



500 MT - CONTEXT AND ENABLERS

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Synergy Capital is a private equity fund manager that focuses on the industrials, metals & infrastructure sectors globally

Synergy deploys deep industry knowledge, operating expertise, discipline, and ability to design structures that capture the unique characteristics and tail risks of each investment opportunity

The firm is present in Dubai, Mumbai, Singapore, and London

Synergy Funds

Synergy Capital focuses on critical sectors that generate strong positive human and economic impact, which are central to enabling the net-zero carbon transition and the development of sustainable infrastructure and resilient traceable supply chains.

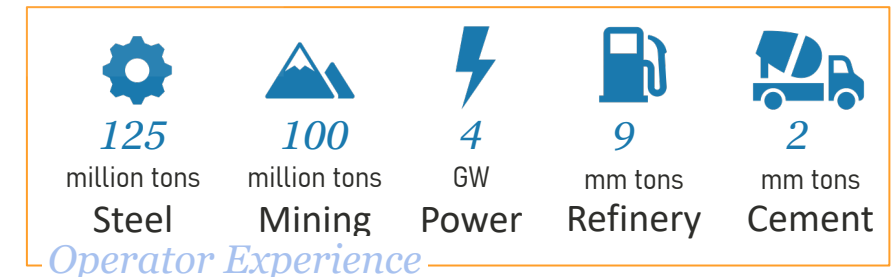
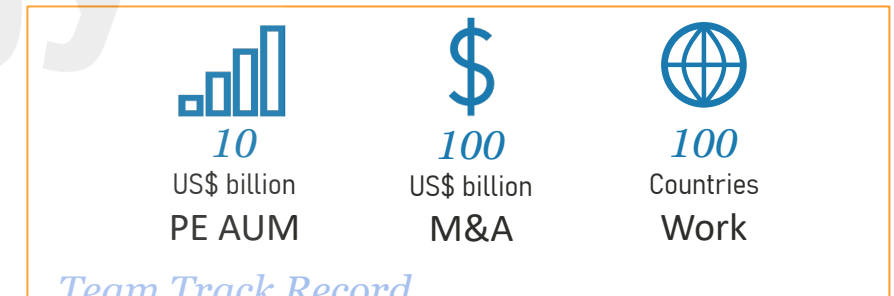
Our funds pursue a differentiated investment strategy with a strong focus on special situations and driving value through active management and operational transformation.

We seek disciplined value opportunities combining recurrent income and capital appreciation for higher cashflow visibility and the avoidance of “binary” investment outcomes.

Professional Team

Cross-functional team that combines deep finance, technical, and operating capabilities with an entrepreneurial mindset, embodying Synergy's guiding principle of "more than the sum of our parts".

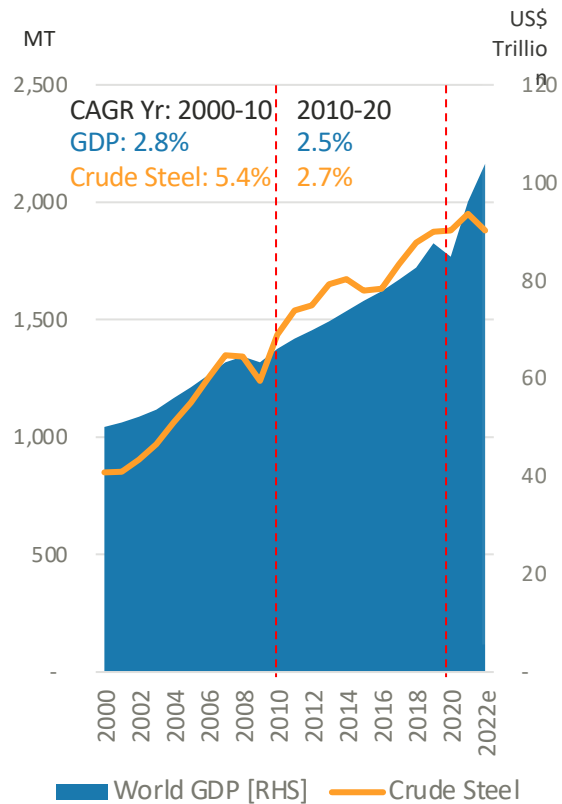
Many of the key members of the Investment Team have been working together for over 20 years and, collectively, have working experience in approximately 100 countries



