

New challenges, new opportunities



B Muthuraman

“Unless the government takes radical measures to promote the steel industry, growth in demand for steel will continue to outstrip supply”

Integration and growth are the new buzzwords in Tata Steel's corridors as the company looks at global markets — not just to sell steel, but also to acquire raw material assets to fuel further expansion. Already, the consolidation of Corus's operations has catapulted Tata Steel to the position of the sixth largest steelmaker in the world. The steel giant has set up joint ventures for the development of limestone mines in Thailand and for procuring low-ash coal from Australia and coking coal from Mozambique. It is also putting up a deep-sea port in coastal Orissa and exploring opportunities in the titanium dioxide business in Tamil Nadu.

The company's domestic and international business is on a growth path. Tata Steel managing director **B Muthuraman** talks to *Christabelle Noronha* about expansions, innovations and challenges, and explains why he is bullish about the new global economy. In an accompanying piece Corus CEO **Philippe Varin** talks about integrating Corus with Tata Steel and sharing a common vision for the combined Tata Steel group.

Corus was a big story for Tata Steel in 2007-08, but there was a lot more to cheer about. Could you take us through some of the highlights of the financial year?

I am glad you asked this question. The Corus acquisition was such a big milestone for Tata Steel that many other significant achievements were dwarfed. For the first time ever, Tata Steel produced more than five million tonnes of crude steel in 2007-08. The Tata Steel group has posted Rs4,222 crore as profit after tax, a truly remarkable accomplishment.

We acquired a ferrochrome plant in India that has effectively doubled our production capacity. The cold rolling mill at Jamshedpur achieved a record production of 1.52 million tonnes, far beyond its rated capacity. These are just a few of the achievements that the Tata Steel companies have achieved in the last year.

How is the Corus-Tata Steel integration progressing? What are the positives here? Have there been any problem areas?

The integration is progressing better than we had expected. Tata Steel adopted a structured approach to the merger by addressing organisational issues first. With the help of a renowned consultant, we created a new operating model that will facilitate this integration. A strategy and integration committee headed by the Chairman [Mr Tata] oversees the integration effort and provides guidance to focus groups that have been created to realise synergies.



Galvanized steel coils at Tata Steel plant, Jamshedpur

While there are many positives, I see two key benefits: one is that we are getting to improve some of the practices in our Indian operations, something that we had not anticipated earlier; the other is the flexibility that the acquisition gives us in global markets.

There have not been any significant problems except that we would have liked to move faster in our attempts to acquire raw material assets, so that Corus's dependence on bought-out raw materials can be reduced.

Tata Steel's globalisation efforts have picked up plenty of pace in recent years. Will the company continue down the foreign acquisitions road in the coming days or has the time come to pause and consider consolidation? What is the long-term plan here?

Tata Steel's growth strategy was driven by the imperative to create value for all its stakeholders and not by the narrow objective of globalisation per se. We had very strong underpinnings from being the lowest cost producer and we were generating strong cash flows. We did not go after overseas acquisitions for the sake of globalisation; these were part of a

deliberate strategy that was formulated in the year 2002. This was a strategy that called for a strong presence in India while looking at opportunities in other select geographies.

So while we were planning overseas acquisitions, we were also putting in place plans to more than treble our capacity in India. Tata Steel will very shortly have a ten million tonne steel plant in Jamshedpur, a decent size for one location even by global standards.

Consolidation of existing acquisitions and further growth are not 'either-or' for us. We have taken concrete steps to ensure seamless integration of all our entities; at the same time, we are also looking at all possibilities to grow further, by acquisitions as well as through greenfield or brownfield expansion.

There is a slowdown in global growth, there's even talk of a recession. How will Tata Steel be affected?

I see very conflicting signals here. While there is talk of slowdown and even recession, I find that the fundamentals of the steel industry remain as strong, if not stronger, as they were in the past few years. The reason I am linking the

two is that any signs of growth slow down will first be visible in basic industries like steel, cement, etc. Based on this, I am of the view that the weakness in the global financial markets that we are witnessing now is a passing phase.

Given its globalisation agenda, how importantly does India figure in Tata Steel's future prospects? And how tightly is the company's future success tied to the India growth story?

Very tightly linked. As I explained earlier, we never took our eye off India even when we were pursuing our global ambitions, and we do not intend to do that in the future. For us India remains the most attractive place to manufacture steel.

I would have liked to see Tata Steel grow much faster in India but sadly, that is not happening because of the impediments that we face on several fronts — land acquisition, allotment of iron-ore mines, etc. Our Indian operations have strong cash flows and will be fundamental to our future growth aspirations, both in India and overseas.

Going forward, what are the main business challenges that Tata Steel will have to cope with to remain at the top?

Both in India and in the rest of the world, the entire steel industry is going to face the challenge of attracting and retaining the requisite talent. I am deliberately saying requisite and not the 'best' talent. It is becoming increasingly difficult for the manufacturing industry to attract talent as opposed to other industries that can afford to pay better and do not call for as much hard work. I am somewhat saddened to see that many of today's engineers and technocrats pass up the professional challenges that the



manufacturing industry offers in favour of supposedly glamorous desk jobs involving little professional challenge.

The other key challenge that Tata Steel is going to face is in the area of manufacturing and mining technology, especially in relation to issues such as conservation of resources and safeguarding the environment. Getting hold of adequate resources of iron ore and coal both in the immediate term and long term is another factor that will have significant bearing on our future position.

What about challenges in areas such as innovation and human resources?

