Steel In The News

A compilation of leading news items on Indian steel industry as reported in major national dailies

CONTENTS	Page

A Weekly Report by Joint Plant Committee

February 06 – 12, 2016

RAW MATERIALS

Row between NMDC, customers over foundation fees

State-run iron ore miner, NMDC has asked customers such as JSW Steel, SKS Ispat and Geradu, among others, in Karnataka to bear the cost of contributions to the District Mineral Foundation and National Mineral Exploration Trust (NMET). NMDC runs mines in Chhattisgarh and Karnataka with an annual production capacity of a little over 30 million tonne (MT), to which the Donimalai sector in Karnataka contributes around one-third of its annual production. JSW Steel buys the lion's share of the produce from NMDC's Donimali mines to feed its plant in Bellary. NMDC sells all its produce from Karnataka through the auction route, but the base price it sets for its produce is exclusive of all statutory dues like royalty, taxes, DMF, duties, levies etc. The company sells its produce from Chhattisgarh directly in the open market, but here also, it has been charging the same levies without any hue and cry from its customers, including Essar Steel, so far. However, the Karnataka buyers recently created a storm insisting that since they get the raw material through the auction route, they were not supposed to pay the levies and taxes like their counterparts in Chhattisgarh. The problem started brewing here resulting in stopping of despatches by the miners to its local customers for two days starting from February 2. "As per sections 9(B) and 9(C) of MMDR Amendment Act 2015, it is the holder of the mining lease who has to pay the DMF. The DMF has been instituted for the development of the mining area. The Central Empowered Committee (CEC) had also clarified that DMF is to be paid by the lessee and not the buyer," said JSW Steel's commercial director Jayant Acharya.

Source: The Financial Express, 6th February, 2016

Withdraw export duty on iron ore, says Goa chamber

Goa Chamber of Commerce and Industry (GCCI) has requested the Centre to do away with the export duty on iron ore, considering the crisis being faced by the industry due to falling prices of ore in the international market. The chamber, in its pre-Budget memorandum submitted to Union Finance Minister Arun Jaitley, said that complete withdrawal of export duty on the ore, irrespective of its ferrous content, would be a major step towards regaining confidence. The Finance Ministry had raised the export duty on iron ore from 20 per cent to 30 per cent with effect from December 30, 2011. After repeated requests, the export duty only on iron ore fines with grade below 58 per cent was reduced to 10 per cent with effect from June 1, 2015, whereas the rate remained 30 per cent for all other ores, including iron ore lumps with grade 58 per cent and above.

Source: Business Line, 6th February, 2016

Fimi calls for removal of export duty on chrome ore

The Federation of Indian Mineral Industries (Fimi) has called for the removal of 30 per cent export duty on chrome ore. Also, in view of the surging imports of both chrome and manganese ore, it demanded imposition of safeguards duty of 50 per cent on these two commodities. In a letter to union steel & mines minister Narendra Singh Tomar, Fimi secretary-general R K Sharma said due to rising imports, 90 per cent of the manganese mines in Odisha were shut down. Even Manganese Ore India (MOIL), the largest producer of manganese in the country, is struggling hard to break even, the letter started. The state-run MOIL recently announced a price cut of 10 per cent on all grade of ferro ore. MOIL operates 10 mines, six in Maharashtra and four in Madhya Pradesh. Currently, there is a ceiling on exports of these ore whereas there is no restriction on their imports.

Source: Business Standard, 11th February, 2016

Coal India Q3 Net Profit Up 14%

Stat-run Coal India (CIL) has reported a near 14% year-on-year increase in quarterly net profit, helped by higher production and e-auction sales and a controlled growth in expenses. For the quarter ended December 31, net profit stood at Rs 3,718 crore compared with Rs 3,262.49 crore a year ago, the Kolkata-headquartered coal miner said on Thursday. During the period, the company’s production grew 10.7% while income from operations grew 7% to Rs 19,599 crore. The year-on-year increase in expenditure was less than last year’s at 3.75%. On the production front, the company clocked 9.4% y-o-y growth during the third quarter with an output of 143.97 million tonnes.

