

'Steel prices may not see further reduction'

JSW Steel logged a consolidated net loss of ₹848 crore in the second quarter (Q2FY23), due to a slump in steel prices and global headwinds. JSW Steel Joint Managing Director and Group Chief Financial Officer **SESHAGIRI RAO** tells **Ishita Ayan Dutt** that the worst is behind. Edited excerpts:

JSW Steel's loss in Q2 was unexpected. Is the worst over?

Yes, I think so. For one, demand in the second half will be much better. Then, the raw material prices corrected in Q2 — the benefit of which will come in Q3 and Q4 — so costs will be lower. And we have completed our expansion at Bhushan Power & Steel (BPSL) from 2.75 million tonnes (mt) to 3.5 mt, so more volumes will come. Also, the Vijaynagar plant and BPSL couldn't operate at full capacity last quarter due to non-availability of iron ore. All these reasons are behind us.

What kind of additional volumes are expected?

We had given a guidance of 25 mt (on production). Out of this, we have achieved 11.56 mt for the first half. We will achieve the guidance that we have given for FY23. But we may not be able to achieve the 24-mt sales growth target unless we reduce the inventories. We have done 10.4 mt sales in H1 and will be very close to our guidance.

What is the current inventory level?

As on September 30, the inventory is 1.856 mt as against 2.89 mt on June 30.

Your exports have fallen by more than



Q&A

SESHAGIRI RAO

Joint MD and Group CFO, JSW Steel

60 per cent YoY.

Would it impact your expansion plan?

As far as the export duty is concerned, it is a temporary measure and it will go. The objective of imposing duty was to contain inflation. If we look at how much steel contributed to inflation, in April, it was 27 per cent which came down to 4.5 per cent in September. These are numbers given by the government. But if you look at the market, flat steel product price, according to SteelMint, is down by 14 per cent in September YoY. There could be a lag in the government numbers being reported.

So, steel is not contributing to the inflation and there is a justification for non-continuation of export duty. Therefore, it should not hamper the capital expenditure programmes of companies taking into account either the India growth story or overall global situation in the long-term.

Where are steel prices headed?

At the current levels of coking coal, iron ore or scrap, there is very little chance of steel prices coming down and production continues to remain at these levels. Therefore, steel price reduction may not happen. But the factors to watch out for are demand from China and how the rest of the world behaves.