

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
Raw Material	2
Company News	3
Projects	5
Financial	5
Steel Performance	8
Policy	9
Global	10
Miscellaneous	11

HIGHLIGHTS OF THE WEEK

1. The government said that 8.22 million tonnes of finished steel was exported during April-January of 2017-18
2. Primary domestic steel producers will ask the government for a mid-term review of the anti-dumping duty on hot-and cold-rolled steel products in the wake of a sharp rise in raw material prices since the duty was imposed in August 2016
3. US exempts EU, other allies from tariff
4. Vedanta, NMDC get 5 star rating
5. Steelmakers may raise prices even as demand improves
6. ArcelorMittal to rebid for Essar Steel
7. Bhushan Steel staff move NCLT against Tata Steel bid
8. The forging industry is watching the proceedings at the National Company Law Tribunal (NCLT) closely.
9. NCLT: Ore, coal supplies to Electrosteel can continue
10. ArcelorMittal likely to offer Rs 3k crore to Uttam Galva to settle dues

RAW MATERIAL

Vedanta, NMDC get 5 star rating

Vedanta's A Narrain mine in Chitradurga (Karnataka) has been awarded the 5 star rating by the Union Minister of Mines, Narendra Singh Tomar. The mine was conferred the award of being among the top-3 among the 57 five-star rated mines across the country. Five highly mechanised mines of iron ore mining major NMDC have also received 5-star rating. Two mines from Bachel Complex, two mines from Kirandul Complex (Chhattisgarh) and one mine from Donimalai (Karnataka) received the 5-star rating given by the Indian Bureau of Mines (IBM), Ministry of Mines, Government of India, according to a NMDC statement.

Source: Business Line, March 22, 2018

NCLT: Ore, coal supplies to Electrosteel can continue

With the production of Electrosteel Steels coming to a stand-still due to dearth of raw material, the Kolkata bench of the National Company Law Tribunal (NCLT) has directed Odisha government's director of mines to allow the insolvent company to procure iron ore and coking coal from the neighbouring state. The order follows an application filed by Dhairvat Anjaria, the Resolution Professional

(RP) appointed to manage the steel maker, seeking a direction to the director of mines not to withhold permission to the company to procure, store and transport iron ore and coking coal from its jurisdiction for its Bokaro plant in Jharkhand during the insolvency resolution process. In his submission before the bench on February 28, Anjaria's counsel Joy Saha had said, "The concerned authority has stopped the supply of raw material. Unless the iron ore and other raw materials are given, nothing can be done. Now, the production has stopped." Saha had said if the company would not be allowed to lift the raw materials then it could not be kept as a "going concern". "If the furnace stops functioning, it would be the death knell for the company," he had said, adding that to re-start the furnace it would require crores of rupees. Passing an order on the application, justice Jinan KR said, "The first respondent (director of mines) is directed not to withdraw permission already given to the corporate debtor and to ensure that status quo as on 21/07/2017 when the moratorium was declared, shall continue till the CIRP period expires."

Source: Financial Express, March 17, 2018

COMPANY NEWS

Tata Steel's Bhushan Steel bid: Minority shareholders may be left in lurch

Tata Steel committing Rs.45,400 crore for Bhushan Steel—the first of the 12 big defaulters on the RBI's list to be referred to the National Company Law Tribunal (NCLT) for insolvency under IBC—has meant minimal haircut for lenders. But the deal may leave minority shareholders in the lurch, if the resolution plan under *Alchemist Asset Reconstruction Company Limited vs Hotel Gaudavan Pvt. Ltd*, the first under IBC in December 2017, is any indication. A steep reduction in capital as part of the resolution plan and fresh infusion of capital by the new investor can hurt minority shareholders—leaving nothing on the table for them. In the Hotel Gaudavan case for instance, the NCLT approved the acquisition of the Rajasthan based hotel by a non-banking finance company-JFC Finance (India) – without any haircuts to creditors. But the approved resolution plan included reduction of the existing capital from Rs.100 to Rs.1 per share. JFC would pay existing shareholders Rs.1 per share or Rs.17.38 lakh.