Source: The Economic Times, 12th February, 2016

Tata Steel, JSPL in race for Odisha iron ore mines

As many as seven steel companies have bid for the Ghoraburahani-Sagasahi East iron ore mines in Koira circle of Sundergarh district in Odisha. The companies are Tata Steel, Jindal Steel & Power (JSPL), Rashtriya Ispat Nigam (RINL) and Essar Steel, besides Bhushan Steel, Bhushan Power and JSWL. A top state government official said that the bids were opened on Thursday. He said that the technical committee headed by the state stee & mines principal secretary, RK Sharma, on Monday will shortlist the companies for the next round of biddings. The state government in December 2015 had issued notification inviting tender for e-auction of the iron ore mines under the amended Mines and Minerals (Development and Regulation) Act, 2015.

Source: The Financial Express, 12th February, 2016

PROJECTS

Caparo Group plans new auto parts plant in India

Battling the meltdown in steel sector in the UK, Lord Swraj Paul-led Caparo Group is planning to get into new ventures in the US and also expand its India presence with a new automotive components plant. Paul, Chairman of the UK-based one-billion euro industrial conglomerate focussed largely on steel products, has just taken over a leading trailer manufacturer for an undisclosed sum that could run into several crores of rupees. The purchase of Manchester, Iowa based XL Specialized Trailers, a leading manufacturer of customised heavy-haul trailers for the commercial, construction and agricultural markets, marks the NRI industrialist-led group's entry into a new business arena. Caparo Group, which already has 30 plants in India, is now planning to set up one more automotive components plant in the southern part of the country, Paul said. Caparo India, through its multiple strategic business entities offers end-to-end solutions in the design, development and manufacturing of automotive systems, assemblies, advanced composites.

Source: Business Line, 8th February, 2016

FINANCIAL

Steel stocks give thumbs up to raising of import barrier

Steel stocks have gained up to 6 per cent since Friday, thanks to the introduction of minimum import prices (MIPs) for a range of steel products, pushing up the price of imported steel higher than that of steel produced domestically. The MIPs have been introduced for over 170 imported steel products, but are valid only for six months as of now. Indian steel manufacturers, including the big ones such as JSW Steel, Steel Authority of India and Tata Steel (Indian operations), stand to benefit from this.

Source: Business Line, 9th February, 2016

POLICY

Govt raises the wall for steel imports

The government on Friday imposed minimum import prices (MIPs) on specific steel products to protect domestic players from cheap imports from China and other countries.

Integrated domestic primary steel producers such as Sajjan Jindal-led JSW Steel, Jindal Steel & Power, state-owned Steel Authority of India and Tata Steel would be among the largest beneficiaries. The move, however, would not apply to the stainless steel sector. Also, import for American Petroleum Institute (API)-grade steel used in the petroleum and natural gas industries are exempted from the MIP. MIPs are valid for six months only, which could trigger uncertainty in the market. But a government official said these may be extended further. For ingots, billets, blooms and slabs, MIP now stands at $362, $352 and $341 per tonne, respectively. Similarly, various flat-rolled products of iron or non-alloyed steel (of a width of 600millimetres or more) will now attract different MIPs - in the range of $445 to $752 per tonne. Hot-rolled bars and rods, of iron, non-alloyed steel as well as alloyed steel, will also face MIP of around $450 per tonne. The MIP notification – issue by the Directorate General of Foreign Trade (DGFT) – is valid for six months. “We may extend the timeline of six months, if needed. It was clear that our domestic industry was not getting the benefit of safeguard duty and anti-dumping duty,” said a senior steel ministry official.

Source: Business Standard, 6th February, 2016

PRICES

Domestic steel firms hike price by up to 4%

Following imposition of a minimum import price (MIP) on a range of steel products last week, leading domestic primary steel producers such as JSW Steel, Essar Steel and Jindal Steel & Power have raised product prices by up to four per cent effective Monday (February 8). Some of these companies have hinted at gradual but marginal price hike going forward. On February 5, the government announced MIP of 173 steel products to curb dumping of cheap steel by countries like China, Russia, Japan and South Korea. “We have marginally raised product prices from Monday but our overall price hike is going to be a gradual one,” said Ravi Uppal, chief executive officer of Delhi-based Jindal Steel & Power. Domestic steel companies had been selling products at distressed prices owing to cheap imports that flooded the market. “Steel prices in India had fallen by over Rs 8,000 per tonne over the last year, severely impacting the operations of steel companies. Though the government has fixed MIP at $445 per tonne for hot-rolled, keeping in mind interests of customers, we have increased prices by 4-5 per cent only,” said a spokesperson of Essar Steel. While the query sent to Tata Steel, India’s largest steel producer, were not answered till Thursday evening, Steel Authority of India Ltd (SAIL) said it was yet to decide on the price hike. Rating agency Fitch estimates that MIP will allow domestic producers to raise product prices for most products by $50-$70 a tonne from current levels.

