

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

November 28 - December 4, 2015

COMPANY NEWS

Steel Strips receives export order from JLR

Steel Strips Wheels, a leading manufacturer of automotive steel wheels, has secured an order from Tata Motors-owned Jaguar Land Rover (JLR). This order is one of the Steel Strips Wheels' (SSWL) biggest export orders, the company said in a regulatory filing. As part of the deal, SSWL will supply its products to JLR's UK and one more European facility, it added.

Source: The Financial Express, 2nd December, 2015

Tata Steel arm raises Rs 10,000 crore to repay loan

Tata Steel's wholly-owned subsidiary Singapore-incorporated TS Global Holdings has raised \$1.5 billion (about Rs 10,050 crore) to repay existing loans. The loan facilities include \$750 million in two parts for tenure of five and six years. The proceeds of this loan will be used to repay existing term loan facilities in the subsidiary, said the company. As of September quarter, the company's consolidated net debt was at Rs 73,000 crore. The loan facilities have been contracted with a group of 16 mandated lead arrangers including Australia and New Zealand Banking Group, Axis Bank, Bank of America, Bank of Tokyo-Mitsubishi UFJ and BNP Paribas. Koushik Chatterjee, Group Executive Director (Finance and Corporate), Tata Steel said the loan raised provides greater flexibility in terms and conditions and provides savings in cost, besides extension of tenor.

Source: Business Line, 3rd December, 2015

RAW MATERIALS

Iron Ore Sinks below \$40 in Singapore

Most-active iron ore futures in Singapore sank below \$40 a tonne for the first time on concern that the economic slowdown in China will cut demand as supplies from the largest miners climb. The SGX AsiaClear contract for January fell 2.7 per cent to \$39.67 a tonne at 4:34 pm in Singapore, heading for the

lowest close since trading started in April 2013. On the Dalian Commodity Exchange, futures for May delivery sank 3% to end at 293.5 yuan (\$45.88) a tonne, a record low. The raw material has been pummelled since the start of 2014 as surging supplies from low-cost producers including BHP Billiton and Rio Tinto in Australia and Brazil's Vale combine with faltering demand in China to spur a glut.

Source: The Economic Times, 1st December, 2015

Ferrochrome maker bleed as chrome ore prices soar

The fall in prices of ferrochrome, and simultaneous rise in prices of its key input, chrome ore, have pushed the Indian ferrochrome producers, without captive mines, to the brink. Around 50 per cent ferrochrome capacity — without captive mine support — has shut down, over the past year. Of nearly one million tonne ferrochrome capacity in the country, 40 per cent producers do not have their own chromite mines. According to industry sources, ferrochrome prices dropped from Rs 69,625 per tonne, in November last year, to Rs 60,000 per tonne this October. In contrast, floor price of chrome ore and concentrate in auctions conducted by state-owned Odisha Mining Corporation (OMC), a major supplier of chrome ore to ferrochrome industry, has increased from Rs 9,649 per tonne to Rs 10,325 per tonne in the same period, aggravating the losses of the industry. To make the matters worse, the private merchant miners, such as Tata Steel, B C Mohanty & Sons and Misrilal Mines are taking the OMC auction price as benchmark for sale of chrome ore in the domestic market, even as their realisation from export of ore and its concentrates is much less in the backdrop of commodity glut in the international market. Over the last one year, the price of chrome concentrates in the international market has reduced by 15 per cent, whereas OMC has increased the floor price by seven percent.

Source: Business Standard, 4th December, 2015

4 more States to begin mineral block auction in 2 weeks

Four more states are expected to issue notices inviting tenders for mineral block auctions in 10-15 days, Mines Secretary Balvinder Kumar said. The mineral blocks on offer are iron ore in Karnataka, limestone in Gujarat and Rajasthan, gold in Jharkhand and tungsten in Maharashtra. A total of 70 blocks have been identified for auctions by states. The process of calling for bids is an ongoing one, Kumar said, adding that the likes of Andhra Pradesh are expected to come out with notice inviting tenders soon. Meanwhile, the Ministry is in the process of finalizing the National Mineral Exploration policy. "In mineral exploration, the government spends 0.4 per cent of its annual expenditure. This is much lesser than other

countries but we will increase it,” said Steel and Mines Minister Narendra Singh Tomar.

Source: Business Line, 4th December, 2015

FINANCIALS

Essar Steel’s Rs 14,500-Crore Loans to Receive 5:25 Scheme Benefits

Some 30 lenders of Essar Steel have agreed to move Rs 14,500 crore of its term loans under the 5:25 flexible structuring scheme, extending enormous flexibility to the Ruias-promoted company to repay the loan. As per the terms agreed by the consortium of bankers led by State Bank of India, Essar Steel needs to pay just about 9 per cent of the principle loan in the initial seven years while the remaining 91 per cent of the loan will be due for refinancing at the end of 2022, officials aware of the development said. During the initial seven years, Essar would pay the interest component on the entire loan. It's proposed that in each of the initial five years, till fiscal year 2020, Essar Steel would pay just about 1 per cent of the outstanding principle amount while it would pay 2 per cent each in the next two years. The balance would come up for refinancing at the end of the seventh year. While most lenders have approved the proposal, some of the bankers have to yet give their consent, a senior bank official told on condition of anonymity. The Reserve Bank of India introduced the flexible refinancing scheme, popularly known as 5:25 scheme, in June this year. It enables banks to give big borrowers investing in infrastructure projects 20-25 years to repay loans while lenders have an option to exit the loan at the end of every fifth or seventh year by replacing themselves with new lenders. Under this scheme, Essar Steel can prepay the loan anytime during its tenure without paying any penalty or fee.

