

# Testing times

With the steel industry facing a significant drop in demand, **HM Nerurkar**, MD, Tata Steel, in an interview with *Tata Review*, says that the company is tackling the situation by looking at process and productivity improvement, and focusing on markets that are showing an early recovery from the recession

is back on the growth path, our efforts are aimed at increasing market share. The need of the hour is to understand and respond quickly to changing scenarios. Needless to mention, these are difficult times and it will be a while before balance is restored in the market place.

**How is the situation with Tata Steel Europe developing, given the issues with the unions, the job losses and the fall in production and profits? Will having a new chief executive at the helm help?**

As I mentioned, these are difficult times which call for tough decisions. Each of the above decisions was difficult for us and was taken as the last resort. We are in continuous discussion with the concerned unions to make the transition as painless as possible.

The fresh approach and points of view brought in by the new chief executive are welcome and we are confident that we will be able to tide over these tough times.

**What about the integration agenda that Tata Steel has been pursuing with Tata Steel Europe (Corus) and with its other global acquisitions? What are the gains from this programme?**

Our integration programme has been progressing very satisfactorily. We are supplying some of the requirements of semi-finished steel to our South East Asian subsidiaries from India and there is close and regular interaction between us. We share know-how on best operating practices and this helps in improving product quality and services in the Asian region.

As far as Tata Steel Europe is concerned, we operate in different geographies and do not have too many

**You have taken over the reins at a time when Tata Steel is facing rough weather on a variety of fronts. What are the key challenges confronting the company?**

Not just Tata Steel, the entire world has been gripped by this unprecedented economic meltdown. This has thrown up unique challenges before the world. Tata Steel too has had to face challenges, especially in the area of value creation.

**Where sale of steel is concerned, Europe and America continue to be in the grip of the slowdown, but Asia presents a better picture. How is Tata Steel juggling its options, especially in the context of the 50 per cent drop in the company's profits in the second quarter of 2009-10?**

Each of the markets we operate in has its unique set of challenges and hence, each will react and recover at different speeds. Consequently, sales will also pick up in these markets at a different pace. Our effort will be to focus on serving the markets showing early recovery.

In Europe, where the market is shrinking, we are making efforts to lower the breakeven point to remain competitive; whereas in India, which

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common customers. However, we are putting in considerable efforts into quality and technology integration. We share best practices, ideas on increasing productivity and reducing cost, and have set up process improvement teams comprising experts from Tata Steel Europe and Tata Steel.

**Where is the competition to Tata Steel really coming from right now, especially in the race for raw materials? Is it from China or from western companies?**

China and India are seen as the next engines for growth in the world. China, however, is not seen as a steel destination by global players due to the excess capacity it already has and its unfavourable cost structure. India has the advantage of iron ore reserves and some coal too. This makes it a cost-competitive source for steel. Our competition comes from Indian and global steelmakers. We have not seen any significant moves by Chinese steelmakers in the Indian space, although every steelmaker is laying claim over the high quality Indian iron ore and coal deposits.

**The Orissa and Dhamra projects have had to deal with more than their share of problems. As a person with plenty of experience in dealing with such issues, what do you see as a fair resolution of these problems?**

We are definitely not happy with the progress of these projects. However, there is constancy of purpose and a deep desire to uplift the economic condition of people in Orissa. Unfortunately, progress has been stalled due to the behaviour of some irresponsible business organisations. This has created scepticism amongst the people, which we need to allay by convincing them of our genuine intentions and trying to meet their aspirations. We plan to launch a communications cascade to address misguided and unwarranted apprehensions.

Among the locals, there are the natural fears of a society in transition from an agrarian to an industrial society. There are apprehensions with regard to their resettlement and rehabilitation (R&R) and generation of employment opportunities. We plan to address these concerns.

In Orissa, where the state government has put in place an official R&R policy, we have tried out a different model factoring all these into account. Hopefully, we shall see work on the project commencing in the next few months.

**Where does India figure in Tata Steel's future plans? Will internationalisation mean that India becomes just another market, rather than the prime one, for Tata Steel?**

I expect the steel industry in India to grow at 7-8 per cent year-on-year for the next five years. Domestic steel production is expected to exceed 90 million tonnes by 2015. Tata Steel has ambitions to be a player of significance in flat as well as long products in India. We also have capacity available in our European operations to seed the markets before our plans fructify in Orissa, Chattisgarh and Jharkhand.

Our 10 million tonnes per annum is well under way at Jamshedpur and will be completed by 2012. Depending upon the ground situation, we will expedite our greenfield sites as well.

**What are your expectations from the government on policies that can boost the domestic steel industry?**

The next wave of capacity addition in India would have to be through greenfield expansions. Government policies will have to be conducive for the setting up of new steel plants. Steel companies need support on infrastructure. Allocation of resources such as raw materials needs to be concurrent with the building of the steel plants. Focus on steel intensive construction will boost the poor per capita steel consumption. Government investment in the much needed infrastructure segment will also boost the steel industry. ●