

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 24 - 30, 2018

HIGHLIGHTS OF THE WEEK

1. India beats Japan to emerge second largest steel maker
2. Domestic steel players hit as ore prices remain firm
3. Vedanta hit by Rs. 39-bn charge for Goa iron ore unit closure
4. Tata Steel to invest Rs. 15 bn on Gopalpur SEZ infrastructure
5. Sajjan Jindal-led JSW Steel will invest up to \$500 million to improve the capacity utilisation of its plates and pipes mill in Texas, US
6. Jindal Steel and Power (JSPL) said that it has raised Rs. 1,200 crore through qualified institutional placement (QIP).
7. Tata Steel has offered to shell out Rs. 36,400 crore for its acquisition of Bhushan Steel
8. Surge in global steel demand to push up prices at home.
9. Aluminium wrestles with steel over electric vehicle market
10. To cater to the needs of the underprivileged section of the society, Tata Steel will start a shoe recycling project from next month

RAW MATERIAL

NMDC declares first interim for 2017-18

The board of directors of iron ore mining major NMDC, which met in Delhi on Monday, has approved the first interim dividend at 430 per cent or Rs.4.30 a share of face value of Re 1 each for the year 2017-18. The first interim dividend outgo would be Rs.1,360 crore, of which Rs. 985 crore would be the Government's share. NMDC, being one of the top PSEs, has been giving rich dividends to the Government and its shareholders since 1991. During the last five years, NMDC has paid about Rs.15,525 crore as dividend to its shareholders of which the Government's share was about Rs.12,418 crore.

Source: Business Line, March 29, 2018

Vedanta hit by Rs. 39-bn charge for Goa iron ore unit closure

London-listed Vedanta Resources said on Thursday it would likely record an impairment charge of up to \$600 million (Rs. 39 billion) following the closure of its iron ore business in Goa. In February, the Supreme Court quashed all iron ore mining permits and mining was ordered stopped from March 16 in Goa, one of the

country's top producing states for the material used in steel. Billionaire Anil Agarwal's Vedanta Resources, the state's biggest ore miner, said there could be a likely impairment of \$500-600 million net of taxes, or \$700-\$800 million gross of taxes, on this account. Court action against illegal mining shut the Goa industry for more than two years from 2012, prior to which Goa had exported about 50 million tonnes a year. The Supreme Court later limited production in the state to 20 million tonnes a year. The latest ban would affect not only Vedanta but also several small unlisted companies run by local families. Vedanta Ltd is expected to produce around 5.5 million tonnes of Goa ore in 2017-18.

Source: Business Standard, March 30, 2018

COMPANY NEWS

Tata Steel's bid for Bhushan Steel gets green light from lenders

Tata Steel's bid to acquire Bhushan Steel has gained pace, with lenders giving the deal their assent. The Tata group company has agreed to pay about Rs.35,000 crore to the creditors of Bhushan Steel, which had defaulted on loans worth Rs.44,480 crore. Tata Steel accepted the Letter of Intent for Bhushan Steel on Thursday, under the Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code (IBC), 2016, it said in a statement. However, there are still some hurdles it has to cross before completing the acquisition.

Source: Business Line, March 24, 2018

JSW Steel acquires US mill Acero for \$81 million

JSW Steel has acquired Acero Junction Inc, an Ohio-based steel mill, for \$81 million (about Rs 526 crore). With an annual production capacity of three million tonnes (mt), Acero has an electric arc furnace, ladle metallurgy furnace and continuous slab casting machine. The acquisition comes close on the heels of JSW Steel announcing plans on Monday to invest \$500 million (Rs 3,250 crore) in its existing plant at Baytown in Texas. The company in a statement on Thursday said it has entered into a stock purchase agreement with JSM International, Acero Junction Holding Inc and Acero Junction Inc for acquisition of 100 per cent share of Acero Junction Holding Inc, a Delaware Corporation for a cash consideration of up to \$80.85 million.

