



JSW Steel to Expand Dolvi Unit



SAJJAN JINDAL
Chairman, JSW Steel

"At Dolvi, we are planning to do lot of things. We are going to give a big push in Maharashtra and Konkan especially as this is going to be a big Konkan plant. Dolvi is going to become one of the biggest plant, 5 million tonne (MT) now, but eventually will increase to 15 MT. We want to make it a huge complex. This is just in my mind, we have not put any dates yet."

JSW Steel now plans to make Dolvi unit of the erstwhile Ispat Industries the biggest steel plant in Maharashtra. As reported by DNA .The country's third largest steelmaker is currently expanding the unit from 3.3 MT to 5 MT by March 2015. The expansion will mainly have long product capacity, Jindal said. An analyst with domestic brokerage, who did not wish to be named, said that Dolvi unit have enough land to manage this kind of huge expansion. "Any downstream facility or a new furnace will be easier to put up, as the land quantity is good," he added.

When JSW Steel acquired the loss making Ispat Steel from Mittal brothers in 2010, many in the industry were doubtful of the future prospects as the plant lacked raw material security. However, JSW Steel was able to turn around the unit within a short span of three years. The plant, which had a negative earnings before interest, tax, depreciation, amortisation (EBITDA) of Rs 77 crore at the time of acquisition, has now seen the operating profit turn positive to Rs 1,180 crore by end of March 2013, following reduction in power cost, gas requirements and many other measures.

Although JSW Steel does not separately provide EBITDA per tonne for each unit, analysts pegged the plant's current EBITDA per tonne at around Rs 6,500, which is likely to further improve with the commissioning of a pellet plant and coke oven battery.

In its previous earnings conferences,

Group CFO, Seshagiri Rao had admitted that with the commissioning of a pellet plant and coke oven battery in the current quarter, Dolvi unit will contribute in a huge way to improve JSW Steel's consolidated bottomline. Dolvi unit, which is located on the west coast of India, has a jetty with a capacity of 10 MT per annum. This provides the unit with logistical advantages in importing raw materials and savings on freight cost. The unit is well connected through rail, road and sea.

On the national goal of achieving 300 MT steel capacity by 2025, Jindal said that raw material security was crucial without which the goal was not achievable. "Without the raw material security, steel industry will not grow. Either we remain an iron ore exporting economy and steel importing economy and not provide jobs to people or we should ban export of iron ore and become a value added steel export economy," he said. He called the exit of global giants like ArcelorMittal and Posco as unfortunate but also stressed that it will not be a stumbling block. "I think Indian steel makers are pretty matured and very capable to take India to 300 MT."

Jindal agreed that its US plates mill was not performing up to expectations, but the company has no plan to exit the investment. "Hopefully it will turn better. Its being improved. Its good learning for us in terms of how to handle a developed market and what are the challenges there. We have to take this risks to become a global company," he said.