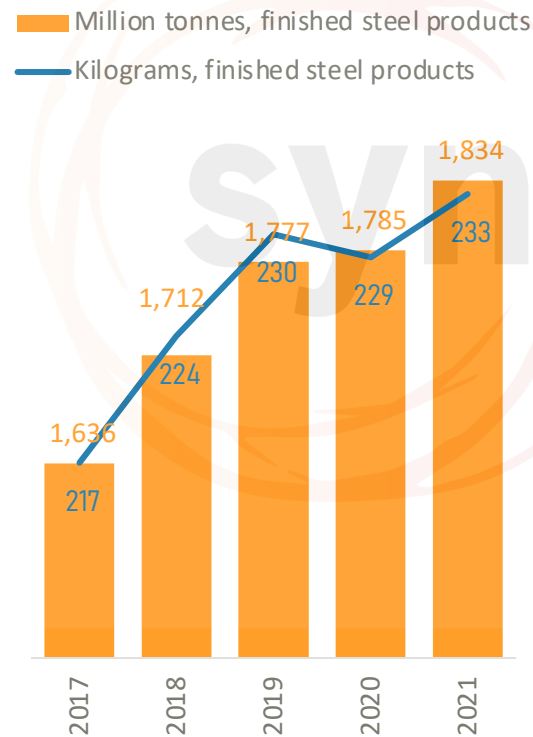


GLOBAL STEEL SCENARIO- BUILDING & INFRA LEADS THE SHARE IN CONSUMPTION

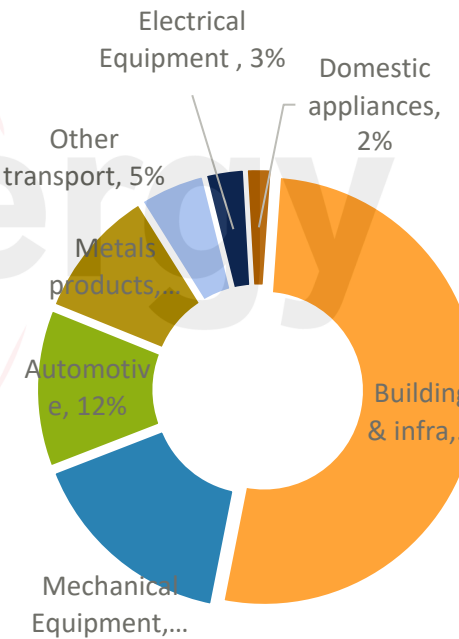
World GDP and crude steel production



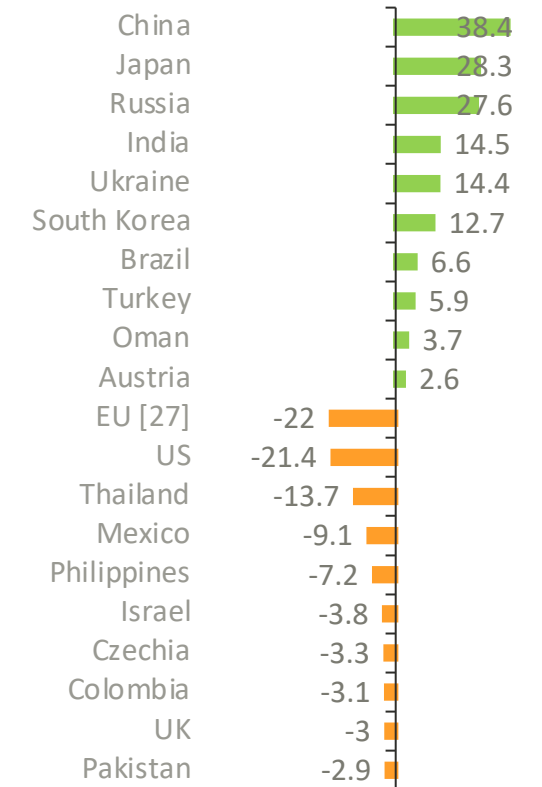
Apparent steel use



Distribution of steel end-usage worldwide, by sector



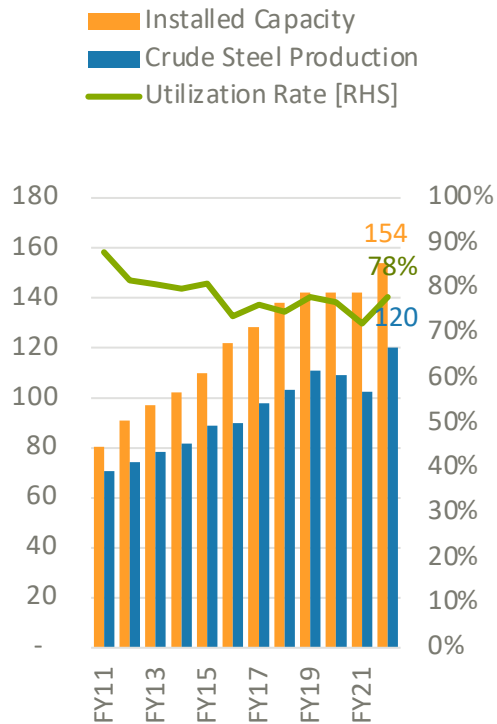
Top 10: Net Exporters vs Net importers



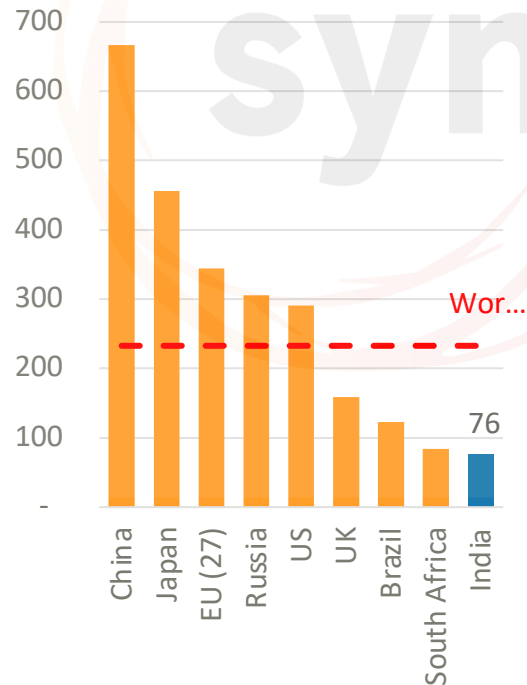


INDIAN STEEL SCENARIO- CONSTRUCTION & INFRA LEADS THE CONSUMPTION

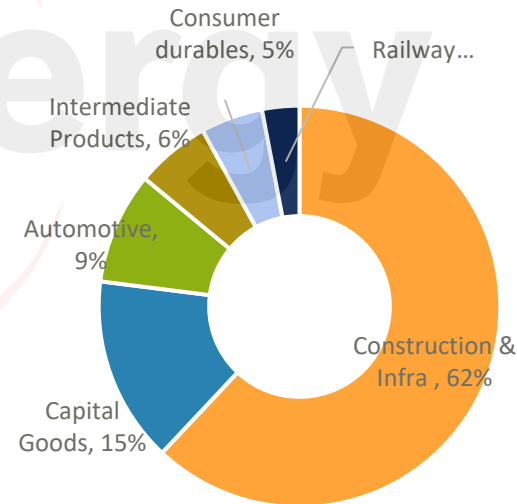
Crude steel Capacity and production



2021 Apparent steel use per capita [KG] finished steel products



India end-use sectors of finished steel-



India's finished steel exports grow 25% to 13.49 MT in FY22; imports fell 1.68% to 4.67 MT. In long term, India will play a significant role as an exporter.

