'Govt focusing on capex; private capex also coming in'

JSW Steel's consolidated net profit at ₹3,664 crore in Q4 of FY23 was led by additional volumes from ongoing expansion. In an interview over Zoom, **JAYANT ACHARYA**, newly appointed joint managing director (joint MD) and chief executive officer (CEO), tells **Ishita Ayan Dutt** that by FY25 the company would be adding 10 million tonnes (mt) capacity. Also, it would take up the next leg of expansion to 50 mt after that. Edited excerpts:

Q&A

JAYANT ACHARYA
Joint MD & CEO, JSW Steel

JSW Steel's performance in Q4 was ahead of Street expectations. What is the outlook for FY24?

Our volume numbers in Q4 was the main driver for our performance. We have done very well in terms of crude steel production across Indian locations and even in Ohio, the US. The subsidiaries have done very well from an Ebitda (earnings before interest, taxes, depreciation, ammortisation) standpoint — Ohio did not break even, but it reduced losses. Baytown (Texas) did quite well, and in Italy, we got rail orders. Back home, the domestic story has been playing out with a very strong demand growth of about 13 per cent in the quarter as well as the year (FY23). Going forward, I see a very strong India story playing out. The central government has been focusing on capex in a very concerted fashion. We also see private capex coming in now since capacity utilisations have improved. Across sectors, we see the situation improving. Therefore, 8-10 mt of steel demand growth in FY24 in India is very much possible.

What about global demand?

The demand, sentiments and prices improved in the last quarter on China opening. We saw buying across geographies. It has gone down a bit primarily because some prices corrected as the Chinese domestic demand didn't shape up as much as expected. But the situation is stabilising now with China announcing that it would like to limit production to CY22-levels. This means that in the next eight months, it would be limiting the production by about 6 mt every month. That would be a big positive for the global steel industry and prices.

JSW has indicated that by the end of FY24, it will be adding 6.5 mt capacity. Are you confident that market conditions would support this kind of additional volumes?

We are currently at about 28 mt and our capacity expansion to 37 mt in India is on track. Seeing the Indian growth, we are confident that this capacity will be majorly absorbed here. For a year or so, we may have some exports and then it moderates. But we are shielding ourselves not only with volumes but a balanced product mix with focus on value-added steel.

"The potential for growth in India is strong. We see the Indian GDP from a per capita income point of view unfolding and that is a huge consumption opportunity"

By FY25, you would be adding about 10 mt. Have you chalked out the next phase of expansion?

We have the potential to add capacity in brownfield expansion in Dolvi (Maharashtra), Vijaynagar (Karnataka) apart from additional facilities at Jharsuguda (Odisha). Our focus would be to look at Dolvi and Vijaynagar where certain facilities in infrastructure have additional capacities.

Can you specify the capacity that can be added?

We had said earlier that we would like to be in the range of 50 mt in India. Between Dolvi and Vijaynagar, we can potentially add 10 mt and the balance can come from Jharsuguda.

When would you take a call on this?

We will allow the capacity in progress to get completed. So, we will take a call at an appropriate time. The potential for growth in India is strong. We see the Indian GDP from a per capita income point of view unfolding and that is a huge consumption opportunity. The rural side will improve — the kind of appliance buying we are seeing there makes it more and more evident that appliances are no longer a luxury. Also, its capacity in India will grow.

The capex for FY24 has been pegged at ₹18,800 crore. Do you see net debt increasing from the current level of ₹59,345 crore?

Post-merger of JISPL (JSW Ispat Special Products), which is expected this year, the debt may go up by about ₹3,000 crore. But it will be range bound after that because the capex is getting met mostly through internal accruals. We are raising some finance to refinance the debt that is falling due.