

Steel In The News

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

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HIGHLIGHTS OF THE WEEK

1. India seems to have turned a favourite dumping ground for steel makers from not just China but also Japan and South Korea, which are diverting supplies from the US and the European Union in massive volumes to beat the impact of a global tariff war initiated by the Trump administration.
2. US tariffs: Steel Ministry in discussions with industry on revised proposal to sort out issue
3. SAIL posts Q1 net profit of Rs.540 crore
4. NMDC sees marginal growth in Q1 profit at Rs. 975 cr
5. JSW crude steel output up 8% y-o-y
6. Jindal Steel and Power posts profit after 14 quarters
7. Bhushan Power: Tata Steel moves SC on revised bid order
8. Fair trade regulator CCI has approved Tata Steel's proposed acquisition of debt-ridden Bhushan Power and Steel.
9. Shortage of long steel hurts EPC companies
10. Thyssenkrupp likely to spin off steel unit head of JV with Tatas

RAW MATERIAL

NMDC sees marginal growth in Q1 profit at Rs. 975 cr

Iron ore mining major NMDC has registered a profit of Rs.975 crore for the first quarter ended June 30, 2018, registering a marginal increase from Rs.969 crore clocked in the first quarter of 2017-18. The company's sales turnover was down 15 per cent at Rs.2,422 crore (Rs 2,842 crore). The company's production and sales of iron ore during the quarter under review were 6.98 million tonnes and 6.78 million tonnes, respectively. N. Baijendra Kumar, CMD, NMDC, said the company would be able to do well in the forthcoming quarters notwithstanding the challenges in Donimalai and Bailadila sectors.

Source: Business Line, August 09, 2018

COMPANY NEWS

SAIL posts Q1 net profit of Rs.540 crore

The country's largest steel maker, SAIL on Friday reported a Rs.540.43 crore standalone net profit for the first quarter ended June 30. The Company had posted

a standalone net loss of Rs.801.38 crore in the corresponding quarter of the preceding fiscal, SAIL said in a regulatory filing. In April-June 2018, its total income increased to Rs.16,004.95 crore from Rs.13,072.77 crore in the year ago period. The company's expenses during the quarter under review were at Rs.14,899.74 crore, against Rs.14,349.89 crore. Shares of the company ended 1.13% down at Rs.79.05 apiece on the BSE.

Source: Financial Express, August 04, 2018

JSW crude steel output up 8% y-o-y

Sajjan Jindal led JSW Steel recorded a year-on-year increase of 8% in crude steel output to 13.78 lakh tonne for the month of July. The company had produced 12.78 lakh tonnes crude steel in July in 2017. The company had produced 12.78 lakh tonnes crude steel in July 2017. The company registered 41% y-o-y rise in the output of long rolled products to 3.06 lakh tonnes, while output of flat rolled products increased 1% to 9.86 lakh tonnes, company said.

Source: Financial Express, August 08, 2018

Bhushan Power: Tata Steel moves SC on revised bid order

Tata Steel knocked the doors of the Supreme Court seeking a stay on the August 1 order of the National Company Law Appellate Tribunal (NCLAT) that allowed the three bidders — Tata Steel, JSW Steel and Liberty House — to submit revised bids in the fray for bankrupt Bhushan Power and Steel (BPSL). Though the SC declined an urgent hearing on the matter as sought by the company since the deadline for submitting revised bid is August 6, it agreed to hear the matter on August 10. Meanwhile, Tata Steel also moved the NCLAT to seek extension of time for submitting the revised bids, which will come up for hearing on August 6 itself. Seeking to restrain the resolution professional and the committee of creditors from considering any fresh revised bids, Tata Steel said in its petition that its “compliant resolution plan” had received the highest score by the CoC at its meeting on June 11 and that was prior to the appellate tribunal's July 20 order that directed the NCLAT to consider top two viable bids. It further told the apex court that it had participated in the process in a bonafide manner, abiding by all laws, timelines and requirements prescribed in the Insolvency and Bankruptcy Code, 2016, and also those prescribed by the CoC and the RP. The case of Bhushan Power and Steel has gone through several twists and turns in the last few months. On July 20, the NCLAT had directed the CoC to convene its meeting and consider all the three bids — Tata Steel, JSW Steel and Liberty House — and decide the H1