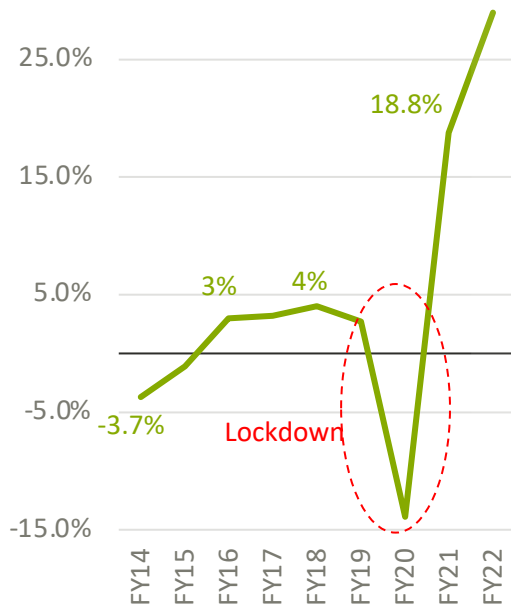




INDIA'S KEY GROWTH DRIVERS FOR INDIAN STEEL INDUSTRY

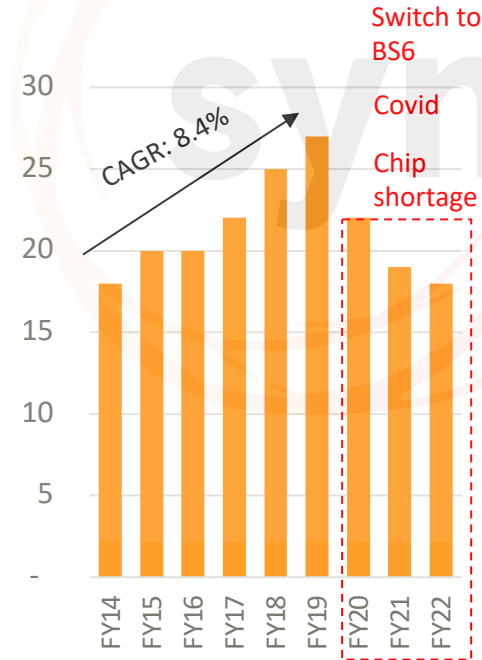
Capital Goods

Annual growth rate %



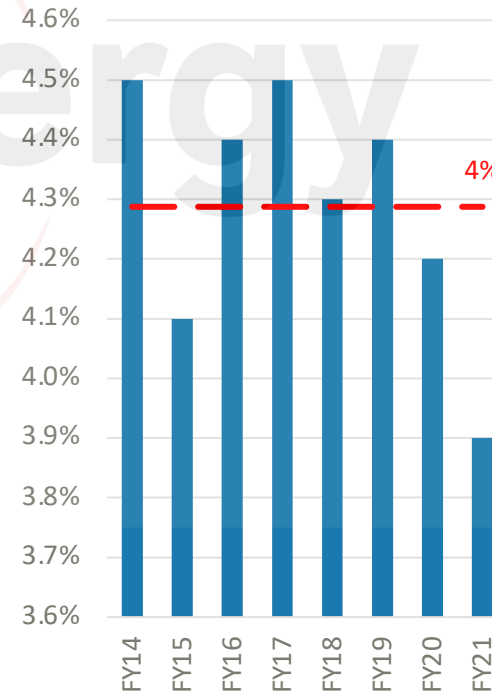
Automotive Industry

Automobiles Sold in India (in million)



