



Achintya Securities Limited

The Second Steel Rush:

Money, Ambitions, and the
Infrastructure Boom



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Introduction

The Indian steel sector is undergoing a profound transformation, moving past a painful era of bankruptcies and consolidation to enter a new phase of aggressive expansion. Driven by the promise of a rapidly urbanizing and industrializing nation, the industry is witnessing an unprecedented flooded with fresh capital and new players, all while the established giants solidify their massive scale. This shift, which one observer calls "India's steel rush. Sort of," is underwritten by massive projected infrastructure needs and a national capacity target of 300 million tonnes per annum (mtpa) by 2030-31.



1. New Entrants: From Raw Materials and Energy to Steelmaking

What makes the current wave of new entries significant is the diverse background of the prospectors. Unlike the sector's previous struggles, these companies are leveraging existing strengths in adjacent industries—raw materials and energy—to create integrated, cost-effective, or 'green' steel supply chains. Mint's analysis reveals four key new entrants, along with two expanding secondary steelmakers, committing to invest upwards of ₹57,000 crore.



The Pioneer: Lloyds Metals and Energy Ltd (LMEL)

- **Strategy:** Forward integration from mining. LMEL was primarily an iron ore mining company. Its legacy mines, which do not carry the high premiums of blocks auctioned after 2015, provide a highly profitable raw material source to fund its downstream steel ventures.
- **The Heartwarming Headline:** The company gained attention for its corporate social gesture of granting stock options to blue-collar workers, including some former Maoists, in an effort to foster ownership and transform the regional image of Gadchiroli.



- **Investment & Capacity:** ₹20,000-25,000 crore as per later announcements to build two blast furnace-based steel plants in Gadchiroli and Chandrapur, Maharashtra. The primary units could cumulatively churn out 4.2 mtpa of steel. The Chandrapur (Ghugus) blast furnace is expected by late 2027/early 2028, and the Gadchiroli (Konsari) plant by 2029-30.

The Green Gateway: ACME Group

- **Strategy:** Leveraging renewable energy and green hydrogen to produce low emission steel.
- **Investment & Capacity:** ₹5,000 crore for a 1.2 mtpa green Direct Reduced Iron (DRI) facility in Odisha or Oman.
- **Technological Edge:** ACME will use a DRI furnace, which is smaller, costs less, and can operate with hydrogen as a fuel instead of coal, drastically reducing carbon emissions. The resulting DRI typically goes to an electric arc furnace (EAF) to be made into steel, making it a "green steel" play aligned with global climate commitments and regulatory requirements (like those in Europe). The company has already secured a 10-year offtake agreement for two-thirds of the output with Vietnam's Stavian Industrial Metals.

The Financial Strategists: Synergy Capital and Nithia Capital

These funds are backed by former executives of ArcelorMittal and Mittal Steel, bringing deep sector expertise.

- **Synergy Capital:** Backed by former ArcelorMittal dealmaker Sudhir Maheshwari, Synergy is entering the value chain through an investment in coking coal, a key input. The acquisition of Saurashtra Fuels' plant in Gujarat grants it access to 600,000 tonnes of metallurgical coke annually, banking on India's robust demand for the raw material.
- **Nithia Capital (Evonith):** Headed by former Mittal Steel executive Jai Saraf, Nithia has taken a direct acquisition approach, buying two bankrupt units (Uttam Galva Metalics and Uttam Value Steel) in late 2020. The firm recently acquired Topworth Urja and Metals for ₹300 crore. Saraf's vision is to become a top five steelmaker, ramping up the Evonith Wardha facility to 3.5 mtpa by 2030 with an estimated investment of ₹5,500-6,000 crore.



