

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

March 10-16, 2018

HIGHLIGHTS OF THE WEEK

1. India to approach USTR (US Trade Representative's office) against steel, aluminium tariffs.
2. The Union government has started working out an action plan to analyse the impact of the recently imposed US tariffs on steel and aluminium and on how to deal with it.
3. Gadkari warns steel and cement firms against cartelisation
4. US steel tariff impact: India may face dumping in the long run
5. Indian steelmakers could face a significant effect after US President Donald Trump imposed duties on steel imports to his country.
6. The Dutch arm of Tata Steel said the United States should exempt it from new import tariffs on steel and aluminium.
7. Sajjan Jindal urges govt to impose 'US-like' measures to protect steel sector
8. JSW Steel begins roadshows for near USD 1-billion dollar bond issue
9. New Tata Steel UK pension scheme to be launched.
10. Tatas, Vedanta defend bids for Electrosteel

RAW MATERIAL

Iron Ore output set to go up 9%

Indian Bureau of Mines (IBM) has estimated the iron ore production in the country's iron ore production at about 210 million tonne,(mt) in the current financial year, 9 per cent more than the previous one. The projection has relieved the steel industry, jittery over disruption of mining operation in Odisha and Goa during the year and its subsequent impact on prices. Last year, Odisha had produced 102 mt of iron ore, 53 per cent of the country's total output of 192 mt. It is poised to retain the top slot this year.

Source: Business Standard, March 16, 2018

Iron Ore mining leases have to be auctioned afresh: Goa government committee

A cabinet committee in Goa is of the view that auctioning the mining leases is the only way to resolve the crisis in the mining industry. The Cabinet Advisory

Committee members – Sudin Dhavalikar, Vijai Sardesai and Francis D’Souza - met on Wednesday to discuss the steps that the State government needed to take to help the mining industry and its stake holders. The panel also resolved to file a review petition in the Supreme Court. The court had last month quashed the second renewal of iron ore mining leases given to 88 companies in Goa in 2015.

Source: Business Line, March 16, 2018

COMPANY NEWS

Tata Steel arm for US levy waiver

The Dutch arm of Tata Steel said the United States should exempt it from new import tariffs on steel and aluminium, as its products were vital for the American economy, reports Reuters. “We don’t dump our steel on the American market, our products are no threat to American national security and many American companies depend on our products,” Tata steel Netherlands director Theo Henrar said in a statement.

Source: Financial Express, March 10, 2018

Sajjan Jindal urges govt to impose ‘US-like’ measures to protect steel sector

Sajjan Jindal, Chairman, JSW Group, has called for ‘US-like’ tough trade barriers to protect not only the steel industry but also the entire manufacturing sector of the country. Referring to the US President’s twitter handle, Jindal said ‘Potus’ (President of the US)-like decisions are required irrespective of what the vote bank demands. The bigger national picture is important, he said. In order to protect the steel industry from cheap imports, India has already levied an anti-dumping duty in the form of minimum import price which has become ineffective after steel prices firmed up substantially in recent times. While domestic steel companies are protected on the lower end of the price curve, imports still take place as Indian companies find it difficult to compete with global players due to high cost of production. Till late last year steel companies were exporting nearly half of their output to South-East Asian countries and Europe due to weak demand in domestic markets. The steel industry is strategically important for every developed and developing nation. What US President Donald Trump has done in the US is an important and positive step towards safeguarding this industry, he said.

Source: Business Line, March 10, 2018

JSW Steel begins roadshows for near USD 1-billion dollar bond issue

JSW Steel commenced roadshows for its dollar bonds on Monday with an eye on raising close to a billion dollars. The roadshows and investor calls will be conducted between Monday and Friday in Hong Kong, Singapore, London, New York, Boston and Los Angeles. As many as ten bankers are associated with the deal, according to sources. JSW Steel confirmed in an exchange notice that the company is contemplating issue of debt instruments in the form of US dollar denominated senior notes, subject to market conditions.

