

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**

August 11- 17, 2018

HIGHLIGHTS OF THE WEEK

1. ‘Steel demand to grow 10-11% annually’
2. Tata Steel net profit doubles to Rs.1,934 cr on better realizations.
3. JSW Steel has pipped Tata Steel at the post to emerge as the highest bidder for the stressed Bhushan Power and Steel.
4. JSW-Tata Steel battle spills over to iron ore
5. Usha Martin aims to sell steel unit by FY 19 to pare debt
6. Steel-makers seek 40% export duty on graphite, removal of dumping duty on imports
7. Thyssenkrupp needs new strategy, says investor
8. Japan, S Korea steel exports to India surge on tariffs

RAW MATERIAL

JSW-Tata Steel battle spills over to iron ore

Locked in a battle for Bhushan Power & Steel, the clash between the country’s top two steelmakers, Tata Steel and JSW Steel, is spilling over into the sphere of iron ore. JSW Steel has challenged the auction process for iron ore blocks in Odisha. The matter being heard in the Delhi High Court is on participation of companies holding more than the limit permitted under the Mines and Minerals (Development & Regulation) (MMDR) Act. The court has restrained the Odisha government from proceeding on e-auctions of two iron ore blocks, Chandiposhi and Purheibahal, in Sundargarh district, originally scheduled to be put under the hammer on May 5 and 8. Seventeen companies including JSW and Tata Steel, had evinced an interest in the blocks. Tata Steel, however, appears to be the only company for which the MMDR clause holds because the prevailing auction rules debar a company from winning electronic auctions of a mineral block if it possesses more than 10 square km of a mineral lease area. Tata steel is understood to have six iron ore and manganese mines in its leasehold in the state with the combined area straddling about 50 square km. The odisha government has appealed to the Centre to raise the permissible limit to 10 square km to 75 sq km.

Source: Business Standard, August 13, 2018

Mining sector seeks lower tax, export duty exemptions

The Federation of Indian Mineral Industries (FIMI) has sought rationalisation of tax on mining, and exemption from export duties on iron ore and bauxite. In a press statement before its 52nd Annual General Meeting, the industry body said taxes and royalty for mining in India are the highest in the world. “Effective Tax Rates (ETRs) work out to be as high as 64 per cent for the existing mines and 60 per cent for the auctioned mines. Apart from the ETRs, there are hosts of other taxes, levies and cess due to which total financial burden goes beyond 100 per cent of the cost of mineral production,” the statement said. FIMI also called for a reduction of export duty on iron ore. The statement said, “Since there is no domestic demand for iron ore with up to 62 per cent iron (Fe), the only alternative is to export. The export duty on more than 58 per cent Fe grade is 30 per cent ad valorem which makes exports unviable. Hence, FIMI reiterates that export duty on iron ore up to 62 per cent Fe should be removed completely, particularly iron ore of Jharkhand and Odisha.”

Source: Business Line, August 14, 2018

COMPANY NEWS

Tata Steel net profit doubles to Rs.1,934 cr on better realisations

Tata Steel reported that its consolidated net profit in the June quarter more than doubled to Rs.1,934 crore (Rs.921 crore) on the back of lower base, fresh revenue from Bhushan Steel (holding company Bannipal Steel) and better realisations in India. The total revenue was up 22 per cent at Rs.37,434 crore (Rs.30,780 crore). The company has made a provision of Rs.344 crore for various claims against Rs.617 crore logged in last year. The board of directors at the meeting on Monday approved a proposal to raise Rs.12,000 crore through issue of non-convertible debentures on private placement basis in one or more tranches. The fund will be primarily deployed towards capex, repayment of debt and general corporate purposes, said the company in a statement. The board also approved the re-appointment of TV Narendran as Managing Director and Chief Executive Officer for five years with effect from September 19, the last day of his present contract. The overall production was 11 per cent at 6.92 million tonnes (6.23 mt) while sales were

up 12 per cent at 6.55 mt (5.83 mt). The company's Ebitda was up 33 per cent at Rs.6,559 crore (Rs.4,393 crore). Revenue from the company's India operations increased 14 per cent to Rs.16,405 crore (Rs.14,422 crore) while Bannipal Steel logged in a revenue of Rs.2,107 crore for the first time after its acquisition through insolvency process.