Source: Business Line, March 30, 2018

Arcelor moves NCLT on Essar Steel bid rejection

Arcelor Mittal moved the Ahmedabad Bench of the National Company Law Tribunal (NCLT), challenging the decision to declare its bid ineligible and protect its “rights” in the face of the legal move by Numetal, the other bidder for Essar Steel. Numetal had moved the NCLT on March 20, ahead of the meeting of the Committee of Creditors, to decide on the eligibility of the two bidders for Essar Steel. At the meeting, both ArcelorMittal and Numetal were found to be ineligible. The LN Mittal-led company said it believed that its "strong and competitive" bid for Essar Steel, submitted on February 12, was fully eligible and therefore should have been placed before the Committee of Creditors by the resolution professional.

Source: Business Standard, March 27, 2018

Tata Steel offers Rs. 36,400 cr for acquiring Bhushan Steel

Tata Steel has offered to shell out Rs. 36,400 crore for its acquisition of Bhushan Steel, the debt-ridden 5.6-mtpa steel firm promoted by the Singal family. This includes Rs. 35,200 crore to be paid to Bhushan Steel’s financial creditors and Rs. 1,200 crore to its operational creditors. The troubled firm owes Rs. 56,080 crore to its financial creditors and Rs. 3,488 crore to operational creditors. This means if Tata Steel’s resolution plan is approved by the National Company Law Tribunal (NCLT) and subsequently by the competition commission, which now appears to be just a formality, Bhushan Steel’s financial creditors including State Bank of India, Punjab National Bank and others will have to take a 37% haircut, while its operational creditors will have to take a 66% hit on their exposure. As per Tata Steel’s resolution plan communicated to the committee of creditors (CoC), which submitted the plan at the NCLT on Wednesday, the Tatas also intend to retain all existing employees of Bhushan Steel, post-acquisition and bring in funds as and when required to run the acquired company.

Source: Financial Express, March 29, 2018

ArcelorMittal says it sold stake in Uttam Galva before Essar Steel bid

ArcelorMittal has said that its association with Uttam Galva has no relevance in its bid for Essar Steel since it had sold its stake in the former before putting in an offer for the latter. The company also said that Uttam Galva was not consolidated on the balance sheet of Arcelor-Mittal and represented approximately 1% of its investments in associates. While ArcelorMittal was disqualified on technical grounds that its declassification was not notified on the stock exchanges at the time

of the bid, a point being challenged in the courts, the global steel major said that it remains confident of the eligibility of its bid. In a prospectus released at the time of its \$1-billion bond offering in October 2010, ArcelorMittal had stated that on September 3, 2009, it signed a share purchase agreement with the RK Miglani family, the existing promoter of Uttam Galva, for the acquisition of a 5.6% stake in Uttam Galva. Uttam Galva itself later turned into an NPA and ArcelorMittal's association with it was subject to scrutiny under bankruptcy laws during the bid for the debt-laden Essar Steel. Legal circles are divided on this issue.

Source: The Economic Times, March 30, 2018

PROJECTS

Tata Steel to invest Rs. 15 bn on Gopalpur SEZ infrastructure

Tata steel plans to invest about Rs. 15 billion in phased manner for development of infrastructure at Gopalpur Special Economic Zone (SEZ) and industrial park in Odisha. Around 20 companies from India and abroad have shown interest to set up their units. The total area of the SEZ and industrial park is 2600 acres. Of that SEZ portion is 1235 acres. Tata Steel plans to develop 500 acres initially to accommodate various units. Though the company has been holding road shows, to attract investors to the park over past couple of years, the response has been lukewarm. "This is because unfamiliarity of the location with global investors and also general downturn in global business scenario", said an executive of the company. Among the 20 investors who have shown interest to set up units in the park, are a Taiwanese firm for a naphtha plant, a Russian company for a steel downstream unit, a US-based NRI for a wellness product facility, a domestic telecom player for setting up of a cell phone manufacturing hub and a food stuff exporter for a poultry processing unit of international standard.