Source: Business Standard, 12th February, 2016

COMPANY NEWS

ArcelorMittal posts $7.9-billion net loss as Chinese glut hits prices

The scale of the crisis confronting the global steel industry was put in sharp relief on Friday as the world's largest steelmaker, ArcelorMittal, reported a net loss of $7.9 billion for the year ended December, hit by declines in steel and iron ore prices amid a glut of Chinese products. Shares of the Luxembourg-based company fell over 7 per cent on Friday as it unveiled plans to raise $3 billion of capital from investors and €875 million from the sale of its 35 per cent stake in Spanish engineering firm Gestamp Automacion to the majority shareholder. The Mittal family, which owns around 37.4 per cent of the company, will fully participate in the rights issue, paying $1.1 billion. "2015 was a very difficult year for the steel and mining industries. Although demand in our core markets remained strong, prices deteriorated significantly during the year as a result of excess capacity in China," said Chairman and CEO Lakshmi Mittal.

Source: Business Line, 6th February, 2016

Tata Steel Rebound to Take a While Amid Weak Demand

Tata Steel's December quarter numbers reflect the challenging times the company is facing. Its operating profit per tonne for its Indian business was the lowest since FY03 and the operating loss per tonne for the Europe business was the highest in the last 15 quarters. After adjusting for onetime items, it reported a loss of Rs 140 crore on total sales of Rs 30,300 crore for the quarter. The recent nod for the minimum import price for steel products from the government to protect the Indian steel industry from cheap imports may provide some relief but that does not guarantee a turnaround in the company's business. Investors may do better to wait for the benefits to be reflected in its numbers At present, the industry enjoys a high import duty (which will be replaced by the minimum import price), but that has not much helped the industry, including the largest steel company — Tata Steel. In the December quarter, Indian business sales dropped 8.4% year-onyear and net profit fell 49%. This was because of low steel price per tonne realisation due to high imports mainly from China, Japan and Korea. The company's Indian business remains the main business due to captive iron ore mines, it generates much more operating profit and cash flows than other businesses.

Source: The Economic Times, 8th February, 2016

JSW Steel: Better placed in weak environment

At a time when all domestic metal players are under pressure, JSW Steel, continues to show resilience on the bourses. The stock hit a 52-week high of Rs 1,126 on January 27 before results, and has outperformed its peers and Sensex the last three-, six-, and 12-month periods. Though December quarter numbers did not impress the Street and the stock now trades at Rs 1,050, the results were hit by plant shutdowns. While the outlook for the sector remains bleak, JSW has done better than peers, aided by low commodity prices. Dependence on external iron ore and coal allows the firm to benefit from low input prices as compared to integrated peers. Also, except the December quarter, JSW's volumes have grown at a strong pace. The planned capacity expansions, which curtailed volumes in the December quarter, will continue driving volume growth (but at a slower pace given the cut in forecast by management) with further gains coming from value-added products. Lower global steel prices are weighing on its global operations. Though it accounts for a very small share. Analysts at Reliance Securities say neither of its foreign units is expected to be profitable, given the global scenario, high cost structure, and strategic/technological disadvantage. Realisations in India will remain under check due to weak global prices. The government has also recently imposed minimum import price on steel imports for six months that can benefit JSW having strong presence in trade segment.

Source: Business Standard, 9th February, 2016

Imports pull down Usha Martin net

Integrated steel wire rope maker Usha Martin Ltd has expanded its net loss in the third quarter of 2015-16 to Rs 83.46 crore from Rs 43.59 crore in the comparable quarter last fiscal. The company said adverse pricing pressure caused by cheaper imports was behind the poor numbers.

