

Steel In The News

A compilation of leading news items on Indian steel industry as reported in major national dailies

CONTENTS	Page
Highlights	2
Raw Materials	2
Company News	3
Financial	5
Steel Performance	8

**A Weekly News Report by Joint Plant
Committee**

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HIGHLIGHTS

1. Tata Steel has agreed to sell off an iron ore mine in South Africa to IMR Metallurgical Resources AG, a Switzerland-based metals and mining group, for 366 million South African rand or \$25.6 million.
2. JSW Steel reported a near-three times jump in its consolidated net profit on a year-on-year basis to Rs 2,087 crore in Q2.
3. Ruias to pay Rs.54,389-cr Essar Steel debt, want firm out of insolvency process.
4. Tata Sponge Iron to carry out Usha Martin deal
5. More than two-thirds of TMT bar brands fail quality tests: Report
6. Deutsche Bank yet to get Uttam Galva Steels dues
7. Indian steel cos to forge pacts with global firms for expansion
8. JSW Steel is preferred bidder for iron ore mine in Karnataka

RAW MATERIALS

JSW Steel is preferred bidder for iron ore mine in Karnataka

JSW Steel has emerged as the preferred bidder for an iron ore mine in Karnataka, which went under the hammer last month, according to an official document. The cumulative revenue from the block over the period of 50 years is Rs 1,705.39 crore with an additional contribution of Rs 1,449.58 crore through auction, the document added. While the notice inviting tender (NIT) for the block was January 30 and auction took place on September 4, it said. Beside this block, four more iron ore mines in Karnataka were auctioned in September, the steel ministry said in another document. "In the month of September, five Iron Ore blocks have been auctioned in Karnataka," the ministry said highlighting the major activities undertaken in the last month. Giving further details, the ministry said a total of 50 mineral blocks with estimated resources of Rs 2.21 lakh crores have been auctioned as on September 30, this year. "The estimated revenue to the state governments over the lease period of these mines is Rs 1.81 lakh crore out of which the estimated auction premium is Rs 1.42 lakh crore," the mines ministry said. The government is looking to put on block over 100 mines in the next six months, according to the ministry. Of the 50 mines auctioned, 23 are limestone blocks, 17 are iron ore mines and four gold, among others.

Source: Financial Express; October 22, 2018

COMPANY NEWS

Tata Steel agrees to sell South Africa mine to Swiss IMR for \$25.6 m

Tata Steel has agreed to sell off an iron ore mine in South Africa to IMR Metallurgical Resources AG, a Switzerland-based metals and mining group, for 366 million South African rand or \$25.6 million. This amounts to a deal size of about Rs 188 crore. The transaction is expected to be closed in around 12 months. “A wholly owned indirect subsidiary of the company, TS Global Minerals Holdings Pte Ltd, on October 18, 2018, entered into an agreement to divest its entire stake in its wholly owned step down subsidiary Black Ginger 461 Pty Ltd,” Tata Steel said in a notification to the BSE recently. The latter in turn holds 64% in Sedibeng Iron ore Pty Ltd, South Africa which is the operating company. In its regulatory filing, Tata Steel added: “The stake has been divested to IMR Asia Holding Pte Ltd which is a group company of IMR Metallurgical Resources AG”. The proceeds from the sale will factor in adjustments for working capital and closing cash balance, Tata Steel said. The mining operations reported a revenue of Rs 839.86 crore in the financial year 2017-18.

Source: Economic Times, October 24, 2018

JSW Steel posts near-three times jump in Q2 net to Rs.2, 087 crore

JSW Steel reported a near-three times jump in its consolidated net profit on a year-on-year basis to Rs 2,087 crore in the three months ended September 2018, beating analyst estimates on all fronts. The rise came on the back of strong revenues, as a result of higher volumes and realisations during the quarter. Revenue from operations surged a good 25% y-o-y to Rs 21,552 crore, while the consolidated ebitda (earnings before interest, tax, depreciation and amortisation) increased 61.5% y-o-y to Rs 4,906 crore. According to Bloomberg estimates, the company was expected to report a consolidated net profit of Rs.2,025 crore on the back of revenues of Rs 20,390 crore, and an ebitda of Rs 4,698 crore. JSW Steel’s crude steel production increased 6% y-o-y to 4.18 million tonne during July-September.