Source: The Economic Times, 30th November, 2015

Debt-laden Bhushan Steel may get Rs 3,000 cr from asset sale

Debt-laden Bhushan Steel says it is in the process of getting Rs 3,000 crore from sale and lease-back arrangements for two of its assets, oxygen and coke oven plants, in Odisha.

With debt of Rs 40,000 crore, Bhushan had become a worry for banks. In August, the lenders decided to appoint an audit company to monitor the cash flow daily and an independent engineer to monitor operations. In all, 35 banks have a combined exposure, in both working capital loans and term loans. The sale and lease-back deals were also mooted by the lenders. Though the deal looks attractive, Bhushan would still have to pay lease rent for the assets. “These are long-term leases, 14 to 15 years,” Johari explained. It was the Odisha unit that landed Bhushan in trouble. First, it was the pace at which the company expanded capacity. In 2008-09, 0.3 million tonnes was commissioned. A second phase of two mt was completed in 2009-10. And, a third phase of 5.2 mt was commissioned in early 2014, after a considerable delay which took a toll on the finances. Helping Bhushan to get its act back is the fact that the bankers have extended the repayment schedule, under the Reserve Bank’s ‘5/25’ scheme. This allows the repayment period to be stretched up to 25 years, with periodic refinancing every five years.

Source: *Business Standard*, 3rd December, 2015

POLICY

New policy for steel sector

The Centre is formulating a comprehensive policy regime to support the domestic steel industry reeling under competition from cheap imports, mainly from China, despite the imposition of a safeguard duty in September. “We are looking at a number of ways in which the domestic steel producers can be helped,” Commerce Secretary Rita Teatia told reporters on the sidelines of a seminar organized by FICCI on Thursday.

Source: *Business Line*, 4th December, 2015

PRICES

Ore Prices at 7-year Low, Why are Steel Cos Hurt?

Steel companies are upset over the prevailing 'high' domestic ore prices at a time when global iron ore has plunged to a seven-year low. From \$70 per tonne, ore prices have gone down to nearly \$43 within a year, led by oversupply from

big miners like Rio Tinto, Vale and BHP Billiton and low demand in China. Steel companies claim it is affecting their bottomlines at a time when they are being burdened by high finance costs and falling product prices. This does not help mining companies either, as high ore prices result in low offtake and a higher inventory pile-up. State-run miner NMDC saw its net decline 42% to Rs 810 crore in Q2FY16 with offtake down 11%. In H1, NMDC shipments were down 18%. Steel companies have alleged that even as steel, sponge iron or pig iron prices have fallen in the past one year, mining firms have failed to reduce the floor price. The steel industry's plight is led by contraction in Chinese demand while production cuts have not kept pace with it. While ore is getting mined at Rs 400-500 a tonne, it is getting sold at over Rs 2,000 a tonne. Hence, the price of steel is also high and the common man has to suffer," RV Gumaste, managing director of Kirloskar Ferrous said. Large companies with captive mines like SAIL and Tata Steel BSE 2.97 % India have also suffered. SAIL posted a net loss of Rs 1,056 crore in Q2FY16 with the company reporting a 6.7% decline in sales during the quarter, while Tata Steel India saw realisations per tonne falling about 18% to Rs 40,853 in H1FY16.

Source: The Economic Times, 2nd December, 2015

STEEL PERFORMANCE

Tough times for steel sector: Minister

The steel industry in the country is passing through a “challenging” phase on account of low prices coupled with other issues, government said today. “The steel industry is facing a challenging time due to low steel prices and low profitability, issues related to land acquisition, environmental and forest clearances and availability of finances from banks and financial institutions,” Minister of State for Steel and Mines Vishnu Deo Sai told Lok Sabha in a written reply. The Minister said investment decisions to expand the existing steel plants or to set up new steel plants are taken by the individual companies or investors based on commercial considerations, market dynamics and techno-economic viability of projects.

Source: Business Line, 1st December, 2015

MISCELLANEOUS

Global steel: Push comes to shove as India vows curb

India will step up curbs on steel imports before the end of the year to combat a rising tide of cheap shipments and aid local producers, according to steel secretary Aruna Sundararajan. The basket of products that face a 20% safeguard tax may be widened beyond hot-rolled coil, Sundararajan said. India is among countries facing a surge in steel shipments from China, the world's top producer, where slowing local consumption has spurred mills to ship unprecedented volumes. India's plan for additional barriers adds to signs that importers are pushing back with greater vigor against the tide, potentially capping China's exports into 2016. Tata Steel rose as much as 3.5% to Rs245.90 in Mumbai, the highest level since 2 November, while JSW Steel gained as much as 1.9% to Rs962, the highest price since 18 September. Steel Authority of India Ltd. advanced as much as 2%.

Source: The Financial Express, 3rd December, 2015