

'We have not been defaulting on loans for last four quarters'

THE progressive recovery of the steel market and the recent imposition of the countervailing duty (CVD) on flat stainless steel products have given a fresh lease of life to stressed steel maker Jindal Stainless (Hisar), with its scrip soaring over six times in the last one year. The share peaked in late September, days after the government imposed the 18.9 per cent CVD on import of flat stainless steel products from China. According to Abhyuday Jindal, vice-chairman of the Jindal Stainless Group, the real turnaround has happened on a consistent improvement in the financial and operational performance of the company in the past few quarters, supported by the government focus on infrastructure and protection to the domestic industry. Talking to Subhash Narayan of Financial Chronicle, Jindal outlines the company's road map. Excerpts:

■ Why do you think the company's shares are flying on stock exchanges as company has just come out from corporate debt restructuring (CDR) and started reporting marginal profit for the last few quarters?

Generally, we do not make comments on stock prices, as it is driven by market forces. It is nevertheless, pertinent to note that company's financial and operational performance has been consistently improving quarter-on-

quarter, and we have been making profits for last three quarters. This has definitely generated positive sentiment among all our stakeholders.

Moreover, the (government's) focus on infrastructure will give a big push to our business and so are new developments in the automobile space of shifting to cleaner fuel such as BS VI and increased use of electric vehicles. All this will increase stainless steel consumption. The segment is also growing at CAGR of 10 per cent, which is much higher than our GDP growth. The low per capita consumption of a mere 2 kg of stainless steel against a world average of 5.5, gives a lot of scope to expand.

■ But is not the high debt level of the group a concern now?

Debt is being reduced as per the repayment schedule applicable to each lender. Already from 2015 levels, we substantially brought down our debt through the asset monetisation plan (AMP). The debt of JSL has been brought down from 2015 level of Rs 8,000 crore to almost Rs 2,500 crore now. We have also not been defaulting loan repayments for last four quarters. We will now like to maintain debt /equity ratio of 2 or below that.

■ Your operations were severely constrained during the down cycle of the last few years and capacity utilisation was down to almost a

half. What is the situation now?

The situation has improved by far. In fact, we have returned to 85 per cent levels now and are aiming to achieve 90 per cent of capacity utilisation within a few months.

■ What is the expansion plans for stainless steel business? What investment is being looked?

Once we have achieved full capacity utilisation and stabilised our operations and financial parameters, we will then look for opportunities within the stainless steel sector. Our plan is to focus on customer experience by way of providing better quality grades and improved services. We have a plan to double the capacity at JSL's plant in Odisha, but that will take substantial time as we have to look at market conditions and also support of banks. At Hisar, we have done minimal expansion by adding new cold rolling mill.

■ But isn't a stainless steel park near your Odisha plant on the anvil?

Yes, we are planning to set up a stainless steel park on a 100-acre land in Odisha, which we are in the process of acquiring.

■ What are you looking at in your defence foray?

Defence is of special interest to us. We have started working closely with the Defence Metallurgical Research Lab (DMRL) and jointly developed high nitrogen stainless steel. In

March this year, we signed a licence agreement with the DRDO for transfer of technology for manufacturing high-nitrogen steel (HNS) for armour applications. With the objective to bring about import substitution, we have also supplied material for mine trawl application. In fact, our material is far superior to imported material. We are geared up to replace imports with indigenously developed grades. We are working with various defence organisations to substitute imports in mine protecting vehicle, main battle tank and other such applications. Within a short period of time, we are a major supplier of materials for strategic missiles. We are also evaluating joint ventures with foreign collaborators for advance materials for Indian Air Force and Indian Navy. Also, we will be working with the Ordnance Factory Board (OFBs) and private manufacturers like L&T, Punj Lloyd, Mahindra and Mahindra, Tatas.

■ What about your plans to take over the Salem Steel Plant?

There is always the talk about Sail's Salem stainless steel unit coming in, but we don't believe that this it is going to be put up for sale. We want to keep an eye on it.

■ What has been the impact of CVD on stainless steel? Is Chinese threat over for now?

CVD was notified on Sep-



tember 7; it is very premature to comment about that at the moment. Imports are not only coming from China, but from countries like Brazil and Korea as well. CVD takes care of imports from China alone, whereas imports from other countries continue. Anti-dumping duty is specified on specific products, and does not cover all the products. so, even as dumping continues, Chinese exporters may now circumvent this duty by routing material to a third country and partly process them there to avoid duties. We

need a law in India on anti-circumvention. There is also a need to reduce the basic customs duty on stainless steel scrap, ferro nickel and ferrous scrap from 2.5 per cent to zero, as this is hampering competitiveness. It should be noted that duties on raw material are zero in major stainless steel producing countries. In order to create a level-playing field with other countries like China; Brazil, the tariff on stainless steel flat products needs to be increased from 7.5 per cent to 12.5 per cent. This will place stain-

less steel at par with all other steel items.

■ Raw material for stainless steel, particularly nickel, is in short supply. Are there any plans to acquire mineral assets abroad?

Nickel-bearing alloys/steel is imported into the country since nickel is not available in the country. Nickel assets are largely available in countries such as Indonesia, Philippines and Russia. We are open to evaluating opportunities presented to us. In the domestic market, we will like to get into chrome assets.