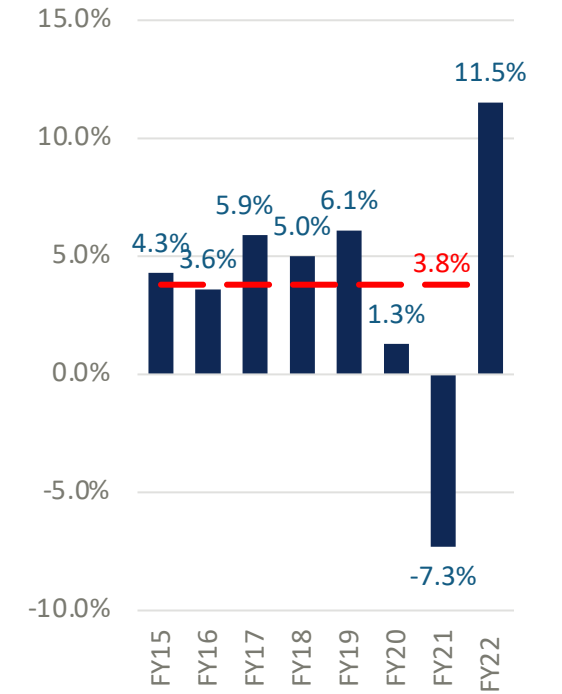
Infrastructure sector

Investment in infrastructure as a percentage of GDP



Building and Construction

GVA change in construction industry

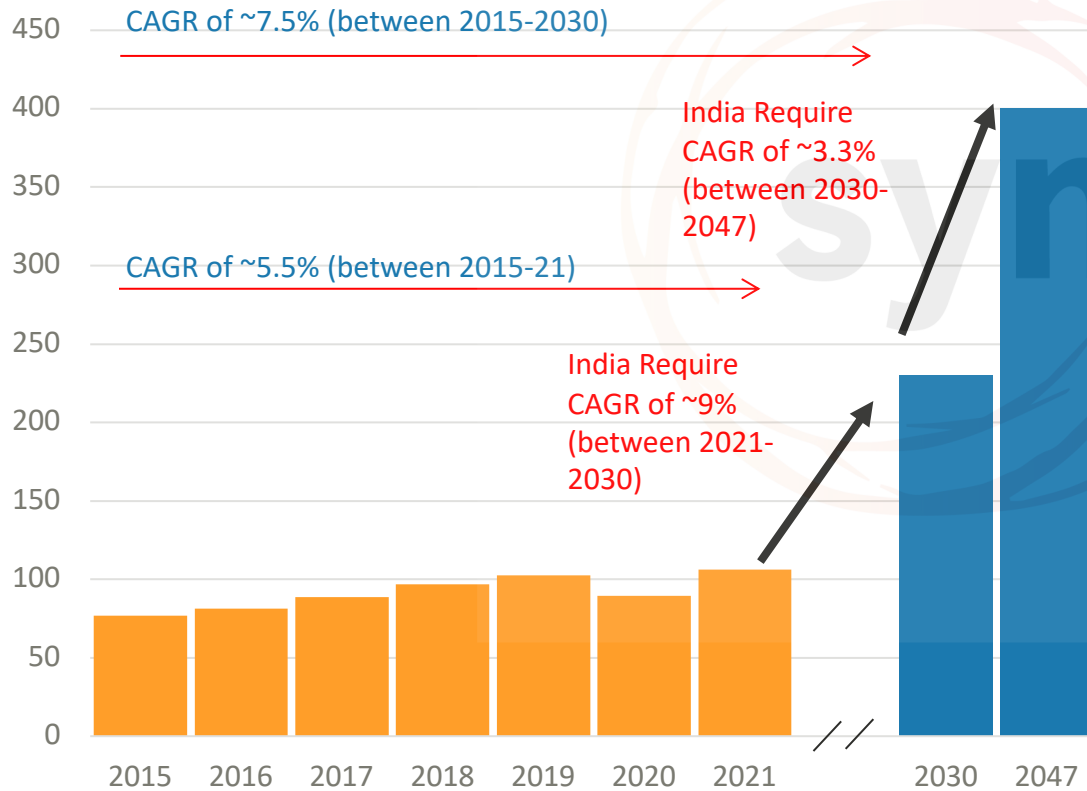




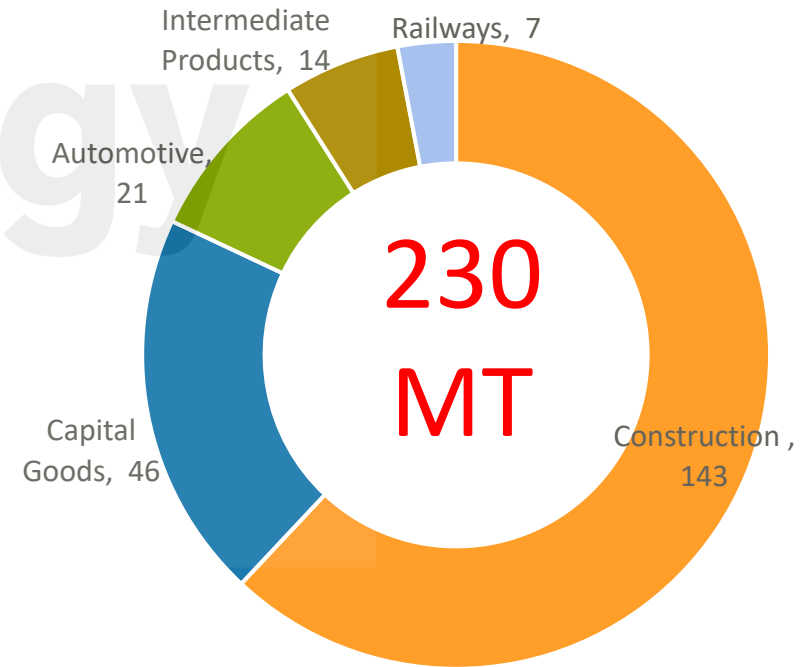
CONSUMPTION FORECAST 2021-2030 (IN MT)-RATE OF ACCELERATION

India – finished steel consumption (MT)

2030 potential composition end-use sectors of finished steel



Million tonnes





INDIA ECONOMIC FORECAST

Real GDP



3rd largest economy by 2030

average real GDP growth of 6% from 2022-2030

Infra spending

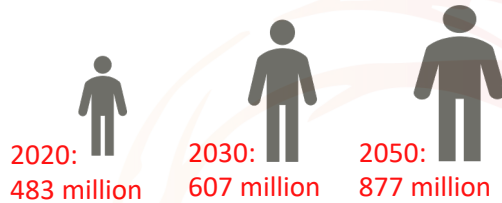


2008 -2017

USD 1.1 trillion
2020-2025

USD 1.5 trillion

Urbanization (people)