Source: Financial Express, March 13, 2018

New Tata Steel UK pension scheme to be launched

A new pension fund backed by Tata Steel UK, a unit of India's Tata Steel, will be set up after meeting minimum size and funding criteria, paving the way for the firm's merger with Germany's Thyssenkrupp. The trustee of the British Steel Pension Scheme (BSPS), a 124,000 member final salary scheme from previous owner British Steel, said in a statement the new BSPS would go ahead on March 28 as planned. "This is very good news for the 83,000 members who wanted to receive their benefits from the New Scheme and chose to switch to it," said Alan Johnston, who will now act as chairman to the trustee of the New BSPS.

Source: Business Standard, March 15, 2018

NCLT Nod for troubled Divya Jyoti Sponge's revival plan

The National Tribunal Company Law has approved a resolution plan for BSE-listed Divya Jyoti Sponge, marking a revival of the sick company whose management was accused of embezzling funds. This would be one of the few cases where a small and medium enterprise is revived - with no job losses - within 180 days, the initial deadline for insolvency proceedings.

Source: The Economic Times, March 16, 2018

PROJECTS

ArcelorMittal mulls a new plant in Paradip if it bags Essar Steel

ArcelorMittal, the world's largest steel company, is confident of not only turning around the stressed asset of Essar Steel, but will also explore setting up a new steel

plant closer to the company's current pellet unit at Paradip in Odisha. Essar Steel is currently operating at about 5 million tonnes, which can be expanded to 8.5 million tonnes, and efficiency can be improved further before reaching the installed 10 million tonnes. There is also scope for efficiency improvement in downstream pipe and plate mills. The pellet plant at Paradip and Visakhapatnam is an added advantage. Luxembourg-headquartered ArcelorMittal is engaged in a pitched battle with Russia's VTB Capital to take over Essar Steel even though questions are being raised on the eligibility of both the companies. ArcelorMittal had to sell-off its stake in bankrupt Uttam Galva Steel to qualify for Essar Steel bidding.

Source: Business Line, March 15, 2018

FINANCIAL

'SBI to gain most from Bhushan Steel resolution'

The resolution of Bhushan Steel will particularly benefit State Bank of India (SBI), the leader of the consortium of lenders to the beleaguered steel-maker, Moody's Investors Service said on Friday. Earlier this week, Tata Steel announced it has been declared as the highest bidder for Bhushan Steel. FE learnt from senior bankers that Tata Steel has committed Rs 35,000 crore in cash, for the acquisition. "The sale of Bhushan Steel, which is one of Indian banking sector's largest non-performing assets, is credit positive because it will help improve banks' asset quality metrics and sets a precedent for the resolution of the other non-performing assets, particularly in the steel sector," Moody's wrote in a note. Bhushan Steel is one of 12 large non-performing assets admitted by the National Company Law Tribunal (NCLT) for resolution under the Insolvency and Bankruptcy Code (IBC). According to the list of claims by financial creditors of Bhushan Steel on January 17, 2018, SBI's claims stood at Rs 12,872.59 crore, of which, claims worth Rs 12,831.72 crore were admitted by the NCLT.

Source: Financial Express, March 10, 2018

Tatas, Vedanta defend bids for Electrosteel

Counsel for Vedanta and Tata Steel on Thursday argued before the Kolkata bench of the National Company Law Tribunal (NCLT) that their clients were eligible bidders for Electrosteel Steels, currently undergoing insolvency resolution. Renaissance Steel India, also a bidder for Electrosteel, had moved the tribunal,

