Issue 02 March, 2017

Samnidhy

Fostering Fortunes

About Us And What we do

Samnidhy, the Student Managed Investment Fund (SMIF) of T.A. Pai Management Institute (TAPMI), was started in December of 2014. Registered with Karnataka State's Registrar of Firms, it has the unique distinction of being the one and only legally registered SMIF in India. The SMIF is completely student run with student investors, analysts and BOD. The corpus to be invested is raised from the student body of TAPMI, the objective being to maximize investor wealth – both monetarily and learning wise. Other than the returns, the primary take away for the investors are the learning sessions conducted by the Samnidhy Team. A rigorous selection process is followed to recruit Samnidhy's team of Market Analysts. The analysts, also TAPMIans, conduct in-depth analyses of the markets, following protocol outlined in the Samnidhy Constitution to the letter and make the stock recommendations. The analysts' research is powered by the 24X7 TAPMI Finance Lab, a world class trading lab equipped with sixteen Bloomberg terminals. Samnidhy also employs a Marketing Team, which besides working towards maximizing the corpus, invests efforts in publicizing Samnidhy both among the academia and in the industry.

Samnidhy's Board of Directors, comprising the CEO, CIO, CRO, CMO and the CHRO, is recruited from among TAPMI students on emerging victorious from the numerous selection rounds conducted by senior faculty members. The firm receives constant guidance and support from a powerful Advisory Board, which includes eminent personalities from the domain of Finance. Investors are regularly updated by way of the Fund Review Report and the more comprehensive Fund Performance Report. In this way, Samnidhy provides the students of TAPMI the opportunity to work for and run a full¬fledged investment firm while still at business school, thus giving them an unparalleled learning advantage over their peers.

What's Inside?

CEO's Note

-Pratik Shetty

I am extremely proud to announce that Samnidhy has done exceptionally well and has registered a phenomenal return of 19.1% for the batch of 2015- 2017. Samnidhy has achieved this feat in just the third year of its operations and I am confident that in the years to come, we will continue to beat the benchmark and generate superior returns for our investors. The focus at Samnidhy has always been on experiential learning for the students of TAPMI. With this objective, our seniors had set the foundations of a robust stock screening and selection procedure which we have gradually evolved according to the inputs of the industry experts, analysts and faculty advisors. We conducted a number of training sessions on topics ranging from fundamental and technical analysis to sector specific training sessions for the junior analysts. It has been a year of two halves for Samnidhy. While we have achieved exceptional results on the operational front, we ran into rough weather with the legal aspects of running a firm. A crude reminder of the difficulties in running a registered firm and following all the associated rules and regulations to the T. These difficulties did come with its own bag-full of learning opportunities. This impediment made us evaluate the advantages of the alternate options available with us for registering the firm. The countless meetings with the CA and the lawyer, hours of research and numerous discussions to arrive on the best answer for the situation provided a wealth of knowledge to the board on the aspects of registration of a businesses and income tax laws associated with. An experience which will definitely help us in setting up our own businesses in the future. I congratulate Samnidhy's stellar growth. At the same time, I recognise the efforts at maintaining safe business practices, attention to detail and risk mitigation that make safe growth possible. The entire management team of Samnidhy led by the CIO, Mr. Niladri Chakrobarthy , the CRO Mr Phani Kumar CH, the CMO, Ms Medha Vaidya and the CHRO, Ms Navya KV deserves a huge applause for such excellent performance. Also special thanks to Mr. Jay Mukesh Thakkar for delivering an exceptional performance as the acting CRO during the absence of Mr. Phani Kumar.I request you to join me in encouraging Samnidhy to further scale new heights. Which I'm sure, it will.

MISSION

"Hands on learning experience, fostering research and real time decision making"

VISION

"To be recognized as the best Student Managed Investment Fund in India"

CIO's Note

-Niladri Chakraborty

These are exciting times for Indian equity markets. Implementation of GST, details on terms and conditions of Brexit, Monsoon pattern, Economic and Commerce policies of President Trump, presidential elections in France and Germany, Crude oil/commodity movement, impact of 'neutral' stance by RBI, demonetization aftershocks, are few of the key events for 2017 that will set the movement of Indian markets. Indeed, these are exciting times but in no way 2017 will be an easy ride. Continuing with election flavor of 2016, we will see Presidential elections in France and Germany. Like Brexit or US elections, outcome of these elections will have a knee jerk reaction on markets and should taper off within 2 or 3 trading days. Monsoon on the other hand is likely to set the direction of markets. After 2 years of drought, 2016 saw normal monsoon and markets moved up to stellar heights, even though demonetization skimmed off much of the positive multiplier effect. Monsoon affects Agriculture and approximately 70% of Indian population is dependent directly or indirectly on farming. It contributes 16% to Indian GDP and 10% of export earnings. Naturally one has to keep a careful watch on progress of monsoon. Monsoon will also impact CPI as good monsoon will keep food prices on check. Any hike in CPI coupled with 'neutral' stance of RBI may even put upward pressure on interest rates or hike in CRR or SLR. Another factor to put pressure on inflation is the movement of crude oil. Crude has moved to $55, up by 21% in last 6 months. Although OPEC and Russia will go ahead with planned cuts but USA and Canada has also started pumping more shale oil. Thus, Crude may not cross $65. Too much of it is being read into implementation of GST. Like the reforms of 1991, benefits of GST will effect companies and on economy over long run. If implemented on 1st July, it will have a feel good factor and might result in one-off gain in markets. Similar is the case with Brexit negotiations.

