

# 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 25- 30, 2018**

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## HIGHLIGHTS

1. Govt for retaining anti-dumping duty on Chinese flat base steel wheels
2. Steel Ministry plans policy for giving sports a boost
3. India's crude steel output increased by 5.4 per cent to 61.8 million tonnes
4. SAIL scouting for locations in three states for steel plant
5. Tata Steel on gender-diversity drive, aims to have 20% female staff in 5 years
6. The gradual ramp-up of SAIL's captive iron ore capacity has brought it within striking distance of the country's largest iron ore producer, NMDC
7. With much-delayed expansions getting onstream, SAIL has been posting a consistent improvement in performance over the last few quarters and the June quarter was no different.
8. SAIL has started process to exit some of its joint ventures that are either non-operational or non-performing
9. Vedanta plans to ramp up capacity at Electrosteel.
10. India is the most promising market for us: Nippon Steel

## RAW MATERIAL

### **SAIL closing in on NMDC's iron ore capacity**

The gradual ramp-up of SAIL's captive iron ore capacity has brought it within striking distance of the country's largest iron ore producer, NMDC, which supplies to major steel producers like JSW Steel and Essar. In 2017-18, SAIL's finished iron ore production capacity was 37 million tonnes and it is still in expansion mode. NMDC, which is also expanding its capacity, had an iron ore mining capacity of 43 million tonnes in 2017-18. In terms of production, however, the gap between SAIL and NMDC was slightly wider, the public sector steel maker being a captive user. Typically, for producing one tonne of crude steel, 1.6 tonnes of iron ore consumption is assumed. SAIL's iron ore production was 27 million tonnes in 2017-18 and NMDC's 35.5 million tonnes. SAIL's crude steel production during the period was at around 15 million tonnes. However, SAIL, which has achieved a rated capacity of 21 million tonnes per annum of crude steel capacity, is in the process of ramping up production from its new units as well as optimally utilising the old units. This is part of SAIL's modernisation and expansion plan. In tandem with SAIL's steel expansion, mines are also being expanded. The capex plan for augmentation of all raw material facilities is Rs 102.64 billion. SAIL sources said it was possible that in the near term, the iron ore capacity could be increased to 42 million tonnes. That could happen in the

next two years. SAIL's expanded steel capacity would have 100 per cent iron ore security.

*Source: Business Standard, August 29, 2018*

## COMPANY NEWS

### **SAIL scouting for locations in three states for steel plant**

Steel PSU SAIL is considering locations in three states of Gujarat, Andhra Pradesh and Maharashtra to set up Rs 5,000-cr ore autograde steel plant in joint venture with ArcelorMittal, Steel Minister Chaudhary Birender Singh said. "SAIL people say that there are three places they can consider for putting up that plant. One is Maharashtra, another one is in Gujarat and third is in Andhra (Pradesh)," the steel minister said. The proposed plant would be set up in one of these three states, he told reporters after the release of the corporate sports policy for central public sector enterprises under the steel ministry. The auto-grade steel plant project with a capacity of 1.5 million tonnes per annum (MTPA) will be scaled to 2.5 MTPA, he added. According to official sources, negotiations were still under way with regard to detailed technical agreements of the joint venture. Domestic steel giant SAIL in December last year announced that its board had approved a proposal to enter into a joint venture with the world's largest steelmaker ArcelorMittal for manufacturing high-end automotive steel. The PSU had also said that definitive agreements in that regard would be finalised in the due course subject to financial viability. SAIL and ArcelorMittal had entered into an MoU in May 2015 to explore the possibility of setting up an auto-grade steel manufacturing facility under a joint venture in India.

*Source: Business Line, August 28, 2018*

### **Tata Steel on gender-diversity drive, aims to have 20% female staff in 5 years**

Tata Steel aims to increase the representation of women in its workforce and has set itself a five-year gender-diversity target of 20%, three times more than the national average for manufacturing companies. Currently, 11% of the steelmaker's employees of 7,000 are women, up from about 8% two years ago and higher than the typical female headcount of 3-8% in the

manufacturing sector. The diversity thrust includes focused hiring of women both from campuses and who are experienced, offering female staff facilities like flexible working hours, options to work from home and distant locations, and leadership development programmes. To attract female talent, especially in technical fields, a year ago Tata Steel launched an initiative called ‘Women of Mettle’— a scholarship scheme to induct woman engineers into the manufacturing sector. The programme is open to female students from engineering colleges like IITs and NITs. The top 10 candidates are given pre-placement offers.