challenging the eligibility of Tata Steel and Vedanta. Tata Steel UK was convicted in an industrial accident, while Konkola Copper Mines, a subsidiary of Vedanta Resources plc, was guilty of environmental pollution in Zambia. The government had last year introduced Section 29A in the Insolvency and Bankruptcy Code (IBC) to prevent defaulting promoters from re-acquiring their assets. One of the clauses says a person will not be eligible to submit a resolution plan if such a person, or any other person acting jointly or in concert with such person, has been convicted of any offence punishable with imprisonment up to two years or more. The counsel for Tata Steel said the sanction available to a UK court for breach of Section 2(1) of the Health and Safety at Work etc Act, 1974 was an unlimited fine and/or imprisonment for a term not exceeding two years. Section 29A of the IBC, however, mentioned "imprisonment up to two years or more", he pointed out. The counsel for Vedanta said the resolution plan for Electrosteel was submitted by Vedanta Limited, which was an Indian company and not connected to Konkola Copper Mines. The Renaissance counsel, however, said Vedanta Limited and Konkola Copper Mines had the same holding company, Vedanta Resources Plc. Both Konkola Copper Mines and Tata Steel UK are outside India, and whether Section 29A would apply to them remains unclear. The NCLT bench has reserved its order. The counsel for the resolution professional said an independent assessment of Tata Steel and Vedanta 's eligibility was done and they were found to be eligible.

Source: Business Standard, March 16, 2018

JSW Steel to raise Rs. 65 bn to repay debt, fund capital expenditure

Sajjan Jindal-led JSW steel had proposed to raise \$1 billion in bonds to repay debt and fund capital expenditure sources close to the development told Business Standard. Fitch Ratings has assigned a BB (EXP) (stable outlook) rating to Mumbai-based JSW Steel's proposed US dollar senior unsecured notes. The final rating would depend on confirmation of information already received, the Fitch report said. JSW Steel currently has an 18.1 million tonnes of installed steelmaking capacity. It plans to invest around Rs.270 billion during 2017-18 to 2010-21 on several projects, including in raising the steelmaking capacity at its Dolvi plant by 5 million tonnes per year by 2010 at a cost of Rs.150 billion. In addition, the company is also planning to expand downstream facilities and revamp capacities. A successful completion of the projects should boost the company's sales volume and profitability, Fitch said. JSW Steel is also planning to acquire assets, including those undergoing insolvency proceedings. The company has shown interest in Bhushan Steel, Bhushan Power & Steel, and Monnet Ispat, with the intention of keeping a minority stake and ring-fencing

itself from their liabilities. According to the Fitch report, the company has maintained a record of disciplined investment, which meant that at times it was not the highest bidder.

Source: Business Standard, March 13, 2018

Arcelor Mittal declares Rs. 1,820 crore scheme to buy back up to 70L shares

Arcelor Mittal, the world's largest steel company led by Indian billionaire Lakshmi Mittal, announced a \$ 280 million (Rs. 1,820 crore) share-buy-back programme. The buyback will help Arcelor Mittal meet obligations arising from its share option programmes, or other allocations of shares, to employees or to members of the management including the CEO office or group companies, a company statement said. The maximum number of shares to be acquired under the scheme is 70 lakh. The repurchase programme will run from March 13, 2018 to May 5, 2020. Arcelor Mittal's Indian subsidiary is currently locked in a race to acquire one of the country's largest private steel companies, debt-ridden Essar Steel, with a rival bid from Numetal Mauritius, a special purpose vehicle led by Russia's VTB Bank and engineering firm Tyazhpromexport, and backed by a Ruia family scion.

Source: Economic Times, March 14, 2018

Essar Steel bid decision likely only after clarification on Article 29A

The resolution professional (RP) for Essar Steel is unlikely to take a decision on the resolution plans it has received from ArcelorMittal and Numetal until the government provides more clarification on Article 29A of the Insolvency and Bankruptcy Code (Amendment) Bill 2017, sources said. Article 29 A spells out the criteria on the basis of which a bidder can be considered ineligible to bid for assets admitted by the National Company Law Tribunal for resolution. Sources said the government is expected to issue clarification on this article, which will help the RPs and committee of creditors to take a decision on plans received from bidders who may be considered ineligible under this article. The issue is believed to have been discussed at a meeting of the Insolvency and Bankruptcy Board of India (IBBI) in New Delhi on Monday, but details of the outcome weren't immediately available. The eligibility of the bids is being questioned in the context of the amendment to the Insolvency and Bankruptcy Code (IBC), which categorically states that promoters of defaulting companies are not allowed to bid unless they repay all pending loans before submitting the resolution plan. While ArcelorMittal's bid could face an eligibility test because of a stake that it held in Uttam Galva Steel, a defaulter on banks' books, Numetal's bid could run into