Despite all the challenges, Samnidhy is prepared to thwart downward challenges. We take pride in providing experiential learning to our investors along with returns. Speaking of returns, I am excited to share that Samnidhy has generated 19.1% pre-tax returns for the batch of 2015-17 (12.4% annualized). I would like to thank my Senior and Junior investment team analysts for excellent stock picking and diligent track of information flow. Also sincere thanks to the CEO and CRO for constant guidance and stock recommendation and continuous help. The junior analysts have been extensively trained and prepped up to face the vagaries of Indian stock market. I wish my successor, Dhanyakumar M H, new board of Samnidhy and entire team of Samnidhy all the very best for their future endeavors.

> "Price is what you pay.
> Value is what you get.
> - Wareen Buffett"

Market Outlook - 2017

-Tanushree Singh

With a bumpy 2016 the most important factors which will affect the major economic trends for the year 2017 around the globe are:

- Brexit and European Instability:

With triggering of Article 50 and elections in France, Germany and Netherlands lined up in 2017 there are major geopolitical events lined up in Europe this year which may mold both domestic and world economy in a substantial manner.

- Monetary Policy reaches its limit:

A phenomenon where the central banks have reached the limits of expansionary monetary policy tools at their disposal is anticipated and speculations regarding European Central Bank and Bank of England tightening measures are floating in the market.

- Tighter Fiscal policy measures:

The October issue of the IMF report predicted that fiscal policies in developed counties would tighten even more in 2017 despite requirements of increased government spending to fuel growth.

- Commodities Recovery reverses:

With struggling economies of Brazil, Russia and Nigeria which were previously considered strong, IMF has predicted that commodity prices will only see a modest recovery in the year 2017.

- Election of a protectionist as the president of the United States:

President Donald Trumps' restrictive outlook towards cross border trade will have its counter impacts and will result in addition to the issues faced by the world economy.

- Higher stock prices:

U.S. stocks have worked well for the past seven years and continue to do so. Higher prices can be expected in the first half of 2017 and for the U.S. stock to outperform other world regions

> “It keeps you in the moment, and it slows everything down. You know, with film you can only have so many shots on a roll”

- Tough times for China:

The second largest economy of the world may not have an easy road ahead, with trump in power and reduced growth trends China has a lot of issues to focus on regarding Debt management and investments.

- Lagging Implications:

The Bank of Japan made two significant policy changes in the second half of 2016. Watch for negative impacts on the yen in the long-term and positive impacts on Japanese company profits in the meantime.

The major trends which are anticipated to shape the Indian Market are:

- Demonetization:

The most important reform undertaken during 2016 had a significant impact on every level of the economy, although the market is returning to normalcy- promotion of cashless economy, RBI policies and black money management will have to be kept in mind.

-Fiscal Deficit:

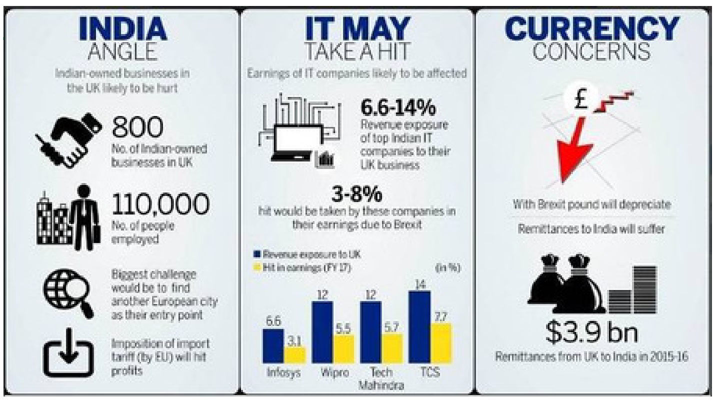
The finance minister pursued the path of fiscal prudence in the budget for the year 2017. If the deficit for 2017/18 is capped at 3%, markets will take a positive cue. Increased tax collections due to Demonetization may also led to fiscal prudence.

-Rising interest rate:

Globally interest rates are bottoming out. What is not accounted for is a steep rate hike by the fed reserve will lead to capital outflow from the emerging markets also rupee will be forced south due to this factor.

-Goods and Services Tax:

A smooth roll out of the GST will support market sentiments, controlling the disruptions and efficient change management will have the expected positive impact.



-State Elections:

A no. of states like Punjab, Uttarakhand and most importantly UP will hold elections this year, all eyes will be on performance of BJP this time. Having a majority in both houses of the parliament is crucial for any government to implement such reforms.

-Oil price shocks:

India being a major oil importing country would be negatively impacted by oil supply disruption which could lead to high oil prices.

> "You need a strategy and a trade or investment decision can be evaluated on the basis of your strategy"

Amara Raja Batteries

-Praduyt Killa & Akshay Chaudary

Amara Raja is one of the leading manufacturers of automotive batteries under the brands Amaron® and Powerzone™.

Recent Trends:

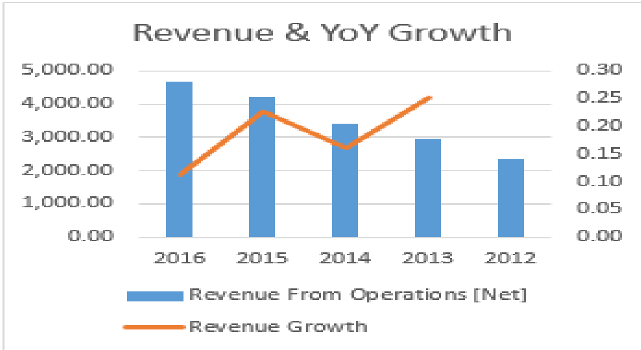
- The results were declared on 21st January, 2017
- The net profit of the company fell around 18%
- The gross profit rose by 9.67%
- The reason for the decline in the profit was increased expenses by 14.46%
- The forecasted EPS for the company has decreased to Rs.30.71 from Rs.32.47 (stockflare.com)
- The share price as on 19th January was Rs.924.65 and it fell to Rs.858.10 as on 24th January and started rising again to cover up to Rs.886.15 as on 25th January, 2017, the reason for the correction being the progressing capacity enhancements in the automotive batteries sector
- The demonetisation hasn't affected the collection on receivables
- According to the company's CFO, Mr. SV Raghavendra, the inventory build-up at the end of Q3 was due to lower demand in two-wheeler batteries. However, the capacity utilisations in all plants are at healthy levels and the funds positioned seems comfortable.