Source: Business Line, 9th February, 2016

SAIL posts Rs 1,528-crore loss

Cheaper imports and weak demand resulting in a sharp fall in steel prices in the domestic market has led Steel Authority of India Ltd to a net loss of Rs 1,528 crore for the third quarter of fiscal 2015-16. In the same quarter last year, the company had a net profit of Rs 579 crore. During the quarter, the company's net revenue fell 19.5 per cent to Rs 8,939 crore as compared to Rs 11,107 crore in the same quarter last year. SAIL has now reported a net loss in all the three quarters of financial year 2015-16. For the nine month period its net loss stood at Rs 2,906 crore. In the same period last fiscal, it had a net profit of Rs 1,758 crore. For the nine months ended December 31, SAIL's net revenues fell 18.8 per cent Rs 27,698 crore as compared to Rs 34,126 crore in the same period last year. On February 5, the government levied a minimum import price ranging from ranging from $341 to $752 a tonne on 173 steel products to protect the domestic manufacturers. Apart from Bhilai, all of SAIL's steel plants were making a loss before interest, exceptional items and tax. Even at Bhilai, the profit before interest, exceptional items and tax shrank to Rs 19.87 crore during the quarter against Rs 634 crore in the same quarter last year.

Source: Business Line, 10th February, 2016

Steel pipe imports from China hurting Kerala tube mills'

Kerala Tube Mills Association has protested steel pipe imports from China as it is affecting small and medium manufacturers in the State. The large-scale Chinese imports have put the industry, with a monthly turnover of Rs.90 crore, in a crisis, Siddique CBV, President of the Kerala Steel Tube Mills Association, said. The association alleged that steel pipes manufactured in China are not processed in the prescribed format and retailers prefer to push these products in the market due to its high profit margin. According to the association, Chinese steel pipes are not strong enough because they have not undergone the 'cold rolling' process and, therefore, are prone to early loosening and rusting which will affect the quality of the buildings that are constructed using these pipes.

Source: Business Line, 11th February, 2016

Moody's downgrades Tata Steel credit rating

Global agency Moody's downgraded credit ratings of Tata Steel on a weaker than expected operating performance in its key operating markets of India, Europe and Southeast Asia on account of persistently weak steel prices. The rating actions reflect the weaker-than-expected operating performance of Tata Steel in its key operating markets of India, Europe and Southeast Asia as a result of persistently weak steel prices, it added. Tata Steel said, "The sharp fall in international prices due to excessive exports from China and other countries and the challenging conditions facing the global steel industry has triggered a review of Tata Steel's credit rating." Moody's said an upgrade of Tata Steel's rating is unlikely in near-term, given today's multi-notch downgrade and the negative outlook. Ba 3 indicates higher credit risk.

Source: The Financial Express, 12th February, 2016

Tata Steel says lightning caused fire at its Welsh plant

Tata Steel has said a fire at its facility in Port Talbot, Wales, was caused by a lightning strike. The blaze, which started at the plant's coke ovens around 8 am local time, was extinguished by emergency services just under two hours later, a spokesperson for the company said. "No one was hurt. Following the necessary safety and operational checks, we will be looking to start manufacturing operations today. Initial investigations suggest a lightning strike led to the fire at the site's coke ovens," said the spokesperson. The company has not estimated the extent of damage to the site. Footage on social media and the UK press showed a dramatic scene of flames, and smoke billowing from the plant on Thursday morning. Last week, Tata Steel announced a Rs 2,127 crore loss for the quarter ended December as sales slumped and it took restructuring charges in its European business.

Source: Business Line, 12th February, 2016

STEEL PERFORMANCE

Anti-dumping Decision may Revive Action in Steel Stocks

Shares of steel companies such as Tata Steel, JSW Steel, Steel Authority of India (SAIL) and others are expected to bounce back after the government set a minimum import price for steel products to check dumping from countries such as China and South Korea. The BSE Metal Index had surged 3.5% on Friday, ahead of government announcement as traders bet aggressively on steel stocks, anticipating a revival of sorts. Jindal Steel & Power jumped 10.5% to Rs 63.45 on BSE, while SAIL climbed 6.1% to Rs 40.85, and JSW Steel advanced 2.86% to Rs 1,039. Tata Steel reversed early losses to end 3.5% higher at Rs 234. The implementation of the minimum import price will definitely revive sentiments in the steel sector," said Tirthankar Patnaik, chief strategist and head of research-India at Mizuho Bank. "We expect domestic demand to remain higher than global demand, but it's still early days to expect a major turnaround in the sector." The duty on various steel products ranges between $341 per tonne and $752 a tonne, the government said in a statement and the floor price on steel imports will be valid for six months. Tata Steel, JSW Steel, Jindal Steel & Power have been urging the government for quite some time now to take stringent measures to protect their margins, after an increase in import duty last year failed to cut shipments from China. Steel stocks have been languishing for the past year. Tata Steel Steel declined 38%, SAIL tumbled about 45%, Jindal Steel & Power lost 56%, and all these companies have underperformed the ET Metal Index that has dropped over 25% in the same period.