trouble since one of the persons associated with the company, Rewant Ruia, is related to the promoters of Essar Steel. ArcelorMittal has sold its stake in Uttam Galva Steel. A spokesperson for Numetal had earlier told FE that Numetal is a fully eligible resolution applicant and has submitted its resolution plan for Essar Steel.

Source: Financial Express, March 13, 2018

NCLT to Bhushan Lenders: Wait for Final Verdict

The Delhi bench of NCLT on Tuesday has said that lenders cannot hold any meeting to decide on the resolution plan for Bhushan Power and Steel till the court delivers a final verdict in a matter where UK's Liberty House has requested for its late bid for the company to be considered. Following this, the creditors' meeting that was supposed to be held on Wednesday has been cancelled until a final order for the case comes about. Another hearing is scheduled to take place on Wednesday. Easing the pressure on the deadline for the resolution to take place, justice MM Kumar also said that the number of days spent on legislation will not be counted as part of the corporate insolvency resolution process (CIRP) and will be deducted from the 270-days that the resolution professional gets to decide on the fate of a stressed asset.

Source: Economic Times, March 14, 2018

Visa Steel to be admitted in NCLT; hearing likely on March 19

The hearing for Visa Steel at the Kolkata bench of the National Company Law Tribunal (NCLT) is likely to be scheduled on March 19, sources with direct knowledge of the development told FE. The loss-making Visa Steel is expected to be admitted for corporate insolvency resolution process (CIRP) under the Insolvency and Bankruptcy Code, 2016, on Monday since banks are unlikely to accept the out-of-court settlement plan submitted by the company, the sources added.

Source: Financial Express, March 16, 2018

STEEL PERFORMANCE

US tariff to pull down steelmakers' margins

Indian steelmakers could face a significant effect after US President Donald Trump imposed duties on steel imports to his country. Earlier, it was expected that the effect would be minimal, as the Indian steel industry does not have major exposure to the US market. However, the US tariffs, coupled with retaliatory moves by the European Union (EU) and China, have the potential to hurt nascent recovery in the domestic steel industry by making it expensive for steelmakers to export their surplus. Any decline in exports is likely to exert downward pressure on domestic steel prices. India's steel demand has failed to keep up with the fast-growing domestic production. Consequently, companies have to ramp up exports. But, they will face competition from steelmakers in South Korea, China, Japan, and the EU, which will scramble to capture new markets.

Source: Business Standard, March 13, 2018

US steel tariff impact: India may face dumping in the long run

US president Donald Trump announced last week that the US would impose heavy tariffs on imported steel and aluminium, but indicated that some countries such as Canada, Mexico and Australia would be exempted. Key US trading partners, including the EU, have warned the tariffs could backfire, provoking a trade war and hurting allies more than China, the main target of US tariffs. India ranks 10th among countries exporting steel to the US, with volumes rising 16 per cent between 2011 and 2017 on an annualised basis. US accounts for just 2 per cent of India's total steel exports and 6 per cent of total aluminium exports. Although the short-to-medium term impact on the Indian steel industry will be minimum, the country could witness dumping by US-hit exporters such as Korea and Russia as they hunt for other markets. Secondly, the potential diversion of almost 6.4 million tonnes of steel and 3.7 million tonnes of aluminium to the global market will drive down prices, affecting domestic realisation of home grown producers.