RECOMMENDATION

Buy the stock when it corrects further in the near future and the price comes down to around Rs. 835 to Rs. 845 per share.

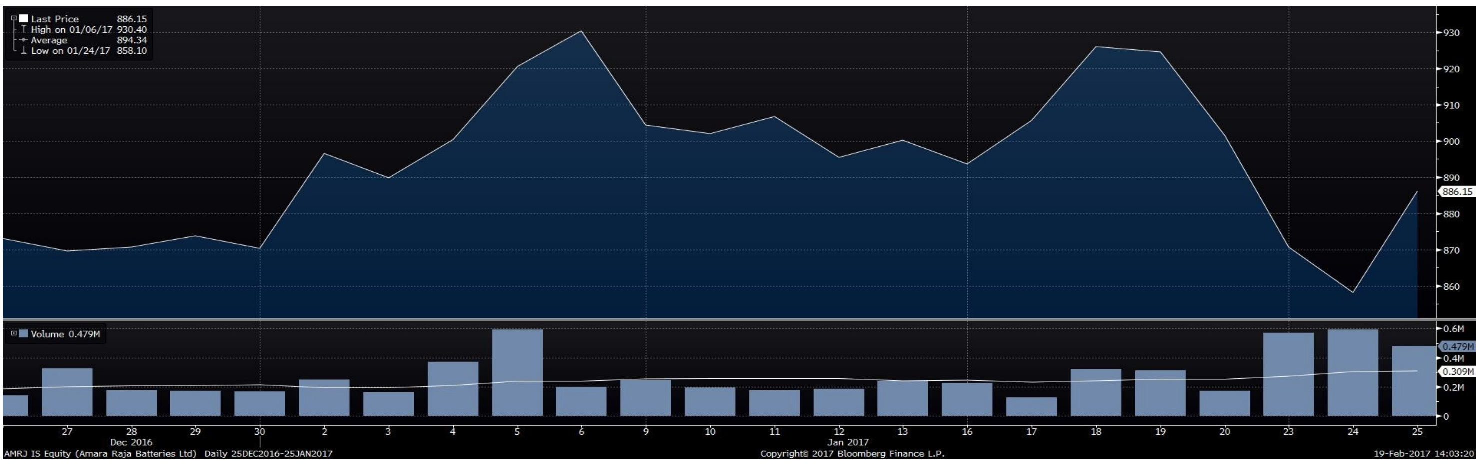
About the company

- In 2015-16, the Company expanded its global footprints with a robust growth in export sales
- A dominant player in the OEM space
- Amara Raja is well positioned to cater to the demand, both in the domestic and overseas markets
- The Company holds premier position for industrial batteries in India
- The business has continued to expand its presence in a challenging and competitive market environment, registering a double-digit growth in 2015-16
- The business enhanced its performance by virtue of its "preferred supplier status" with all major customers, efficient after sales service, customer relationship management and consistent product performance of its flagship brands PowerStack®, Quanta® and QRS Series batteries



Battery Industry:

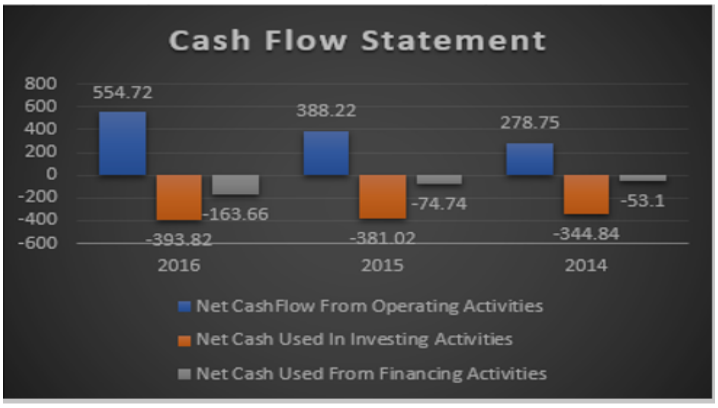
- The industry has witnessed a slew of new product introductions, technology innovations, emergence of domestic competition, joint ventures, and corporate consolidations that have totally altered its landscape.
- The lead acid battery market can be divided into two broad market spectrums: automotive and industrial batteries.
- The automotive segment contributes in excess of 60% of the total turnover of the Indian lead acid battery market.)



Factors affecting the growth of Battery in India

- GDP
- Vehicle Sales
- Middle class people and Youth (15 – 34 years)
- Telecom towers (which depends on increasing number of people using mobile)
- Computer usage or IT literacy or Internet users (UPS)

Particulars	Mar-16	Mar-15	Mar-14
Expenses:			
Dividends	13.09%	15.88%	19.79%
Interests	0.09%	0.06%	0.26%
Debt repayment	0.30%	2.62%	1.02%
Capex	73.18%	67.44%	109.87%
Effect of 1Cr. Increase in CFO			
Dividends	₹ 1,308,768	₹ 1,588,275	₹ 1,979,193
Interests	₹ 8,833	₹ 6,182	₹ 25,830
Debt repayment	₹ 30,105	₹ 262,480	₹ 101,883
Capex	₹ 7,318,106	₹ 6,743,857	₹ 10,986,547
Total increase in CFO	₹ 8,665,813	₹ 8,600,793	₹ 13,093,453