*Source: Economic Times, August 28, 2018*

### **SAIL to exit non-performing, non-operational joint ventures**

India’s largest steel maker SAIL has started process to exit some of its joint ventures that are either non-operational or non-performing, the public sector major has said in a report. The steel maker is also exploring options to monetise its investment in certain JV companies, the latest report said. “SAIL has initiated actions for closure/exit from certain joint venture (JV) companies which are either non-operational or non-performing,” Steel Authority of India Ltd (SAIL) said in its annual report 2017-18. SAIL has formed joint venture companies in different areas, namely power generation, rail wagon manufacturing, slag cement production, securing coking coal supplies from overseas sources, among others. Some of the joint ventures include NTPC-SAIL Power Co Ltd, Bokaro Power Supply Co Pvt Ltd and International Coal Ventures Pvt Ltd (ICVL). According to sources, some of the non-operating JVs of the PSU include UEC Sail Information Technology Ltd and Romelt SAIL (India) Ltd. SAIL and ArcelorMittal also signed a pact in May 2015 to explore the possibility of setting up an automotive steel manufacturing plant under a joint venture in the country. The proposed JV will construct a state-of-the-art cold rolling mill with a capacity of about 1.5 million tonnes per annum (MTPA) and other downstream finishing facilities in the country that will offer technologically advanced steel products to India’s rapidly growing automotive sector. The company’s hot metal output was at 15.983 million tonnes (MT) in 2017-18. SAIL’s crude steel output was at 15.021 MT and saleable steel output was at 14.071 MT in the last fiscal.

*Source: Business Line, August 27, 2018*

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### **Demand, product mix to aid SAIL's realisations**

With much-delayed expansions getting onstream, SAIL has been posting a consistent improvement in performance over the last few quarters and the June quarter was no different. Its operating profit per tonne at Rs 7,877 is a significant improvement over Rs 86 in the year-ago quarter and reflects a 13 per cent rise on a sequential basis. These levels are the highest since FY10. While volume growth remains strong led by expansions and robust demand, it is the improved realisations and cost controls that have driven profitability. The June quarter saw sales volumes at 3.3 million tonnes,

*Source: Business Standard, August 27, 2018*

### **Bhushan Steel- Bhushan Energy pacts under discussion**

Tata Steel said on Wednesday the existing power-purchase pact between Bhushan Steel, the debt-laden company which is acquired, and Bhushan Energy was under discussion. The statement comes amid report that Tata Steel has started the process of cancelling power-purchase agreements between Bhushan Steel and Bhushan Energy in a bid to cut costs." Bhushan Steel has a contract (power purchase agreement), with another company, Bhushan Energy. There are some discussions going on at this stage, so nothing has happened as yet". Tata Steel President, Steel Business and Total Quality Management, Anand Sen said.

*Source: Business Standard, August 30, 2018*

## **POLICY**

### **Steel Ministry plans policy for giving sports a boost**

The union steel ministry has launched a first-of-its-kind initiative through a Corporate Sports Policy for its Central Public Sector Enterprises (CPSEs). The move will help nurture the country's sports talent and groom sizeable number of medal hopes for the Olympics in 2024, an official statement said on Monday. The policy document was released by Chaudhary Birender Singh, Union Minister of Steel. In his address, the minister said sports now acts as a change agent. India's steel sector contributes more than 2% to GDP, steel sector needs to strive to enhance equivalent contribution to sports. Awareness towards sports is increasing and the policy aims to achieve the national sports ambition. Under this policy the steel CPSEs will play the role

of –Enabler like, providing infrastructure, venue, facilities, institutions etc; Facilitator like sponsorship, aid, privileges etc. Incentivising like felicitation, publicity and rewards. Under the policy CPSEs, under MoS, will discharge this responsibility through infrastructural and institutional support for Talent potting, Scholarship, Training, Coaching, Workshop, Camp, Visit, Counselling, Special Leave, Flexi Working. CPSEs will also sponsor fully or partly various national and international sports events. They will also form an Apex Sports Body (ASB), with its headquarters in New Delhi, will get affiliated to National Level Sports Associations/Federations, Indian Olympic Association (IOA) and Para Olympic Federation/Association.