Source: Financial Express, October 26, 2018

Tata Steel likely to stick to its offer for Bhushan Power & Steel

Tata Steel on Thursday indicated that it was unlikely to raise its Rs 17,000-crore bid for debt-ridden Bhushan Power and Steel. Around 90 per cent of

lenders of Bhushan Power and Steel Ltd (BPSL) has voted in favour of JSW Steel's bid of more than Rs 19,000 crore, sources told PTI last week. When asked if Tata Steel was still keen on Bhushan Power and Steel, company MD T. V. Narendran said, "At the price we have bid. "Tata Steel reportedly has objected to lenders of Bhushan Power and Steel Ltd (BPSL) finalising a bid of its rival JSW Steel Ltd. What we have said is that process has been compromised. It is not about who bid. Because earlier when we went to NCLAT we felt that Liberty Steel had bid after the last date which we felt was a compromise of the process. JSW has also bid after the last date so that's our only point that the process has been compromised. There is nothing against any of our peers," Narendran explained. "So, our agony is that the process has been compromised and court will decide based on it immediately," he added.

Source: Financial Express, October 26, 2018

JSW Steel may raise additional long-term resources

Sajjan Jindal-led JSW Steel has said it will consider raising additional long-term resources, including issuance of equity shares or other securities, through a rights issue at its board meet next week. The promoter and promoter group hold 42.32 per cent stake in the company, while 57.12 per cent is held by the public. Employee trust and non promoter-non public hold 0.56 per cent each. "At its meeting on October 25, the board would be considering raising of additional long-term resources, including but not limited to, issuance of equity shares or other securities by way of a rights issue subject to regulatory approvals," JSW Steel said in a regulatory filing Saturday.

Source: Business Standard; October 22, 2018

Tata Sponge Iron to carry out Usha Martin deal

Tata Sponge Iron Limited, a subsidiary of Tata Steel, will carry out the acquisition of Usha Martin's steel business, Tata Steel said in an official notification to the stock exchanges on Wednesday. This pertains to Tata Steel's announcement on September 22, 2018 that it had executed definitive agreements for acquisition of the steel business of Usha Martin Limited (UML) by itself or any of its subsidiaries or affiliates. The steel business undertaking of UML comprises of a specialised one million tonne per annum alloy based manufacturing capacity in long products segment based in Jamshedpur, an iron-ore mine, a coal mine under development and captive power plants. Consequently, definitive agreements signed between Tata

Steel and UML in relation to the acquisition shall be adapted accordingly. The closing of the acquisition remains subject to execution of definitive agreements between Tata Sponge & UML and fulfilment of various conditions under the said agreements, including regulatory approvals required for the transfer of the steel business.

Source: Economic Times, October 25, 2018

Arcelor weighs options to take ownership of Uttam Galva

ArcelorMittal is exploring the possibility of taking ownership of Uttam Galva and recovering the value in KSS Petron after paying off their dues to become eligible for Essar Steel bid. Last week, Arcelor paid Rs 74.69 billion to financial creditors of Uttam Galva Steels and KSS Petron to clear overdue debts to be considered by Essar Steel's committee of creditors (CoC). Around 80 per cent of the dues were on account of Uttam Galva. Subsequently, Arcelor was declared as the highest bidder for Essar. "As ArcelorMittal has paid Uttam Galva's total debts and Uttam Galva has not formally entered an insolvency process, ArcelorMittal is now a significant financial creditor of Uttam Galva. It is considering whether and how to acquire ownership of Uttam Galva," an Arcelor spokesperson said. Uttam Galva has a cold rolling capacity of 1.2 million tonnes per annum. "It is a good quality asset and a strong synergistic fit with Essar Steel," the spokesperson said. For ArcelorMittal, if it does acquire ownership of Uttam Galva, it would be a second coming.

