

Steel In The News

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

| CONTENTS | Page |
|------------------------|------|
| Highlights of the Week | 2 |
| Raw Materials | 5 |
| Company News | 5 |
| Projects | 7 |
| Financial | 8 |
| Prices | 9 |
| Steel Performance | 9 |
| Steel Products | 10 |
| Policy | 11 |
| Global Steel | 11 |
| Miscellaneous | 12 |

A Weekly Report by Joint Plant Committee

April 2 – 8, 2016

Highlight of the Week April 2 – 8. 2016

The following has been reported this week:-

Indian Steel Industry in April-March 2015-16: A Performance Summary

The following is a snapshot of the performance of Indian steel industry during April-March 2015-16, based on provisional, flash data released by the JPC. It is to be noted that total finished steel includes both non-alloy and alloy (including stainless steel) and all comparisons are made with regard to same period of last year.

| Item | Indian Steel: Performance Highlights | | |
|---|--------------------------------------|-----------------|---------|
| | 2015-16* (mt) | 2014-15 (mt) | %change |
| Crude steel production | 89.32 | 88.98 | 0.4 |
| Pig iron production for sale | 9.688 | 9.694 | -0.1 |
| Hot metal production | 56.77 | 56.41 | 0.6 |
| Total Finished Steel (alloy + non-alloy) | | | |
| Production for sale | 91.12 | 92.16 | -1.1 |
| Import | 11.21 | 9.32 | 20.2 |
| Export | 3.81 | 5.59 | -32 |
| Consumption | 80.27 | 76.99 | 4.3 |
| Source: JPC Secretary D.O. Report; mt=million tones; *provisional | | | |

Major observations during April-March 2015-16:

- Crude steel production was 89.315 million tonnes (mt), a growth of 0.4% compared to same period of last year.
- Analysis of data shows that the shares of the three routes were as follows: Oxygen (44%), EAF (25%) and IF (31%) compared to 42%, 26% and 32% respectively in 2014-15
- Private Sector was found to lead production growth accounting for 80% of total production in both years
- Hot metal production was 56.776 mt, a growth of 0.6% compared to same period of last year.
- Pig iron production for sale was 9.688 mt, a decrease of 0.1% compared to same period of last year and was led predominantly by the Private Sector.
- Production for sale of total finished steel at 91.12 mt, registered a decline of 1.1% during April-March 2015-16 compared to same period of last year.
- Export of total finished steel was down by 32% in April-March 2015-16 (3.806 mt) compared to same period of last year.
- Import of total finished steel at 11.208 mt in April-March 2015-16 saw a growth of 20.2% compared to same period of last year.
- India was a net importer of total finished steel during the year.
- In February 2016, the Government has imposed the Minimum Import Price (MIP) condition on imports of 173 steel items and in March 2016, the Government has extended the safeguard duty on HRC imports that was placed in September 2015,

till March 2018. However, the duty would be reduced to 10% in stages over the next two years.

- It is largely believed that the cumulative impact of these two recent and other existing policy measures would lead to further reduction in imports into the country in the coming days.
- India's consumption of total finished steel saw a growth of 4.3% in April-March 2015-16 (80.273 mt) compared to same period of last year.
- Such growth was mostly led by imports (up by 20.2%) which accounted for 14% in total steel consumed by the country during the year, given that production for sale was down by 1.1% during this period.

Focus – Event of this week

- The event that has rocked the global steel industry this week is Tata Steel's decision to put its loss-making UK operations, including the one in Port Talbot, on the block after rejecting a turnaround plan prepared by the European subsidiary as it requires long-term capital commitments. After selling 6.5 million tonnes of capacity in the UK, the company will be left with a similar production capacity in the Netherlands, its only profitable unit in Europe.
- Sanjeev Gupta, CEO, Liberty House Group and UK-based Indian steel tycoon has proposed to acquire the plants at Port Talbot, and has entered into discussion on this with Tata Steel.
- The closure of Tata Steel's operations in Britain would leave a hole in manufacturers' supply chains, giving a blow to thousands of smaller firms across the country and its massive workforce.
- The Government's concern has led the UK business minister, Sajid Javid to rush to Mumbai for crunch talks with Tata Group Chairman Cyrus Mistry in an effort to save the British steel industry. The UK government is considering a financial package for Tata Steel's UK operations, a government spokesperson said, following the crucial meeting between Sajid Javid and Mistry. Tata Group and Javid decided to appoint an external auditor to oversee the sale process. Tata Steel will begin by Monday the formal process of selling its UK plants.
- Liberty House Group will start due diligence within a week from Monday on the loss-making UK assets that Tata Steel has put up for sale. According to Sanjeev Gupta, the Liberty House group was confident of turning the business around with government help.
- In general, Research Analysts feel that the overseas assets of steel companies would continue to suffer in the near future with no signs of substantial revival in both iron ore and coking coal prices, given the persisting oversupply.

