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Jindal Stainless to exit Indonesia; mulls bringing back equipment

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Jindal Stainless Ltd (JSL) will exit its Indonesia operations due to "unfavourable market conditions" primarily driven by Chinese dumping which has made operations there unviable. High tax on exports [from the Asian nation] to key geographies such as the US and Europe has also hurt the company's prospects.

Operations of the wholly-owned subsidiary, PT Jindal Stainless Indonesia (PTJSI), were "breaking even" till FY23, and losses were reported in Q2FY24 (July-September) to the tune of ₹28 crore.

EXPLORING OPTIONS

According to Abhyuday Jindal, Managing Director, JSL, the Board has in-principle approved the proposal to "explore the option of selling or liquidating or divesting equity stake in its subsidiary". The company could explore the possibility of bringing back [to India] some of the installed equipment from its cold rolling mill there.

"Most of the (Indonesian) market is dominated by Chinese players, and therefore, major geographies such as the US and EU levied severe trade protection measures on export of stainless steel products. Consequently, the situation renders PTJSI – which has an installed capacity of 12,000 tonnes per month but is operating at a utilisation of 15 per cent – unviable," Jindal told *businessline.*

"In fact, export from India to EU or the US will give us improved margins; and we can command better price and numbers," he explained.

"Unfavourable market condition caused by Chinese dumping has made things difficult for us."

ABHYUDAY JINDAL,
CEO

SOURCING CONTRACT

The winding up of the Indonesian subsidiary will not have any impact on the nickel sourcing JV that JSL has entered into. Nickel is a key stainless steel making raw material.

JSL will invest ₹1,200-1,300 crore, over a two-year period, and have a 49 per cent stake in the joint venture (JV) company, while the balance would be with New Yaking. The smelter would be located in an industrial park in Halmahera Islands.

READY FOR CBAM

JSL is also investing nearly ₹300-400 crore towards renewables and introduction of green hydrogen-based production processes. Investments are spread out over the next few years.

The successful trial of bio-coal at the electric arc furnace in the Hisar plant resulted in an average carbon recovery rate of 78 per cent and reduced carbon emissions by 12,750 tonnes per annum.

The company recently partnered with ReNew Power to develop a 300-MW hybrid energy project.

According to Jindal, the company is working with global majors and preparing itself to adapt to the upcoming Carbon Border Adjustment Mechanism (CBAM) of the EU.

Exports accounted for 13 per cent of JSL's sales in Q2FY24.