Source: Business Standard; October 23, 2018

FINANCIAL

Tata Steel to subscribe to Tata Sponge rights issue

Tata Steel will subscribe to the Rs 1,800 crore rights issue to be floated by Tata Sponge to fund the proposed acquisition of the specialty steel business of Usha Martin, a senior Tata Steel executive said on Thursday. The rights issue will be a part of the fund raising plan for the acquisition pegged at around Rs 4,700 crore. The plan will also include debt of up to Rs 2,500 crore and issue of non convertible debentures of upto Rs 1,000 crore. "There will be a rights issue to support this kind of an expansion and we (Tata Steel) will certainly subscribe to it," TV Narendran, global CEO at Tata steel told reporters at the International Steel Conclave going on in Delhi.

Source: Economic Times, October 26, 2018

Ruias to pay Rs.54,389-cr Essar Steel debt, want firm out of insolvency process

In a proposal submitted on Thursday, the Ruias urged the lenders to withdraw the corporate insolvency resolution process against Essar Steel. The move came even as Essar Steel's Committee of Creditors (CoC) on Thursday voted in favour of accepting ArcelorMittal's bid of ₹ 42,000 crore. But with the Ruias offering ₹ 13,000 crore more than ArcelorMittal, the lenders may seek a legal opinion on the matter. The Ruias had made a similar offer earlier this year but the lenders had rejected the proposal. What has changed now in favour of the Ruias is an amendment to the IBC rules in June that allows lenders to withdraw a company from the resolution process if 90 per cent of the creditors agree to it. The Ruia Group offer includes an up-front cash payment of ₹ 47,507 crore to all creditors, including ₹ 45,559 crore to the senior secured financial creditors, and an additional ₹ 4,995 crore to operational creditors. However, there is no clarity on how the money will be raised to pay the debt. According to industry sources, the Ruias may have negotiated a back-end deal with Russian bank VTB along with some of the other investors in the Numetal consortium. A senior banker said the lenders will consider the Essar offer only if the Ruias show the money. The Essar Group said its offer is better than ArcelorMittal's because the latter takes care of only the secured creditors.

Source: Business Line, October 26, 2018

Deutsche Bank yet to get Uttam Galva Steels dues

Deutsche Bank's Singapore branch has informed the CoC and the RP of Essar Steel that it has not received any dues from the Uttam Galva Steels and the account is still a non-performing asset (NPA) in its books despite a Supreme Court order. In a letter dated October 23, Deutsche Bank said RBI guidelines are clear about the sale of NPAs and they can sell it to other banks or NBFCs only. "Under the RBI guidelines, there are specific conditions on which the NPAs can be taken off the books of the seller and the classified as standard by the buyer. To our knowledge, AM India (a subsidiary of ArcelorMittal) is not a bank, financial institution or NBFC. Therefore, under the RBI guidelines, it will not be permitted to buy any NPA", the letter stated. Therefore, under the RBI guidelines, it will not be permitted to buy any NPA.

Source: Business Standard; October 25, 2018

Bhushan Power bid: NCLAT gives Tata Steel a chance to plead its case

Tata Steel is making a last ditch attempt to buy the bankrupt Bhushan Power and Steel even though the Committee of Creditors (CoC) to the company are understood to have identified JSW Steel as the preferred bidder. The National Company Law Appellate Tribunal (NCLAT) on Monday adjourned to November 1, the hearing on Tata Steel's plea challenging the CoC's decision to allow JSW Steel to submit a revised bid for the bankrupt Bhushan Power and Steel (BPSL). Senior counsel Abhshek Manu Singhvi, appearing on behalf of Tata Steel, alleged that the CoC gave JSW Steel undue chances to revise its bid after declaring Tata Steel as the highest bidder. Tata Steel will continue pleading its case on November 1, the next date for hearing. Lenders had on July 31 selected Tata Steel as the H1 bidder and JSW Steel as the H2 bidder for BPSL. This was done at the instance of the appellate tribunal which, on July 20, had asked the CoC to select the H1 and H2 bidders. However, on July 27, the CoC allowed JSW Steel to submit a revised bid for the steelmaker. Tata Steel challenged the CoC's decision in NCLAT on July 30. However, on August 1, NCLAT had again allowed submission of revised bids by all three bidders, including the UK-based Liberty House. Following this, on August 13, JSW Steel raced past Tata Steel to emerge as the most preferred bidder for BPSL. Sources said JSW Steel has offered to pay Rs 19,350 crore to the financial creditors of the debt-ridden company. Apart from this, the company has offered to pay Rs 350 crore to the operational creditors against their admitted claims of Rs 700 crore.