Other events of the week

This week had in store some other imported occasions:-

- Nava Bharat Ventures Ltd has entered into an agreement with Tata Steel Limited for a period of 4 years commencing from April 2016 for conversion arrangement of Chrome Ore into Ferro Chrome.
- Notwithstanding the stringent scenario of the industry, the State-owned NMDC Ltd has retained its Navratna status after the annual financial performance review by the Inter Ministerial Committee (IMC).
- Centre's green panel has given clearance to Tata Steel for diversion of about 199 hectares of forest land for expansion of its iron ore mining project in Keonjhar district, Odisha.
- Essar Steel has achieved highest-ever monthly production of five lakh tonnes of flat steel last month.
- JSW Steel reported the highest-ever steel production in March of 1.27 million tonnes. For 2015-16, the firm achieved a production of 12.56 million tonnes.
- In the import front, India's Steel imports rose 18% in March, snapping four straight months of falls, provisional government data showed, on the back of deals struck before the government imposed a floor price in February to curb cheap imports.
- Steel producers in high-cost countries say their best hope for surviving the global glut is to develop higher value specialised products.

RAW MATERIAL

NMDC retains Navratna status

Despite a difficult industry scenario, State-owned NMDC Ltd has retained its Navratna status after the annual financial performance review by the Inter Ministerial Committee (IMC). The Navratna tag is crucial for NMDC for its modernisation and expansion plans as it lends flexibility to the management in taking decisions. On a scale of 100, NMDC scored 79 points. For the status, minimum score is 60. The IMC evaluated NMDC based on six ratios — net profit to net worth, manpower cost to total cost of production, PBDIT to capital employed, PBIT to turnover, earnings per share and inter-sectoral performance. NK Nanda, Director, Technical, NMDC, said, “With substantial investments in multiple projects to augment our production and evacuation facilities and entry into steel making, reconfirmation of Navratna tag underscores NMDC’s strong fundamentals.” NMDC has been without a full-time CMD since January. Bharati Sihag, Additional Secretary and Financial Advisor to Steel Ministry, is officiating as the CMD. She is expected to hold charge till June 30, or till a full-time CMD is appointed.

Source: Business Line, 7th April, 2016

COMPANY NEWS

Reviewing European operations on priority, says Tata Steel

With its plants in Britain facing "severe cash burn", Tata Steel said Monday it is working on a "priority" basis to complete review of its entire European operations, including UK's largest steel plant at Port Talbot. Tata Steel, one of the flagships of over \$100-billion Tata Group, last week said it is exploring all options for portfolio restructuring, including potential divestment of Tata Steel UK, in whole or in parts, amid a deteriorating financial performance of the arm in the last 12 months. "In recent months, there has been a significant cash drain, which is why a time-bound solution is important in this whole process. Our endeavour will be preserving the asset and doing this in an orderly manner as far as possible. "This is not a valuation exercise for Tata Steel. There is severe cash burn in our UK Operations. Hence, it is imperative to close review on priority," a Tata Steel spokesperson told PTI when asked about the plans of the firm to shut down its plants in the UK.

Source: The Financial Express, 5th April, 2016

JSW Steel achieves record steel production in March

Sajjan Jindal-led JSW Steel said it has achieved highest-ever steel production in March of 1.27 million tonnes (MT). For 2015-16, the firm achieved a production of 12.56 MT. “JSW Steel achieves highest-ever monthly crude steel production of 1.27 MT in March 2016. The company’s Vijaynagar plant achieved production and dispatch in excess of 1 MT in March 2016,” the firm said in a regulatory filing. Blast furnaces at Vijaynagar, Dolvi, and Salem, which were shut down for capacity enhancement during October-December 2015-16 are already operational.

Source: The Financial Express, 2nd April, 2016

Tata Steel to set off process of UK asset sale by Monday

Tata Steel will begin by Monday the formal process of selling its UK plants. This was disclosed by UK’s Business Secretary Sajid Javid after his meeting with Tata Group Chairman Cyrus Mistry here on Wednesday. Javid met Mistry in a bid to avert the closure of the struggling Port Talbot steel plant. Though Tata Steel has decided to sell the loss-making steel plant in UK, insiders feel that the plant will eventually be shut down as it has not attracted much interest from buyers, except from Sanjeev Gupta-owned Liberty House. Liberty House promoter Gupta, 44, had a meeting with Javid in London before the latter flew to Mumbai for the meeting with Mistry, said sources. They added that efforts will be made to ensure job security for the 15,000 employees at the UK plant.