The change in the Cash Flow from Operations is more than 100% at the end of 2014. This indicates that the company had excess cash. The major reasons that can be attributed for holding enormous amount of cash by the company are:

- Part-commissioning of the new greenfield unit. The capital work-in-progress largely represents units at the new facility expected to be commissioned by the end-2014
- The company was able to increase its profits despite having cash-in-hand that could be used for managing future requirements
- The company was able to finance its investments internally
- Cash and bank balances as on March 31, 2014 declined significantly – cash being used for funding the Company's capital expenditure(Capex)

Cash Flow of Amara Raja Batteries	In (Rs. Cr.)		
	Mar-16	Mar-15	Mar-14
Net Profit/Loss Before Extraordinary Items &Tax	722.19	609.86	536.67
Net Cash Flow From Operating Activities	554.72	388.22	278.75
Net Cash Used In Investing Activities	-393.82	-381.02	-344.84
Net Cash Used From Financing Activities	-163.66	-74.74	-53.1
Foreign Exchange Gains / Losses	6.59	-5.12	2.59
Net Inc./Dec In Cash And Cash Equivalents	3.84	-72.66	-116.61
Cash And Cash Equivalents Begin of Year	74.59	292.86	409.47
Cash And Cash Equivalents End Of Year	78.43	220.2	292.86

- A large part of the new capacities is expected to come on stream by the close of 2014-15 as India's economic resurgence kicks in. The Company expects to grow its market penetration through the following initiatives:
  - Strengthening its distribution network pan-India
  - Nurturing relationships with corporate customers
  - Expanding its international presence
  - New applications (solar application and home UPS)

These initiatives are expected to expand and grow in the next 18-24 months.

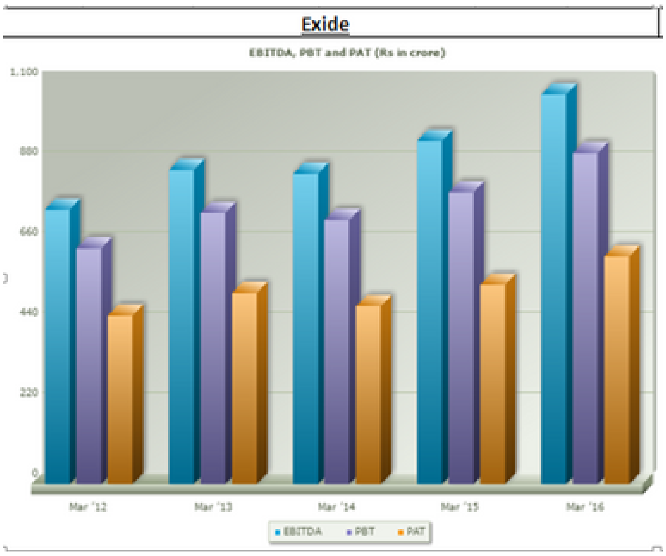
- The Company is also looking to establish a strong footprint in the solar battery space. The initial test-marketing of its products have generated heartening customer response.

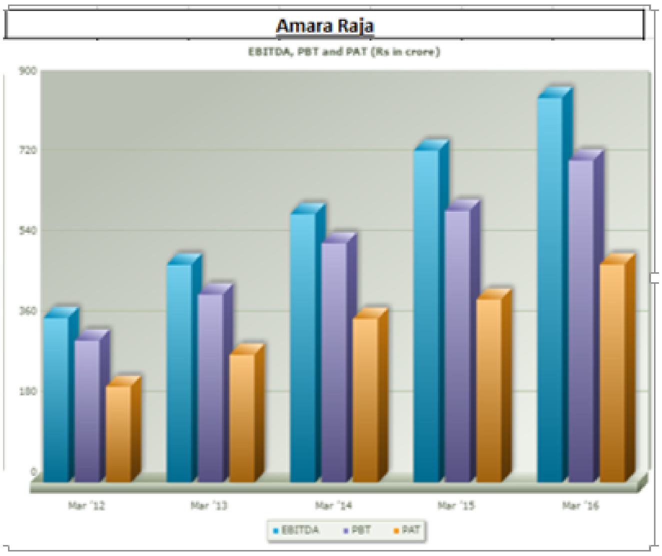
Demand Dynamics:

- Estimates suggest a sectoral resurgence over FY2014-17 as the two biggest factors that influence automobile demand - per capita income and ownership cost – are likely to turn favourable
- Passenger vehicles are expected to report sharper volume growth than two-wheelers due to pent-up demand and lower penetration
- The Indian Battery market is projected to grow at a CAGR of 16.5% by 2020 (marketsearchstore.com)
- The demand for Inverters in India is expected to surge in the future and the market is projected to grow at an appreciable CAGR of 9.4% by FY'2019.
- The Government's focus on renewable energy, particularly solar energy, offers new opportunities
- The global battery market is driven by growing integration of electronics, demand for transportation, fuel saving, government incentives for cleaner transportation, new hybrid and electric automotive models from OEMs
- According to estimates, in a few years, the demand for the automotive start-stop battery and energy storage battery is expected to present a CAGR of 30%-40%, and the battery for low-speed electric vehicle reach a CAGR of around 25%-30%

Player Profile:

The market for inverters and UPS in India is largely fragmented with a plethora of small unorganized players manufacturing sub-standard and local inverters.