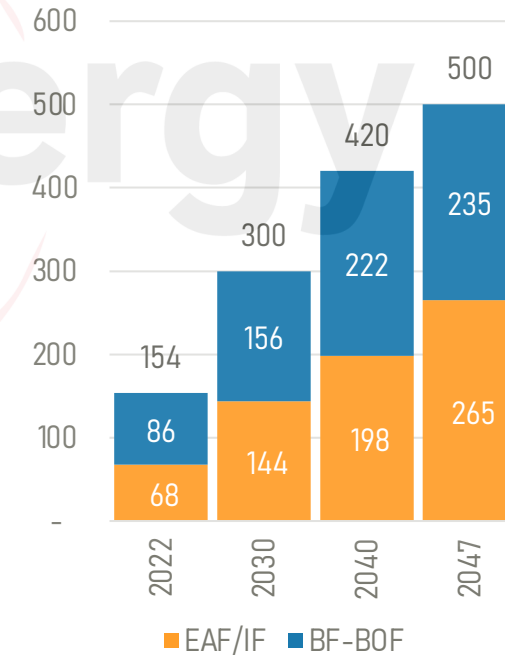
Automotive Industry



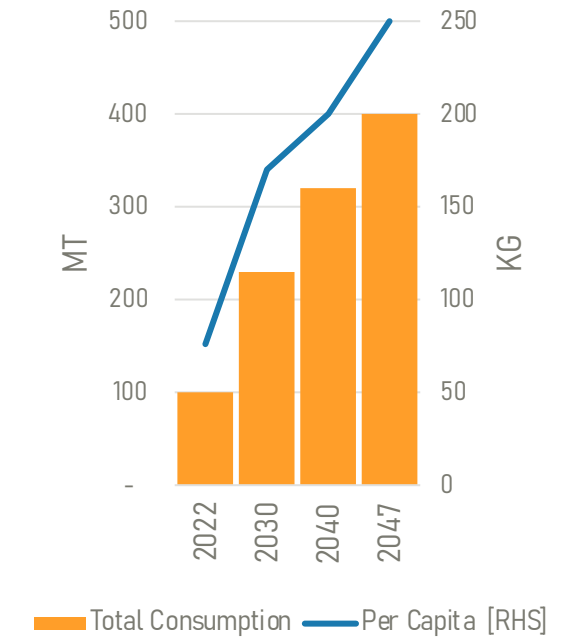
EV is expected to expand
2021-2030: CAGR of 49%

Steel capacity forecast

Capacity MT 2047



Consumption 2047



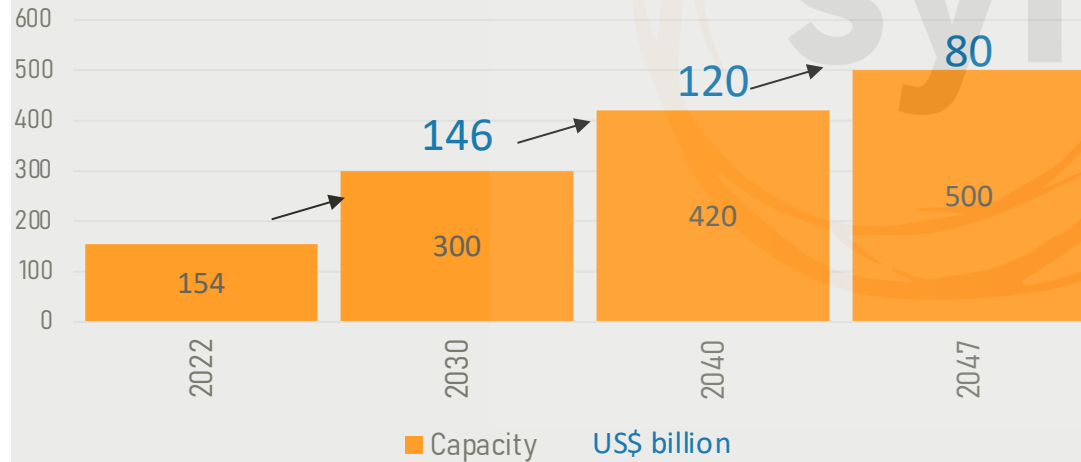


SUPPLY-SIDE ENABLERS FOR 500 MILLION TONNES [1/2]

Capital Requirement

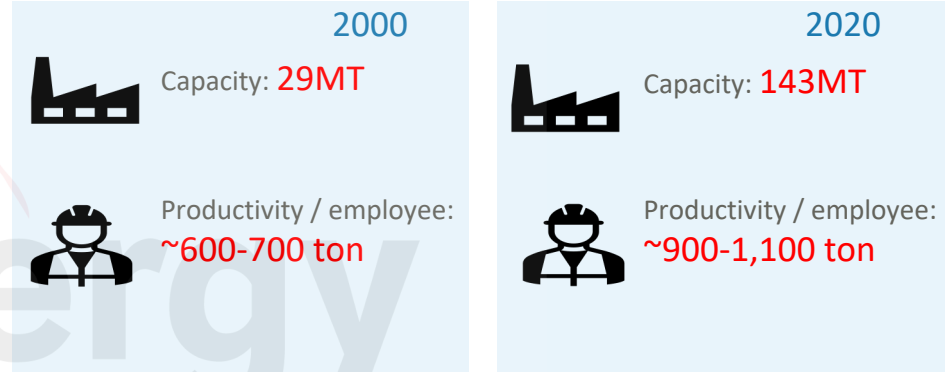
~USD 1,000 to make 1 Tonne of steel

During the last 10 years, India invested ~ USD 5-6 billion per year.
From now, ~ USD 13.84 billion per year investment requirement.

