

# Steel In The News

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

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A Weekly Report by Joint Plant Committee

March 19 – 26, 2016

## RAW MATERIALS

### Gujarat NRE windmill assets put on sale

Lenders to loss-making Gujarat NRE Coke have put on sale the company's 87.5-MW windmill assets in Kutch and Jamnagar for a reserve price of Rs 299.6 crore. According to an invitation for bids, SBI Capital Markets has been mandated by the consortium of banks led by State Bank of India (SBI) to find a buyer for the asset. Interestingly, although the company's board had approved the sale of its wind mill business for Rs 218.75 crore last year, the reserve price or the lowest bid price was fixed at close to Rs 300 crore. The company's FY15 gross debt, according to Bloomberg, stood at Rs 3,011 crore, up from Rs 2,726 crore in the previous year. While the final binding offer and contract performance guarantee (CPG) of R10 crore had to be deposited by March 19, it could not be immediately ascertained how many bids have been received. "We have received a few bids for the windmill assets and are yet to arrive at a decision," a SBI official confirmed on Tuesday. The company is part of Gujarat NRE group which has presence in diversified sectors including power, steel and metallurgical coke.

*Source: The Financial Express, 23<sup>rd</sup> March, 2016*

## PROJECTS

### Tata Steel expects Rs 20k-cr investment in Gopalpur SEZ

Tata Steel is in discussion with foreign companies for investments up to Rs 20,000 crore in heavy industries over the next five years at its Special Economic Zone (SEZ) project at Gopalpur in Odisha. The investment will be in defence, metal downstream and electronics as well as chemicals and pharmaceuticals among others, Misra, who is marketing the Gopalpur SEZ as a gateway to the south east Asian markets, said. Tata Steel is the anchor tenant for the multi-product 2,970-acre SEZ at Gopalpur in Odisha. The UK-based Midget Corporations is setting up an assembly plant for "unmanned aerial vehicle targets" which are used by army for firing practices. The Gopalpur SEZ, just off the National Highway 5, will be based on a Singapore model for industrial development which offers land parcels of various sizes for industries, he said. Tata Steel SEZ will invest between Rs 2,000 and Rs 2,500 crore by 2020 in the Gopalpur SEZ, for which a Tata Power power plant proposal is also on the drawing board.

*Source: The Financial Express, 20<sup>th</sup> March, 2016*

**JSPL starts 1.4 MTPA rebar mill in Oman**

Jindal Shadeed, an Oman-based subsidiary of Naveen Jindal-led Jindal Steel and Power, hopes to beat competition from China and other steel-surplus nations to get a significant pie in the Gulf Coordination Council (GCC) region's \$6-billion TMT bars market with its newly inaugurated 1.4 MTPA rebar mill here. Following the acquisition of Shadeed Steel and Power in 2010 for \$500 mn, JSPL has invested \$700 m to set up a 2 mtpa steel melting shop (SMS) and the rebar mill. So far the company used to produce billets and other related products and sell them to local steel producers who would use them to produce finished products. With the rebar mill, which is the largest in the GCC region, Jindal Shadeed would sell TMT bars directly to the end-users. Unlike other producers in the region, Jindal said, the company would have the edge when it comes to cost of production since its latest technology allows it to produce TMT bars directly from the hot metal that comes out from the SMS. The entire hot metal from its SMS would not be used for making TMT bars though, it would continue to sell some billets till the time it adds facilities for making other value-added products.

*Source: The Financial Express, 23<sup>rd</sup> March, 2016*

## FINANCIALS

**Lenders ask Essar Steel to cut debt, find investors**

The joint lenders forum has directed Essar Steel to speed up the process of issuing an information memorandum for attracting potential investment in the company. Saddled with a debt of Rs 40,000 crore, the company recently appointed SBI Capital Markets and ICICI Securities to find strategic investors in the company to reduce its debt. This apart, the promoters have agreed to invest Rs 1,500 crore in the company. Earlier this week, Essar Steel was in discussion with the lenders to extend the tenure of Rs 15,000 crore debt under the 5/25 scheme. Banks have already extended the same.