Source: Business Line, March 21, 2018

JSW Steel to join race for Essar Steel as lenders seek fresh bids

The race to acquire Essar Steel will start all over again with new players, including JSW Steel, evincing interest in bidding for the company. This follows a decision by the Committee of Creditors of Essar Steel to reject the bids placed by Numetal (backed by Russia's largest bank VTB) and ArcelorMittal, the world's largest steel company, on grounds that their proposals did not comply with the Insolvency and Bankruptcy Code. At a meeting, the creditors decided to call for fresh bids, which could further delay the entire process of finding a suitor for the company. Essar Steel has defaulted on a Rs.48,000-crore loan. Both Numetal and ArcelorMittal can participate in the rebidding after addressing the concerns raised by the lenders.

Source: Business Line, March 22, 2018

Bhushan Steel staff move NCLT against Tata Steel bid

The employees of Bhushan Steel have moved the National Company Law Tribunal (NCLT) against Tata Steel's bid. Tata Steel has been the highest bidder for the steel company that is undergoing insolvency proceedings. The Delhi bench of the NCLT has asked the committee of creditors (CoC) to consider the objections raised by the employees of the company and communicate them to the tribunal. Bhushan Steel's creditors will be meeting. Advisors to the CoC and the resolution professional of Bhushan Steel are currently in discussions with Tata Steel on the resolution plan, the company said.

Source: Business Standard, March 20, 2018

ArcelorMittal likely to offer Rs 3k crore to Uttam Galva to settle dues

ArcelorMittal, one of the two key contenders for Essar Steel, is likely to remit Rs. 3,000 crore to debt-laden Uttam Galva Steels to allow the company to settle its dues with lenders, sources with direct knowledge of the matter told. This will allow ArcelorMittal to re-bid for Essar Steel, or place a bid for any other stressed company in India, without its resolution plan getting stalled due to regulatory hurdles related to Article 29 A of the Insolvency and Bankruptcy Code (Amendment) Bill 2017, experts aware of the regulations told.. The amendment prevents promoters of companies that have been declared as non-performing assets for a year from bidding for assets undergoing resolution under the Insolvency and Bankruptcy Code, 2016 without clearing their dues. Although ArcelorMittal sold its entire stake of 29.05% in Uttam Galva on February 7, the resolution professional (RP) for Essar Steel, his advisors as well as the committee of creditors

(CoC) could not take a decision on the bids received from ArcelorMittal and Numetal because of this amendment. Sources said that the rebidding for Essar Steel is likely to take place soon.

Source: Financial Express, March 21, 2018

PROJECTS

Odisha land transfer to JSW steel after captive port approval

The Sajjan Jindal-led JSW Steel can get land for its mega-steel mill in Odisha only after its captive port proposal is accepted. Along with a 12 million tonne (mt) plant, JSW steel intends to set up a captive port at Jatadhari Muhan near Paradip, site of its project. The total cost of the port project is around Rs. 20 billion. It is part of JSW steel's investment package in Odisha, valued at Rs. 550 billion. Apart from the steel mill, it has sought to set up a 900 Mw (megawatt) captive power plant, a 32 mt pellet unit, a captive port and a slurry pipeline, for transporting iron ore concentrates from Joda to the site. While JSW has received the nod for its steel project, approval for the captive port project is pending. The Odisha government has hired Mecon to study its feasibility. Mecon was also hired to appraise the land requirement for the integrated steel mill; it has been assessed at 2,900 acres.

