

Steel In The News

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

CONTENTS	Page
Highlight of the Week	2
Company News	2
Financial	5
Global	6
Miscellaneous	9

A Weekly News Report by Joint Plant
Committee

April 14 – 20, 2018

HIGHLIGHTS OF THE WEEK

1. Global steel demand is expected to reach 1,616.1 million tonne (MT) in 2018.
2. Blast furnace breakdown hits Tata Steel sales, output in fourth quarter.
3. In one of the largest debt issuances this year, Tata Steel has raised about \$1.9 billion through syndicated loans for its Singapore units Nat Steel Asia and TS Global to refinance its existing high-cost debt.
4. JSW denies Arcelor allegations on use of bankruptcy law.
5. US rejects India's request for talks on steel, aluminium tariffs under safeguards pact.
6. Uttam Galva Steels, a non-performing asset for more than a year, has offered lenders an out-of-court settlement to pay back its entire default amount of Rs. 52 billion.
7. ThyssenKrupp hopes to lock Tata Steel JV by December
8. Electrosteel Steels is set to become the first in an initial list of big defaulters to emerge from bankruptcy proceedings, with the National Company Law Tribunal's Kolkata bench approving a Rs.5,320-crore resolution plan from Vedanta Ltd for the company.
9. Tata Steel may buy 75% in Bhushan Steel
10. Russia wants compensation at WTO for US steel tariffs

COMPANY NEWS

Blast furnace breakdown hits Tata Steel sales, output in fourth quarter

Tata Steel has reported six per cent decline in March quarter domestic sales at 3.01 million tonnes (mt) against 3.21 mt recorded in the same period last year. Similarly, production dropped four per cent to 3.07 mt (3.20 mt) in the March quarter (Q4FY18), said the company in a statement. The production was lower due to the breakdown in the blast furnace at the company's recently inaugurated plant at Kalinganagar in Odisha. The fall in Tata Steel sales comes even when the overall steel demand in the country is showing signs of revival with large-scale investment by the government and private

sector companies. However, the production and sales volumes of the company in South-East Asia were stable on a quarter-on-quarter basis, according to the release. In the financial year ended March, 2018, the company's domestic sales were up 11 per cent at 12.13 mt against 10.97 mt logged in the previous year. Production also increased seven per cent at 12.48 mt (11.68 mt) in FY18.

Source: Business Line, April 14, 2018

JSW denies Arcelor allegations on use of bankruptcy law

JSW steel has refuted Arcelor Mittal's allegations that the insolvency and Bankruptcy Code (IBC) was inconsistently applied, allowing the former's bid on Monnet Ispat while disqualifying the latter from the race to acquire another debt-laden alloy-maker, Essar Steel. JSW steel, India's leading maker of the primary infrastructure alloy, was declared eligible in its bid for Monnet Ispat, although the association with another bankrupt borrower, Uttam Galva apparently caused ArcelorMittal's first bid for Essar Steel to be rejected. A second round of bids was later invited for Essar Steel: ArcelorMittal has put in a rebid and JSW Steel has also entered the fray by joining the Numetal consortium. The debate gains significance since ArcelorMittal has filed an application at the NCLT Ahmedabad against the rejection of its bid for Essar Steel. This week, the NCLT may give its verdict, a decision that could have an impact on the opening of bids for the second round of bidding at Essar Steel. Both ArcelorMittal and Numetal have said their first rounds bids were eligible.

Source: Economic Times, April 16, 2018

Tata Steel raises \$1.9 billion through Syndicate loans

In one of the largest debt issuances this year, Tata Steel has raised about \$1.9 billion through syndicated loans for its Singapore units Nat Steel Asia and TS Global to refinance its existing high-cost debt. It is part of a mega financial reengineering exercise undertaken by the country's largest steel maker to streamline its international balance sheet. This will be among the largest fund-raising initiatives at the leading business conglomerate. The loan is in two tranches - \$1.29 billion and Euro 469 million. The facilities are priced at about 200 basis points above LIBOR and will have about six-year

maturities, sources said. The fresh debt will likely have a 50-basis-point advantage over existing interest rates.