Source: Business Line, August 14, 2018

JSW pips Tata Steel to bag Bhushan Power

JSW Steel has pipped Tata Steel at the post to emerge as the highest bidder for the stressed Bhushan Power and Steel. JSW Steel revised its bid from the earlier Rs.19,000 crore to Rs.19,700 crore, while Tata Steel surprisingly retained its initial bid of Rs.17,000 crore. UK-headquartered Liberty House increased its bid by Rs.500 crore to Rs.19,000 crore, said sources close to the development. Tata Steel had emerged the winner in the first round of bidding. But the National Company Law Appellate Tribunal (NCLAT) directed Bhushan Power's Committee of Creditors (CoC) to go for rebids after the other firms expressed a wish to increase their offers. Tata Steel had appealed to the Supreme Court against the NCLAT decision to consider revised bids. However, the apex court refused to stay the NCLAT order. The CoC will now submit the leading bids — of JSW Steel and Liberty House — to NCLAT, which will then approve the highest bidder's proposal on August 17. With the buyout of Bhushan Power, JSW Steel will retain its position as the country's largest private sector steel producer with a capacity of 22 mtpa while Tata Steel, with a capacity of 19 mtpa, will remain the second largest.

Source: Business Line, August 15, 2018

Usha Martin aims to sell steel unit by FY 19 to pare debt

Usha Martin hopes to sell its steel business within the end of this financial year despite the arm posting a rebound in both revenue and profitability in the first quarter of FY19. The company recently appointed a committee of independent directors to recommend proposals from interested buyers. Sources said at least five companies have evinced interest to buy the steel assets. The company, which also makes wire ropes, posted 18.40 per cent increase in revenue at Rs 10.48 billion and a gross profit of Rs 1.13 billion

from the steel business in the quarter ended June. In the first quarter of the last fiscal year, its earnings and gross loss from this line of business stood at Rs 8.85 billion and Rs 3 million, respectively. “The committee of independent directors will submit their recommendations to the board and in case they consent to it, nod from the shareholders will be sought. We hope to complete this process by the end of this fiscal year,” Chief Financial Officer Rohit Nanda told Business Standard during a discussion on the company’s financial performance.

Source: Business Standard, August 17, 2018

POLICY

Steel-makers seek 40% export duty on graphite, removal of dumping duty on imports

The steel industry has urged the government to levy export duty of 40 per cent on graphite electrodes, one of the key raw materials, to improve domestic supply and bring down prices. The industry also wants the government to remove the country-specific high anti-dumping duty of \$238 - 900 a tonne levied on graphite imports. The levy of anti-dumping duty and strong demand has pushed up domestic graphite electrode prices by over five times in the last three years to \$15,000 a tonne, from \$2,350 a tonne in June 2015. The rise in graphite prices has pushed up steel making cost by about Rs.1,500-1,700 per tonne. Bhaskar Chatterjee, Secretary General, Indian Steel Association, said it is important that export of graphite electrodes is restricted given that the Indian steel industry is at the crossroads and several steel producers are going through insolvency proceedings. To tide over the present situation, he said both the anti- dumping duty and the customs duty on imports of graphite electrodes should be temporarily put in abeyance till the balance between demand and supply is restored globally. Ravi Jhunjhunwala, Chairman and Managing Director, HEG, one of the largest graphite manufacturer, said the graphite prices are going up due to strong demand and not due to short-supply. He said the rise in graphite price has pushed up steel making cost by 6 per cent from 2 per cent and is surprising that steel companies are not targeting the rise in cost of other raw materials.