Source: Business Standard, March 23, 2018

FINANCIAL

Road to insolvency: SBI to take a call on Uttam Galva offer this month

State Bank of India will take a decision on a one-time settlement application filed by Uttam Galva Steels at a 50 per cent haircut by March-end, if accepted, will prompt other companies, being referred to the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC), to apply for a similar relief. Uttam Galva Steels had defaulted on its Rs 60 billion of debt and the firm has made an offer to its lenders. "This is likely to be accepted as the banks do not want to delay settlements due to rising litigation," a source said. "But at the same time, it will open up other companies to file similar settlement application with the lenders, thus raising a question mark over the entire IBC process," said a lawyer. Uttam Galva Steels is a part of the Reserve Bank of India's second list of cases, which will be referred to the bankruptcy tribunal for insolvency proceedings after

lenders failed to resolve the account by December 2017. Banks were also under pressure to settle the cases as the NCLT last week made it clear that the committee of creditors could not take the role of judges. While hearing a petition filed by Liberty House against the resolution professional of Bhushan Power and Steel, the NCLT said there could be no absolutism by the resolution professional and committee of creditors in the insolvency process. According to the tribunal, the supervisory role of adjudicatory authority presumes more importance in order to maintain the sanctity of the resolution process, while staying the proceedings in the Bhushan Power case.

Source: Business Standard, March 19, 2018

Rebids likely for Essar Steel to ensure IBC compliance

Lenders led by State Bank of India are likely to seek another round of bids for Essar Steel after the resolution professional (RP) concluded that both offers — by ArcelorMittal and Numetal — may not be valid under the current Insolvency and Bankruptcy Code (IBC), said two senior bank officials who did not want to be named. “The committee of creditors (CoC) will meet on Wednesday to discuss the option of going for a second round of bidding for Essar Steel,” said one of them. In all likelihood, lenders will set April 2 as the last date for submitting binding bids afresh. The resolution professional (RP), Satish Gupta, backed by Alvarez and Marsal, told lenders recently that both bids may not be eligible, said the people cited above. Over the weekend, legal advisers led by Cyril Amarchand Mangaldas finalised their decision for a rebid, said people aware of the matter.

Source: The Economic Times, March 19, 2018

Insolvency: Avoid auction: Uttam Galva offers 51% of outstanding loan

Uttam Galva Steels has offered to settle the Rs 56.5 billion loan default by paying 51 per cent amount upfront to the public sector banks so as to abort the auctioning of the company’s assets. The company, part of the Reserve Bank of India’s (RBI) second list of loan defaulters who have been referred to the bankruptcy tribunal for insolvency proceedings, on March 15 wrote to the State Bank of India (SBI), proposing a “one-time settlement” of all dues of lenders “through an upfront payment mechanism”. Uttam Galva has offered to pay Rs 28.8 billion upfront to settle with all of them and take the firm out of the insolvency proceedings. According to the five-page letter reviewed by PTI, the company proposed “a one-time settlement (OTS) of the dues of lenders to the extent of 51 per cent of the

outstanding claims as on the date of non-performing asset (NPA), that is Q1 FY17”.

Source: Business Standard, March 20, 2018

Tata, Vedanta unlikely to join fresh round of bidding for Essar Steel

Essar Steel’s insolvency resolution is poised at a crucial juncture with fresh bids likely to be invited for the steel company, but the Tata and Vedanta groups are unlikely to join the bidding fray. ET had reported that the resolution professional had told Essar Steel’s lenders that both the bids Numetal, led by VTB, Russia’s leading investment bank, and ArcelorMittal were found to be not eligible, thus effectively re-opening the bid process and the bankers had hoped that their entry would drum up the value of the stressed asset. While lenders have expressed hope that this will throw the bidding process wide open with more aspirants joining the fray, it remains to be seen if the likes of Tata Steel and Vedanta are keen to bid. Analysts pointed out that Tata Steel may already have a lot on its plate with successful bids for Bhushan Steel and Bhushan Power. If Tatas finally bag the two companies, it is likely to cost them upwards of Rs 59,000 crore. Coming on top of its own expansion in Kalinganagar, it would take Tata Steel to the top league in terms of domestic production capacity with nearly 25-26 million tonnes. Analysts are worried it could stretch its total debt to Rs 1.3 lakh crore in the next one-two years from Rs 76,000 crore now.