Source: Business Line, 7th April, 2016

Essar Steel output surges 62%

Essar Steel has achieved highest-ever monthly production of five lakh tonnes of flat steel last month. It was up 62 per cent against 3.08 lakh tonnes produced in the same period last year. With the increase in production, the capacity utilisation at the plant was up at 70 per cent. The company has a production capacity of 10 million tonne per annum. During the quarter ended March, Essar Steel improved performance across all its units including pellet output, liquid steel making and flat steel production. While pellet production was up 48 per cent at 19.3 lt (13 lt), liquid steel output increased 43 per cent at 12.4 lt (8.7 lt). Flat product production was up 34 per cent to 12.3 lt (9.2 lt).

Source: Business Line, 7th April, 2016

Tata Steel UK suitor to start due diligence soon

Liberty House Group will start due diligence within a week from Monday on the loss-making UK assets that Tata Steel has put up for sale, its boss Sanjeev Gupta said, adding

he was confident of turning the business around with government help. Tata, Britain's biggest steel producer, has been forced to walk away from its UK business due to high costs, weak demand and a flood of supplies from top producer China. The formal sale process for the assets, which the company bought in 2007, is expected to start by Monday. "It's a loss-making business and a loss-making business is not worth a lot in

itself to buy," Gupta told Reuters in a phone interview on Thursday. "It's more of a question of what are the resources required in turning it around." Changing the raw material for the steel plants to locally available scrap, from imported iron ore, would be the best solution as long as power costs are manageable, he said.

Source: The Financial Express, 8th April, 2016

PROJECTS

Tata Steel gets nod for Odisha project

The Centre's green panel has given clearance to Tata Steel for diversion of about 199 hectares of forest land for expansion of its iron ore mining project in Keonjhar district, Odisha. "The Forest Advisory Committee (FAC) under the Union Environment Ministry examined Tata Steel's proposal during last month's meeting and recommended granting forest clearance," a senior government official said. Total cost of expansion of Katamani iron ore mine project is estimated at Rs.45 crore up to production level of 5 million tonnes per annum.

Source: Business Line, 7th April, 2016

Nava Bharat's pact with Tata Steel

Nava Bharat Ventures Ltd has entered into an agreement with Tata Steel Limited for a period of 4 years commencing from April 2016 for conversion arrangement of Chrome Ore into Ferro Chrome. This is a renewal agreement. This agreement seeks to facilitate production of up to 70,000 MT of high carbon ferro chrome per annum at its Odisha Ferro Alloy Plant, the company informed BSE.

Source: Business Line, 7th April, 2016

FINANCIALS

JSPL lenders approve Rs 2,500-cr refinancing

Lenders to Jindal Steel and Power Ltd (JSPL) have approved refinancing of loans worth Rs 2,500 crore, sources said. Talks are on to refinance more loans under the Reserve Bank of India (RBI) scheme, they said. For 2014-15, the Naveen Jindal-led JSPL, with interests ranging from power and steel to cement, had a consolidated net debt of Rs 42,929 crore, against Rs 35,419 crore in 2013-14. In the last few months, there has been concerns in the market over the firm's huge debt burden, which was further exacerbated following a credit rating downgrade by CRISIL in February. The group has said it is trying to bring cash into the company through divestment of assets and strategic collaborations through JVs that would add to its cash flows and also result in reduction in bank borrowings.

Source: Business Standard, 4th April, 2016

Jindal Steel repays Rs 285 cr to AMCs

Jindal Steel & Power (JSPL) on Monday honoured its repayment commitment to asset management companies ICICI Prudential and Reliance. The debt-laden steelmaker paid Rs 235 crore to ICICI Prudential AMC and Rs 50 crore to Reliance Mutual Fund (MF). Rating agency CRISIL had in February downgraded the company's papers to 'D', default grade. Another fund house, Franklin Templeton Investments, had offloaded its entire holdings of JSPL paper at a loss last month. Sundeep Sikka, chief executive officer of Reliance MF said: "We have received the sum (due) and this will positively reflect in the net asset value (NAV) of the scheme having exposure to the company's instrument."