Source: Business Standard, March 29, 2018

JSW Steel to invest \$500 mn in Texas mill

Sajjan Jindal-led JSW Steel will invest up to \$500 million to improve the capacity utilisation of its plates and pipes mill in Texas, US. The US arm of the company signed a memorandum of cooperation to develop and augment the steel industry in Texas with Texas's governor on Monday. As part of the deal, Governor Greg Abbott approved a grant of \$3.4 million from the Texas Enterprise Fund for JSW

Steel (US). At present, the JSW mill's capacity utilisation is less than 30 per cent. Jindal plans to augment it three times to take production to 1 million tonnes over the next two years. This will create 500 jobs, with average annual salaries of \$65,000, said Abbott.

Source: Business Standard, 27, 2018

FINANCIAL

Jindal Steel and Power raises Rs. 1,200 cr via QIP

Jindal Steel and Power (JSPL) said that it has raised Rs. 1,200 crore through qualified institutional placement (QIP). The shares were issued at Rs. 233 per scrip, which was Rs. 5.85 above the floor price supported by interest from long-term investors. The company plans to use the fresh funds for working capital requirements, operational and capital expenditure and repayment of long-term loans. The consolidated debt of the company is estimated to be about Rs. 45,300 crore. The company is lowering its net losses on the back of global rise in base-metal prices coinciding with higher production at its steel plants. In Q3FY18, JSPL recorded losses of Rs. 277 crore, down from Rs. 455 crore a year ago. Company's chairman Naveen Jindal recently told FE that JSPL has restructured its \$550 million of foreign currency denominated debt and designed a debt reduction road map to become a relatively debt-free company by 2020. In line with that agenda, JSPL sold its oxygen plant assets at its Raigarh steel plant in October 2017.

Source: Financial Express, March 24, 2018

Mittal bid divides RP's lawyers on Essar Steel

The legal opinions received by the resolution professional (RP) of Essar Steel from law firm Cyril Amarchand Mangaldas (CAM) and senior counsel Darius Khambata differed on the eligibility of the bids made by ArcelorMittal. While CAM said ArcelorMittal must pay the dues of the lenders to Uttam Galva Steels and KSS Petron to become eligible for bidding, Khambata was of the opinion that it was not required as long as ArcelorMittal and L N Mittal sold stakes in Uttam Galva and KSS Petron, respectively, and were declassified as promoter. ArcelorMittal held 29% in Uttam Galva Steels and Mittal personally owned 33% in KazStroyService of Kazakhstan, which, in turn, held 100% in KSS Petron.

Source: Business Standard, March 26, 2018

Essar Steel bid heats up with Sajjan Jindal taking on ArcelorMittal

JSW Group Chairman Sajjan Jindal on Monday said promoters of defaulting firms should not be allowed to bid for stressed assets merely because they had sold their investments in defaulting entities. Jindal was hinting at ArcelorMittal's attempt to bid for Essar Steel, a stressed asset. To qualify as a bidder, ArcelorMittal and its promoter L N Mittal had sold stakes in two defaulting companies, Uttam Galva Steels and KSS Petron. The two companies owe a total of Rs. 60 billion to lenders, led by State Bank of India (SBI). JSW has already lost out to Tata Steel in its bid for Bhushan Steel. Tata Steel made a bid of about Rs. 350 billion, almost Rs. 50 billion more than JSW.

Source: Business Standard, March 27, 2018

NCLT says No stay on Essar Steel 2nd Bid...

The National Company Law Tribunal declined to stay the second round of bidding for the bankrupt Essar Steel or defer the deadline for it as sought by Numetal, and asked the committee of creditors not to decide on the bids till the final hearing on April 4. Numetal, a venture between Russia's VTB and Essar Steel promoters' kin Rewant Ruia, is appealing against its disqualification to bid for the bankrupt metals company. It is also challenging the rectification of disqualification of ArcelorMittal which was also disqualified from bidding for the Ruia-owned steel company.