Name	Mkt Cap (INR)	Last Px (INR)	Rev - 1 Yr Gr (%)	Diluted EPS - 1 Yr Gr (%)	P/E	ROE (%)	Dvd 12M Yld (%)	Profit Margin (%)	Assets (in millions)	Debt/Equity
AMARA RAJA BATTERIES LTD	145942.2	854.4	11.4	19.1	29.8	25.8	0.5	10.4	29083.0	3.5
EXIDE INDUSTRIES LTD	178585.0	210.1	-0.6	16.2	25.0	17.5	1.1	7.5	153259.0	2.6

SWOT Analysis

Strengths	Weaknesses
• Successful execution of many greenfield projects • Availability of PAN India office networks • Exposure to quality management systems • Enhanced distribution[1] and transportation service	• New entrant as compared to other established players • High operating expenses means limited margins for the company • Volatile raw material costs
Opportunities	**Threats**
• Improving infrastructure[2] • Increasing demand for automobile parts • Customers becoming more brand-sensitive • Potential growth in construction industry • Untapped potential market in Mechanical Electrical Planning	• Competition from international and local markets means limited market share growth • Unfavourable government policies can affect operational efficiency • Technological improvement in complementary products may lead to continuous modification in batteries

1 The business re-defined the distribution network, by leveraging on its pan India presence, forging long term channel partnerships and strengthening the supply chain.
2 The Board approved the setting up of necessary infrastructure for the entire expansion and first phase comprising of 3 lines which would take the capacity to 15 million units p.a.

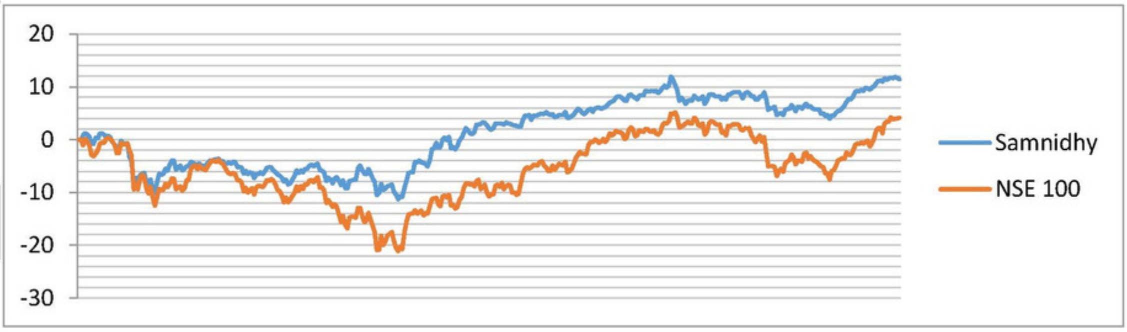
Samnidhy™ Student Managed Investment Fund

Investment Rationale To provide medium to long term capital appreciation by investing predominantly in a diversified portfolio of NSE 500

Fund Objective: To generate a positive alpha by beating the benchmark, i.e. CNX 100

Risk:	**Average**
Return:	**Medium**

Fund Performance Vs CNX 100



------- Fund
------- CNX 100

History

History	2016-17
NAV (Rs)	11.14
Total Return (%)	11.44
CNX 100 (%)	4.12
52 Week High (Rs)	11.20
52 Week Low (Rs)	8.98
Net Assets (Rs)	182,000.00
Expense Ratio (%)	0.77%

Holdings

Company	Sector	% of Assets
Yes Bank	Financial Services	13.05
Ashok Leyland	Automobile	8.57
Power Grid CIL	Energy	5.54
Sun Pharmaceuticals	Healthcare	3.03
Indusind Bank	Financial Services	6.12
Bharat Electronic Ltd	Industrial Manufacturing	3.56
Amara Raja Batteries	Automobile	4.04
Pidilite Industries	Chemicals	0.00

Sector Weights (%)

	Fund	CNX 100
Financial Services	19.17	23.17
Automobile	12.61	10.84
Energy	5.54	12.05
Healthcare	3.03	1.01
Industrial Manufacturin	3.56	4.01
Chemicals	0	0.99

Risk Analysis

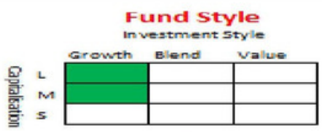
Volatility Measurement	
Beta	0.64
Standard Deviation	11.46
Active Return	4.71
Sharpe Ratio	0.10
Jensen Alpha	2.96
Information Ratio	0.50
Treynor Measure	0.12
Sortino Ratio	-0.01
Upside Potential Ratio	16.43
Downside Deviation	7.64
Residual Risk	5.92
Tracking Error	8.17

Composition (%)

Equity	43.90
Fund	-
Cash	56.10

Portfolio Characteristics

Total Stock	7
Market Cap (Rs)	216,460.68
Portfolio P/B Ratio	3.43
Portfolio P/E Ratio	39.47



Return as on Feb 10, 2017. Portfolio related data as on Feb 10, 2017

DEMONETIZATION – INTENT AND CONTENT

-Jananee R Chandran and Divya Ramesh

INTRODUCTION

On November 8th , the Indian Government announced the sudden move of banning Rs500 and Rs1000 notes in the economy to curtail black money circulation and as a beginning to transform into a digital economy . Certainly this move was accompanied by improvements in the economy such as digitizing cash transactions and bringing in more money into the tax bracket which otherwise have a chance of being un-accounted ,reducing the liabilities of RBI drastically and also helping in keeping the interest rates low aiding in cheaper loans . There is a downside to this move as well - certain sectors were hard hit due to muted demand. The low demand and cash crunch had affected many sectors and the same has facilitated the surge of revenues for certain other sectors .

