'Steel demand will improve in second half of this fiscal'

bl. interview

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Steel prices have been falling steadily in the last few months due to weak demand. This has led to a sharp fall in prices. The inventory levels at JSW Steel have gone up amid slowing demand. *businessline* spoke to Jayant Acharya, Joint Managing Director, JSW Steel, on the way forward for the company. Excerpts:

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> **JAYANT ACHARYA**
> Joint Managing Director, JSW Steel

How do you see it is a demand?

The demand in India was fundamentally good, driven by manufacturing, energy and automotive. The channel was destocking because the prices came down. So, therefore, the channel was reducing inventories. Destocking is now complete and prices have bottomed out. It has shown an uptick. We expect the demand to continue being positive. The volumes in the second quarter will now improve with restocking. We may see some impact on demand from the construction and infrastructure sectors because of rains.

Why have inventory levels gone up substantially?

Inventory went up due to destocking and the recent cyclone has disrupted supplies to the port. In the western region, some customers were not able to take the material. These inventories will be liquidated in the coming quarters. In the March quarter, we liquidated 3.50 lakh tonnes of inventory.

Some part of the inventory was to be rebuilt again. The cost has been going down because coking coal and iron ore prices have moderated. This benefit will flow in the second quarter and will offset the exit prices. Demand in the first half of the fiscal is typically about 45 per cent and the remaining comes in the second half. We will have more to sell as BPSL capacity expansion from 3.5 million tonne (mt) to 5 mt will be completed in the second half.

Is there an issue of excess supply in the market?

I do not think so. The demand is growing 8-9 per cent annually, which means an additional demand of about 10-11 mt every year. In 3-4 years, it would mean about 45 mt of additional demand. So, capacity additions are happening over 3-4 years. Even after increasing capacity, the ramp-up takes time. The growing Indian demand will be able to absorb the domestic capacities. There may be a little bit of a lag, but otherwise, we do not see it as a concern from the current capacities being planned.

In the medium term, the economy is supposed to triple by 2032; there should be no reason why we cannot triple the consumption. If the economy becomes $10 trillion from $3 trillion, the demand probably will be growing much faster than the economy.

How do you see the imports?

Imports have increased because of exports by China. However, Chinese daily production is going down. They have already decided to cap production to last year's level. This means that they have to cut output by 60 mt in the second half, which translates to 10 mt of production cut a month.

It is a huge positive for the global steel industry. Chinese inflation is very low. China plans to give some policy support that should support steel prices. However, rising imports into India are a concern and remain monitorable. Domestic steel prices have fallen while international prices are moving up. So, there is not much meaningful gap to import.

Has the process to surrender thermal coal mine completed?

There are certain problems in making the coal mine operational because there is a river flowing through it and a railway line cutting across the asset. We cannot shift those lines because there is a forest area around it. We are trying to take a report from agencies. We are evaluating various options and discussing with the Ministry how we can take this forward.