

## Jindal Stainless: Opportunities in automotive sector

Founded by Shri O.P. Jindal in 1970, Jindal Stainless is the largest stainless steel manufacturing company in India and ranks amongst the top 10 stainless steel conglomerates in the world. Jindal Stainless has an annual melt capacity of 1.6 MTPA with an annual turnover of US \$ 3.1 billion (as of March'18). The company has two stainless steel manufacturing complexes in India in the state of Haryana and Odisha, with an overseas unit in Indonesia. The Indonesian unit serves in markets of Southeast Asia and nearby regions. The integrated operations, from mining to manufacturing of finished products, have given the company the edge of cost competitiveness and operational efficiency, making it one of the best stainless steel producers in the world.

The company growth has been backed by the excellence of people, value driven business operations, customer centricity, adoption of one of the best safety practices in the stainless steel industry and a commitment for social responsibility. A leader and a name synonymous with Enterprise, Excellence and Success, the company's ethos mirrors most characteristics similar to the metal it produces. Akin to stainless steel, Jindal Stainless Limited is innovative and versatile in its thought process strong and unrelenting in its operations.

Senior VP, Sales, Mr. Vijay Sharma in conversation with Bus Coach India, spreads light on a range of issues.

### Edited excerpts:

**Q: What is your outlook on the Indian stainless steel industry? How do you see prices moving and what would be Jindal Stainless future focus areas?**

**A:** Talking about stainless steel, the country secured the second largest



Mr. Vijay Sharma, Senior Vice President-Sales, Jindal Stainless Limited



producer tag, next only to China. Stainless steel production in the country touched 3.6 MT during the year, registering an annual growth rate of 10 percent.

The consumption of stainless steel in a country is organically linked to its economic development. Going by India's GDP growth rate and the fact that our per capita consumption of stainless steel is 2 kg as against the world average of 6 kg, it is evident that stainless steel has ample scope for growth. In the age of constant value addition coupled with environment consciousness, stainless steel is the most practical and optimal choice among all materials.

Throughout history, humans have been hungry for improvement. From cars to homes to public utilities, we want everything to be aesthetic and efficient. This ever-rising public aspiration in all spheres of life is the inflection point that the stainless steel industry has been looking forward because stainless steel is a metal that can cater to varied present and future needs.

Unlike other alternatives including carbon steel, cement, plastics, glass, and aluminium composites, stainless steel is non-corrosive and self-repairing by its inherent nature.

**Q: What challenges do you face in the market place?**

**A:** We have been observing the global scenario. Globalization is shifting towards nationalisation. From starting, every country has some buzz words for their economy, then we realize that every country have cost competitiveness. In China, rate of interest would be around 1/3 of Indian market, it is a challenge. In India, logistic is another challenge.

If you see our competitiveness at the capital level, we are same or better than many companies around the world. However, Indian manufacturing companies need level playing field. Indian government is not too bold about the manufacturing and its

challenges. But yes, today for our company, our competitiveness is best in the world because our next competitor is stainless steel plant of SAIL, which is around 1/10 of our capacity.

We have some stress of profitability, because it is not a fair game. There are imports from China and Indonesia. There are certain quality conscious markets like Japan and Europe, but with China, Malaysia and Indonesia, there is lack of a level playing field. From the aspects of customers to automation, we are on top of the world today and we are expanding with focus on domestic consumption.

We export to keep our self abreast with what is happening around



the world. We export about 20% of our materials out of which about 50% goes to European countries. Of the total exports to Europe, 50% is expected to the highest technology oriented country like Germany. If only an idea is to be given, this is the quality of the products we have and it is highly approachable in such countries, we are supplier to nuclear application and many more.

**Q: How do you see your products will fit for automobile industry and what are your expected sales in next year 2019?**

**A:** Stainless steel has the highest strength-to-weight ratio and is impact resistant with high temperature absorption capability. This makes stainless steel the most fuel efficient and the safest option for automobiles. While developed nations deploy 19 percent stainless steel in motor vehicles, developing countries consume it to the tune of 5 percent. This number is set to increase with the Euro-VI norms kicking

in by 2020, which can't be implemented without stainless steel exhausts. The Indian Railways plans to convert 55,000 normal rail coaches to the significantly safer LHB technology by using stainless steel coaches.

The Indian ART (Automobile, Railway, Transport) sector is adding value at each stage, and stainless steel is steadily gaining momentum. Jindal Stainless is already supplying material for bus bodies and fuel tanks. We're fast replacing plastics in this segment. A normal plastic fuel tank can withstand temperatures up to 100 degree centigrade, those made of stainless steel can withstand up to 1000 degree centigrade. Besides, plastics are environmentally hazardous.

The use of stainless steel in public transport system has been widely accepted worldwide on account of its sterling features providing safety, aesthetics, light weight, fuel efficiency and sustainability. Today, stainless steel

is increasingly being used in the construction of structural parts, side panels, flooring and luggage compartments of medium and long distance buses.

It has been an established fact that use of stainless steel in a bus body guarantees better corrosion resistance and reduction in overall weight, offering substantial savings on fuel consumption. In addition, the impact resistance and toughness properties of stainless steel buses provide superior safety to the passengers in case of accidents and crashes. In the roll over tests of bus frames, stainless steel has been considered as a safer material when properly designed and manufactured.

The Indian automobile sector is pegged to grow at a rate of 15 percent per annum, providing enough scope of growth to domestic producers of stainless steel. Jindal Stainless is eyeing the auto sector in a big way. The

company plans to triple its supplies towards this segment in the next 5 years.