Source: Business Standard, 5th April, 2016

Banks reclassify Electrosteel debt as non-performing asset

Lenders to Electrosteel Steels have classified the exposure as a non-performing (NPA) following the Reserve Bank of India's (RBI) directions under the asset quality review, sources told FE. The company's gross debt at the end of March 2015 was Rs 10,235 crore. An account turns into an NPA if repayment is overdue by more than 90 days. Subsequently, the bank has to set aside as provisions at least 15% of the loan.

Source: The Financial Express, 2nd April, 2016

Vedanta to buy back Rs 2,314-cr worth bonds

Mining conglomerate Vedanta Resources Plc on Friday said it will buy back bonds worth \$348.6 million (about Rs.2,314 crore). The London-listed company in a regulatory filing said, "Prior to the commencement of its close period on April 1, 2016, it entered into irrevocable arrangements with JP Morgan Securities plc to commence a buy-back programme to repurchase, within certain pre-set parameters, on its behalf." The firm announced plans to repurchase securities in two tranches. It said it will repurchase "up to \$148.6 million (up to 20%) of the \$743 million outstanding principal amount of the 6.75 per cent bonds due 2016 of Vedanta Resources plc". The firm added it will also acquire "up to \$200 million of the \$582 million outstanding principal amount of the 5.50 per cent."

Source: Business Line, 2nd April, 2016

PRICES

Fitch downgrades JSW Steel on weak international prices

Fitch Ratings has downgraded JSW Steel's rating with negative outlook on concerns over prolonged weak international steel prices and high leverage. The agency also downgraded the company's senior unsecured rating and the rating on its \$500-million 4.75 per cent senior unsecured notes due 2019 to 'BB' from 'BB+'. The downgrade reflects the decline in profitability and rise in leverage during a prolonged period of weak international steel prices, coupled with debt-funded investment in capacity expansion, it said. Fitch expects the average selling price of steel sold by the company to increase from this financial year with new capacity addition going on stream and government measures to support domestic prices.

Source: Business Line, 5th April, 2016

STEEL PERFORMANCE

Steel imports surge 18% in March after 4 months of fall

India's Steel imports rose 18% in March, snapping four straight months of falls, provisional government data showed, on the back of deals struck before the government imposed a floor price in February to curb cheap imports. Last week, the government extended safeguard taxes on some products until March 2018, and in February imposed a

floor price on imports to deter countries such as China from undercutting local mills, the first such move in more than 15 years. India, the third-largest steel producer in the world, shipped in 994,000 tonnes of the alloy last month, 18.2% higher than the corresponding month a year earlier, data from the Joint Plant Committee of the steel ministry showed.

Source: The Financial Express, 7th April, 2016

Steel firms struggle with overseas assets

Once the prized possessions of steel companies, overseas assets are fast becoming a drag on them as excess Chinese capacity continues to threaten the survival of global manufacturers. Most Indian companies, including Tata Steel and JSW Steel, have already made huge provisions on their assets abroad, while Essar Steel is trying to find an investor for its asset in Algoma, US. Goutam Chakraborty, Research Analyst, Emkay Global Financial Services, said the overseas assets of steel companies would continue to suffer in the near future with no signs of substantial revival in both iron ore and coking coal prices, given the persisting oversupply.

Source: Business Line, 8th April, 2016

STEEL PRODUCTS

Steelmakers hope special products can save them from Chinese onslaught

Steel producers in high-cost countries say their best hope for surviving the global glut is to develop higher value specialised products. But they will still face a tough time competing with low-cost Chinese producers that are breathing down their necks. The announcement that India's Tata Steel (TISC.NS) is abandoning Britain has hammered home the threat to developed countries' steel industries from a glut caused by over-capacity in China, which has led to a collapse in the global price of commodity steel used mainly in construction. Firms from Europe, Japan and South Korea say they are trying to keep afloat by increasing the share of higher-value products in their output, focusing on specialty steels used mainly in manufacturing, which command a premium over lower grades.

Source: The Financial Express, 2nd April, 2016

POLICY

Steel sector wants Chinese Taipei to withdraw anti-dumping probe

Steel producers have asked the Commerce Ministry to convince Chinese Taipei to withdraw the anti-dumping investigation launched recently on certain carbon steel plates from India. “The Steel Authority of India Ltd (SAIL) wants the government to intervene and take up the anti-dumping issue with Chinese Taipei as it believes that India’s exports of the item to the country is not high enough to make a difference to local producers,” a government official told *Business Line*. The Indian industry’s argument against the anti-dumping investigation is that its steel exports to Chinese Taipei comprise just 5 per cent of the country’s total imports of the item. Moreover, Japan, which is the highest exporter of steel products to Chinese Taipei, has been exempt from the anti-dumping investigation. The Indian steel industry is going through a difficult period fighting overcapacity and cheap imports from China. Despite imposition of minimum import price recently, steel imports in March increased by 18.2 per cent to 9,94,000 tonne.

