

# 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 31 – April 06, 2018

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## HIGHLIGHTS OF THE WEEK

1. World's total crude steel production in February stood at 132 million tonne, up 3.5 percent from corresponding period last year
2. Cement, steel push core sector growth to 5.3% in February.
3. SC allows Vedanta, others to transport royalty-paid iron ore
4. Rashtriya Ispat Turnover takes a 31% leap in FY18
5. Tatas in race to be India's largest steelmaker
6. Tata Steel which has emerged as the highest bidder for Bhushan Steel, will pay Rs 352 billion in cash to the debt laden firms creditors and convert over Rs 270 billion worth of their loans into equity.
7. US wants China to cut auto tariffs, buy more chips
8. China Hits Back at US with Threat of Retaliatory Tariffs
9. KIOCL's pellet production crosses 2MPTA
10. Renaissance to challenge decision on Vedanta, Tata Steel eligibility

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## RAW MATERIAL

### **KIOCL's pellet production crosses 2MPTA**

The pellet production of KIOCL, a Central public sector undertaking, which manufactures and sells high-quality iron oxide pellets, has surpassed two million tonnes per annum(MPTA). Speaking at the 43rd company day celebration at KIOCL corporate office, Chairman and Managing Director, MV Subba Rao said the company, has produced 2.32 million tonnes of pellets and dispatched 2.30 million tonnes against the MoU target of 1.925 million tonnes under excellent category. Rao gave credit to the employees for their team spirit, dedication and hard work with which the company could achieve its goal. He said the firm's primary focus should be to create new fountainheads of value-creation while continuing to expand existing ones. Rao said KIOCL achieved the feat due to efficiency in production, swift decision-making in exploiting market opportunity and implementation of the Make in India concept.

*Source: Business Line, April 3, 2018*

## **SC allows Vedanta, others to transport royalty-paid iron ore**

The Supreme Court on Wednesday allowed Vedanta and others to transport extracted iron ore, on which royalty has been paid to the Goa government, for export purposes or for captive consumption. The Anil Agarwal-owned mining company on Wednesday sought a clarification from the apex court that the ore which had been mined before March 16 and was taken out of the lease area before this date after payment of royalty be allowed to be transported. Besides, it had also sought further transportation of the 1.6 million metric tonne of iron ore at jetties, harbours, ports and barges for export purposes or captive consumption under the strict supervision of the Directorate of Mines and Geology, Goa. The companies told a bench led by Justice Madan B Lokur that once royalty is paid and ore is taken out of the mining lease area, it belongs to the leaseholder with no statutory restriction on end use, sale or storage.

*Source: Financial Express, April 5, 2018*

## **Questions over lease extension to Pvt Iron ore miner in Odisha**

Serajuddin and Co's lease for a giant iron ore mine was extended. The latest challenge comes from Opposition leader Narsingha Mishra of the Congress party. He alleges the state wrongly extended Serajuddin and Co's rights in the Badla mines, until 2020 on December 1 on the firm's undertaking that a partnership deed of 2011 would be submitted within two months. The undertaking would reveal who exactly are the partners in the firm – a key issue for Eklahqul Rahman, 34, whose late father owned 29% of the firm. He filed an RTI application in 2010 for information about the partners but the government refused on the grounds that the revelation would impede a vigilance probe into the company. Rahman was eight years old when his father died, and has for years been seeking inheritance of his father's stake in the company, which has expanded mining capacity spectacularly. Ten years ago it was allowed to produce 0.25 million tonnes a year. The ministry of environment and forest increased this to 4.5 million tonnes in 2012, and to a 15.5 million tonnes the following year making it one of the largest mines in the country. A committee appointed by the Supreme Court hearing cases including allegations against Serajuddin that its transferred control of its

mines to contractor Thriveni Earthmovers.

