

# 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

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## **RAW MATERIALS**

### **Tata Steel puts off Canada iron ore project to next year**

Tata Steel has postponed its decision on development of its second iron ore project in Canada until 2016. The project revolves around two taconite (inferior quality iron ore) deposits in sub Arctic eastern Canada. Tata Steel's Canadian exploration partner New Millennium Corporation recently said that as the current macro-economic situation posed challenges for development of the taconite project, the Canadian partner and Tata Steel were re- visiting the terms of their original agreement of 2011. Tata Steel retains the option to participate in the development of one or both the deposits called LabMag and KéMag. The jointly undertaken techno economic viability study of the project was ready early last year. However, both the companies had not taken the investment decision for development of the mines as the iron ore prices declined below the estimated cost of production of fines of around \$ 52 a tonne.

*Source: Business Line 31<sup>st</sup> October, 2015*

### **NMDC charts Vision 2025 to raise iron ore capacity**

The iron ore major NMDC Ltd. has charted out 'Vision 2025' that seeks to reorient its business model and strategise to retain its market leadership in the domestic market. "The whole exercise is to ensure raw material security for Indian industry. The NMDC's Vision 2025 aims to increase the iron ore mining capacity to 75 MTPA by 2018-19 and 100 MTPA by 2021-22," Narendra Kothari, Chairman and Managing Director, NMDC Ltd, said. With production of 30.4 million tonnes of iron ore in the last fiscal, NMDC is India's single largest producer of iron ore meeting the requirement of a major section of Indian steel industry, while also exporting. Releasing the policy framework for growth and expansion for the next decade on the sidelines of the mid-year review of its Annual Business Plan, Kothari expressed NMDC's intent to align its operations with the growth of the domestic steel industry.

*Source: Business Line, 5<sup>th</sup> November, 2015*

**PROJECTS****Uttam Galva-Posco plant might start by Feb-end**

Shree Uttam Steel and Power of the unlisted arm of Miglani family-run Uttam Galva Group is carrying out a feasibility study for its \$3-billion integrated steel plant in Maharashtra, jointly planned with South Korean company Posco, and is expected to be completed by February next year. "Once the study is complete, the final plant configuration will come before us and since all the other approvals, including the environment clearances, are in place, we'll be in a position to take the project ahead from there," Ankit Miglani, director of Uttam Galva Steels, told. The plant would produce hot-rolled coils, which will cater entirely to the domestic market. Miglani said the steel plant would take four years to come up and by then, there would be demand for steel in the market. Currently, the company is engaged in getting raw material secured for its three-million-tonne plant to be set up in two phases of 1.5 million tonnes each.

*Source: Business Standard, 2<sup>nd</sup> November, 2015*

**Tata Sponge plans Rs 2,200-cr steel entry**

Tata Sponge Iron (TSIL), a Tata Group company which has a 4 million tonne-per-annum (mtpa) sponge iron plant in Odisha's Keonjhar district, is planning to go for steel making, with an investment of R2,200 crore. The company board has recently approved a proposal to go for forward integration of the sponge iron plant with facilities to manufacture 0.7 mtpa long products. The steel making, however, would be through the sponge iron route. As part of the steel plant project, facilities like billet caster and waste-based power plant would be developed, sources said. While the present sponge iron plant capacity would be enhanced with setting up an electric arc furnace and two additional kilns, the company would not require additional land as the integrated steel plant would come up over the 310 acre premises of the sponge iron plant. Tata Sponge managing director D P Deshpande, said: "Tata Sponge would like to seize the opportunity and continue its successful journey forward." Tata Sponge, which has its plant at Bileipada near Joda iron ore belt, is now executing a waste char-based AFBC power plant of 12.5 MW with an investment of R100 crore.

*Source: The Financial Express, 6<sup>th</sup> November, 2015*

**POLICY****South Korea and Japan pitch for safeguard duty rollback on steel**

South Korea and Japan have strongly pitched for the rollback of safeguard duty imposed on steel by India, arguing it has impacted the large investment made by its companies in the country. Posco, Honda, Toyota and Suzuki, among others, would be affected. India has a free trade pact with both South Korea and Japan, under which the countries enjoy substantial duty benefits on steel imports. The provisional 20 per cent safeguard duty on hot-rolled (HR) steel has hit production in Posco's plant in Maharashtra, where it has invested nearly \$1 billion. South Korea has pointed out in its representation to the Indian government. Japanese companies, including Honda, Suzuki and Toyota, have also written to the government saying their cost of production will see a steep increase with the imposition of the levy. In September, the government imposed a 20 per cent safeguard duty for 200 days on the import of hot-rolled flat products of non-alloy and other alloy steel, in coils of a width of 600 mm or more. The decision was taken on the basis of preliminary findings and recommendations of the Directorate General of Safeguards, which comes under the revenue department of the finance ministry. "South Korea and Japan want us to roll back the duty arguing they should enjoy preferential duty they get under the free trade agreement (FTA)," said the official. The government will, however, take a final decision on the duty by February after hearing all interested parties. The directorate has called a public hearing on the matter on November 16, for which 150 interested parties have registered. Safeguard duty is allowed under World Trade Organization rules as a temporary measure for a specified period to check damage to a country's domestic industry from cheaper import. The market share of steel imports doubled from six per cent to 12 per cent in absolute terms between 2013-14 and 2015-16.

*Source: Business Standard, 2<sup>nd</sup> November, 2015*

**FINANCIALS****Usha Martin net loss widens**

Steel wire rope maker Usha Martin Ltd has reported a net loss Rs 92.12 crore during the second quarter to September 30 against a net loss of Rs 72.88 crore in

the corresponding quarter last year. During 2014-15, it reported a net loss of Rs. 292.41 crore. In the first half of 2015-16, its net loss stood at Rs. 163.36 crore (Rs 109.03 crore). Usha Martin stock closed at Rs 15.95, up two per cent, on the BSE.