Source: Financial Express; October 23, 2018

Arcelor increases bid for Essar Steel to Rs.42,000 cr

ArcelorMittal has agreed to make a bigger offer of Rs 42,000 crore for the debt-laden Essar Steel, following negotiations with lenders to the company, senior bankers have indicated to FE. So far, the offer included a Rs 35,000-crore upfront payment to lenders apart from a Rs 8,000-crore equity infusion into the company. The revised offer agreed to between the Lakshmi Mittal-promoted ArcelorMittal and bankers now includes an upfront payment of Rs 39,500 crore to bankers. In addition, should ArcelorMittal get control of Essar Steel, it will return to the lenders approximately Rs 2,500 crore of working capital, a senior banker at a state-run bank that has exposure to Essar Steel, explained. Apart from this, ArcelorMittal will stick to its earlier offer to make an equity infusion worth Rs 8,000 crore into Essar Steel. Any payments to operational creditors and to workers will be over and above this. Essar Steel, which owes lenders close to Rs 49,000 crore, is currently

undergoing corporate insolvency resolution process under the Insolvency and Bankruptcy Code and is one of the first 12 bad loan accounts identified by the Reserve Bank of India for immediate reference under the IBC.

Source: Financial Express, October 24, 2018

STEEL PERFORMANCE

Indian steel cos to forge pacts with global firms for expansion

Leading domestic steel producing companies, including SAIL, JSPL and Mecon Ltd, are set to sign more than 20 MoUs with top global companies this week for producing capital goods. This could lead to substitution of an estimated \$5 billion in imported equipment over the next decade in line with the Centre's 'Make in India' initiative. The MoUs, to be signed at the event being co-organised by the Steel Ministry, CII and Mecon, will focus on increasing self-reliance of the capital goods sector in diversifying its produce to meet the needs of the domestic industry. Minister for Steel Chaudhary Birender Singh; Minister for Commerce & Industry Suresh Prabhu; Minister for Heavy Industries and Public Enterprises Anant Geete; and Minister for Petroleum & Natural Gas, Skill Development and Entrepreneurship, Dharmendra Pradhan are scheduled to address the conclave. The Chief Minister of Odisha, Naveen Patnaik will be the keynote speaker. As per the National Steel Policy – 2017, India needs to create 300 million tonnes of steel capacity by 2030-31 against the existing 130 mt.

Source: Business Line; October 23, 2018

More than two-thirds of TMT bar brands fail quality tests: Report

In what could be a blow to the construction sector, 18 out of 26 TMT bar brands in the country failed on quality parameters in sample tests, according to a report released by an infra think tank. The findings come at a time when India has accorded the highest priority to infrastructure with an estimated spending of Rs 5.97 lakh crore in the sector during 2018-19, up by over Rs 1 lakh crore from the last fiscal. "We analysed 66 TMT bars samples manufactured by 26 brands, 18 brands have failed as phosphorous and combinations of sulphur and phosphorous were higher than required quantity," the report by First Construction Council said, questioning if India's infrastructure investment was at risk. This clearly indicates, how even renowned players spending plenty on advertising have failed to clear basic research test, the report noted. To become a quality

reinforcement bars (Rebar) called as TMT bars, all the chemical and physical parameters are to be according to standards as failure even on a single parameter means that safety standards are being compromised, the report mentioned. "While all samples collected from primary players like SAIL, RINL, Tata, JSPL, JSW and Electrotherm managed to maintain the quality benchmark most different diameter samples from secondary players failed to meet the requirements," the report outlined.

Source: Financial Express; October 25, 2018

Steel Cos buck trend, now more valuable than car makers

Driving luxury cars has aspirational value for some, but investors globally are increasingly finding it difficult to ascribe premium valuation to the stocks of high-end car makers. And in some cases, pure commodity companies such as steel makers are perceived to be more valuable. The average 2018 price-earnings (P/E) multiple of the top 10 car companies by market capitalisation was 6.9 compared with the average P/E of 9.6 for the top 10 steel companies, according to Bloomberg. The total market capitalisation of the top 10 car makers was \$687 billion, three-times that of the top 10 steel companies.

Source: Economic Times; October 23, 2018