Source: Economic Times, March 13, 2018

POLICY

India to approach USTR against steel, aluminium tariffs

Spelling out reasons why India doesn't fit into the category of 'security threat', the Commerce Ministry will send a communication to the US Trade Representative's (USTR) office, insisting that it remove India's name from the list of countries penalised with higher import tariffs on steel and aluminium. "The fact that India has been a long-standing security and economic partner to the US, that US exports to India increased \$4 billion last year, and that Indian export of steel and aluminium to the US is much lower than some of the exempted countries, show that India can't pose a security threat," Commerce Secretary Rita Teotia told BusinessLine. India will flag its concerns in the form of a formal communication to the USTR office and see how it responds to that, she added.

Source: Business Line, March 16, 2018

Action plan to fight US trade war by weekend

The Union government has started working out an action plan to analyse the impact of the recently imposed US tariffs on steel and aluminium and on how to deal with it. In the first meeting on this on Tuesday, senior officials of the department of commerce and the ministries of steel and mines met the industry leaders to assess the impact of the US tariffs on Indian industry. A senior official later said export details had been sought from industry players and a plan would be finalised by the end of the week. Commerce Secretary Rita Teotia, Steel Secretary Aruna Sharma and Mines Secretary Arun Kumar attended the meeting. They met industry representatives from Vedanta, JSW Steel, SAIL and other companies. US President Donald Trump last week signed an order imposing a 25 per cent tariff on steel and a 10 per cent tariff on aluminium imported into the country from all nations except Canada, Mexico and Australia. The exemptions might be extended to friendly countries. The order will come into effect in the next 15 days.

Source: Business Standard, March 14, 2018

Gadkari warns steel and cement firms against cartelisation

Union minister Nitin Gadkari today warned companies, especially in the cement and steel sectors, of stern action if they formed cartels to increase the prices of key

infrastructure commodities reports PTI. With infrastructure sector is witnessing an upswing in activities in recent years, Gadkari said the emphasis of new technologies should be to reduce the cost of projects without compromising on quality. Gadkari observed that there was no increase in the royalty, labour charges, yet the costs spiralled.

Source: Financial Express, March 10, 2018

GLOBAL

China Steel Mills Raise Output

China's daily steel output rose in January and February as mills in the world's top producer raced to take advantage of high prices, even as worries mount about a growing surplus and slowing demand from the construction sector. The strong output data on Wednesday helped push prices lower in Shanghai, with rebar construction steel futures SRBcv1 hitting their lowest in almost four months, extending their longest losing streak since last summer.

Source: Economic Times, March 15, 2018

Australia to be exempted from steel, aluminium import tariff

US President Donald Trump has indicated that Australia would soon be exempted from his decision to impose a 25 per cent tariff on import of steel and 10 per cent on aluminium. The proclamations signed by Trump in this regard a day earlier gives exemptions to only two countries - Canada and Mexico. However, Trump indicated that the Australian could be the third country. He said he spoke to Australian Prime Minister Malcolm Turnbull in this regard. Turnbull said that he had "great discussion" with Trump on security and trade. Australia-US trade is fair and reciprocal and "each of our nations has no closer ally," he said.

Source: Sunday Financial Express, March 11, 2018

MISCELLANEOUS

Indian economy to witness faster than expected growth

Revival in rural demand, increased infrastructure spending is likely to drive India's growth in current year, even as increasing debt and trade protectionism could pose

a challenge, said a Deloitte report. The 'Voice of Asia' report of Deloitte predicts a faster than expected growth for Indian economy against the backdrop of increasing crude oil prices and volatile market conditions. "The improvement in domestic conditions is a positive sign that growth is picking up and will continue to maintain strong momentum in 2018, retaining India's position as the 'fastest growing large economy' in the world," a statement said. Showing signs of recovery, the Indian economy recorded a five-quarter high growth of 7.2 per cent in the October-December period.

Source: Business Standard, March 14, 2018