and H2 bidders and submit the proposal to the NCLT for adjudication. However, it had added that while the NCLT may decide which was the better bid - H1 or H2 - based on the recommendation of the CoC, it will not disclose it till the appellate tribunal decides on the eligibility of Liberty House. When the CoC subsequently met on July 27 as part of this direction, JSW Steel expressed its desire to revise its bid. The CoC allowed it, which was objected by Tata Steel which moved the NCLAT challenging this. Meanwhile, at the CoC's meeting on July 31 the lenders chose Tata Steel's bid as the most preferred one. However, with the NCLAT's August 1 order calling for fresh bids, the CoC's decision got superseded. The race for the bankrupt company had taken a turn on April 23 when the NCLT had asked its lenders led by Punjab National Bank to consider the late bid submitted by UK-based Liberty House. The two bidders who had submitted their bids within the deadline of February 8 were Tata Steel and JSW Steel. Tata Steel had reportedly offered to make an upfront payment of Rs 17,000 crore to the lenders, way better than JSW Steel's offer of an upfront payment of Rs 11,000 crore. According to sources, Liberty House has offered to pay bankers Rs 18,500 crore upfront, though this could not be confirmed. Bhushan Power and Steel owes lenders close to Rs 47,000 crore as on March 31, 2017.

Source: Financial Express, August 04, 2018

Jindal Steel and Power posts profit after 14 quarters

Jindal Steel and Power (JSPL) reported a net profit of Rs 109.9 crore on a consolidated basis in the first three months of FY19, against a loss of Rs 421.4 crore in the corresponding quarter a year ago. The company has reported a consolidated quarterly profit after 14 loss-making quarters. JSPL's revenue in the quarter was Rs 9,665.4 crore, nearly 58% higher year-on-year (y-o-y), as steel sales spiralled 76% to Rs 8,308.7 crore in the same period. JSPL's earnings before interest, tax, depreciation and amortisation (Ebitda) in the quarter was Rs 2,277 crore, registering an annual growth of 68%. In line with its roadmap, the company is targeting to lower its debt by Rs 6,000 crore by the end of this fiscal from the current levels of around Rs 42,000 crore. Financial performance continued to be impacted by higher finance cost due to borrowing for payment of additional coal levy of about Rs 3,300 crore and higher fuel expenses after the Court's cancellation of coal blocks, the company noted. Buoyed by rising domestic steel consumption, the company produced 1.65 mt, up 31% y-o-y, in the quarter and sold 1.61 mt, up 40%, in the same period.

Source: Financial Express, August 10, 2018

Tatas Scrap Bhushan Steel Office Rental Pact with ex-Promoter

Tata Steel, which took over Bhushan Steel at the end of a bankruptcy resolution process, has terminated an annual rental contract with promoter, Neeraj Singh for the lease of its corporate office in New Delhi, saving Rs.72 crore a year, said two people with direct knowledge of the development. The move is part of efforts by the new owner to cut costs and turn the asset around. Bhushan Steel's corporate office was located in the Hyatt Regency Complex, near the luxury hotel of the same name. The building is owned by Bhushan Steel's erstwhile promoter group, which charged the company Rs.6 crore a month as rent. Bhushan Steel spent about Rs.264.15 crore on the corporate office lease and warehousing charges in FY17, according to its latest annual report.

Source: Economic Times, August 06, 2018

Thermax reports 4.3% increase in PAT

Thermax posted a 4.3% rise in consolidated PAT to Rs.49 crore for Q1FY19, while revenues were up by 15.9% to Rs.1,035 crore. PAT after the company's share of profit/loss in joint ventures stood at Rs.49 crore, up by 22.5%. as on June 30, 2018, Thermax Group had an order balance of Rs.6,420 crore, up 29.9%. Order booking for the quarter, at the consolidated level, was Rs.1,652, down by 13.9%, as last year's quarter included a single order of value exceeding Rs.1000 crore.