Innovation certainly remains a focus area for us. Innovation has been one of the hallmarks of Tata Steel but this has largely remained restricted to manufacturing and mining, with a focus on cost reduction. For some time now, we have been practising innovation in customer-facing areas, such as product development and marketing. We will need to intensify these efforts. The acquisition of Corus will certainly help us in this area.

In your view, what will be the shape of the Indian steel industry in five years, in terms of size, competition, foreign players, etc? Where do you expect Tata Steel to be within this matrix?

Tata Steel has been and will remain on top in India and I can say this with

Key achievements

- ▶ Record production of steel — more than five million tonnes
- ▶ Record production of cold rolling mill
- ▶ New ferrochrome plant doubles capacity
- ▶ PAT of more than Rs4,000 crore

New challenges

- ▶ Retaining talent
- ▶ Accessing raw material — iron ore and coal
- ▶ Improving customer centricity
- ▶ Developing environment-friendly technologies



Furnace area in new rebar mill, Jamshedpur

some conviction. Taking into account the constraints in the system both at the policy level as well as on the ground, I do not see much change in the competitive landscape in India in the next five years. My view is that unless the government takes radical measures to promote the steel industry, growth in demand for steel will continue to outstrip supply and India will continue to face short supply of steel for a long time to come.

Considering Tata Steel's strengths and the action plans that we have put in place, I am not particularly worried about intensified competition, whether within India or outside. India has the potential to surpass China, provided the infrastructure is strengthened and proper and transparent policies are followed that will encourage the steel industry.

Is there a case for advocating changes in government policy that will benefit the domestic steel industry?

Indeed there is. More than a change in policies, the practices currently being followed are neither transparent nor proper and need to be drastically changed. As I have said ad nauseam, the government needs to stop exports of iron ore but very little has been done in this area. Similarly the government needs to recognise that it is the lack of proper decisions in allotments of iron ore and coal mines to those companies who have taken serious steps to set up greenfield and brownfield units that has seriously hampered steel industry growth in our country.

What is the biggest threat that Tata Steel faces as it seeks further growth and



Molten steel being poured into the LD vessel

expansion? And what about domestic and global competition?

While I remain bullish about the growth of the global economy, a potential slow down could be a serious threat to the steel industry as a whole. My fear is not that it will affect the steel industry in the short run; the bigger threat is that it will reduce investments in upstream industries like iron ore and coal, which will have a more lasting negative impact on the industry, like it did during the previous downturn. The steel industry is even now reeling under its effects. Competition is something that all of us have to learn to live with. Our challenge is to change or improve at a faster rate than the others.

Going forward, the global steel industry will see more consolidation as well as intensified efforts to acquire ownership of raw materials. This will improve the staying power of steel makers and I expect that this will lead to greater discipline in the market place. ●

The fine art of managing a global workforce

It's been a year since the merger, and the Tata Steel group is well on the way to becoming a globally integrated operation. Corus chief executive officer **Philippe Varin** explains how creating a common vision can inspire a professional and passionate workforce to pull together

Managing a global workforce is about managing diversity. With globalisation, diversity management has become essential for maximising business opportunities and meeting challenges. And one condition for successful diversity management is to have a common vision.

When Corus and Tata Steel came together in April 2007, both companies felt they could better compete and succeed in a rapidly changing world if they combined their strengths. In the last year, a lot of work has gone into developing an enduring vision for the combined Tata Steel group.

Common vision

Our shared vision is one developed by the board, the executive team and a number of others within the Tata Steel group. I have been personally immersed in this process and care deeply about it. This vision will be achieved through the commitment, pride and passion of our workforce and is a call to action and to building a future we can all be proud of. Our vision is to become the world steel benchmark for both value creation and corporate citizenship.

Value creation means making a difference in two ways. First, through our competitive offer: we must become the supplier of choice, deliver premium products and services and create value



for our customers. Second, by developing leading-edge solutions in technology, processes and products to secure our competitiveness. Innovation is the cornerstone of value creation.

Being a leader in corporate citizenship is about providing a safe workplace, respecting our environment, caring for our communities and demonstrating high ethical standards. Here we can genuinely claim to be better than many of our competitors.

Our workforce

We now have the fantastic opportunity for creating through our vision, a magnet for change and a creative tension so that we are all on the same page, working in the same direction and contributing to the same goals. This process allows us to forge better links with our 80,000 people across 50 different nationalities to have a truly global and diverse organisation.

A key goal of the Tata Steel group is to be 'employer of choice' by 2012, and I believe we are well positioned to achieve this by aligning our HR processes to drive the performance culture we seek. It also involves placing a lot of emphasis on teamwork through openness and transparency, on trust, honesty, debate and respect, and of

“Being a leader in corporate citizenship is about providing a safe workplace, respecting our environment, caring for our communities and demonstrating high ethical standards”

course on leadership, talent management and communication. It's also about sourcing talent globally and investing in making our employer brand more attractive.

One year on

We now have one year of integration under our belt and our aspirations and ambitions are absolutely clear.

Our ambition is to play in the premier league. Our aspirations, borne out of the best attributes of both Tata Steel and Corus, will allow us to turn the threats of a changing world into opportunities.

In a world of shifting economic power bases, we will ensure we are well located to exploit fast-growing economies. In a world of scarce resources, we will secure access to raw materials. In the war for talent, we will be an attractive company to work for. As our industry is confronted with our biggest challenge ever — climate change — we will pioneer solutions. For us technology will be an asset, not a threat and the power of technology will fuel our growth.

With the passion, pride and professionalism of our workforce, I believe that between us we will make it happen. ●