*Source: Economic Times, August 28, 2018*

### **Govt for retaining anti-dumping duty on Chinese flat base steel wheels**

India has started a probe to review whether the existing anti-dumping duty on flat base steel wheels imported from China should continue, keeping in mind interest of domestic manufacturers. The Directorate General of Anti-Dumping and Allied Duties (DGAD), an investigation arm of the commerce ministry, would also examine whether the expiry of the duty is likely to lead to continuation or recurrence of dumping and hurt the domestic industry. Kalyani Maxion Wheels and Wheels India Ltd have filed an application seeking review and continuation of the existing anti-dumping duties on import of the wheels. The DGAD, in a notification, said it “hereby initiates investigation to review the need for continued imposition of the duties in force”. It said the present investigation is for sunset review of existing anti-dumping duty. The authority has considered the period of October 2016 to September 2017 as the period of investigation. It would also consider the data of 2014-17 for the probe. In 2013, the finance minister had imposed the duty for five years. The duty was up to \$613 per tonne on import of the product from China. India has imposed anti-dumping duty on as many as 98 products imported from China, as on December 27 last year.

*Source: Financial Express, August 29, 2018*

### **Tata Steel to scrap Bhushan Steel- Energy Deal**

Tata Steel has started the process of cancelling power purchase agreements (PPAs) between Bhushan Steel, a company it acquired through bankruptcy

resolution proceedings, and Bhushan Energy in a bid to cut costs. Scrapping the agreement for Bhushan Steel to buy power from Bhushan Energy will save India's second-largest steel maker Rs 30-40 crore every year. The Tatas had earlier revoked an office lease agreement between Bhushan Steel and its former promoters. The cancellation of the power purchase agreements was part of the Rs 35,000-crore resolution plan approved by the National Company Law Tribunal on May 15, 2018. The Bhushan Energy (BEL) resolution professional had opposed the cancellation and had sought the company's inclusion as an operational creditor of Bhushan Steel (BSL).

*Source: Economic Times, August 27, 2018*

## PROJECTS

### **Vedanta plans to ramp up capacity at Electrosteel**

Natural resources major Vedanta said it plans to spend up to \$400 million (Rs.2,800 crore) on the expansion of Electrosteel from its current capacity to 2.5 MT, apart from stepping up spending towards technology and digital innovation to around Rs.3,500 crore. The two announcements are part of the larger capital expenditure of \$8 billion (Rs.56, 028 crore) that the company has planned across its businesses over the next three years to increase their size by at least 50% . The company plans to fund most of its expansion through internal accruals, said Navin Agarwal, chairman of Vedanta. The company's free cash flow stood at Rs. 7,900 crore at the end of the last fiscal year as it brought down its gross debt by Rs.8,500 crore. However, acquisition of Electrosteel and adjustment of working capital had increased its net debt to Rs.29,910 at the end of the first quarter. It has cash and liquid investments of close to Rs.35,251 crore.

*Source: Economic Times, August 25, 2018*

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**FINANCIAL****Bhushan Power: Liberty House not keen on price war with JSW Steel**

The UK-based Indian billionaire Sanjeev Gupta-owned Liberty House will not engage in a bidding war with JSW Steel in the insolvency-driven resolution process for Bhushan Power and Steel. The company will wait for the NCLAT (National Company Law Appellate Tribunal) hearing on September 6 to understand whether revision of bids is allowed at the last moment. The three-way fight to acquire the stressed asset of Bhushan Power got an interesting twist when JSW Steel revised its bid twice. On August 14, it hiked its offer by Rs.700 crore to Rs.19,700 crore to pip both Tata Steel and Liberty House, which had retained their bids at Rs.17,000 crore and Rs.18,500 crore even after NCLAT gave opportunity twice to better JSW Steel bid. Every company has its own calculation to arrive at a price based on their ability to turnaround the stressed asset and new business opportunity it can throw open, but care should be taken to ensure that the sick company does not take the winning bidder down the drain, said an analyst. JSW Steel may have gone aggressive on Bhushan Power to retain its crown as the largest private sector steel company and get a foothold in the northern market, he added. Tata Steel had emerged the winner in the first round of bidding, but NCLAT directed Bhushan Power's Committee of Creditors to go for rebids after the other firms expressed a wish to increase their offers. Tata Steel appealed to the Supreme Court against the NCLAT decision to consider revised bids. However, the apex court refused to stay the NCLAT order.

