Next two decades belong to India despite small blips: JSW Steel CEO

GROWTH PHASE. The capex journey has picked up because capacity utilisation has moved up: Jayant Acharya

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JSW Steel has a planned capex of ₹20,000 crore this fiscal despite the tariff war across the globe kicking off fresh uncertainty. Separately, it is fighting a legal battle to hold on to Bhushan Power and Steel (BPSL), acquired under IBC. While exports are struggling, steel consumption hinges on revival in domestic demand.

However, despite the challenges and blips, Jayant Acharya, Joint Managing Director and CEO, JSW Steel, is optimistic about India's growth prospects.

Edited excerpts:

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>
> JAYANT ACHARYA
> Joint MD and CEO, JSW Steel

Do you expect an oversupply in the market given the current demand slowdown and capacity expansion?

I don't think so. The steel demand last year went up by 16 million tonnes (mt). In order to produce 16 mt, you need to have 20 mt capacity. The industry is not adding that kind of capacity.

Moreover, when capacity is added, it comes in phases. In that perspective, I don't see that an issue at all if India continues to grow incrementally at this 12-14 mt level. A similar kind of growth is expected this year as well. We require this kind of capacity addition so that we don't become import dependent.

Which are the sectors driving domestic demand growth for you?

Infrastructure and construction are the major growth drivers, followed by general engineering and manufacturing.

Automotive is part of manufacturing. Typically, infrastructure drives 65 per cent of demand and it was aided by Central government capex and supported by various States to push up their economies. Private capex may be slow in certain sectors, but capex in steel and cement sectors are growing due to strong demand.

I think the capex journey has picked up because capacity utilisation has moved up.

Even in the FMCG segment, demand is picking up due to rural economy because of better monsoon. Demand is picking up due to affordable housing, better local infrastructure, electricity and water supply. Now, urban demand is also showing signs of revival.

Challenges remain in private capex in some sectors, but they're not across all sectors. India will become a manufacturing hub for the world.

We remain optimistic on India's growth and the next two decades belong to India despite the small blips.

Why send notice to banks to return money paid for BPSL, if you are confident of winning the case?

We had to act after the Supreme Court judgment. The notice sent to the banks seeking the money back was part of the procedure. We are confident of getting the asset and have filed the review petition.

The outcome of the case will not have any impact on the target of 50 mtpa to be achieved by 2030.

Do you expect cost to remain low?

Coking coal prices have come down. In Q2, it has gone up slightly but we will be able to manage. Our operational cost will come down structurally at Vijayanagar and Dolvi because we are operating a larger blast furnace.

Similarly, we have taken cost-saving initiatives like the 25-km conveyor belt, which will transport iron ore to Vijayanagar plant at reduced logistics cost. We will have 1 GW of renewable energy at a lower cost point apart from reduced carbon footprint.

In the medium term, the slurry pipeline coming up in Odisha should bring down cost by ₹1,000 per tonne at the Dolvi plant. We are trying to operationalise three mines each in Karnataka and Goa, which are logistically closer to both Vijayanagar and Dolvi.