

# 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 News Report by Joint Plant  
Committee

April 21 – 27, 2018

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## HIGHLIGHTS OF THE WEEK

1. India's crude steel output is expected to soar by 38 per cent to 140 million tonnes by the end of this year, Steel Minister Chaudhary Birender Singh said.
2. Indian steel makers may post robust earnings in the March quarter, paced by firm prices of the primary infrastructure alloy and better realisation undergirded by increasing sales volumes in one of the world's fastest expanding major economies.
3. Global steel production just hit the highest level on record. According to the World Steel Association, total crude steel production stood at 148.3 million tonnes in March, surpassing the previous record peak of 144.5 million tonnes set in January.
4. The Government will welcome big foreign players who want to set up Greenfield steel projects, and the country's steel manufacturing capacity is expected to rise.
5. SAIL has inked a pact with the Airports Authority of India for utilisation of airstrips at its three facilities -- Rourkela, Bokaro and Burnpur.
6. Tata Steel, the successful bidder for Bhushan Steel, is raising up to Rs. 17,000 crore in loans from a consortium of about six private and foreign financiers.
7. NMDC is planning to increase its annual iron ore production capacity to 50 million tonnes by 2019-20.
8. JSW plans to go solo if fresh bids are allowed.
9. Jindal Stainless Ltd has reported a Rs.114.74-crore net profit for the last quarter of the financial year 2017-2018.
10. Numetal approaches NCLAT on ArcelorMittal bid.

## RAW MATERIAL

### **NMDC to increase mining capacity to 50 million tonnes by 2019-20**

State-owned mining company National Mineral Development Corporation (NMDC) is planning to increase its annual iron ore production capacity to 50 million tonnes (mt) by 2019-20. The move is a part of NMDC's target of producing 67 mt of iron ore by 2021-22. The company is also working on a plan to bid for iron ore mines under the new mining policy. "NMDC will be participating in auction in Odisha and other places for iron ore mines," he said. The company

has set a target of producing 37 mt of iron ore in 2018-19. In the last financial year, NMDC registered its best production ever by producing 35.5 mt iron ore.

*Source: Business Standard, April 25, 2018*

## COMPANY NEWS

### **UDAN: SAIL ties up with AAI for air connectivity development**

Domestic steel giant SAIL said it has inked a pact with the Airports Authority of India (AAI) for utilisation of airstrips at its three facilities -- Rourkela, Bokaro and Burnpur -- under the regional connectivity scheme UDAN. SAIL and AAI have signed a MoU today on utilisation of airstrips under the Regional Connectivity Scheme (RCS) -UDAN, a flagship project of Government of India, it said. The RCS-UDAN scheme, launched by the Ministry of Civil Aviation, envisages enhancing the regional air connectivity by providing support in terms of infrastructure and other facilities. It said, start of operations at Rourkela, Bokaro and Burnpur airports under the RCS-UDAN would benefit the citizens of these cities through better connectivity and also speed up the developmental activities in the region. After the RCS-UDAN flights become operational from Rourkela, Bokaro and Burnpur, it will also help in augmenting to and fro mobility of employees of SAIL at faster rate from respective plants.

*Source: Financial Express, April 24, 2018*

### **Tata Steel plans to raise Rs. 17,000 crore from six lenders**

Tata Steel, which emerged as the successful bidder for stressed alloy maker Bhushan Steel in the bankruptcy process, is raising up to Rs. 17,000 crore in loans from a consortium of about six private and foreign financiers, said three people with direct knowledge of the matter. The company is in talks with lenders including HDFC Bank, Yes Bank, Standard Chartered Bank, DBS Bank, Kotak Bank Mahindra Bank and mortgage financier HDFC Ltd. Standard Chartered Bank declined to comment on the matter while other banks did not respond to ET's emails until the publication of this report. Queries sent to Tata Steel remained unanswered. The loan amount could be anywhere between Rs. 13,000 crore and Rs. 17,000 crore. The debt could be a combination of long term and short-term bridge loans. A bridge loan is a short-term loan utilized to remove an existing obligation. Earlier on March 23, Tata Steel said it had accepted the Letter of Intent (LoI) for Bhushan Steel under the Corporate Insolvency Resolution Process of the