*Source: Business Line, 26<sup>th</sup> March, 2016*

## COMPANY NEWS

**JSPL slaps Rs 123-cr notice on BHEL for project delays**

NAVIN Jindal promoted Jindal Steel and Power (JSPL) has slapped a Rs 1230crore notice on the state-run power equipment maker BHEL, citing delays in execution of projects at two units of JSPL's 2,400 MW coal-based plant at Tamnar in Chhattisgarh. JSPL invoked the contractual clause titled liquidated damages. BHEL is executing the

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boiler, turbine and generator (BTG) packages for all the four units of the plant. While it commissioned the first and fourth units on schedule, there were delays of four and eight months respectively in case of the second and third units. The total contract value, with each BTG unit costing Rs 150 crore, is Rs 600 crore, which means if the JSPL's claim is honoured, BHEL would lose 20% of the business. Another officials at BHEL said that such claims often arise due to delays on the part of the client as well as other factors like delays in injection of full load power to the regional grid, a requirement for declaring a unit as commissioned. However, he admitted that BHEL has historically faced some problems in documenting delays due to reasons beyond its control. BHEL lacks experience in negotiating the claims made under liquidated damage as it has mostly worked with state-run power developers like NTPC and DVC which don't normally claim such damages.

*Source: The Financial Express, 21<sup>st</sup> March, 2016*

### **Essar Steel bags Rs 100-crore order to make petrol tanks**

Essar Steel has bagged a Rs 100-crore order to make 7,000 cylindrical petrol tanks for the upcoming 4,000 petrol pumps of Essar Oil. The first major order for cylindrical tanks will open a new chapter for Essar Steel in the fabrication business as it renews focus on providing application solutions for different structures rather than just selling virgin steel. The fuel tanks, which will have life span of 20-30 years, are being manufactured at the company's service centres at Hazira, Pune, Chennai and Bahadurgarh (National Capital Region). Ravi Singh, Chief Executive Officer, Essar Hypermart, said the order has given a further fillip to the fabrication business and the company is already delivering 12 tanks a week. The company has an order book of 30,000 tonnes as of now. It expects the demand for cylindrical structures to touch about \$150 million as it has wide applications as silos for storing grains and in processing edible oil.

*Source: Business Line, 25<sup>th</sup> March, 2016*

### **SAIL Picks New Bosses for Two Steel Plants**

There has been a change in the top deck of management at Steel Authority of India Limited, the country's largest public sector steel company, with new CEOs taking charge at two of its steel plants. While Arun Kumar Rath has taken charge as Chief Executive Officer (CEO) of Durgapur Steel Plant on March, 24, 2016, Ashwini Kumar has taken over as CEO, Rourkela Steel Plant. Apart from Rourkela and Durgapur, SAIL also operates integrated steel plants at Bhilai, Bokaro and Burnpur, a stainless steel plant at Salem and a Alloy Steels Plant at Durgapur. The leadership changes at the top come at a time when SAIL, like many other companies in the steel sector, is facing intense pressure on its margins due to the downturn in the steel market, a problem that has been compounded in the last year and a half due to surge in cheap imports.

*Source: The Economic Times, 25<sup>th</sup> March, 2016*

### **ArcelorMittal to sell US steel plants**

The world's largest steel manufacturer, ArcelorMittal, is selling its LaPlace and Vinton Long Carbon facilities in the US to an affiliate of the asset management firm Black Diamond Capital Management. Financial details of the deal were however not disclosed. The deal will help the Luxembourg-based steel maker to reduce its debt that stood at \$15.7 billion for the quarter ended December 2015.

*Source: The Financial Express, 26<sup>th</sup> March, 2016*

## **MISCELLANEOUS**

### **UK Steel union chief heads to Mumbai to meet Tata board**

Community, one of the largest unions representing Tata Steel workers, has launched an emotional campaign, as its head prepares to travel to Mumbai to meet with the Tata board ahead of a board meeting on Tuesday, which unions believe could determine the future of Port Talbot, one of Tata Steel's major UK plants. The union has released a video featuring present and past workers of the plant, and family members and children, in which they recount the importance of the plant to their lives, including giving jobs, homes, putting food on the table and building lives and communities.

*Source: Business Line, 25<sup>th</sup> March, 2016*