*Source: The Economic Time, March 31, 2018*

## COMPANY NEWS

### **Rashtriya Ispat Turnover takes a 31% leap in FY18**

Rashtriya Ispat Nigam Ltd, RINL) the corporate entity of Visakhapatnam Steel Plant, registered a 31% jump in turnover at over Rs. 16,500 crore (provisional) in 2017-18 over 2016-17, led by higher volumes of production and sales. Riding on improved sales, the company hopes to cut down its losses substantially and post an operating profit of rs. 200 crore in the just concluded fiscal its chairman and managing director P Madhusudan said. While infrastructure spending has seen a rise, demand from power sector, and auto has also gone up in recent months. In particular a growth in demand from housing sector has led to higher sales volume for RINL. Interestingly, work related to housing and development of the new capital of Andhra Pradesh at Amravati has led also to a surge in steel demand with RINL seeing its sales soar over four times to around 1.42 lakh tonnes. RINL is increasingly planning to focus on development coastal shipping as an alternative mode of logistics to reduce its dependence on Railways. While it moved 56,000 tonne through this route in between October 2017 and March 2018 to markets in the southern and western coast, then company hopes to be able to transport some 2.5 lakh tonne of finished steel through coastal shipping in FY19. While this has led to a cost saving of Rs. 50-100 per tonne of steel, it is likely to go up as volumes increase, P Ray Chaudhury, RINL's Director (Commercial) said. A reduction in fixed manpower costs and an increase in productivity from 345 to 451 tonnes per manper day in 2017-18 also helped in lowering RINL's input costs. RINL is also looking at value addition and a new product mix by adding new products in its portfolio. The company is set to commission a new one lakh tonne wheel plant at Uttar Pradesh to cater to India Railways demand at an investment of Rs 1500-Rs 1600 crore. It is also looking at a foray into automotive segment by making

spring steels. RINL's exports touched Rs 1,700 crore in 2017-18 from Rs 1,000 crore in 2016-17.

*Source: Economic Times, April 5, 2018*

### **Tatas in race to be India's largest steelmaker**

Steel seems to be closing in on Sajjan Jindal-promoted JSW Steel and, with a bit of luck in the National Company Law Tribunal (NCLT), could become the country's largest steelmaker for the first time. Just a week ago, the Tata group company was declared a successful resolution applicant by the committee of creditors (CoC) of Bhushan Steel for buying out its stressed assets. The decision is yet to be cleared by the NCLT. Once Bhushan Steel is into its fold, Tata Steel will increase its capacity from 12.7 million tonnes per annum (mtpa) to 18.3 mtpa. That is pretty close to the 19.5 mtpa capacity of JSW, which has got an informal nod from the CoC to buy out Monnet Ispat & Energy, for which it was the sole bidder with private equity fund AION. The NCLT, Mumbai, has, however, stayed the creditors' meet to put the resolution plan to vote till April 3.

*Source: Business Standard, April 2, 2018*

### **Tata Steel assures 12.27% equity for Bhushan Steel creditors**

Apart from offering to pay Rs 36,400 crore to Bhushan Steel's financial and operational creditors, Tata Steel has also assured financial creditors 12.27% equity in the debt-ridden 5.6-MTPA steel firm promoted by the Singal family. As per Tata Steel's resolution plan submitted last week in the National Company Law Tribunal (NCLT), the company will pay upfront the financial creditors Rs 35,200 crore and Rs 1,200 crore to its operational creditors over a period of one year. The troubled firm owes Rs 56,080 crore to its financial creditors and Rs 3,488 crore to operational creditors. Elaborating the resolution plan, resolution professional's counsel Ravi Kadam told NCLT on Monday that Tata Steel would also pay Rs 27 lakh to Bhushan Steel's employees and will pay any employees' due, which might come up in future. Post-acquisition, Tata Steel will retain all its 353 employees and ring in funds as and when required to run the acquired company.

*Source: Financial Express, April 3, 2018*

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**Arcelor Mittal may bid Rs. 56,000 Cr for Essar**

Arcelor Mittal which plans to co-own and co-manage Essar Steel if successful, rebid as expected. The Arcelor bid for Essar is tipped to be in the region of Rs 55,000-56,000 crore. “For several years to come, India is likely to experience a significant upswing in demand for all metals, which makes a large operating steel asset quite attractive from a strategic inorganic growth opportunity perspective. Given the past challenges in setting up greenfield projects, the current assets also provide an instant market access to new entrants to the Indian steel industry,” said Anjani Agarwal, global steel leader at EY. JSW has been an aggressive bidder for steel assets in the bankruptcy courts. It participated in the bids for Monnet Ispat, Bhushan Power and Steel and Bhushan Steel Ltd. It was the only bidder in the fray for Monnet Ispat which it bid for Rs 3,750 crore. Lenders are delighted that more players have shown interest in the second round of bidding for Essar. They hope that the haircut will be much lower than what was estimated. In all likelihood, all the three bidders would have given an aggressive bid as compared to the first round.