Insolvency and Bankruptcy Code 2016 after the committee of creditors declared Tata Steel as the successful bidder. The decision is subject to obtaining necessary regulatory approvals, including approval from the National Company Law Tribunal and the Competition Commission of India. Tata Steel proposed to pay Rs. 35,200 crore to buy Bhushan Steel, an acquisition that is slated to significantly bolster its portfolio of value-added flat steels used in consumer durables and cars. Bhushan Steel's mines and manufacturing presence in Odisha complements Tata Steel's growing operations in the state where it commissioned its new steel plant at Kalinganagar a few years back. The acquisition is in line with Tata Steel's aggressive growth plans that aim to double its domestic steel capacity. The company 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, ET reported last week.

*Source: The Economic Times, April 2018*

### **Jindal Stainless profit down 28%**

Jindal Stainless Ltd has reported a Rs.114.74-crore net profit for the last quarter of the financial year 2017-2018. This is 28 per cent lower than the Rs.161.12-crore bottomline reported in the corresponding period of the financial year 2016-2017. The bottomline has dipped despite a 28 per cent rise in the top line to Rs. 3,183.38 crore during the quarter under consideration. This can be attributed to an increase in the purchase of stock in trade. During the quarter ending March 2018, the company's expense on purchase of stock in trade stood at Rs.309.65 crore. This was negligible (at Rs.1.47 crore) during the comparable quarter ending financial year 2016-2017. A higher expense on purchase of stock in trade can be because the management hopes the price of finished products to firm up further. Buoyed by the results, the company has initiated negotiations to exit from the Corporate Debt Restructuring scheme. The company board also approved the appointment of Abhyuday Jindal as MD from April 25.

*Source: Business Line, April 26, 2018*

### **JSW plans to go solo if fresh bids are allowed**

JSW Steel may go it alone as the committee of creditors (CoC) for Essar Steel decides to consider a fresh round of bids. JSW Steel is pointing towards a part of the NCLT order, which was uploaded on Saturday, which says "in the option no. 1, it has been suggested to initiate a new process for inviting bids from all interested parties (starting with initiation of new expression of interest) and follow the entire

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process as per new request for proposal as approved by the CoC, which were not considered as viable and appropriate by the CoC keeping in view of the time constraint, while in our humble view to be more sound reasonable and legally transparent... therefore, we feel while remanding back the matter to the CoC for reconsideration of the resolution plan and resolution applicant, to look at option 1 as per the deliberation made in the CoC meeting dated March 21, 2018...".Seshagiri Rao, joint managing director and chief financial officer, JSW Steel, said, JSW Steel had evinced interest earlier to bid for Essar. But the CoC decided to invite bids from only shortlisted expression of interest (EoI) had been shortlisted. Subsequently, JSW partnered NuMetal in a step-down subsidiary, Nu Metal & Steel. Asked if JSW would bid alone if the CoC did decide to invite a fresh round of bids and not restrict to the shortlisted EoIs, Rao replied in the affirmative and said that is what we wanted. "We would be able to submit the bids on time.

*Source: Business Standard, April 23, 2018*

### **Steering committee formed to manage Electrosteel Steels**

A steering committee comprising majority nominees representing the financial creditors of Electrosteel Steels (ESL) and minority nominees from Vedanta Ltd has been constituted to take care of the management of ESL. The steering committee has appointed PwC as an Independent Managing Authority (IMA), ESL said in a regulatory filing to stock exchanges on Friday. The National Company Law Tribunal (NCLT), had, on Tuesday okayed Vedanta's bid to acquire the bankrupt ESL. The acquisition will be complete post approval from the Competition Commission of India and market regulator SEBI.

