The Company is seeing more demand coming for its TMT products from the fast growing Infrastructure Sector. The Pipe Division also sustained its performance during the year with an increased focus on Exports.

The Company has achieved an overall increase of 32% in its gross consolidated sales and an increase of 97% in its EBIDTA over last year. The gross consolidated sales touched Rs.4681 Crores during the year. The cash flow generated from operations is allowing the Company to meet all its banking repayment obligations.

On behalf of the Board, I thank all the Shareholders of the Company for their support during the year. I would also like to thank the Lenders, Suppliers, Customers, various National and State Government Organizations with whom we have been working, the Employees and the Associates who have stood by the Company and I look forward to their continued support in the future.

Mukesh Bhandari
Chairman
(DIN: 00014511)