IMPACT ON AGRICULTURAL SECTOR

Significant impacts

- The co-incidence of the announcement of demonetization and the Rabi sowing season impacted its output
- Cash is the primary mode of transaction in this sector contributing 15% of India's output
- Due to the barring of cooperative banks from the exchange of notes, farmers had the burden of going to the cities for exchange of notes which facilitated the buying of seeds and fertilizers.
- Till November 11th, the Rabi sowing was on 14.6-million-hectare area which is 5.7% lower than the normal crop coverage. There was a steady decline in the area sown this year and the normal area since the announcement of demonetization but by the data on December 30th 2016, net sown area of Rabi crops exceeded the normal crop area by 2.77% and the last year sown area by 6.86%. Though wheat, which forms 47% of the area of reported Rabi crops also faced a shortfall in area sown post demonetization, it crossed the normal area by 2.12% by the end of December
- Interestingly, the Rabi crops are self-pollinated and the farmers don't have to depend on the outside sources for procurement of seeds as they are self-produced.
- Though the seeds were self-produced, around 30% of the seeds had to be bought from outside sources like public agencies through cash, which hit the productivity in the short term as the sales were down. The fertilizer sales during Rabi season were also down by 7% till the end of December compared to the same period last year (2015- 2016).

The demonetization move has affected the dairy farmers in Karnataka who supply milk to the cooperative societies as they were not able to access cash. About 60% of the 8.5 lakh dairy farmers have their accounts in cooperative banks and they were not able to access the money in their accounts due to the RBI regulations.

REAL ESTATE

Real estate is one of the sectors where unaccounted cash is used for day-to-day transactions and cash transactions are preferred in order to avoid stamp duty and capital gains tax. Demonetization helped in reducing cash transactions in this sector thereby reducing the unaccounted cash and cleaning the system. With the announcement of demonetization, there had been a slowdown in housing demand in the short run especially in Gurgaon and Mumbai metropolitan. Markets such as Pune, Chennai, Bangalore were not impacted much as they are end-user driven and the people buying depends mostly on bank funding. The real estate sector would be revamped completely by washing out of black money through GST, Real Estate (Regulation and Development) Act and the amendment of the Benami Transactions (Prohibition) Act and demonetization was just a beginning.

INFORMAL SECTOR

The informal sector which is that part of economy which is neither taxed nor monitored by government has also been deeply affected due to the ban of SBN.

- 84.7% of the jobs are created by the informal sector in our country. This sector predominantly includes manufacturing, trade and construction and accounts for high cash transactions in the country.
- All India Manufacturer's organization (AIMO) conducted a survey which came with the results that showed a 60% loss in the micro and small scale sectors and also a 47% reduction in the revenue for small scale traders, shops and micro industries
- Small money lenders for farmers were also hit hard due to this move as the cash they had kept were worth nothing after the ban of notes and they were allowed to withdraw only Rs24,000 per week hence informal credit systems in rural areas collapsed.
- Agriculture also comes under informal sector which suffered due to the lesser sales of fertilizers , delay in the sowing of seeds and inefficiency due to unavailability of cash for farmers as the cooperative banks in the rural areas were not allowed to exchange notes.
- Construction worker's daily wages which were paid through cash was affected deeply after the banning of notes. If their salary expenses are paid digitally , the minimum wages of construction workers which in an un-organized sector is un-negotiable could be monitored by the government and regulated by the government .

DIGITAL INFRASTRUCTURE

This note ban which caused severe cash crunch in the short term as 95% of the transactions are cash based and this pushed the economy move toward digital payments.

- There was a substantial surge in the digital payment transactions through e-wallet services such as Oxygen, Paytm and MobiKwik from 17 lakh on November 8th to 63 lakh by December 7th which is a 271% increase
- There was a surge of 361% in the transactions through Rupay cards (e-commerce and Point of sales) and by value the surge was 503% and this growth in the digital payments is expected to be strong in the future
- Banks in India had opened 30 lakh new accounts and SBI alone had opened 11.8 lakh new accounts since the demonetization on November 8th, people had started using their Jan Dhan accounts for the first time during the note-ban,
- This structural shift from a cash based exchange to a digital exchange in a country having 95% of the transactions occurring through cash was a burden for the rural people, especially with less digital literacy
- India lacks sufficient digital infrastructure and cyber security for this structural shift
- Government's Union Budget 2017 has introduced schemes such as

Aadhar pay

1.Digital payments for political donations

2. BHIM application promotions

3.Banking software for cooperative banks

4. Free Wi-Fi to gram panchayats

Is expected to help the country to slowly build a good digital infrastructure in the country and facilitate hassle free digital transactions in future.

CONCLUSION

Demonetization was laid as a platform for transforming into a digital economy and weed out corruption from the country. Demonetization and digitization will bring a significant structural change in the economy with greater accountability, greater tax compliance and therefore help in the economic growth in the long term. Though in the short-term the quarterly GDP estimates by various agencies have been low owing to a slowdown in growth, it would spur growth in the long term. Though the move has been a burden to the public, cooperatives banks, agriculture and many manufacturing sectors due to decrease in demand, the economy is expected to revive in the long term. Demonetization has encouraged many small retailers, common people , students and many others to use Debit/Credit card machines and other e-wallet modes of payments and this can be viewed as the first step for our country to evolve into a digital economy .

Analysis of Steel Sector

- *Sahitya Kumar*

Introduction

India is the world's third-largest producer of crude steel (up from eighth in 2003) and is expected to become the second largest producer by 2017. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous modernization and up- gradation of older plants and higher energy efficiency levels.

- In 2015, India produced 91.46 million tonnes (MT) of finished steel. Total finished steel production in the country increased at a CAGR of 7.45 per cent over FY011–15.
- Driven by rising infrastructure development and growing demand for automotives, steel consumption is expected to reach 104 MT by 2017. India's steel production is expected to increase from 100 MTPA to 112.5 MTPA by FY16 and 300 MTPA by 2025. The Government of India has allowed 100 per cent foreign direct investment (FDI) in the steel sector under the automatic route. Nearly 301 MoUs have been signed with various states for planned capacity of about 486.7 MT. =

Market Size

- India's crude steel production grew by 9.4 per cent year-on-year to at 8.1Million Tonnes (MT) in December 2016. During April-December 2016, crude steel production in the country grew by 7 per cent year- on-year to 39.98 MT.
- Over April-December 2016, steel imports fell 34.5 per cent year-on- year to 3.01 MT, while steel exports rose 23.6 per cent year-on-year to 2.38 MT.
- Steel consumption in the country is expected to grow 5.3 per cent year-on-year to 85.8 MT during FY2016-17, led by growth in the construction and capital goods sector.