*Source: Business Line, April 21, 2018*

### **Renaissance to challenge move to award Electrosteel to Vedanta**

Renaissance Steel is planning to challenge the committee of creditors' decision to award Electrosteel Steels to Vedanta Resources which was alleged to be ineligible for bidding in the bankruptcy process. The Kolkata bench of the National Company Law Tribunal (NCLT) on Tuesday cleared Vedanta's Rs. 5,320-crore resolution plan for Electrosteel, rejecting objections by Renaissance Steel. Renaissance Steel had earlier challenged eligibility of Tata Steel and Vedanta under Section 29A of the Insolvency and Bankruptcy Code (IBC). As per the rule, any company or its subsidiaries will not be eligible to submit bids if they have been convicted for an offence punishable for more than two years. In a letter

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submitted to the committee of creditors, Renaissance Steel claimed that subsidiaries of both Tata Steel and Vedanta have been convicted in the UK and Zambia, respectively, and hence they should be disqualified. Electrosteel Steels was among the first 12 large corporate accounts that the Reserve Bank of India identified in June last year for insolvency resolution. It owes lenders more than Rs. 13,000 crore and operational creditors Rs. 191.6 crore.

*Source: The Economic Times, April 21, 2018*

### **Uttam Galva Steels asks lenders for counter-offer**

Uttam Galva Steels, one of the companies undergoing insolvency proceedings at the National Company Law Tribunal (NCLT), has asked for a counter offer from its lenders at a joint lenders' meeting. Uttam Galva had offered to pay Rs 52 billion and settle its dues with all its lenders. However, the lenders had indicated the dues to be between Rs 56 billion and Rs 59 billion. Sources said that it was indicated at the meeting, held on Saturday, that if the lenders confirmed to the terms then an investor who had agreed to pay Uttam Galva's dues would deposit the same. Sources said that once the lenders accepted the terms, Uttam Galva would submit a scheme that would detail the payment schedule. The lenders, however, said on Sunday they would think about the offer and get back. If Uttam Galva's dues are paid, it could smoothen ArcelorMittal's bid for Essar Steel. The NCLT Ahmedabad Bench had observed that mere sale of shares and declassification by ArcelorMittal will not make it eligible for Essar Steel. ArcelorMittal was an investor in the company with a 29.05 per cent stake, but it transferred the shares inter se to the promoter group at Rs 1 a share before submitting its resolution plan for Essar Steel in February to make itself eligible.

*Source: Business Standard, April 23, 2018*

### **ArcelorMittal, Numetal ineligible, says forensic auditor**

A forensic audit report by Kroll, a corporate investigations and risk-consulting firm, has said both ArcelorMittal and VTB Bank-backed Numetal were ineligible to bid for Essar Steel. The audit report said there were several regulatory cases pending against both the bidders. If Essar Steel's lenders accept the report, bids by both hopefuls could be rejected at the meeting of the committee of creditors (CoC). On Tuesday, the CoC had opened the financial bids. Arcelor's bid was higher than Numetal's and required lenders to take a 40 per cent haircut on the stressed asset's debt. A source who attended the meeting in Mumbai said the Kroll report was taken on record by the lenders. It would be taken up for discussion in the next

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meeting. Kroll examined 2,000 companies across the world and in over 80 jurisdictions connected to both bidders and promoters.

*Source: Business Standard, April 26, 2018*

### **Numetal may move tribunal ahead of lenders' meet**

Anticipating bid rejection, Numetal is likely to move the tribunal ahead of the next meeting of Essar Steel's committee of creditors (CoC). The NCLT Bench in the Essar order recently had remanded the first bids - from Numetal and ArcelorMittal - back to the resolution professional (RP) and the CoC with a direction to place all the resolution plans before initiating fresh bids. The NCLT said there is provision of a 30-day cure period for payment for overdue payments in case applicants are found to be ineligible under 29A (c). The Section bars a promoter of a non-performing asset from bidding. Legal sources close to Numetal said if the bids were rejected on commercial terms then the 30-day cure period could be circumvented. "However, they would have to provide grounds as to why they were rejected, even if it is done on commercial terms. If both the bids are higher than liquidation value, then they would have to provide grounds for rejection," they said.