*Source: Business Line, August 29, 2018*

**JSW Steel replaces Lupin in Nifty 50**

Indices, index provider for the National Stock Exchange (NSE), has included JSW Steel in the benchmark Nifty index. According to a press release on Tuesday, the steelmaker will replace pharma firm Lupin in the benchmark Nifty, with effect from September 28. The inclusion of JSW Steel is expected to boost the steelmaker's stock, given that several exchange-traded funds (ETFs) track the Nifty index. Shares of JSW Steel have already climbed 40 per cent in 2018 so far. On the other hand, analysts don't expect any sharp sell-off in Lupin due to its exclusion from the index, as the pharma company's weightage in the index is a paltry 0.4 per cent. After Lupin's exit, the Nifty50 index still has three pharma companies - Cipla, Dr Reddy's

Laboratories and Sun Pharma — who together hold weight of around 2.5 per cent.

*Source: Business Standard, August 29, 2018*

### **Nifty inclusion: JSW Steel could rise 13% more: Analysts**

Shares of JSW Steel could rise as much as 13% in the near term given the likely buying by index funds due to its inclusion in the benchmark Nifty from September 28, said analysts. Continuous roll over of long positions in JSW Steel futures over the past few derivatives series shows traders are bullish on the stock. Shares of JSW Steel ended up 9% at Rs.399 on the BSE on Wednesday after hitting a lifetime high of Rs.405.40 during the session due to the Nifty inclusion news. The stock marked its biggest one day gain in five years on Wednesday. The total traded quantity of 1.5 crore shares was nearly 16 times its two week average traded quantity of shares, according to BSE.

*Source: Economic Times, August 30, 2018*

## **STEEL PERFORMANCE**

### **India's crude steel output up 5.4% in Jan-Jul: WSA**

India's crude steel output increased by 5.4 per cent to 61.8 million tonnes (MT) in the first seven months of the calendar year 2018, according to World Steel Association. The country had produced 58.6 MT of crude steel in the January-July period of 2017, the association said in a statement. India's crude steel production in July increased by 8.4 percent to 9 MT, over 8.3 MT in July 2017, the release said. World crude steel production for the 64 countries reporting to the World Steel Association was at 154.6 MT in July, registering an increase of 5.8 per cent when compared to July 2017. China's crude steel production for July was at 81.2 MT, registering an increase of 7.2 percent when compared to July 2017.

*Source: Financial Express, August 29, 2018*

## **MISCELLANEOUS**

### **India is the most promising market for us: Nippon Steel**

Japan's top steelmaker Nippon Steel & Sumitomo Metal Corp sees India as the most promising market and wants to become "an insider" to capitalise on

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growth of the world's third-biggest steel market, a senior executive said. "India will be the fastest-growing steel market in the world going forward," Nippon Steel Executive Vice President Katsuhiro Miyamoto told Reuters in an interview on Thursday. "But since it's not an easy market to export to due to trade and distribution issues, it's important for us to become an insider. That's why we are bidding for Essar Steel," he said. Nippon Steel has teamed up with Luxembourg-based ArcelorMittal, the world's largest steelmaker, to bid around \$6 billion for bankrupt Essar Steel, India's 4th-biggest steelmaker. But the bidding process has been delayed due to legal battles over eligibility for the bidders. World Steel Association (WSA) forecast steel demand in India will climb 5.5 percent in 2018 and 6 percent in 2019, becoming the fastest-growing market among the world's top ten steel consumption countries. Even so, Japan's steel exports to India nearly halved in 2016 after India imposed duties of up to 20 per cent on some hot-rolled flat steel products in September 2015. India also set a floor price in February 2016 for steel product imports to deter countries such as China, Japan and South Korea from undercutting local mills.

*Source: Economic Times, August 25, 2018*