

JSW's crude steel output down by 13% in August

JSW Steel, one of India's largest private steelmakers, recorded a year-on-year (y-o-y) drop of 13 per cent in crude steel production in August this year. Output for the month was recorded at 1.25 million tonnes compared to 1.44 million tonnes in August 2018, the firm said in a filing with the stock exchanges.

Production of flat-rolled products saw a decline of 13 per cent to 0.85 million tonnes while that of long-rolled products dropped by 5 per cent to 0.29 million tonnes.

JSW Steel said the production was lower because of a planned shutdown at the Vijaynagar plant and severe monsoon impact at the one in Dolvi. While JSW's manufacturing facility at Vijaynagar is the largest single location steel-producing facility in India, with a capacity of 12 million tonnes, Dolvi Works is in the last leg of completing expansion from five to 10 million tonnes. The expansion is scheduled to be completed by March-April 2020.

In July, JSW Steel had clocked in crude steel production of 1.31 million tonnes, down 4 per cent on a YoY basis. Output in flat-rolled products during the same period dropped by 8 per cent to 0.90 million tonnes while production in long-rolled products, at 0.31 million tonnes, was higher by 3 per cent. Though this drop is because of a shutdown, the steel industry had been facing high inventory levels with a slowdown in user industries.

According to rating agencies, the outlook for the sector was expected to be weak for the remainder of this financial year (FY20). India Ratings and Research (Ind-Ra) has revised its outlook on the steel sector to stable-to-negative from stable for the remaining part of FY20. This came in the wake of sluggish steel demand growth expectations owing to a mix of structural and cyclical concerns in end-user sectors, primarily auto and real estate construction. Ind-Ra has revised downwards its FY20 steel demand growth expectations to 4 per cent from the previous forecast of 7 per cent. The figure for FY19 was 8 per cent. ICRA's latest report on the sector said that the downward trend in profitability was expected to continue in the second quarter of FY20, as steel margins would get further squeezed between weakening domestic steel consumption and a weak outlook for global growth amidst escalating trade war related tensions.

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