*Source: Business Standard, April 26, 2018*

## **FINANCIAL**

### **Numetal approaches NCLAT on ArcelorMittal bid**

The VTB Bank-led Numetal on Thursday moved the National Company Law Appellate Tribunal (NCLAT) against an order that gives ArcelorMittal a chance to clear its dues to banks and make it eligible to bid for Essar Steel. The National Company Law Tribunal (NCLT) had in an April 19 order asked the committee of creditors (CoC) and the resolution professional (RP) for Essar Steel to reconsider the first set of bids received from Numetal and ArcelorMittal, granting an additional 30 days for the resolution process. The Ahmedabad bench of the NCLT had suggested the two bidders be allowed an opportunity to rectify their bids to make them eligible. Sources familiar with the development said Numetal's challenge was based on legal advice that bids received after Section 29 A was added to the Insolvency and Bankruptcy Code, 2016, (IBC) cannot be given additional time to be rectified. The amendment, which came into effect from

November 2017, bars defaulting promoters from bidding for assets under the IBC.

*Source: Financial Express, April 27, 2018*

### **Arcelor must ensure defaulter Cos linked to it pay dues : NCLT**

ArcelorMittal will have to ensure that the dues of two defaulting companies it was associated with are cleared- despite having exited them recently- in order to qualify as a bidder for Essar Steel the Ahmedabad bench of the National Company Law Tribunal (NCLT) said in its written order. The two companies are Uttam Galva and KSS Petron. The NCLT bench had said on Thursday that the second round of bidding for Essar Steel was invalid and asked the committee of creditors (CoC) to reconsider the first set of offers- from Numetal and ArcelorMittal. The written order, which was issued late on Saturday, makes clear that both have to comply with the Insolvency and Bankruptcy Code (IBC) and will be given the opportunity to do so. ET has seen the order. The bench also backed the decision by the resolution professional to declare the bids by ArcelorMittal and Numetal ineligible, according to the order.

*Source: The Economic Times, April 23, 2018*

### **Numetal to go with the original Essar Steel bid**

Numetal said it would go with the original Essar Steel bid consortium that had Rewant Ruia's Aurora Enterprises as a stakeholder, while rival ArcelorMittal said it is "evaluating" the order that observed it must repay pending dues in defaulting firms where it had been a promoter to be eligible to bid for stressed assets. The judge at the National Company Law Tribunal (NCLT) also said that a future option could include initiating a new bid process, keeping a window of opportunity open for the likes of JSW Steel and Vedanta that had made their interests known in the second round of bidding. Thursday's NCLT order, a copy of which was reviewed by ET, directed the Essar Steel resolution professional (RP) and its Committee of Creditors (CoC) to "revisit/reconsider their decision"—which had earlier declared both bids ineligible – "in light of provisions of section 29(A) read with section 30 (4)." "Numetal will stick to its original bid and wait for the CoC decision on its eligibility," a legal source close to Numetal said on Sunday. "In case the CoC has any issue, it can be addressed through Numetal's proposal to alter the composition of the consortium that was given while submitting the original bid," the source added. Interestingly, following the court order, JSW Steel, which had entered the race for Essar by joining the Numetal consortium replacing

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Aurora in the second round of bidding, said calling a fresh round of bids would be the fair for all parties involved.

*Source: The Economic Times, April 23, 2018*

### **JSW Steel wants lenders' panel to invite fresh bids for Essar Steel**

Firing a fresh salvo, JSW Steel has written a letter to the Committee of Creditors on Monday to consider the option of calling fresh bids for Essar Steel as observed by the National Company Law Tribunal in its landmark judgement. The Ahmedabad Bench of NCLT in its order had observed that resolution professional's suggestion made to the CoC for inviting bids from all interested parties would have been a sound reasonable and legally transparent option keeping in view of amendment to Section 29 of the Insolvency and Bankruptcy Code when the resolution plan was considered. While asking the CoC to reconsider the proposals, the Tribunal observed the CoC may relook the option of recalling fresh bids as discussed in its March 21 meeting and take appropriate decision looking to time constrain. Responding to this suggestion, Seshagiri Rao, Joint Managing Director, JSW Steel, in a letter to the CoC, said the lenders would have done a world of difference then if they had called for bids from all the interested parties rather than restricting it to companies that had submitted expression of interest in the earlier stage. More competition would not only result in extracting higher value for the stressed asset but also bring in the much-needed transparency in the entire process, said Rao in the letter.