Source: Economic Times, April 18, 2018

ThyssenKrupp hopes to lock Tata Steel JV by December

Germany-based ThyssenKrupp is expecting finalisation of its joint venture with Tata Steel by end of 2018. "Talks with the UK labour unions are on and it's an ongoing process but we expect closure of the JV by end of this calendar year," Jens Overrath, chief executive officer ThyssenKrupp Electrical Steel (Europe) told reporters on the sidelines of an event held at its Nashik plant. Overrath was at Nashik to announce a cold-rolled grain oriented (CRGO) electrical steel product line. ThyssenKrupp has a sizeable presence in India with electrical steel plant making 35,000 tonne of CRGO, which would be expanded to 50,000 tonne. Via the CRGO product line at Nashik, Overrath aims to cater to not just the India market but also countries like Thailand, Sri Lanka and Indonesia. "Asia is a big market for us and about 15 per cent of our total Europe production comes to this region. Of this, India is the biggest grain oriented steel market in Asia. Due to this, setting up a plant here for this product line makes a lot of sense," Overrath said.

Source: Business Standard, April 20, 2018

Tata Steel may buy 75% in Bhushan Steel

Tata Steel may acquire three-fourths of Bhushan Steel's share capital by an equity infusion in it while lenders would also raise their stake by converting a part of the outstanding loans into stock, sources aware of the resolution plan told. "Tata Steel will be paying Rs.180 crore to acquire 75% of the paid up share capital by issuing 120 crore new shares as part of its plan to salvage the debt-laden steel company," sources in the know said. Tata Steel will also have room to buy an additional 4,500 crore at Rs. 2 a piece that may take its holding to 98%. The issue of new shares will take the total share outlay to 5.3 times the existing number of scrips.

Source: Economic Times 20th April '18

FINANCIAL**Essar battle: JSW says ArcelorMittal did not disclose facts on Uttam Galva**

The battle to acquire Essar Steel is spiralling into a full blown war, with Sajjan Jindal-promoted JSW Steel accusing ArcelorMittal of suppressing facts related to the non-disposal agreement signed with lenders of Uttam Galva. Terming as illegal the move by ArcelorMittal, to transfer its shares in debt-laden Uttam Galva, Seshagiri Rao, Joint Managing Director, JSW Steel, told that the application for promoter declassification has a column seeking details on promoter's shares in encumbrance, pledge, lien, non-disposal undertakings. But ArcelorMittal had left this column blank when it sought to declassify itself as a promoter of Uttam Galva.

Source: Business Line, April 16, 2018

Uttam Galva offers to pay full default amount

Uttam Galva Steels, a non-performing asset for more than a year, has offered lenders an out-of-court settlement to pay back its entire default amount of Rs. 52 billion. Though Uttam Galva was on the Reserve Bank of India's second list of defaulting companies that had been referred to the National Company Law Tribunal (NCLT) for insolvency proceedings, it has not been admitted yet.

Source: Business Standard, April 17, 2018

NCLT Approves Vedanta's Bid for Electrosteel Steels

Electrosteel Steels is set to become the first in an initial list of big defaulters to emerge from bankruptcy proceedings, with the National Company Law Tribunal's Kolkata bench approving a Rs.5,320-crore resolution plan from Vedanta Ltd for the company. This paves the way for the acquisition of Electrosteel Steels by the local unit of London – listed Vedanta Resources, the process for which is likely to be initiated shortly. The deal requires also

formal clearances from the Competition Commission of India and the Securities and Exchange Board of India, which are likely to come in the next one to two months. A monitoring committee comprising representatives of lenders and Vedanta executives has been formed to manage the day-to-day affairs of the steelmaker, a job that was previously handled by Dhaivat Anjaria, the resolution professional appointed to manage the company's debt problem. A team from law firm Shardul Amarchand Mangaldas, led by its national practice head of banking and finance Sapan Gupta, had advised Anjaria in handling the affairs at Electrosteel Steels. The Vedanta Group said it would make all efforts to turn the stressed asset around at the earliest.

Source: Economic Times, April 18, 2018

GLOBAL

Global steel demand to hit 1,616 MT in 2018: Report

Global steel demand is expected to reach 1,616.1 million tonne (MT) in 2018, according to World Steel Association (worldsteel). In India, the demand is expected to accelerate gradually, mainly driven by public investment, worldsteel said in a report. "Worldsteel forecasts global steel demand will reach 1,616.1 MT in 2018, an increase of 1.8 per cent over 2017. In 2019, it is forecast that global steel demand will grow 0.7 per cent to reach 1,626.7 MT," it said. T V Narendran, Chairman of the Worldsteel Economics Committee said: "In the next couple of years the global economic situation is expected to remain favourable with high confidence and strengthening recovery of investment levels in advanced economies." Benefiting from this, steel demand in both developed and developing economies is expected to show sustained growth momentum with risks relatively limited, he said.

