‘Concerned over imports from China and Asean’

JSW Steel, the country’s largest steelmaker by domestic capacity, reported a 63.9 per cent Y-o-Y drop in consolidated net profit at ₹845 crore in Q1FY25. In an audio interview, **JAYANT ACHARYA**, joint managing director and chief executive officer of JSW Steel, tells **Ishita Ayan Dutt** about the positives on the operations side even as low-cost imports played spoil sport. Edited excerpts:

Raw material prices had softened and yet JSW recorded a sharp drop in net profit. What led to the weak performance?
Actually, from an operations perspective, the performance is not weak. We had very good demand in the country despite some interruptions due to election activity and heat waves. So, we were able to realign our domestic sales mix and our Indian operations had the highest Q1 sales.

The raw material cost on account of coking coal fell and we were able to get the advantage. Iron ore prices increased between the quarters but we had a better regional mix with sourcing from our mines in Karnataka. And we were able to focus on the value-added piece. However, Chinese exports increased and started hitting the world market. It impacted steel prices from the latter half of May and in June. That softened the sentiments in India as well. The long product prices also moderated because of the oncoming monsoons.

Q&A

JAYANT ACHARYA
Joint MD & CEO, JSW Steel

Are you engaging with the government on imports?
Our main concern is imports from China and Asean countries at predatory prices. We have raised this concern. The Indian Steel Association continues to engage with the government to find solutions for appropriate trade measures that can be put up quickly. We are all aware that China has got surplus of steel. Vietnam is adding to that problem. Even imports from Japan and Korea have been elevated. India is basically a vulnerable ground because our domestic demand is very good.

The Indian steel industry is adding a lot of capacity in anticipation of the economic growth in the country. The capex is heavy in nature. So, it is important for the industry to see that at least unfair trade coming into the country at predatory prices is not allowed.

Do you see further correction in steel prices?
I think flat steel prices will be range-bound because China is now operating at less than marginal cost or variable cost. Therefore, the ability to drop prices is very limited. For long products, there is a seasonal factor.

But support will come from two areas. Coking coal prices are coming down further. Iron ore price reduction by Odisha Mining Corporation and NMDC towards the later part of June will play out partly in this quarter. This will reduce our cost and support the spread. Existing operations will deliver better volumes.

Can you explain the rationale behind transferring the slurry pipeline from your wholly-owned subsidiary to JSW Infrastructure?
This is a capital allocation strategy. We are growing our capacities in India rapidly and our brownfield projects are at a very low specific investment cost. We are getting a better IRR (internal rate of return) in our projects versus what we have been able to give to infrastructure. In addition, raw material security which we are looking at, will give us a better return. The focus is on completing our projects on time because timeline extension is again cost and loss of opportunity.

> “WE ARE AWARE THAT CHINA HAS GOT SURPLUS OF STEEL. VIETNAM IS ADDING TO THAT PROBLEM. EVEN IMPORTS FROM JAPAN AND (SOUTH) KOREA HAVE BEEN ELEVATED”

So, the IRR in your brownfield projects is better than the IRR in the slurry pipeline project?
The IRR we would have in our steel brownfield project is more value accretive. Also, the allocation of capital for our raw material security would help us. It also allows the debt to be managed in a reasonable manner.

What kind of additional volumes of steel are expected in FY25?
We stand by our guidance - 28.4 mt of production and 27 mt of sales.

The general elections are over. Do you see the disinvestment of NMDC picking up pace?
We have already submitted our EOI (expression of interest). It’s a strategic asset that we want to pursue in case they again open up the discussion.

Would you look at RINL if it comes up for disinvestment?
If it comes up for disinvestment, we will look at it, provided it fits into our overall growth story.