Source: The Economic Times, 8th February, 2016

Steel industry to seek anti-dumping duty

While there are some obvious benefits for domestic steel producers following the imposition of a minimum import price (MIP) on steel, the industry seems to have a bigger plan as it prepares to file for longer-duration duties to counter cheaper imports. The government imposed MIPs on 173 steel products to protect domestic players. This duty is going to remain valid for a period of six months. With the MIP, imports would become costlier by 26-70 per cent, said a report by Prabhudas Lilladher. “We are looking at anti-dumping and countervailing duties as the next measures to fix the steel import issue since these duties are typically placed for three-four years,” Sanak Mishra, secretary-general at the Indian Steel Association, told. Integrated primary steel producers like the Sajjan Jindal-led JSW Steel, Jindal Steel & Power, state-owned Steel Authority of India and Tata Steel will be among the biggest beneficiaries of the MIP. The new MIP will help domestic steel producers to improve their realisations for the next couple of quarters. Brokerages expect steel producers to raise prices by about Rs 3,000-4,000 per tonne in March.

Source: Business Standard, 9th February, 2016

Stainless steel industry seeks hike in import duty

The domestic stainless steel industry has urged the government to double the import duty on their finished products to 15% and nullify the duty on raw materials not available locally. Though the government recently re-imposed anti-dumping duties of 4.6-57.39% on certain cold-rolled flat products of stainless steel for five years and in June on specified flat products originating from China, Malaysia and Korea between $108/tonne and $ 316 a tonne, industry sources said imports have remained unabated due to large-scale circumvention. Stainless steel products are not subject to minimum import price announced recently for a large number of steel products. As a result of excessive imports, almost all stainless steel players are under severe financial stress,” said Indian Stainless Steel Development Association (ISSDA) president NC Mathur. The stainless steel sector’s current woes originate from unwarranted imports from China, Korea and Japan. This has led to rigorous price undercutting in the domestic market. As a result, capacity utilisation of domestic firms, including Jindal Stainless and SAIL, has come down to just half of the installed capacity of 3.5 MT and all major players are under severe financial stress.

Source: The Financial Express, 11th February, 2016

MISCELLANEOUS

Minimum import price on steel to hit engineering exports: EEPC

Though the Centre’s move to fix minimum import price for 173 products is major advantage for the struggling steel industry, it is expected to push raw material price for engineering companies by 6-7 per cent depending on the steel content in it. The Engineering Export Promotion Council has demanded that the Centre should reimburse the cost overrun for export-oriented small scale units as they are already struggling to compete in the global markets. TS Bhasin, Chairman, EEPC India, said the big protection for large steel companies would have a serious debilitating impact on engineering exports which have already declined by 15 per cent in the first nine months of the current fiscal. Minimum Import Price on steel products will lead to further erosion in engineering exports. Segments such as auto and auto parts, industrial and electrical machinery, products of MSME sector, which in any case have low margins and are facing cut throat competition will face sudden escalation in raw material price, giving a further jolt to the exports, said EEPC in a statement. Moreover, the move will have an inflationary impact on the entire domestic manufacturing sector. “The government must provide steel at global competitive prices and EEPC India requests the government to provide a compensatory mechanism for higher steel prices that the MIP entail on domestic prices," he said.

Source: Business Line, 8th February, 2016

Import duty: Capital goods, infra firms cry foul

While Indian steel companies rejoicing over the Modi government's move to impose a steep anti-dumping duty on steel imports, capital goods and infrastructure companies have reacted sharply, saying it will raise their input costs and cut their margins. Capital goods companies like Larsen & Toubro, Godrej, Thermax, Praj Industries and ThyssenKrupp complained to Prime Minister Narendra Modi on Sunday saying the duty would take away the advantage of lower input costs. The December quarter results of these companies show significant savings due to lower input costs and any hike in steel prices will hit these companies, say analysts. Analysts said with higher duties on imported steel, the machinery and infrastructure sectors would look at other markets.

Source: Business Standard, 9th February, 2016