*Source: The Economic Times, April 3, 2018*

**Renaissance to challenge decision on Vedanta, Tata Steel eligibility**

Renaissance Steel India will be challenging the resolution professional’s decision to declare Vedanta and Tata Steel as eligible bidders for Electrosteel Steels in the Kolkata bench of the National Company Law Tribunal (NCLT). Meanwhile, the resolution professional is also trying to bring the process to a logical conclusion. On Thursday, the committee of creditors met and took an independent decision that Tata Steel and Vedanta were eligible bidders. By consensus, Vedanta was selected as the successful resolution applicant for Electrosteel. Vedanta is said to have offered Rs 55 billion for Electrosteel, which owes banks Rs 103 billion.

*Source: Business Standard, March 31, 2018*

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## PROJECTS

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### **Three-way race for Essar Steel: ArcelorMittal, Numetal-JSW, Vedanta in fray**

Essar Steel, put up for bidding for the second time, saw companies owned by metal sector billionaires taking part on Monday. This time, lenders expect the valuation to cross the \$6 billion mark and none or minimal haircut, with Anil Agarwal's Vedanta, L N Mittal's ArcelorMittal, and VTB Bank-owned Numetal, which tied up with Sajjan Jindal's JSW Steel, making aggressive bids. The bids, however, are subject to the decision of the Ahmedabad Bench of the National Company Law Tribunal (NCLT) on suits filed by Numetal and ArcelorMittal against their first round bid rejections. The Bench will hear their pleas on Wednesday. The lenders will open financial bids after the NCLT order. Lenders, meanwhile, opened the second round of bids for only those firms that submitted expressions of interest in the first round. A source said JSW Steel had bought the 25 per cent stake of Numetal held by the trust in which Rewant Ruia, son of Essar Steel promoter Ravi Ruia, was a beneficiary. It was due to this equity presence of the Ruias in Numetal that the firm's first offer was rejected. With JSW Steel joining Russia's VTB Bank, Jindal is back in the fray for stressed assets after losing Bhushan Steel and Bhushan Power to Tata Steel. To date, JSW has won the race for Monnet Ispat, for which it was the lone bidder. "JSW Steel in the capacity of an investor joined Numetal in submitting a binding bid for Essar Steel, which is under the corporate insolvency resolution process," JSW said on Monday.

*Source: Business Standard, April 3, 2018*

### **Tata Steel to pay Rs 352 bn cash for Bhushan Steel**

Tata steel, which has emerged as the highest bidder for Bhushan Steel, will pay Rs 352 billion in cash to the debt laden firms creditors and convert over Rs 270 billion worth of their loans into equity, the National Company Law Tribunal (NCLT) was informed on Monday. As on February 1 Bhushan Steel had a total debt of Rs 571 billion senior advocate Ravi Kadam told the principal Bench of the NCLT. Kadam said "Financial creditors would get 12.27 per cent of equity of the corporate debtor (Bhushan Steel) subject to

SEBI approval." Of its total debt, Bhushan Steel has financial debt of Rs. 560.5 billion and an operational debt of Rs. 10.5 billion, he added.

*Source: Business Standard, April 3, 2018*

## FINANCIAL

### **Vedanta bids Rs 53.2 bn for Electrosteel**

Vedanta has bid Rs 53.2 billion for Electrosteel Steels, one of the 12 cases on the Reserve Bank of India's list of defaulting companies. Tata Steel, which is the second highest bidder for Electrosteel, has offered Rs 20 billion less. The figures were disclosed during a hearing before the Kolkata bench of the National Company Law Tribunal (NCLT). The total admitted claims against Electrosteel, as on March 14, 2018, were worth Rs 134 billion, according to the company's website. The balance debt will be restructured. Vedanta's resolution application has been submitted to the NCLT for consideration. However, Renaissance Steel India has raised objections to the resolution plan. Renaissance Steel has challenged the decision on Vedanta's eligibility under Section 29A of the Insolvency and Bankruptcy Code (IBC).