Source: Economic Times, March 28, 2018

Essar Steel's resolution process may get extension

The resolution process for Essar Steel which has been delayed due to the ineligibility of bids received in the first round of bidding is likely to be granted some time beyond the stipulated 270 days to prevent the company from being liquidated, sources told FE. The last date for submitting resolution plans in the second round of bidding is April 2.

Source: Financial Express, March 29, 2018

Electrosteel lenders choose Vedanta as highest bidder

The Committee of Creditors (CoC) to the debt-laden Electrosteel Steels late Thursday chose resources conglomerate Vedanta Ltd as the highest bidder for the company, backing the earlier decision of the resolution professional. The CoC, led

by the State Bank of India, rejected the contentions of Renaissance Steel India that had questioned the eligibility of Vedanta and Tata Steel as bidders for Electrosteel in the dedicated bankruptcy process. Top lenders and executives of companies present at the meeting in Kolkata confirmed to ET the CoC decision that went in Vedanta's favour. The National Company Law Tribunal (NCLT) will now have to take a final call on the bid for the steelmaker. Vedanta didn't comment on the outcome of the lenders' meeting. On Thursday, Renaissance representatives raised several objections but these were rejected by the CoC.

Source: The Economic Times, March 30, 2018

Numetal moves NCLT to stop lenders from opening 2nd round Essar Steel bids

Numetal, a company promoted by Russia's VTB Bank and Rewant Ruia, has moved the Ahmedabad bench of the bankruptcy court with a plea that lenders should not open bids submitted for Essar Steel in the second round unless the tribunal decides about their eligibility in the first round, said two senior officials who did not want to be identified. The National Company Law Tribunal will hear the plea on April 2. The Ahmedabad tribunal had rejected their earlier plea to stay the second round of bidding unless a decision on their eligibility was declared. The lenders have set April 2 as the last day for submitting binding bids in the second round for Essar Steel. Bids by both Numetal and ArcelorMittal for Essar Steel were rejected by the committee of creditors on the grounds that the Insolvency and Bankruptcy Code states that promoters who have defaulted on payments are not eligible to submit a resolution plan unless they clear their dues and those classified as wilful defaulters are barred.

Source: The Economic Times, March 30, 2018

Uttam Galva minority shareholders oppose stake sale by ArcelorMittal

ArcelorMittal's move to sell off its stake in Uttam Galva before bidding for Essar Steel met with opposition from an unlikely quarter. Minority shareholders of Uttam Galva filed a petition against the company's board, markets watchdog SEBI and the stock exchanges at the Securities and Appellate Tribunal (SAT) for reclassifying ArcelorMittal Netherlands BV as a public shareholder in the company. Minority shareholders have alleged breach of listing regulations under Sebi's Listing Obligations and Disclosure Requirements Regulations 2015 and sought a stay on approval to ArcelorMittal for selling stake. This comes after the

National Stock Exchange and BSE allowed reclassification of promoter status as per Utam Galva's request.

Source: The Economic Times, March 29, 2018

STEEL PERFORMANCE

India beats Japan to emerge second largest steel maker

Superseding Japan, India has now emerged as the second-largest steelmaker in the world. With China on top, India had been holding the number three slot for the third year in a row till 2017. A spectacular 3.4% rise in production to 8.4 million tonne compared with Japan's 0.5% output fall to 8.2 mt in February made India's production second highest not just for the month, but for the January-February period of the current year as well. Japan had produced more than India in all preceding months including in January 2018. While China is miles ahead of others in terms of production, the gap between Japan and India was narrowing in the past few years. Japan produced 104.7 million tonne steel in 2017 compared with India's 101.4 million tonne.