Union Budget: Announcement & Impact

- The basic custom duty on nickel has come down to nil from 2.5 per cent earlier. Bringing down the basic customs duty (BCD) on nickel (a key steel making raw material) to zero from 2.5 per cent comes as a great relief for the stainless steel industry which has been facing challenging times. This reduction of BCD on nickel will be mildly positive for domestic industry.
- Allocation of Rs 3.96 Lakh Crore to Infrastructure Sector. This will aid to growth for Steel sector in future years. Focus on infrastructure is a big positive for steel companies and the industry because it is a key driver of steel consumption

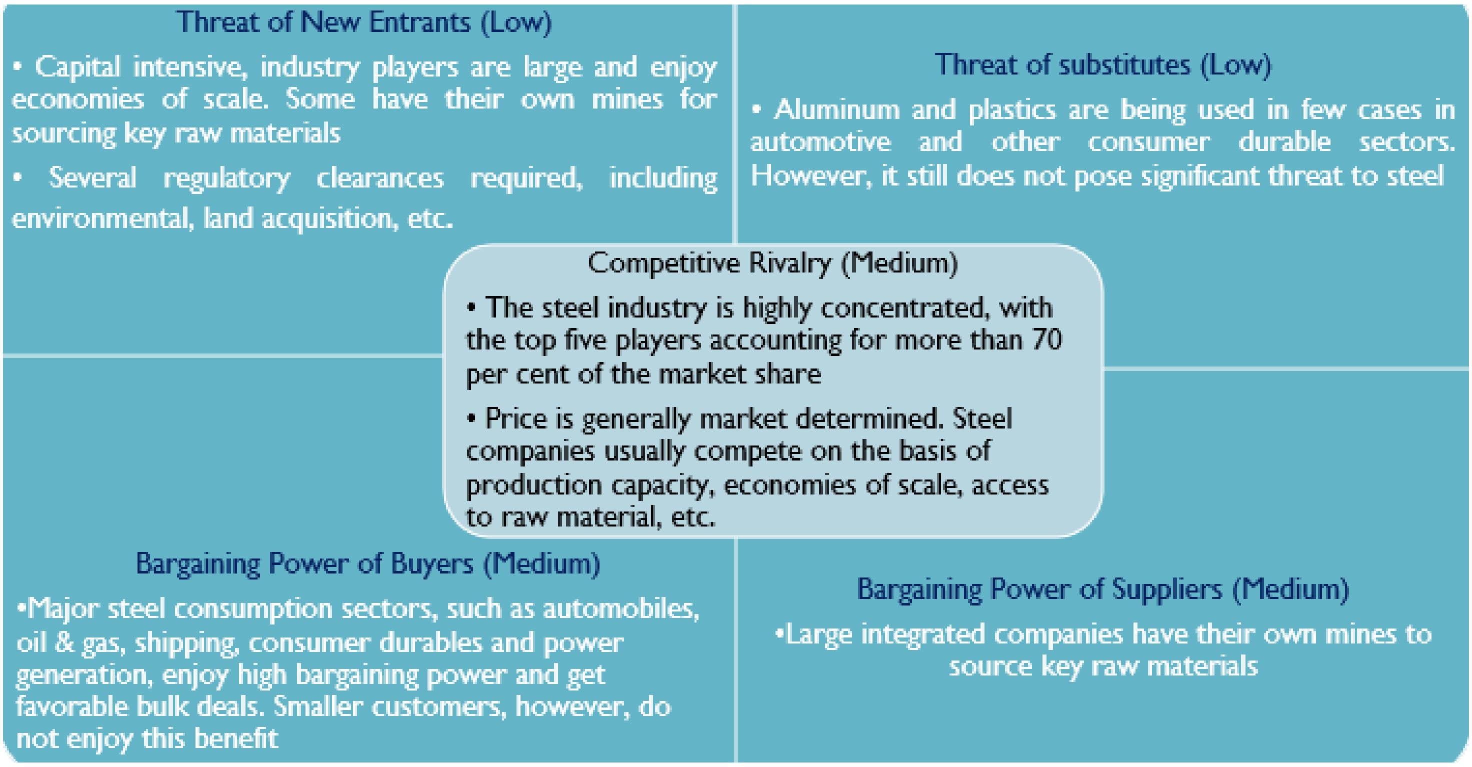
Strong growth opportunities

- Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors
- In 2015, India's per capita consumption of steel was ~60 kg, which is close to one fourth of the international average, indicating strong growth opportunity
- National Mineral Development Corporation is expected to increase the iron ore production 75 MTPA until 2021 indicating new opportunities in the sector

Notable trends in the Indian steel industry alliances

International Coal Ventures Pvt Ltd, comprising SAIL, RINL, CIL, NTPC and NMDC, has been set up for acquisition of coal mines overseas

- The consortium of SAIL and National Fertiliser Limited (NFL) has been nominated for revival of Sindri Unit of the Fertiliser Corporation of India Limited
- RINL, Vishakhapatnam Steel Plant and the Power Grid Corporation of India Ltd (POWERGRID) signed an MoU to set up a joint venture company to manufacture transmission line towers and tower parts including R&D of new high-end products



Growing Investments

Steel industry and its associated mining and metallurgy sectors have seen a number of major investments and developments