Source: Business Line, 8th April, 2016

GLOBAL STEEL

Tata Steel closure would tear hole in UK supply chain

The closure of Tata Steel's operations in Britain would leave a hole in manufacturers' supply chains, dealing a blow to thousands of smaller firms across the country and creating a logistical headache for the car industry. India's Tata Steel, Britain's biggest producer, put all of its operations up for sale, including the country's largest steelworks at Port Talbot which is losing \$1.4 million a day due to depressed steel prices and high costs. As the government searches for a new buyer, some of Tata's customers are already looking for new sources of steel which is used in everything from car roofs to Heinz baked bean cans, cladding on Ikea buildings and some of the country's coins. While bigger names have the luxury of a global supply chain to fall back on, smaller companies - which account for around 95 percent of British manufacturing firms - face a tougher task if Port Talbot in south Wales closes. Tata sells around half of its products into the domestic market, the firm said in 2014. "It would be entirely undesirable from my point of view," said Tony Mullins, executive chairman of QRL Radiators Group, a Tata Steel customer that makes heating radiators near the Welsh town of Newport, employing around 150 staff.

Source: The Financial Express, 4th April, 2016

UK Mulling Fin Package for Tata Steel's Asset Sale

The UK government is considering a financial package for Tata Steel's UK operations, a government spokesperson said, after a crucial meeting between UK business secretary Sajid Javid and Tata Group Chairman Cyrus Mistry on Wednesday. Tata Group and Javid decided to appoint an external auditor to oversee the sale process. The UK government wants to ensure that Tata Steel should not hastily shut down the steel plants if a buyer is not found so on. Tata Steel UK employs 15,000 people in the country. Tata's decision to exit UK has become a political issue in that country, which votes soon in a referendum on staying in the European Union. Part of the UK assets have been interest from investment firm Greybull, ThyssenKrupp and trading firm Liberty House.

Source: The Economic Times, 7th April, 2016

MISCELLANEOUS

Steel tycoon Sanjeev Gupta keen on buying Tata Steel's Port Talbot plants

The UK-based Indian steel tycoon Sanjeev Gupta has come to the rescue of the troubled Tata Steel by opening discussions with owners of the steel giant to acquire its plants at Port Talbot, Britain's largest employing some 4,000 people. The 44-year-old founder of steel, commodities and property group Liberty House, who has already saved a number of UK plants from closure, has said he is ready to discuss with the British government to rescue the plants where thousands of jobs are at stake. He will meet government officials and Tata to gauge their support for a proposal to keep Britain's largest steel plant open. On the question of acquiring the State steel plants at Port Talbot, Gupta was quoted in the Sunday Telegraph saying: "We would need a proper partnership with the government. I don't know what that would entail at this stage, we've started the discussions... we are in the process of starting a discussion with Tata."

Source: Business Line, 4th April, 2016

Tata's UK Steel assets can be saved: Steel tycoon Gupta

Sanjeev Gupta, a potential buyer of Tata Steel's British assets, is meeting Britain's business secretary on Tuesday to discuss his plan to turn around the struggling operations without the loss of thousands of jobs. Prime Minister David Cameron's government has said it was working to broker a deal with potential buyers after India's Tata Steel put its British operations up for sale last week, threatening thousands of jobs. Gupta, head of the Liberty House Group which has bought other steel assets in Britain, told BBC Radio he

believed the business could be saved but said he had not yet carried out due diligence or held talks with the sellers of the business, which includes the huge Port Talbot site in Wales. Gupta said he was looking at the broad concept of the business and believed the majority of it could be saved. He said the blast furnaces were the biggest problem but that staff could be retrained to modify the plant.

Source: Business Standard, 6th April, 2016

UK minister rushes to India to hold talks

UK business minister Sajid Javid is rushing to Mumbai to hold crunch talks with Tata Group Chairman Cyrus Mistry in an effort to save the British steel industry after the Indian steel giant decided to sell its loss making plants in the country. But, before he leaves on Tuesday for the hurriedly planned India trip, Javid is also set to hold crucial talks with businessman Sanjeev Gupta, who has expressed an interest in acquiring Tata Steel's embattled Port Talbot plant in South Wales.

Source: Business Standard, 6th April, 2016