*Source: Business Standard, April 5, 2018*

### **Odisha Slurry: Banks may refuse Numetal's offer to repay debt**

Odisha Slurry Pipeline Infrastructure Ltd (OSPIL), which Numetal Mauritius said it was acquiring last month, has offered to repay in full the Rs 2,200 crore the pipeline company owes to banks, said people aware of the matter. But the banks, which have contested the acquisition move, are likely to reject the offer as it will complicate the sale of bankrupt Essar Steel. That's because OSPIL owns a 253-kilometre slurry pipeline that's critical to Essar Steel's Hazira plant, transporting half of all its raw material needs. Numetal was one of the two bidders for Essar Steel under the insolvency process in the first round, the other being ArcelorMittal. However, a second round of bids has been sought for Essar Steel with a submission deadline of April 2.

*Source: The Economic Times, March 31, 2018*

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**Electrosteel bid: Vedanta gets nod from committee of creditors**

Billionaire Anil Agarwal-owned Vedanta has emerged as the highest bidder for Electrosteel Steels. The globally diversified natural resources company, Vedanta was issued letter of intent as successful resolution applicant by the committee of creditors for acquisition of the stressed asset of Electrosteel which was put under the Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code, 2016, to recover the defaulted amount. Vedanta has accepted the terms of the LoI. The closure of the transaction will be subject to compliance with the applicable regulatory requirements and according to the final terms approved by the National Company Law Tribunal, Vedanta said in a statement. Vedanta has offered to pay a little over Rs.5,000 crore for the distressed asset out on the block to recover Rs.11,000 crore it had defaulted to lenders. The highest bidder was selected by the committee of creditors through a scoring system combining various parameters.

*Source: Business Line, April 2, 2018*

**ArcelorMittal hits out at JSW for joining Numetal in 2nd round**

Round two bidding for Essar Steel clearly is going to be pitched between the world's largest steelmaker, ArcelorMittal, and India's largest, JSW Steel. On Monday, ArcelorMittal came out strongly against JSW Steel joining Numetal. "JSW Steel joining Numetal is clearly a defensive move — they don't want competition. Competition is good for the country's industry and good for consumers. Also, India has an ambitious target of increasing steel production to 300 million tonnes. It needs new players to achieve that. We continue to believe ArcelorMittal and Nippon are the strongest possible partner for Essar Steel," a company statement said. Seshagiri Rao, joint managing director and group chief finance officer of JSW Steel, reacted to ArcelorMittal's statement by saying: "This is a competitive bidding process. India is an open economy, anybody can participate. We were bidding for assets on the eastern side, but were outbid. Then this came up, but we were not allowed to enter by the lenders. Numetal approached us and it is a strong player. We decided to join."

*Source: Business Standard, April 3, 2018*

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### **Electrosteel RP files Vedanta's resolution plan**

Electrosteel Steels' resolution professional on Monday filed Vedanta's resolution plan with the National Company Law Tribunal's (NCLT's) Kolkata Bench after the committee of creditors (CoC) declared it a successful applicant. Renaissance Steel India will file an application raising objections to the decision of the CoC on the eligibility of Tata Steel and Vedanta. It will also oppose the resolution plan of Vedanta. The matter will be heard on Wednesday. However, there is no stay on the procedure of the application. Among the Reserve Bank of India's (RBI's) first list of 12 non-performing assets, Electrosteel will be the second case where the resolution plan has been filed with the NCLT for approval, the first being Tata Steel's for Bhushan Steel.