*Source: Business Line, 5<sup>th</sup> November, 2015*

### **Tata Steel consolidated profit rises 22%**

Tata Steel has reported 22 per cent increase in consolidated net profit at Rs 1,529 crore (Rs1,254 crore) largely due to one-time write back of provision in overseas operations and Rs 2,808 crore from sale of non-core assets in India. Net sales were down 18 per cent to Rs 29,069 crore (Rs 35,508 crore) due to lower production and drop in realisations. Steel production was down at 6.33 million tonnes (6.50 mt) due to shut down of few units in Jamshedpur and lower production in Europe. Earnings before interest, tax, depreciation and amortisation more than halved in the September quarter to Rs 1,985 crore (Rs 3,997 crore) as steel prices dropped sharply. TV Narendran, Managing Director, said subdued manufacturing activity led to steel demand fall by five per cent over the previous quarter with imports eating into domestic demand. The safeguard duty imposed in September had minimal impact as the steel prices plunged sharply. This apart, he said, rupee has been more stable against dollar than other currencies of competing countries. The company has one-time credit of Rs 9,683 crore due to change in calculation of retirement benefits in Britain and the Netherlands. In India, the company made a provision of Rs 1,322 crore for various reasons, including government claim of Rs 880 crore, Rs 293 crore towards voluntary retirement benefit for 800 employees and Rs 125 crore for impairment of asset in the proposed Chhattisgarh project and closure of Malda manganese mines. It has also provided Rs 302 crore for restructuring operations in South Africa. On a standalone basis, the company's net profit was up two per cent at Rs 2,523 crore (Rs 2,476 crore), while sales were down 11 per cent at Rs 9,446 crore (Rs 10,705 crore).

*Source: Business Line, 6<sup>th</sup> November, 2015*

### **Electrosteel Castings net at Rs 10 cr**

Electrosteel Castings Ltd has reported a net profit of Rs 10.29 crore in the second quarter ended September 30, 2015, against a net profit of Rs 12.78 crore in the corresponding quarter last year. The ductile iron pipe-maker's total income from operations also declined to Rs 448.12 crore (Rs 535.15 crore).

*Source: Business Line, 6<sup>th</sup> November, 2015*

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## COMPANY NEWS

### **Ruias to close Essar Steel's asset sale by FY16-end**

The Essar group has drawn a plan to revive the financial metrics of Essar Steel, its struggling steel business, through sale of assets worth Rs 11,200 crore by March next year. Besides, the promoters will infuse another Rs 1,500 crore into the company which will be used for repaying lenders. The group's aggression in bringing down the debt of Essar Steel stems from the fact that rating agencies have downgraded its Rs 30,500-crore debt into default category, causing some worry among its bankers, which have asked Ruias, the promoters of the group, to expedite their asset-sale plan. Top company officials said Essar Steel was facing the brunt of falling steel prices, lack of gas supply from the Krishna-Godavari basin and damage to its Kirandul-Vizag slurry pipeline by Naxals in October 2011. The lack of gas supply brought down the capacity of the company's Hazira plant to 40 per cent and caused a Rs 4,500-crore hit on Essar Steel's finances. Besides, delays in getting environmental clearance for the company's second slurry pipeline in Odisha resulted in non-availability of pellets for the ramp-up of the Hazira steel plant and had an impact of another Rs 2,500 crore on the company. As part of its planned asset sales, the company had identified two slurry pipelines and coke-oven plant, apart from a second pipeline that was sold for Rs 4,000 crore, Essar officials said. The company had also frozen all new appointments till the steel sector turned around, they added. All these steps, according to company officials, will help bring down debt from banks and fund last-mile capital expenditure.

*Source: Business Standard, 2<sup>nd</sup> November, 2015*

### **Srikalahasthi Pipes plans Rs 100 crore capex**

Srikalahasthi Pipes Limited has approved a capital investment of Rs 100 crore for expansion of its existing mini blast furnace located in the Chittoor district of Andhra Pradesh. This investment will increase the ductile iron pipe production capacity of the company from 2,25,000 tonnes per annum to 2,85,000 tonnes per annum and includes cost reduction measures covering the pulverised coal injection plant and stave cooling system and enable it to meet the growing requirement. GS Rathi, Wholetime Director, Srikalahasthi Pipes, has informed that in view of the upcoming water supply projects in Telangana to support the water grid, Amaravati capital development projects, infrastructure projects in the proposed 100 smart cities and 500 Amrut (Atal Mission for Rejuvenation and Urban Transformation),

and various urban development and rural water supply projects, the company was hopeful of comfortable order position during the coming years.

*Source: Business Line, 2<sup>nd</sup> November, 2015*

### **Tata Steel plans to build bridges with tribals**

Come November 15, Tata Steel Managing Director T V Narendran will step out in Jamshedpur. The occasion will be inauguration of second tribals' convention by Tata Steel at Jamshedpur, which is being made a calendar event at the steel city, coinciding with the birth anniversary of Birsa Munda, a noted tribal leader and freedom fighter from central India. "Tribals form an important stake holder in our operation. Jamshedpur is located in a tribal belt. From the beginning, Tata Steel has been doing a lot for the development of the communities living around its plant. The objective is not only to showcase and preserve rich tribal culture, but also to explore tribals' views on development instead of imposing the industry model of development on them," said Biren Ramesh Bhuta, chief (corporate social responsibility), Tata Steel.

*Source: Business Standard, 3<sup>rd</sup> November, 2015*