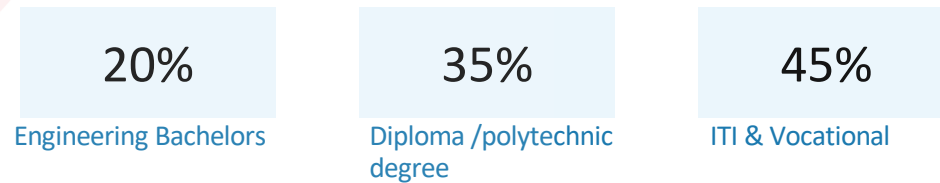


The banking system has to gear up to meet the challenge of funding debt of ~USD 10 billion per year assuming Debt to Equity: 70:30 ratio either through channelizing the external funding through ECAs, Financial Institutions and own funding.

Skills and Competency



Needs ~1100-1200 direct headcounts per 1 Million ton of steel on average; an additional ~ 0.35mln direct employment and ~ 2mln indirect employment.



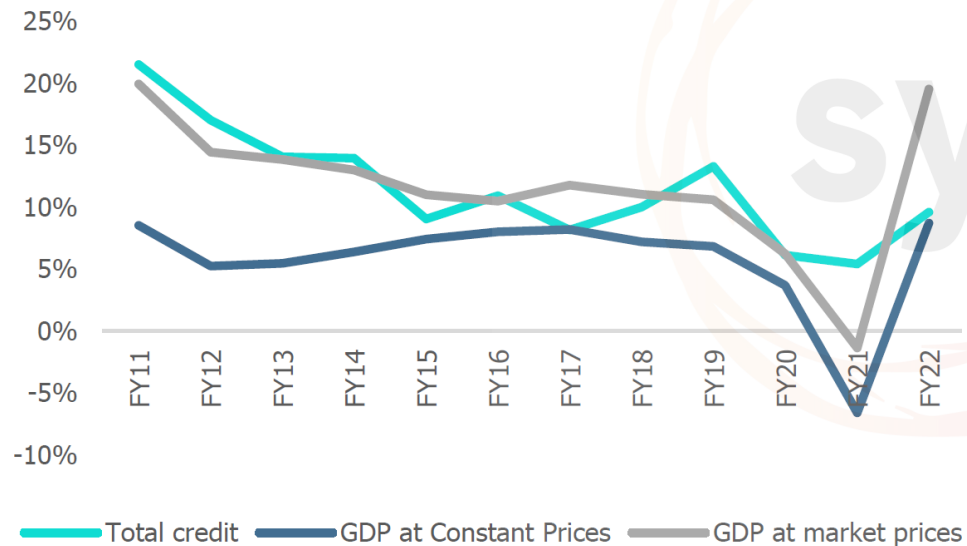
The National Education Policy (NEP 2019) encourages multi-disciplinary degree.



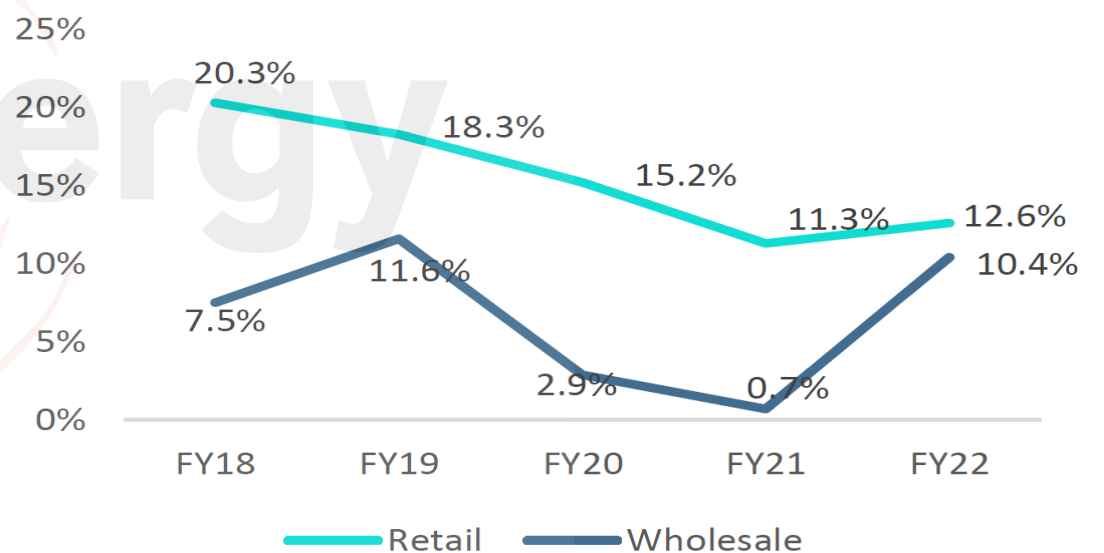
INDIA'S CREDIT GROWTH MOMENTUM

India has a relatively lower level of credit to GDP ratio compared to other countries, and to improve the same, access to credit and the cost of credit need to be addressed.