Source: Financial Express, March 27, 2018

Domestic steel players hit as ore prices remain firm

It's about time the government cracked the whip on the speculative forces that are driving up iron ore prices and assure availability of ore to domestic steel companies. Ore prices rose by around 35 per cent between December and January, due to the Supreme Court ruling which ordered "temporary discontinuation of operations" at six large mines in Odisha - which contributes half of India's ore production - for failure to pay compensation to the State government. Rating agency ICRA estimated a 5.5-million-tonne production loss if the mines were out of operation for the entire January-March quarter. But the actual production loss was lower as most of the mines paid the compensation and restarted operations. This softened the ore market but only marginally. NMDC, which increased lump prices from Rs.2,400 a tonne to Rs.3,100 a tonne, reduced prices by just Rs.100 a tonne in March. Its current price of Rs.3,000 a tonne is approximately 24 per cent higher than the prices on April 1, 2017.

Source: Business Line, March 24, 2018

Surge in global steel demand to push up prices at home

Steel producers may look at increasing prices at home, as macro trends show signs of a global recovery and as they try to extract maximum benefit from pricing in the first quarter before the lax monsoon season sets in. However, based on historical evidence, this is unlikely to result in any significant increase in the realisations for companies, steel industry experts said. Even with an average price increase of Rs 3,500 per tonne between January and March, average realisation for the last quarter of the current fiscal year is expected to move up only by Rs 1,500 per tonne. This is because of the variance in price hikes and realisations that exist because of the heterogeneous nature of the industry that offers multiple products with pricing trends differing from product to product. A price hike is also due for companies rewriting their earlier contracts that were based on a lower base existed before December 2017. Goutam Chakraborty, a metals analyst at Emkay Securities, also has a similar view. He expects the industry to see higher demand for the next one-and-a-half years. In the domestic scenario, demand is being driven by automotive, construction and yellow goods production. JCB, a manufacturer of earthmoving equipment, has increased its production to 7,000 units per month from 4,000-5,000, said an industry executive, pointing to it as an indication of improvement in construction activities that is also pushing up the price of steel bars.

Source: Economic Times, March 28, 2018

Rebar set for first quarterly loss since 2015

Dalian iron climbed on Thursday but still facing its biggest quarterly loss since 2015 as fears of an escalating tradespat between China and the United States roiled demand expectations, and inventories rose. US tariffs on Chinese goods may not be imposed until early June.

Source: The Economic Times, March 30, 2018

Steel slag may now be used as fertiliser for soil

Steel slag, an unavoidable by-product in iron and steel production, may soon find its way into agricultural land as soil nutrient, potentially cutting down India's dependence on fertiliser imports. Now the third-largest steelmaker in the world, India produces over 12 million tonnes of slag each year, but less than 20% of that is used in the cement industry while the remaining keeps piling up at the steel mills, while countries like USA and Japan use slags extensively (more than 70% of

the produce) in areas such as housing and road construction, land and mine filling. The steel ministry has requested the agriculture ministry to look into the scope of using these slags particularly in areas, mostly in the eastern part of the country, having acidic soils, where productivity is lower. Out of India's 142 million hectare of arable land, 49 million hectare is covered by acid soils. "The use of steel slag may be one of the most green solution which may avoid accumulation of large wastes in steel plants as well as help in treatment of soil for improving crop productivity at low cost," the steel ministry said.

Source: Financial Express, March 30, 2018

GLOBAL

Trump temporarily excludes EU, six other allies from steel tariffs

U.S. President Donald Trump has temporarily excluded six countries, including Canada and Mexico, and European Union states from higher U.S. import duties on steel and aluminium. In a presidential proclamation published late on Thursday, Trump said he would suspend tariffs for Argentina, Australia, Brazil, South Korea, Canada, Mexico and the European Union, the U.S.'s biggest trading partner, until May 1, 2018 as discussions continue. After May 1, Trump would decide whether to permanently exempt the countries based on the status of talks, the White House said in a statement.