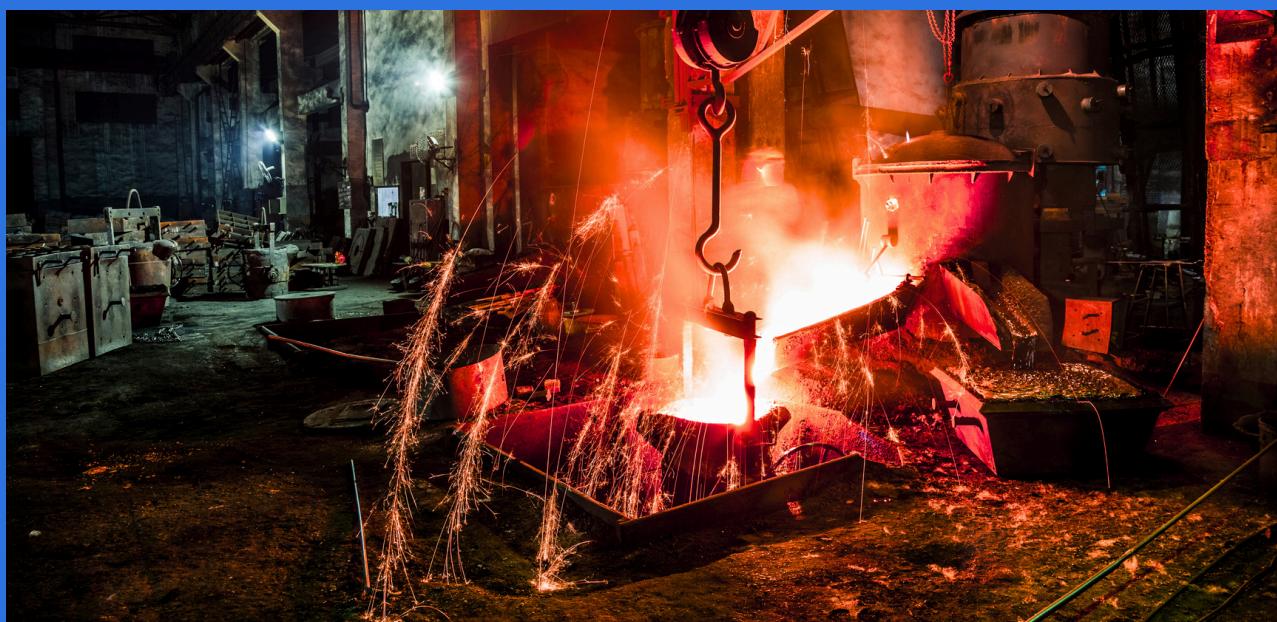
Secondary Steelmakers Scale Up

Existing mid-to-small players, the secondary steelmakers (who typically do not use blast furnaces), are also betting big on growth.

- **Shyam Metalics and Energy Ltd:** Committing ₹10,000 crore by 2031 to boost capacity from 15 mtpa to 27 mtpa.
- **Rashmi Group:** Announcing a ₹10,000 crore investment for an integrated steel and power unit in Purulia, West Bengal, with a steelmaking capacity of 2.8 mtpa.

2. The Incumbents' Moat and Mega Expansion

Despite the new entrants, the structure of the Indian steel market remains dominated by five large players: JSW Steel, Tata Steel, SAIL, Jindal Steel, and ArcelorMittal Nippon Steel India (AMNS India).



- **Market Concentration:** These five incumbents' control about half of the national market, a concentration born from the consolidation wave that followed the IBC proceedings of the 'dirty dozen' steel companies (like Essar Steel and Bhushan Steel).
- **Capacity Expansion:** The Big Five are expected to add upwards of 60 mtpa of capacity by 2030, a vast number when compared to the country's installed capacity of about 100 mtpa in 2024-25.
- **Confidence in Fundamentals:** The continued execution of these multibillion-dollar expansion projects, even amidst a low-price environment, signals deep management confidence in the sector's long-term strength. As JSW Steel CEO Jayant Acharya noted, new projects take four to five years to start production, and the current pipeline will not be enough to meet the demand surge in the future.

3. The Unforgiving Cycle and the Price Impact

The steel sector is notorious for capital intensity, long gestation periods, and wild swings between boom & bust cycles.

- **Current Price Pressure:** Steel prices have dipped to multi-year lows in India. Benchmark hot-rolled coil (HRC) prices have slid to around ₹48,275 per tonne (a nine-month low), and rebar prices are at roughly ₹47,000 per tonne (the weakest level since November 2020).
- **The Long-Term Bet:** Falling prices have not deterred investment, as manufacturers are adopting a long-term perspective. As Crisil notes, steel prices are inherently cyclical, making current profitability an unreliable indicator for capital investment decisions.
- **Low Per Capita Consumption:** The primary driver is India's immense headroom for growth. The country's per capita steel consumption is just over 100kg (latest JPC data places it around 97.7 kg for 2023-24), which is less than half the global average of approximately 215kg (latest provisional data is 221 kg) and a fraction of China's (which was over 600kg in 2023). The government's National Steel Policy (NSP) 2017 aims to increase per capita consumption to 160 kgs by 2030-31.



This "steel rush," therefore, is a bold, long-term wager on India's inevitable rise as an economic superpower—a phase of development that demands colossal quantities of the alloy for its roads, railways, ports, and housing for millions.



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