JSW Steel revises FY23 capex to ₹15,000 crore

Abhishek Law
New Delhi

JSW Steel has "moderated" its capex plans for the current fiscal to ₹15,000 crore.

The change follows weakening global commodity cycle, impact on cash flows due to steep correction in steel prices at the international level and fears of a global economic slowdown.

According to Seshagiri Rao, Joint MD,and Group CFO, JSW Steel, the planned capex for FY23 was ₹20,000 crore. Of the committed ₹15,000 crore, nearly ₹7,000 crore has already been spent in the first six months, and the remaining is scheduled for H2.

EXPANSION ON TRACK

However, the planned and announced expansion of capacity — addition of 10 million tonne per annum (mtpa) over the next three years —at an estimated outlay of ₹48,000 crore remains "on track" and will be completed per schedule.

"We have committed to a capacity increase of 10 mt (and) we are on course. The outlay for this was ₹48,000 crore. Of this ₹20,000 crore was for the current year. But after having seen the impact on cash flows, we moderated the capex to ₹15,000 crore," he told *businessline* in an interview.

JSW's brownfield expansion of coke oven plant (1.5 mtpa) at Vijaynagar plant was commissioned in Q2 while the whole project will be completed by FY24. The expansion of BPSL (Bhushan Power & Steel Ltd) to 3.5 mtpa was also completed. Going ahead, the second phase (from 3.5 mtpa to 5 mtpa) will be completed by FY24.

'INDIA A BRIGHT SPOT'

Rao expects numbers to improve in H2 (second half) due to strong domestic demand and stabilisation of steel price. Costs of key input materials have started easing and will be reflected in earnings for the current quarter (Oct – Dec). Coking coal price guidance by the company said costs would be lower by $80 per tonne (compared to Q2).

PRICES STABILISING

In April – September, domestic steel demand / consumption grew 10 per cent and in October it was up 11 per cent over the same period last year. Global steel prices are also stabilising as mills have started cutting down production elsewhere due to recessionary pressures." (The) global economy is not doing that good, as on date, relative to India. So, India is looking better. The second half will be better (for steel companies) but export markets or our global markets are not that good," he said.

According to him, price corrections in global markets are "quite steeper" whether in the US, China or other Asian markets. "In line with that we are seeing some stability in price in India. Production cuts have happened in some countries," he said adding: "So taking them together, we think, prices (of steel) in India are expected to be range-bound and stable".