Source: Financial Express, August 09, 2018

Tata Steel: revise BIS recycling code for steel scrap

Bureau of Indian Standards' classification for steel recycling have to be streamlined and aligned with international norms, according to Tata Steel. "There is a need to review and revise the BIS scrap code and encourage the domestic scrap trade to comply to the same," Yogesh Bedi, Chief — Steel Recycling Business, Tata Steel said in a presentation to Niti Aayog during the international conference on 'Sustainable Growth Through Recycling: Policy Prescriptions'. International scrap trade is based on the ISRI (Institute of Scrap Recycling Industries). "Accordingly, India too uses ISRI code for international trade. This code is revised annually and the last update was in 2018," he said. But the domestic trade is based on the local classifications or codes of different countries. In India, BIS classification and codes are available but not prevalent in use. The domestic market is mostly unorganised and uses informal nomenclature adapted to

regional/local availability of scrap. Bedi said, many scrap classifications are missing under the current code.

Source: Economic Times, August 07, 2018

Tata Steel-Bhushan Power deal gets CCI clearance

Fair trade regulator CCI has approved Tata Steel's proposed acquisition of debt-ridden Bhushan Power and Steel. "@CCI_India finds no appreciable adverse effect on competition in respect of Tata Steel's proposed acquisition of 100 per cent of the total issued and paid up capital of Bhushan Power and Steel Limited," the regulator said in a tweet today. According to the notice submitted to the Competition Commission of India (CCI), the proposed combination involves the acquisition by Tata Steel, either directly or through a wholly owned subsidiary, of up to 100 per cent of the total issued and paid up share capital of Bhushan Power and Steel, which is presently undergoing insolvency resolution proceedings initiated under the Insolvency and Bankruptcy Code (IBC).

Source: Business Line, August 09, 2018

POLICY

US tariffs: Steel Ministry in discussions with industry on revised proposal to sort out issue

With India deferring imposition of retaliatory duties on US goods till mid-September, the Steel Ministry is in consultation with the industry to arrive at a broadly acceptable "compromise proposal" to settle the issue of penal tariffs imposed by Washington on import of steel and aluminium from the country. "There is confusion in our industry on how the contentious issue of tariffs on aluminium and steel should be settled as the US is unwilling to roll back its decision in its entirety. There is a possibility that the US could agree not to impose the additional tariffs on imports within a quota limit. However, there is no agreement within the industry on the minimum quota that should be acceptable to India," a government official told BusinessLine. In March, the Trump regime imposed additional import duties of 25 per cent and 10 per cent on steel and aluminium respectively on a number of trading partners including India, China, the EU, Canada, Japan, South Korea and Mexico citing national security concerns. After trying to convince Washington to withdraw the "unfair" duties against India bilaterally and at the World Trade Organisation, New Delhi issued a notification

on June 20 proposing retaliatory import duties on 29 items from the US totalling \$241 million from August 4, which has now been deferred to September 18. According to industry estimates, India exports steel and aluminium worth \$1.5 billion to the US annually. Interestingly, while India has deferred its decision to impose retaliatory duties on the US, others such as China, the EU, Mexico, Turkey and Canada have already put in place such tariffs.

Source: Business Line, August 08, 2018

PROJECTS

Tata Sponge may invest Rs.3k cr for steel-making unit

Tata Sponge Iron may invest around Rs 3,000 crore to set up a steel manufacturing facility, a person with knowledge of its plans said. “The project is under active consideration,” said the person, speaking on the condition of anonymity. The Tata Steel subsidiary had announced last year that it would set up a 1.5 million tonne steel plant at Joda in iron ore rich Odisha. The state also houses its current facility. “Considering the future growth potential of the steel industry, the company has applied to the ministry of environment, forests and climate change for permission to set up a 1.38 million metric tonne steel plant in phases at Joda,” the company had said in its annual note to shareholders for the year. The company is looking to set up a blast furnace and expects the integrated steel plant to be ready in the next four years. Even though it will be sourcing iron ore from parent Tata Steel, Tata Sponge is on the lookout for acquiring iron ore and coal mines as and when these are auctioned by the government, the note added. Tata Sponge Iron reported a net profit of Rs 141 crore on revenue of Rs 816 crore in fiscal 2017. For the first quarter of the current fiscal year, it reported 49% year-on-year growth in profit at Rs 46 crore.