Source: Business Line, August 14, 2018

FINANCIAL**NCLAT: Vedanta can buy Electrosteel, Tata Steel eligible to buy Bhushan Steel**

The National Company Law Appellate Tribunal (NCLAT) on Friday dismissed a petition questioning the eligibility of Tata Steel and Vedanta to acquire the stressed assets of Bhushan Steel and Electrosteel in an insolvency driven process. The promoter of Bhushan Steel, Neeraj Singhal, had questioned Tata Steel's eligibility under Section 29A of the Insolvency and Bankruptcy Code (IBC) as the latter's UK subsidiary was penalised under the British law for violation of the UK Health and Safety at Work Act. Meanwhile, Renaissance Steel challenged billionaire Anil Agarwal-promoted Vedanta's eligibility to acquire Electrosteel as it was punished in Zambia for environment violation. Section 29A of IBC mandates that a person convicted for any offence punishable with imprisonment for two years or more is ineligible for submitting a resolution plan. It applies even if such a conviction has been made under foreign laws. Pronouncing its verdict on both the cases together, the NCLAT said the offences of both Vedanta Resources-owned Konkola Copper Mines and Tata Steel UK were found to be less severe than those deemed ineligible under the insolvency code; both the bidders were found to be eligible to submit resolution plans in the respective insolvency resolution cases of Electrosteel and Bhushan Steel.

Source: Economic Times, August 11, 2018

Jindal Steel: Maintain 'buy' with a TP of Rs.300

Jindal Steel & Power's (JSPL) Q1FY19 Ebitda (up 68% y-o-y) at Rs 22.7 billion came in line with consensus. Key highlights: (1) standalone steel division's Ebitda at Rs 13,410/t (up 55% y-o-y) was the highest since Q3FY11; (2) sales volume jumped 47% y-o-y to 1.19 mt due to ramp up of BF-BOF at Angul; and (3) the power division continued to be a laggard with PLF at <50%. We believe, JSPL is on a strong footing due to: (a) imminent ramp-up of rail mill following the Indian Railways order; (b) operating leverage benefits from Angul ramp up (FY18-20E shipments CAGR at 41% to 7.5 mt); and (c) sustained good performance of Oman division. At CMP,

the stock is trading at 5.1x FY20E Ebitda, lower end of peers and 10-year band. Maintain ‘buy’ with a TP of `300 (exit multiple 5.9x). JSPL’s 68% y-o-y EBITDA growth was led by sustained robust performance of the steel division: (1) standalone Ebitda jumped 2x y-o-y to `16.5 billion led by volume growth (up 47% y-o-y) and realisation uptick (up 22% y-o-y); and (2) Oman division continued its dream run with \$162/t Ebitda — highest ever — on rebar mill ramp up and sustained prices. As a result, JSPL reported net profit for the first time since Q2FY15. However, the power division continued to lag with low PLF (<50%) and Ebitda/unit stagnant q-o-q at Rs 1.24. While we expect the steel division to continue to drive performance, power division is envisaged to languish in absence of adequate PPAs and coal linkages.

Source: Financial Express, August 14, 2018

STEEL PERFORMANCE

‘Steel demand to grow 10-11% annually’

Demand for steel in India is likely to see an annual growth of 10-11% over the next three years, buoyed by a firming trend in the construction sector, among other factors, an official said. “Going forward we have the potential of domestic steel demand growing at 10-11% for another three years, consequently, if nothing extraordinary happens. But in normal circumstances I would expect that,” Joint Plant Committee (JPC) Chief Economist AS Firoz said. Domestic steel demand grew at 8% in the first quarter of 2018-19, he said.

Source: Economic Times, August 13, 2018

Ministries wary of Chinese steel, dairy imports from New Zealand

A group of ministers (GoM) set up to recommend whether India should continue to be part of the 16-member Regional Comprehensive Economic Partnership (RCEP) is likely to meet on August 14, even as officials from various departments shared their concerns on the proposed pact with senior commerce department officials. While the steel ministry has already aired its fears on India becoming a secondary market for steel imports from China,

the agriculture ministry is wary of dairy products coming in from New Zealand. Both China and New Zealand are part of the RCEP grouping that also has as its members the ten ASEAN countries, Australia, Korea and Japan besides India. There were secretary level consultations earlier this week in the run-up to the GoM meeting that was expected to take place on Friday. The four-member GoM was set up to discuss the future of the talks and India's participation in it ahead of a key meeting of RCEP trade ministers on August 30-31.