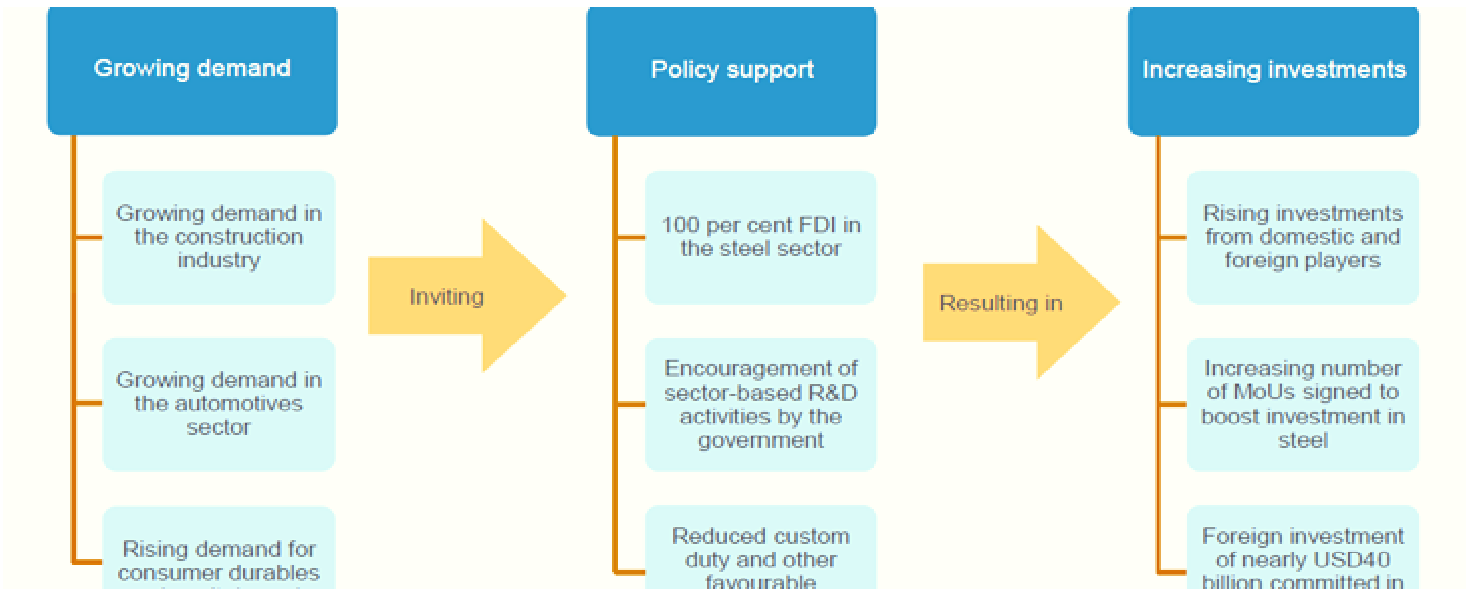
- Potential steel addition capacity would attract an investment of USD83 to USD166 billion
- Most of the companies in the industry are undertaking modernization and expansion of plants to be more cost efficient. E.g. SAIL has undertaken modernization and expansion for its six plants
- The production capacity of SAIL is expected to increase from 13 MTPA to 50 MTPA in 2025 with the total investment of USD24.88 Billion

Entry of international companies

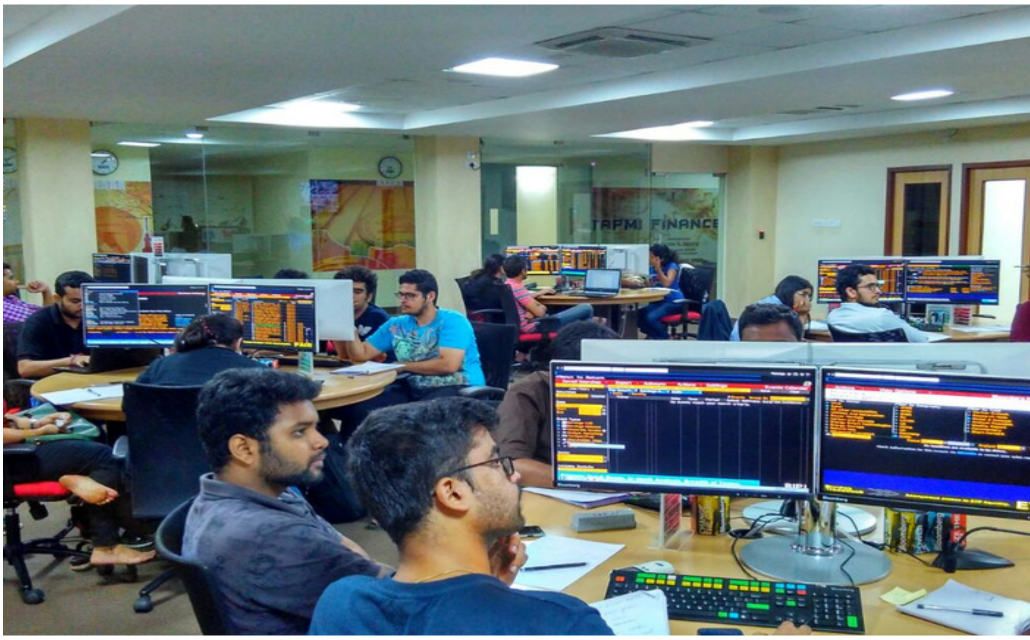
- Attracted by the growth potential of the Indian steel industry, several global steel players have been planning to enter the market
- National Mineral Development Corporation (NMDC) has signed an MoU with Russia's third-largest steelmaker, Severstal, for a greenfield steel plant in Karnataka

Road ahead

India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position, as its capacity is projected to increase to about 300 MT by 2025. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.



Training Sessions



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