Source: Economic Times, August 10, 2018

STEEL PERFORMANCE

India becoming steel dumping ground

India seems to have turned a favourite dumping ground for steel makers from not just China but also Japan and South Korea, which are diverting supplies from the US and the European Union in massive volumes to beat the impact of a global tariff war initiated by the Trump administration. Official data suggest steel supplies from China, the world’s largest steel producer, surged to 3,62,000 tonnes

in the April-June period, up as much as 67 per cent sequentially from 2,17,000 tonnes in the previous quarter, even though our overall merchandise imports from the second-largest economy faltered. Similarly, steel imports from Japan and Korea jumped 47 per cent and 35 per cent, respectively, to 3,74,000 tonnes and 7,46,000 tonnes in the June quarter, against supplies in the previous three months, according to a note prepared by the steel ministry. Industry sources said domestic price for HR coil, a key product, at \$675 per tonne is higher than the landed cost of imports from these countries. Including 12.5% customs duty and freight, HRC from China is now available to Indian buyers at \$ 672/tonne. Since Japan and Korea enjoy duty reliefs under India's Free Trade Agreements with them, the imports from these countries are 10% cheaper than domestic steel; the post-Trump-tariffs situation has led to imports from these countries to accelerate further. Importantly, while the combined steel exports by China, Japan and South Korea to the US dropped 17%, or by 2,41,000 tonnes, in the April-June period vis-à-vis the previous quarter, their supplies to India rose by 4,59,000 tonnes, up 45% from the March quarter. This suggests these Asian steel-makers are diverting supplies to India that were earlier meant for not just the US but other destinations as well, including the EU, that has already initiated plans to put safeguard measures in place to tightened flows of cheap imports from Asian rivals to protect domestic industry. The dumping raises fears that after becoming a net exporter of steel for two straight years, supported ably by government policies, India could again turn a net importer in 2018-19. Additionally, the ministry wants that import duty on raw materials of a steel product that are in short supply be scrapped by the government first if India will commit to a reduction of elimination of duty on the finished product at RCEP.

Source: Financial Express, August 06, 2018

'Steel imports face moderate trade war risk'

India Ratings and Research (Ind-Ra) has said there is a moderate risk of global trade war with domino effect due to US trade restrictions on steel imports but rebounding steel margins could help domestic steel companies withstand the challenges. In its latest report on the steel sector the agency said it does not expect margins of domestic players to be under threat in the near term as less than 10% of India's surplus steel capacity caters to the export markets, primarily Europe and neighbouring countries. While potential correction in input prices and China's supply discipline will benefit the margins, an unexpected retardation in Chinese demand growth and increased intensity of global trade war could counter the improvement in margins. However, the impact could be felt through negative sentiments in the international markets and oversupply due to diversion of supply

by countries exporting to the US to other importing countries. Ind-Ra said it expects further deleveraging of balance sheet of steel companies in FY19 backed by sustained margins coupled with absence of funding of loss by debt.

Source: Economic Times, August 07, 2018

FINANCIAL

NCLAT extends deadline to submit revised bids for Bhushan Power

The National Company Law Appellate Tribunal (NCLAT) on Monday extended the deadline for a resolution plan for the stressed Bhushan Power and Steel Ltd (BPSL) till August 13. The two-member bench, headed by Justice SJ Mukhopadhyaya, had earlier set an August 6 deadline for the resolution of the debt-ridden BPSL, for which Tata Steel, Liberty House and JSW Steel are bidders. The matter will be heard again at the NCLAT on August 17. Tata Steel has moved the Supreme Court against NCLAT's decision to consider revised bids for the stressed assets of BPSL.

Source: Business Line, August 07, 2018

Essar Steel litigation delays Uttam Galva resolution

Worried over an inordinate delay in the resolution of Essar Steel's debt, Indian lenders are taking legal opinion on how to settle the Rs 60-billion debt of Uttam Galva Steels (UGSL). Insolvency proceedings of UGSL are pending before the National Company Law Tribunal (NCLT) in Mumbai since December last. The delay in UGSL resolution is because ArcelorMittal, a co-promoter till February this year, has promised to repay the debt, provided it wins the race for another bankrupt company — Essar Steel. ArcelorMittal was holding a 29 per cent stake in Uttam Galva Steel till February this year and was deemed ineligible by the resolution professional of Essar Steel to bid for Essar Steel as UGSL was a bank defaulter. The Insolvency and Bankruptcy Code (IBC) law debars defaulters to bid for any bankrupt company in India. The Essar Steel matter is pending in the National Company Law Appellate Tribunal (NCLAT) after ArcelorMittal appealed. This case has also delayed the resolution of UGSL, say bankers. According

to a source close to the development, banks don't want to wait indefinitely for the resolution of UGSL as the Essar Steel case is expected to be appealed before the Supreme Court by both or either of the bidders -- Numetal Mauritius and ArcelorMittal – if their bids are rejected by the NCLAT.