Source: Financial Express, April 20, 2018

Chinese steel up after bank liquidity boost

China's steel futures climbed, marking their biggest daily gain in two weeks, as sentiment was boosted after the country's central bank said it would cut

down the cash lenders hold as reserves. The most-active construction rebar futures on the Shanghai Futures Exchange closed 1.7 per cent higher at 3,446 yuan.

Source: Economic Times, April 19, 2018

China bans imports of 16 more scrap, waste products

China will ban the imports of 16 more scrap metal and chemical waste products from the end of this year, the environment ministry said on Thursday. The 16 banned products include steel smelting slag containing more than 25 per cent of the metal manganese, and ethylene polymer waste, the Ministry of Ecology and Environment (MEE) said in a document published on its website. MEE also listed another 16 items that will be banned by the end of 2019, including timber waste and scrap metals such as stainless steel, tungsten and magnesium. China told the World Trade Organisation last year it would stop accepting imports of 24 types of foreign waste by the end of the year, and that it would phase out shipments of other waste products, including those readily available from domestic sources, by the end of 2019. China's crackdown on imported waste, which was as much as 47 million tonnes in 2015, is part of its "war on pollution", and was meant to help upgrade the country's economy and move it up the global supply chain.

Source: Financial Express, April 20, 2018

Russia wants compensation at WTO for US steel tariffs

Russia is demanding compensation from the United States for its decision to impose worldwide tariffs on steel and aluminium, a Russian statement published by the World Trade Organization showed on Thursday. The United States maintains that the tariffs are based on national security concerns and fall outside the remit of the WTO rules, but Russia, China, India and the European Union have all objected, saying the tariffs appear to be "safeguards", which require compensation for major exporting countries.

Source: Financial Express, April 20, 2018

White House to decide on rollback of tariff on Indian steel, aluminium

The White House will take a final call on India's request for a rollback of higher import tariffs on steel and aluminium imposed by the US. "The US Trade Representative's office has forwarded to the White House all arguments made by India on why it should not be saddled with higher import duties. It is the US President's office which would now have to decide the matter," a government official, privy to the recent India-US Trade Policy Forum dialogue, told. The US imposed a 25 per cent levy on steel and 10 per cent on aluminium on a handful of countries, including India and China, in March, ostensibly to protect US national security and economic interests. India wants the US to revoke the levy as was done in the case of the EU, Argentina, Australia, Brazil, South Korea, Canada and Mexico.

Source: Business Line, April 14, 2018

US rejects India's request for talks on steel, aluminium tariffs under safeguards pact

The US has said the higher duties imposed by the country on Indian steel and aluminium are not safeguard measures and therefore it could not agree to consultations requested by India at the World Trade Organisation for compensation under the Agreement on Safeguards. In its submission to the WTO on Thursday, the US, however, added that it was open to discuss this or any other issue with India provided it is not under the Agreement on Safeguards, a Geneva-based trade official told *BusinessLine*. India had dragged the US to the WTO earlier this week demanding that it give adequate compensation to it under the Safeguards Agreement for the 10 per cent increase in tariffs for aluminium and 25 per cent for steel imposed selectively on the country last month.

Source: Business Line 20th April '18

MISCELLANEOUS**Essar Steel resolution may take time**

The resolution process for Essar Steel could get extended beyond the 270-day deadline of April 29, especially due to the litigation and challenges put up by ArcelorMittal before the National Company Law Tribunal's (NCLT's) Ahmedabad Bench. Last month, the Hyderabad Bench of the NCLT ordered the exclusion of 87 days from the 270-day deadline due to the time consumed because of litigation in the Deccan Chronicle Holdings case. Essar Steel is one of 12 large stressed asset accounts referred by the Reserve Bank of India (RBI) to the NCLT for resolution of bankruptcy proceedings. The company has an outstanding debt of Rs 492.12 billion.

Source: Business Standard, April 18, 2018

Essar Steel: Back to square one as uncertainty clouds JSW steel, Vedanta bids

The National Company Law Tribunal judgement on Essar Steel on Thursday has come as a major setback for both JSW Steel and Vedanta which had entered the fray in the second round. The Ahmedabad Bench of the NCLT has given 30 days to both Numetal Mauritius and ArcelorMittal to rectify their bids to meet the resolution professional and committee of creditors' satisfaction. However, sources said it is not clear as of now whether the 'rectification' allows bidders to make changes in both financial and technical part of their bid. Seshagiri Rao, joint Managing Director, JSW Steel, told Business Line that the company is still interested in joining the bid for Essar Steel and more clarity on how this can be done will be planned once the NCLT order is made available in public domain.

Source: Business Line 20th April '18