*Source: Source: Business Line, April 24, 2018*

### **Arcelor bids higher than Numetal for Essar Steel**

ArcelorMittal's bid for Essar Steel in the first round of bidding for the stressed asset is likely to be higher than that of Numetal. The financial bids submitted by the two companies on February 12 were opened on Tuesday by the committee of creditors (CoC) at a marathon meeting lasting more than seven hours. Sources close to the development said lenders would have to take a 34 per cent haircut if they selected ArcelorMittal's offer and a bigger one if they chose Numetal. Essar Steel's admitted financial claims stand at Rs. 490 billion. However, lenders could still opt for a fresh round of bids; A decision on this is likely to be taken in the next CoC meeting, slated for April 27. The rationale, cited by one of the lenders, was that the offers were made based on the liquidation value of Essar Steel, Rs.220 billion. The liquidation value was included in the information memorandum. However, in January, the Insolvency and Bankruptcy Board of India (IBBI)

amended the rules and did away with the requirement of disclosing the liquidation value in the information memorandum for better price discovery.

*Source: Business Standard, April 25, 2018*

### **Beleagured Essar Steel likely to draw a third round of bidding**

A decision on the resolution of Essar Steel's bankruptcy remained elusive though the committee of creditors on Tuesday appeared to move towards a third round of bids and grant more time for Numetal and ArcelorMittal to make themselves eligible. Two people familiar with discussions at the creditors meet on Tuesday said lenders believe it was difficult to ignore the view of the resolution professional who had declared last month that Arcelor and Numetal were ineligible to bid for Essar. The lenders found ArcelorMittal's bid superior though they were not in a position to take a call on it, the two officials who did not want to be identified said. Numetal is likely to appeal against a fresh round of bids with the appellate authority if the lenders decide to pursue that course of action. But Numetal's legal counsel said he would not comment since there is no official communication from the CoC. In an email response to ET, Numetal declined to comment. Arcelor-Mittal too declined comment. Lenders are racing against time to complete the transaction within the extended time limit the court has granted. Other buyers are also seeking fresh bids. JSW Steel sent a letter to the Essar Steel's committee of creditors on Monday, seeking a new round. Lenders had to resume the process of deliberations regarding Essar Steel after the National Company Law Tribunal threw the ball back in the lenders' court directing them to consider the first bid by the two instead of going for the second one.

*Source: The Economic Times, April 25, 2018*

## **POLICY**

### **Govt to welcome foreign steel companies**

The Government will welcome big foreign players who want to set up Greenfield steel projects, and the country's steel manufacturing capacity is expected to rise, according to a senior government official. Steel secretary Aruna Sharma said the sector provides huge growth potential against the backdrop of the country becoming the world's second largest alloy producer with increasing consumption. Stating that there had been some issues with Greenfield projects earlier, Sharma

said now there is a good scope for setting up such projects. Foreign players such as Posco, ArcelorMittal and Thyssenkrupp have presence in the country.

*Source: Financial Express, April 23, 2018*

## **STEEL PERFORMANCE**

### **Steelmakers May Report Robust Earnings in Q4**

Indian steel makers may post robust earnings in the March quarter, paced by firm prices of the primary infrastructure alloy and better realisations undergirded by increasing sales volumes in one of the world's fastest expanding major economies. According to experts, average realisation for the industry could go up by Rs. 1,500 per tonne. In the long products, prices rose Rs. 4,000-5,000 per tonne in the last quarter from the three months ended December. TMT bars, used in construction, saw prices peaking at Rs. 38,000 per tonne whereas hot rolled coil prices went up to Rs. 42,000 per tonne. Demand for flat products witnessed a jump of 11% between April last year and February of this year. Key manufacturers raised their output. SajjanJindal-led JSW Steel posted record quarterly production at 4.31 MT. Similarly, Steel Authority of India (SAIL) is expected to clock production in the range of 4.1 to 4.2 MT. Jindal Power and Steel (JSPL) registered a growth of 38% on-year in its crude steel production at 1.26 MT for the quarter. Tata Steel's output, however, was dragged lower by a disruption at its blast furnace in the Kalinganagar plant and the company reported production of 3.07 MT, down by 4% on-year.