Source: Financial Express, March 24, 2018

Europe's steel safeguard investigations likely to cover steel export from India

The European Commission (EC) has initiated safeguard investigation on steel products to ascertain whether import tariffs imposed by the US need to be countered to prevent Asian producers from flooding the European market, a move that may have a significant bearing on India's steel exports. The investigation, the notice for which was issued on Monday, will cover India as well though it is targeted primarily at the US. India is estimated to have shipped around 3.0-3.5 million tonnes of steel — roughly around 40% of the country's total steel exports — to Europe so far this fiscal year. The EC investigation was initiated on a suo moto basis and would cover 125-130 items in all grades of steel. Exporters who want to take part in the exercise have been requested to complete a questionnaire and respond within 21 days. At the upper limit, the probe is likely to last around

nine months. However, it could be implemented within two months, industry sources said. Safeguard duties are country-specific. If these are imposed, Indian steel companies are likely to direct a major part of that export to the growing domestic market.

Source: The Economic Times, March 27, 2018

MISCELLANEOUS

Aluminium wrestles with steel over electric vehicle market

When electric carmaker Tesla Inc. launched its first mass market model last summer, it sent a shockwave through the aluminium industry by largely shifting to steel and away from the lighter weight metal it had used in its first two luxury models. The switch by Elon Musk's Tesla to the heavier-but-cheaper metal highlights how steel is fighting back against aluminium, which had widely been expected to be the bigger beneficiary of the electric vehicle revolution. Aluminium had been seen as the key to offsetting the weight of batteries in order to extend the range of electric vehicles, crucial to increased consumer acceptance. But as makers of battery-powered cars look to tap into bigger markets with cheaper vehicles - and embrace technological developments in batteries and components - many are increasingly looking to steel to cut costs. The price of Tesla's mass-market orientated Model 3 is around half of the £70,000 luxury Model S. It is the latest tussle in a decades-long battle between steel and aluminium for market share among automakers, seeking to cut the weight of vehicles to help slash emissions and meet tough government pollution standards. Steel is also winning back some market share among gasoline vehicles, such as the Audi A8. The latest model abandoned its heavy use of aluminium and shifted to a mix of steel, aluminium, magnesium and carbon fibre.

Source: Financial Express, March 28, 2018

Tata Steel to begin shoe recycling project

To cater to the needs of the underprivileged section of the society, Tata Steel will start a shoe recycling project from next month, a company official said. Tata Steel's Ore, Mines and Quarry (OMQ) Division, Noamundi, West Singhbhum, will be aided by start-up company 'Greensole' to recycle used shoes and make trendy slippers and sandals to cater to the underprivileged section of the society, particularly in and around its area of operation in Noamundi, said Pakaj Kumar

Stija, General Manager (OMQ), Tata Steel. The project, which aims to contribute to a social cause, would be first-of-its-kind in eastern India.

Source: Financial Express, March 30, 2018

NCLT calls for speeding up Electrosteel Steels resolution process

With the moratorium period to prepare a resolution plan for Electrosteel Steels set to expire in the next three weeks, the Kolkata bench of the National Company Law Tribunal (NCLT) on Monday asked the resolution professional (RP) of the insolvent company to convene its committee of creditors' (CoC) meet as early as possible to expedite the corporate insolvency resolution process. For the debt-laden steel firm, the insolvency resolution process will expire on April 17. Datta informed Justice Jinan that the delay in the resolution proceeding was on account of complying with an order passed by this bench last Tuesday on Renaissance Steel's petitions challenging the eligibility of Vedanta and Tata Steel to bid for Electrosteel Steels. On March 20, the Kolkata bench of the NCLT directed the RP to place all the objections of Renaissance Steel against its two rival bidders, Vedanta and Tata Steel, before the CoC for an "independent consideration" of the committee.

Source: Financial Express, March 27, 2018