Source: Business Standard, August 08, 2018

GLOBAL STEEL

Thyssenkrupp likely to spin off steel unit head of JV with Tatas

German conglomerate Thyssenkrupp AG has said it is working to spin off the steel business as it prepares for launching an equal joint venture with Tata Steel. Preparations for the start of the joint venture, which will combine European steel businesses of the two companies, are on schedule. Thyssenkrupp said in an official statement detailing its third quarter performance on Thursday. Tata Steel and Thyssenkrupp had signed definitive agreements to combine their European steel businesses in a 50:50 joint venture in a new company on June 30. The next step on the road to the joint venture is to follow merger control procedures of relevant regulatory authorities, the German company said. The proposed new company, to be named Thyssenkrupp Tata Steel BV, is tipped to be positioned as a leading pan-European high quality flat steel producer with a strong focus on performance, quality and technology leadership. The proposed merger anticipates synergies of 400-500 million. Thyssenkrupp said its balance sheet will significantly improve on completion of the transaction.

Source: Economic Times, August 10, 2018

MISCELLANEOUS

Tata Steel board to consider issuance of NCDs

Tata Steel's board of directors will consider the issuance of unsecured non-convertible debentures (NCDs) on a private placement basis in the board meeting to be held on August 13, 2018, the company said in a BSE filing. In its annual general meeting held last month, shareholders had approved the company's plans to raise up to Rs.12,000 crore through NCD on a private placement basis.

Source: Financial Express, August 09, 2018

Shortage of long steel hurts EPC companies

Engineering companies say they face a shortage of long steel products. It appears the major integrated producers are focusing instead on output of flat steel items. There has, in fact, been a shortage of long products in the market since November last year. Flat steel products are used in the auto sector, while long steel products find wide application in infrastructure and construction. Large players such as Tata Steel, SAIL, Jindal Steel and JSW Steel constitute around 35-37 per cent of the long steel market in India. The balance 63-65 per cent is distributed amongst 1,200 rolling units. Tata Steel produces about 3 million tonnes long steel while the remaining chunk of its current capacity is flat steel and value-added products. Sajjan Jindal-led JSW Steel too focuses on flat steel. India's long steel market is estimated at 50.4 million tonnes as of FY18. This market has risen at 4 per cent compound annual growth rate (CAGR) over past three years, slower than aggregate steel demand (which grew at 5.6 per cent during past three years), said data from Crisil Research. Large EPC companies, however, do not source their long products from rolling units as the products are made from scrap and hence do not have the required quality and strength needed. Due to this, dependency on integrated players for the supply of long products is higher. Integrated steel producers too are making an effort to contribute strongly towards long product production.

Source: Business Standard, August 09, 2018

Bhushan Steel MD Neeraj Singal arrested for corporate fraud

The Serious Fraud Investigation Office (SFIO) has arrested Neeraj Singal, Managing Director of Bhushan Steel, for indulging in corporate fraud. According to the Ministry of Finance and Corporate Affairs, he is accused of siphoning off funds of over Rs.2,000 crore from the loans availed by Bhushan Steel Ltd (BSL), using more than 80 companies. The companies were used for rotation of funds through bogus loans and advances, investments, etc. The investigation was carried out by the SFIO after complaints from various sources, an official release said, adding that Singal was produced before the court of competent jurisdiction on Thursday and was sent to judicial custody till August 14. During the course of the investigation, the SFIO found that the erstwhile promoters used fraudulent means to divert/siphon off funds raised by the then management of BSL from public sector banks using several associate companies. After insolvency resolution, the ownership and control over BSL has been transferred to the Tata Group, it said.

Source: Business Line, August 10, 2018