Source: Economic Times, August 13, 2018

Thyssenkrupp needs new strategy, says investor

Thyssenkrupp (TKAG.DE) needs a broad overhaul in strategy carried about by a new external chief executive, as mid-term targets announced this week will not be enough to put the German group back on track, according to one of its investors. Union Investment owns just a 0.2 percent stake in Thyssenkrupp, worth about \$28 million, but has been one of the most critical shareholders of the steel-to-submarines conglomerate and repeatedly urged management to seek a deeper restructuring. "Thyssenkrupp needs a strategy shift. This is easier to achieve when someone new comes in from the outside," fund manager Ingo Speich said in the first public comments by an investor after the group published 2020/21 targets on Wednesday. That included margin goals for the group's four divisions, but drew a muted market response as analysts pointed out that they were only in line with consensus forecasts. "They won't move the needle in capital markets. There, the main questions are who the new CEO will be and what the strategy is going to look like," Speich said.

Source: Business Standard, August 12, 2018

Japan, S Korea steel exports to India surge on tariffs

India is being hit by a wave of steel from producers in Japan and South Korea, a government document showed, as mills there redirect supply after US President Donald Trump slapped an import duty on the alloy earlier this year. During the first quarter of the fiscal year starting in April, India's steel

imports from South Korea rose 31 per cent from a year earlier, while those from Japan climbed 30 per cent, according to an internal document from the Ministry of Steel that was reviewed by Reuters. The flood of imports is so big that the government in New Delhi is considering measures to control imports, Minister Chaudhary Birender Singh told Reuters.

Source: Financial Express, August 17, 2018

GLOBAL STEEL

Trump says tariffs will revive US steel industry

President Donald Trump believes his tariffs on steel will rescue the industry. People may complain that steel prices are “a little bit more expensive” but they will eventually fall and the duties will protect an industry that is essential to national security, Trump said. The result, the president said, will be competition that is “internal, like it used to be in the old days when we actually had steel, and U.S. Steel was our greatest company.”

Source: Financial Express, August 17, 2018

Trump doubles tariffs on Turkish Steel, aluminium

U.S. President Donald Trump said on Friday he had authorized higher tariffs on imports from Turkey, imposing a 20 percent duty on aluminum and 50 percent one on steel, as tensions mount between the two NATO allies over Ankara's detention of an evangelical pastor and other diplomatic issues. "I have just authorized a doubling of Tariffs on Steel and Aluminum with respect to Turkey as their currency, the Turkish Lira, slides rapidly downward against our very strong Dollar!" Trump said in an early morning post on Twitter. "Aluminium will now be 20 percent and Steel 50 percent. Our relations with Turkey are not good at this time!"

Source: Business Standard, August 11, 2018

US import duty on the cards for Indian stainless steel flanges

The Trump administration may impose antidumping duty and countervailing duty on imports of stainless steel flanges from India citing unfair pricing of these products even as the two countries chalk out a way to resolve their bilateral trade issues. The US Department of Commerce on Monday “determined that exporters from India have sold stainless steel flanges in that country at 19.16-145.25% less than fair value”. It also determined that India is providing countervailable subsidies to its producers of stainless steel flanges at rates ranging from 4.92-256.16%. In 2017, imports of stainless steel flanges from India were valued at an estimated \$44 million. Flanges are used to connect pipes and pumps to form a piping system. “These levies need to be seen independent of the two countries’ ongoing bilateral issues,” an official in the know of the development said. The two sides have been embroiled in a series of disputes, including some at the multilateral level of the World Trade Organization. Last week, India decided to defer the imposition of higher tariffs on 29 American imports worth \$235 million in retaliation to the US move to levy 25% duty on certain steel products and 10% on aluminium products from India.

Source: Economic Times, August 17, 2018