*Source: Business Standard, April 3, 2018*

### **JSW Steel, Vedanta join the fray for Essar Steel**

ArcelorMittal, a VTB Bank-led Numetal-JSW Steel and Vedanta have thrown their hats in the ring for the bankrupt Essar Steel, as the deadline for the second round of bids expired on Monday evening. ArcelorMittal has teamed up with Nippon Steel & Sumitomo Metal Corporation (NSSMC) in its attempt to get control of Essar Steel. The two will jointly acquire and manage the Indian steel firm. Anil Agarwal-promoted Vedanta, which is likely to get control of the Kolkata-based Electrosteel Steels, having been declared the highest bidder, was a surprise entrant in the fray. The Sajjan Jindal-led JSW Steel, which did not bid for Essar Steel in the first round, confirmed it was partnering Numetal Steel.

*Source: Financial Express, April 3, 2018*

### **JSW Steel on Essar Steel bid: Don't foresee any monopoly scenario**

JSW Steel decided to join the battle for Essar Steel assets after Numetal approached the company, and it does not foresee any monopoly scenario arising with it coming as an investor along with Numetal to bid for Essar Steel - which is going through insolvency proceedings under the Insolvency and Bankruptcy Code, 2016. Responding to FE's queries on what made the

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company change its mind to participate in the Essar Steel bid, Seshagiri Rao, joint managing director and group CFO, JSW Steel, said the decision to bid along with Numetal was finalised in two-three days. “This was the last asset available under IBC which we were interested in, but we were not allowed and there was no chance to participate. Then Numetal approached us and the opportunity came back, so we decided to go ahead...it was all decided in just two to three days,” Rao said. The Sajjan Jindal-led JSW Steel, which did not bid for Essar Steel in the first round, on Monday confirmed it was partnering with Numetal Steel.

*Source: Financial Express April 5, 2018*

## STEEL PERFORMANCE

### **Cement, steel push core sector growth to 5.3% in February**

The output of the eight core sectors in the country registered a growth rate of 5.3 per cent in February, slowing down from 6.1 per cent posted in the previous month. Core sectors, comprising coal, crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity, contribute about 40 per cent to total industrial production. The growth in the core sectors in February was boosted by a sustained rise in cement production, up nearly 30 per cent, dwarfing growth in all other sectors. Four sectors performed poorer as compared to a month earlier. The data issued by the commerce and industry ministry on Wednesday showed the eight sectors cumulatively grew 4.3 per cent in the first eleven months (April to January) of 2017-18, lower than the 4.7 per cent growth rate in the corresponding period of 2016-17.

*Source: Business Standard, April 3, 2018*

## GLOBAL

### **US wants China to cut auto tariffs, buy more chips**

Top Trump administration officials are asking China to cut tariffs on imported cars, allow foreign majority ownership of financial services firms

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and buy more US-made semiconductors in negotiations to avoid plans to slap tariffs on a host of Chinese goods and a potential trade war. A person familiar with the discussions said these were among the asks from Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer as they pursue talks with Beijing. The Wall Street Journal first reported the demands from US officials, saying they came in a letter sent to Beijing last week.

*Source: Business Standard, April 4, 2018*

### **China to respond with 'same scale, intensity'**

China will take counter-measures of the "same proportion" and scale if the United States imposes further tariffs on Chinese goods, China's ambassador to Washington said, amid growing fears of an impending trade war. Cui Tiankai made the comments ahead of what is expected to be the announcement this week of U.S. tariffs on \$50 billion to \$60 billion in Chinese imports following an investigation under Section 301 of the 1974 U.S. Trade Act. "If they do, we will certainly take countermeasures of the same proportion, and the same scale, same intensity," Cui said in an interview posted on the website of China Global Television Network (CGTN) and broadcast on state television on Tuesday.

*Source: Business Standard, April 4, 2018*

### **China Hits Back at US with Threat of Retaliatory Tariffs**

China hit back at the Trump administration's plan to slap tariffs of \$50 billion in Chinese goods, retaliating with a list of similar duties on key US imports including soybeans, planes, cars, whiskey and chemicals. The effective date will depend on when the US action takes effect. The announcement triggered further heavy selling in global stock markets and commodities, with US stock futures sliding 1.5%, soybean futures plunging 3.7% and the dollar briefly extending early losses. The scale of China's tariff targets was in line with Beijing's pledge to mount a commensurate response, but it was released sooner than many observers had expected, adding to market fears that world's two largest economies are spiralling towards a trade war that could shake the global economy. Unlike

Washington's list, which was filled with many obscure industrial items, China's list strikes at signature US exports.