*Source: The Economic Times, April 27, 2018*

### **Production of steel to hit 140 MT in 2018**

India's crude steel output is expected to soar by 38 per cent to 140 million tonnes (MT) by the end of this year, Steel Minister Chaudhary Birender Singh said. The country produced 101.4 MT steel in 2017. Domestic crude steel production is likely to be 140 MT in this year, Singh said.

*Source: Financial Express, April 23, 2018*

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**GLOBAL****The World made more steel than ever before**

Global steel production just hit the highest level on record. According to the World Steel Association (worldsteel), total crude steel production stood at 148.3 million tonnes in March, surpassing the previous record peak of 144.5 million tonnes set in January. Compared to a year earlier, that represented an increase of 4.4% worldsteel said output rose in most major nations over the year, including in China and India, the world's largest producers. Chinese production rose, stood at 74 million tonnes in March, an increase of 4.5% from 12 months earlier. India, at 9.2% million tonnes, also recorded an increase of 5.3% over the same period. Japanese, South Korean and US production also increased over the year, lifting by 2.2%, 4.7% and 5.3% respectively to 9.1 million tonnes, 6.1 million tonnes and 7.3 million tonnes.

*Source: The Economic Times 27th April'18*

**MISCELLANEOUS****Numetal Ups Essar Steel offer 75% to Rs. 32,000 cr**

Numetal, where a Ruia family member is part-owner, has increased its offer for Essar Steel by more than 75% to match ArcelorMittal's superior bid in the first round, two people familiar with the matter said. In a letter to lenders, Numetal said that it would now offer Rs. 32,000 crore for the bankrupt steel company, people quoted above said. ArcelorMittal and Numetal are the only two bidders for Essar Steel, which is facing claims of about Rs. 49,000 crore claims from lenders. The resolution professional, in charge of running the company, till it gets out of the bankruptcy process, informed the committee of creditors for the first time on Tuesday that LN Mittal-led Arcelor-Mittal had offered Rs. 32,000 crore while the VTB Bank-led Numetal had offered Rs. 18,000 crore. The letter from Numetal to lenders said they will match the offer made by ArcelorMittal, and also offered to change its structure so that they are compliant with the Section 29A of Insolvency and Bankruptcy Code (IBC).

*Source: The Economic Times, 27th April'18*

**NCLT adjourns Monnet Ispat case hearing till May 4**

The Mumbai bench of NCLT adjourned until May 4 the hearing on the resolution plan for Monnet Ispat and Energy, with the judge seeking clarity from the resolution professional's counsel on a few aspects of the revival blueprint. The presiding judge, Justice BSV Prakash Kumar, questioned senior counsel for the resolution professional Ravi Kadam on the loans given out by Monnet Ispat to companies like Monnet Global and Monnet Power that are all stressed, asking the reasons for the exclusion of the loan amounts from the liquidation value of Rs. 2,365 crore. Kadam's argument was that even if the loan value of Rs. 935 crore were to be added to the liquidation value, according to the waterfall arrangement of creditors, only the secured creditors would benefit, leaving out the operational creditors. Without naming the company, Kumar referred to a case where the payables to the company were more than its liquidation value and on investigation, it was found out that the parties were "fictitious." Another aspect that caught the eye of the judge was the inclusion of a coal mine in the liquidation value of the company even though the coal ministry has terminated the agreement for the mine. The mine in question is the Gare Palma IV/7 in Chhattisgarh that was awarded to MIEL in 2015. Monnet had given a performance bank guarantee of Rs. 329 crore for the mine issued by the State Bank of India.

*Source: The Economic Times, April 26, 2018*