Source: Economic Times, March 21, 2018

Numetal Challenges ‘ineligible’ tag to bid for Essar Steel Assets

Numetal has approached the National Company Law Tribunal (NCLT) against the decision of lenders to declare it ineligible to bid for bankrupt Essar Steel. Numetal, which is part owned by Russian firm VTB, moved the Ahmedabad bench of the NCLT saying that they are eligible to bid for Essar Steel. The court will hear the matter on April 4 and has told the committee of creditors to decide on the eligibility only after the tribunals decision. Global Steel giant ArcelorMittal, whose bid too was rejected, may also move NCLT against disqualification. The committee of creditors led by State Bank of India declared both bids by Numetal and Arcelor Mittal for Essar Steel as invalid and decided to go for a re bid for bankrupt firm with condition that whoever acquires the company should not sell it to anybody who does not meet criteria laid down under Section 29 A of the bankruptcy code. This is aimed at ensuring that the promoter Ruia family does not

do a deal with the buyers of Essar Steel at a later date. The Ruia family is not eligible under Section 29 as Essar Steel is a defaulter

Source: The Economic Times, March 22, 2018

ArcelorMittal to rebid for Essar Steel

A day after its bid failed the legal eligibility test, ArcelorMittal, confirmed that it would participate in the rebid for Essar Steel. "We have not yet received any formal notification from resolution professional. But we can confirm it is our intention to participate in a rebid," read a statement from ArcelorMittal. Sources close to Numetal said it had not heard officially from the resolution professional. The committee of creditors rejected the two bids that it had received for Essar Steel from ArcelorMittal and Numetal on the grounds of eligibility. Sources close to ArcelorMittal said the company was focusing on rebid and not considering legal options though it was not entirely ruled out. The main issue with ArcelorMittal's bid was that it sold its 29 per cent stake in Uttam Galva Steels, a non-performing asset (NPA) for more than a year, but it did not reflect in the records of the Securities and Exchange Board of India (Sebi) and consequently the stock exchanges. ArcelorMittal has already approached the regulator and stock exchanges for declassification. Simultaneously, Uttam Galva Steels has approached its 18 lenders for a one-time settlement of dues. It has offered to pay Rs. 28.84 billion of a total debt of Rs.56 billion.

Source: Business Standard, March 23, 2018

STEEL PERFORMANCE

Finished steel exports at 8.22 MT

The government said that 8.22 million tonnes of finished steel was exported during April-January of 2017-18. As against exports, the imports were lower at 6.45 MT during the said period, Minister of State for Steel Vishnu Deo Sai said in a reply to the Lok Sabha. India had exported 8.24 MT during 2016-17 and 4.08 MT in 2015-16, he said. The country imported 7.23 MT in 2016-17 and 11.71 MT during 2015-16. To a question related to volatile price of iron ore - a key raw material used in steel making - the minister said that government does not control or regulate the pricing of iron ore or any other raw materials in the country.

Source: Business Line , March 20, 2018

POLICY**Steel firms to urge Centre for anti-dumping duty revision**

Primary domestic steel producers will ask the government for a mid-term review of the anti-dumping duty on hot-and cold-rolled steel products in the wake of a sharp rise in raw material prices since the duty was imposed in August 2016. “The raw material price increase from August 2016 to March 2018 has been significant and India needs to correct this gap by revising the duty upward to the extent that it reflects the cost push,” one of the petitioners of anti-dumping told Business Standard. Essar Steel, state-owned Steel Authority of India, and Sajjan Jindal-led JSW Steel had jointly filed a petition to the government, seeking for relief from cheap imports being dumped by neighbouring countries such as Korea, Japan, China, Brazil, Russia and Ukraine. The application was also supported by Bhushan Steel and Tata Steel.

Source: Business Standard, March 20, 2018

Steelmakers may raise prices even as demand improves

Indian steel producers may look at increasing steel prices domestically even as demand show signs of recovery and belated price hike of earlier contracts may take place with new contracts being signed in the new financial year. The hike will also be driven to absorb in increase in the prices of raw materials. Industry players also allayed fears that the imposition of a 25 per cent import tariff by Donald Trump would dampen prices going forward as exporters to the country look for fresh markets to dump their steel. In the domestic scenario, demand is being driven by automotive, construction and yellow goods production. An industry source said that JCB, which is a major producer of earth moving equipment in India has increased its production to 7,000 per month from the earlier rate of 4,000-5,000. This is another reflection of increase in construction activities that is also pushing up the price of steel bars. The price hike, if it takes place will not be new as companies have been increasing their prices by Rs. 1,000-Rs. 1,500 per tonne, December onwards.