At present, domestic automotive sector's 60 percent demand of stainless steel is met through JSL. "The aesthetic appeal of stainless steel is another added advantage. The high strength-to-weight ratio and improved slide-ability, higher weldability, and corrosion resistance, even in wet abrasive applications, make it an optimum choice for use in this sector. It is used in vital components such as vehicle exhaust, disk brakes, catalytic converters and specialized parts of diesel turbochargers". There is an opportunity for stainless steel in fuel tanks and bus bodies. It is best for bus body frames and panels.

Jindal Stainless has successfully developed and deployed stainless steel fuel tanks for commercial vehicles. The metal is fire resistance, light weight and cost effective and due to these qualities it also helps in saving fuel cost. All major global bus body manufacturers such as Volvo, Scania, Optare trust stainless steel, primarily to reduce weight and prolong battery life.

In the last six years we have achieved around 15% growth in automobile segment and it is projected to be 10-11% for the next 5 years. In commercial vehicles 10% growth is expected. Automobiles, Railways, and Transport constitute a total of around

12% of the stainless steel consumption in India.

**Q: What is the total output of stainless steel from your all plants? What is your sales target for the next financial year-2019?**

**A:** We are eyeing a 20 percent growth in topline in the next 12 months on the back of increased capacities at Hisar and Jaipur. With this, cold-rolled (CR) stainless steel, which is a value added product, would increase to 60 percent of total sales. CR accounts for about 55 percent of the sales. However, in stainless steel, CR dominates the portfolio at around 80 percent of the product mix. Jindal Stainless Limited, our Jaipur entity, is expected to exit from the corporate debt restructuring (CDR) cell and will be expanded in this phase.

After expansion in Jaipur, Jindal Stainless total melting capacity would be 1.9 million tonnes (mt). The current size of the Indian stainless steel flat products industry is 2.5 mt per annum of Rs.35,000 crore. The Indian market was growing at 9-10 percent while that in global market was around 5 percent. One of the major application segments of the stainless steel in India is kitchenware which accounts for 40-45%, of which Jindal Stainless has a 50 percent market share.

Imports, however, are a cause for concern. In kitchenware, imports

are at 1,50,000 tonnes, primarily from China. Total stainless steel imports would stand at about 5,00,000 tonnes of a total market size of 2.5 million tonnes. Jindal Stainless major competition is from imports.

Jindal Stainless which is a B2B player, will also explore the option of co-branding in applications that have a higher usage of stainless steel like pipes & tubes, kitchenware.

**Q: How is the demand-supply situation around the world?**

**A:** "For the volume percent, the stainless steel is about 3% of the total steel in the world. The same proportion is applicable in India and it is constantly growing as compared to other metals. As compared to other metals it is the fastest growing metal in last 35 years. Its global average is 5% and its competitors like aluminium, carbon steel, copper or other metals, are much below 3%.

The per capital consumption of stainless steel globally is 5 kg per person, but in India it is about 2 kg. The reasons being the growth of stainless steel is because the growth of GDP. In India, it is growing at 9 to 10% every year.

**Q: How has been the plant capacity utilisation rate of the industry?**

**A:** Growing annually at 13%, the





(Architecture, Building & Construction) ABC sector is filled with opportunities. Residential and commercial real estate projects, retail spaces, entertainment avenues, hospitality, healthcare and urban infrastructure are extensively using stainless steel. There's no doubt that the foundations of smart cities will be laid with stainless steel. The special finishes available in stainless steel, one of the latest value adds gaining market traction in the form of coloured sheets and anti-skid floors, combine utilitarian benefits with pure aesthetic delight.

Maintenance free long life and flawless hygiene characteristics of stainless steel makes it an ideal choice for process industries. Food processing, for instance, relies heavily on stainless steel. More and more industries, such as refineries, petrochemical, power, textile, cement, drugs, paper are switching to stainless for these reasons.

Stainless steel is increasingly being consumed to produce clean energy. Desalination, which will pave the way through future water crises, is based on stainless steel. Flue-gas desulfurization, or FGD, a process that removes sulfur dioxide from exhausts is also impossible without stainless steel. The metal is also gaining ground in

nuclear power. Jindal Stainless is one of the two stainless steel suppliers in the world selected to supply 1,100 tons of stainless steel to the prestigious International Thermonuclear Experimental Reactor's Cryostat Project in France.

The high impact toughness, crash worthiness, superior weldability, formability, free maintenance, and higher elongation of stainless steel makes it a favourite choice for end users as well as manufacturers. Medical advancement, including surgical instruments, artificial stents, and knee and joint implants, draws heavily from the benefits of stainless steel. Recently, Jindal Stainless developed a special grade of high nitrogen steel for the defence sector in collaboration with Defence Metallurgical Research Laboratory. Given its ability to offer immense scope for diversification, stainless steel is poised to be the metal of the future.

**Q: How has the stainless steel demand been in the last one year?**

A: The demand of stainless steel is growing significantly across the globe. In India, it is huge. In the bus segment, the manufacturers are now slowly

using stainless steel in bus body. If you see in South India, the regions like, Karnataka, Kerala, Andhra Pradesh, Tamil Nadu additionally in Gujarat and Maharashtra there are major issues related to corrosion and so in such places stainless steel makes greater sense. The stainless steel bodies are corrosion resistant and it also increases the life span of the buses and is able to reduce the downtime.

You can reduce the thickness by almost the 30%, so there is weight reduction of 30% percent. And of course the corrosion resistance is also an important factor and with all these factors the life could be extended beyond 12 years. Similarly, the weight reduction of 30 percent results in lesser fuel consumption.

If you are considering the cost benefit analysis with all the aspects, it comes to around 14-15 lakhs saving with the using of stainless steel bus for one bus over a period of 12 years. If you are considering the fuel saving the contribution is around 9-10 lakhs. Then saving on the downtime and repair and downtime and the third is the scrap credit. If you add these you could save around 14-15 lakh per bus in the period of a bus life. ■

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