*Source: Economic Times, April 5, 2018*

### **World steel output up 3.5% in Feb**

The world's total crude steel production in February stood at 132 million tonne, up 3.5 percent from corresponding period last year as India grabbed the second position. China continued to be the biggest producer of the commodity in the period under review with a production of 64.9 million tonne, up almost 6 percent from same period last year, said World Steel Association. India produced 8.4 million of crude steel and was up 3.4 percent from February 2017. Japan dropped to third position to 8.3 mt, down 0.5 percent from last year. South Korea's crude steel production for February was 5.4 million, down 2.1 percent on year-on-year basis.

*Source: Business Standard, April 5, 2018*

## **MISCELLANEOUS**

### **Numetal ineligible after dropping Aurora Enterprises, says Arcelor**

If Aurora Enterprises, owned by a trust controlled by Rewant Ruia, had become a liability for Numetal during the first round of bidding for Essar Steel, dropping the firm may put the Russian company's bid on shaky ground, if ArcelorMittal's arguments hold water before the Ahmedabad bench of the National Company Law Tribunal (NCLT). Aurora Enterprises had to be dropped to make Numetal eligible under Section 29A of the Insolvency and Bankruptcy Code (IBC). However, Aurora Enterprises was one of the shareholders when Numetal submitted the expression of interest for Essar Steel. "It is Numetal and not Essar Communications or Aurora Enterprises, which had submitted the expression of interest in response to the advertisement issued by the resolution professional of Essar Steel," Numetal said. Sources close to ArcelorMittal said Essar Communications and Aurora Enterprises were the only two constituents of Numetal at the time of submission of expression of interest. According to the petition filed by

ArcelorMittal with the NCLT, the shareholding structure of the original applicant was: 26.1 per cent was held by Essar Communications, owned by Virgo Trust and Triton Trust, the beneficiaries of which were firms owned by the members of the Ruia family; 73.9 per cent was held by Aurora Enterprises, owned by the Prisma Trust, the beneficiaries of which are a company wholly owned by Rewant Ruia and general charities.

*Source: Business Standard, April 4, 2018*

### **Essar Steel: Bidders fight to disqualify each other**

The battle for Essar Steel heated up on Wednesday as bidders ArcelorMittal and Numetal argued to get each other disqualified from the auction. After the day-long hearing by the National Company Law Tribunal (NCLT), representatives of resolution professional (RP), the committee of creditors (CoC) and ArcelorMittal prayed for early opening of the rebids submitted on April 2. Senior counsels Mukul Rohatgi and Janak Dwarkadas, appearing for Numetal, objected to ArcelorMittal's attempt to absolve itself by merely selling its shares in Uttam Galva and KSS Petron, the two defaulting companies, and said it had to clear the debts before participating in the Essar Steel bidding. Numetal claimed that with a 26 per cent stake in KSS Petron through KSS Global, ArcelorMittal had control over the defaulter firm. According to Section 29 (A) of the Insolvency Code, defaulting promoters are disqualified from bidding.

*Source: Business Line, April 5, 2018*

### **ArcelorMittal, Numetal rightly disqualified: Essar Steel RP's counsel**

The counsel for Essar Steel's resolution professional on Thursday defended the disqualification of Numetal and ArcelorMittal in the first round of bids for the stressed asset, at the Ahmedabad Bench of the National Company Law Tribunal (NCLT). Essar Steel's resolution professional is Satish Kumar Gupta of Alvarez & Marsal. He is being represented by former advocate general of Maharashtra, Darius Khambatta. Khambatta told the two adjudicating member Bench, Harihar Prakash Chaturvedi and Manorama Kumari, that both Numetal and ArcelorMittal were rightly disqualified in the first round of bids held on February 12. The two bidders have defended their

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eligibility and also filed applications challenging each other's bids. Numetal has also prayed that opening the second round of bids be deferred till issues over the first were resolved.

*Source: Business Standard, April 6, 2018*