Bank Credit Growth vs GDP Growth



Movement in Bank Credit Growth

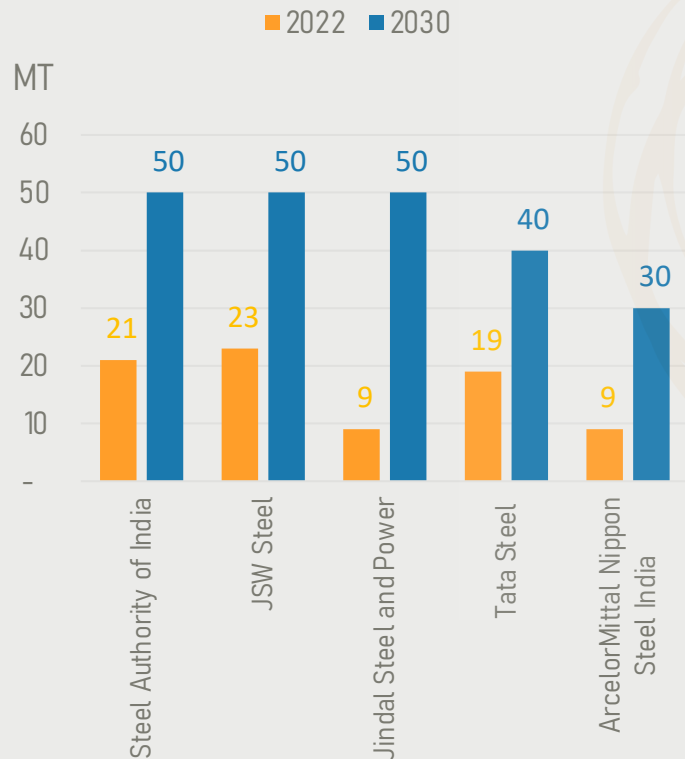


India's Iron & Steel share on gross bank credit deployment is ~6.3% (Sep'22-RBI data) amounting ~\$26 Bn, which is still less than the pre covid level (~9.0%).



SUPPLY-SIDE ENABLERS FOR 500 MILLION TONS [2/2]

Capacity expansion commitment from the big players



Innovation: India's steel industry still has a Quality gap in high-end application products w.r.t. global peers in multiple techno-economic parameters. Grades such as lightweight high-tensile auto steel, Grain-oriented steel, Auto component grades, etc.

A comparison of Indian steel producers with global best-in-class peers highlights an

- 80% gap in R&D spending (as a % of revenue),
- 30% gap in CO2 emissions (per ton of crude steel)
- 25% gap in energy intensity (per ton of crude steel)
- 4% gap in yield
- 6% gap in capacity utilization.

India's logistic cost is 16% of GDP compared to the global average of 8%. India still needs adequate infrastructure for the movement of materials in addition to policy support for industry.

~3.5-4.0 tonne of material movement per tonne of finished steel

~1.4 bln tonnes of additional movement of material

National Logistic Policy 2022, 4-point programme

- + Integration of Digital System
- + Unified Logistic Interface Platform
- + Ease of logistics
- + System Improved Group



DEMAND SIDE ENABLERS FOR 500 MILLION TONS [1/2]

Sector-wise demand growth



The Bharatmala envisages the development of 34,800 km of road



500 projects in Sagarmala programme to set up new mega ports & modernizing existing ports



Urja Ganga Gas Pipeline aims to develop a 15,000-km gas pipeline network



120,000 km rail new lines by 2025



The real estate sector is expected to touch a US\$ 1 trillion market size by 2030, accounting for 18-20% of India's GDP

Energy & Transitions

The Indian Steel Sector is required to achieve a CO₂ emission intensity reduction to 2.4 tCO₂/tcs by 2030

Needs investments of over \$300 billion to achieve its clean energy capacity target of 500 GW by 2030

By 2030 about +400 MT of steel will be requisitioned with Green specification for Govt projects etc., worldwide

An all round improvement in generation & transmission policy, liquidity in the distribution system, discipline around unfinanced energy subsidies and balance between environment and urbanization will a long way.



DEMAND SIDE ENABLERS FOR 500 MILLION TONS [2/2]

Government initiatives



National Steel Policy 2017



100% FDI through the automatic route allowed in the Indian steel sector



Government introduced Steel Scrap Recycling Policy aimed at reducing import



Specialty steel production-linked incentive (PLI) scheme.

Trade Policy Support

Trade protection for steel and its allied & downstream industry in line with International trade protocols will help increase Indianization. Blatantly Subsidised imports must be guarded against.

Policy support for steel and its inputs materials is required to boost the export without disrupting the domestic market.