Source: Economic Times 21st March '18

Now, US imposes duty on Indian, Chinese steel flanges

The US has decided to slap anti-dumping duty on stainless steel flanges imported from India and China after it found in its preliminary probe that both the countries provided subsidies to the exporters. President Donald Trump had earlier this month imposed heavy tariffs on imported steel and aluminium which he said were necessary to boost the US industry suffering from “unfair” business practices, a move that has sparked fears of a global trade war. The Department of Commerce has found that exporters from China and India have sold stainless steel flanges in the US at 257.11 per cent and 18.10 to 145.25 per cent less than fair value, respectively, according to an official statement. Following this decision, the commerce department will instruct the US Customs and Border Protection (USCBP) to collect cash deposits from importers of the stainless steel flanges from China and India, based on these preliminary rates, it said. In 2016, imports of stainless steel flanges from China and India were valued at an estimated USD16.3 million and USD32.1 million, respectively.

Source: Financial Express, March 22, 2018

GLOBAL

US exempts EU, other allies from tariff

The United States trade representative, Robert Lighthizer, said that several American allies would initially be exempt from the steel and aluminium tariffs that are to take effect shortly. Speaking at a meeting of the Senate Finance Committee, Lighthizer said that the European Union, along with Argentina, Australia, Brazil and South Korea, would be exempted. Canada and Mexico were earlier left off the list of countries subject to the tariffs. If Trump decides to exempt all of those countries from the tariffs permanently, he will have given a reprieve to some of the largest foreign suppliers of steel to the United States. In total, the countries Lighthizer listed, together with Canada and Mexico, account for more than half of the total volume of steel sold to the United States in 2017. That could make the tariffs less helpful to domestic steel mills.

Source: Business Standard, March 23, 2018

MISCELLANEOUS

Forging industry keenly watching Bhushan Steel insolvency case

The forging industry is watching the proceedings at the National Company Law Tribunal (NCLT) closely. Steel maker, Bhushan Power and Steel and auto component maker, Amtek Auto are undergoing insolvency proceedings at the NCLT. Amtek had the second largest forging capacity in the country and Bhushan is among the largest suppliers of forging quality steel. Problems at Bhushan Steel have affected supply of raw material to the forging industry. The forging industry dynamics could change depending on who gets Amtek. All this is happening at a time when the industry has come out of the rough couple of years it faced and a revival phase is in progress. The industry is facing supply constraint and not getting raw material. Steel prices have gone up by 20% in the last nine months and are expected to go up by 8% from April 1. Apart from Bhushan, Adhunik and Nico Jaiswal were supplying forging quality steel. Tatas have bid for Bhushan but they had exited the forging steel business 15 years ago and it is not sure whether they would continue this business if they take over Bhushan Steel. Similarly, how Amtek's new owners deal with this business and how it will impact the industry is another area of concern.

Source: Financial Express, March 17, 2018

NCLT: Objections to Electrosteel bids must be placed before CoC

The Kolkata bench of the National Company Law Tribunal (NCLT) directed the resolution professional (RP) for the insolvent Electrosteel Steels to place all the objections of Renaissance Steel against its two rival bidders, Vedanta and Tata Steel, before the committee of creditors (CoC) for an "independent consideration" of the committee. Earlier, Abhishek Dalmia-led Renaissance Steel moved the tribunal, asking it to prevent Dhairat Anjaria, the RP, from proceeding on further negotiations with Vedanta, the highest bidder, till the issue of eligibility of the Anil Agarwal-led company and Tata Steel was determined. Renaissance Steel alleged that resolution applicants Vedanta and Tata Steel are not eligible to bid for the Kolkata-based insolvent steel maker as per Section 29A of the Insolvency and Bankruptcy Code (IBC).

Source: Financial Express, March 21, 2018