

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

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RAW MATERIAL

JSW Steel bags 2 Odisha iron ore mines

JSW Steel has bagged two iron ore mines with a total reserve of 980 million tonnes in the auction in Odisha, a source said. The company won Narayanposhi iron block with 190 MT reserve on Sunday, according to the industry source. Others in the fray for this iron ore mine include Arcelormittal Mittal India Pvt Ltd, Vedanta, Tata Steel and JSPL. JSW Steel bagged the Nuagaon mine, which is the largest iron ore block in the auction in Odisha. It has a total estimated reserve of around 790 million tonne. Both the mines are operational and its leases were expiring in March.

Source: Business Line, February 3, 2020

Iron ore mine wins, Budget positive for JSW Steel

JSW Steel remains in the news, now for good reasons, with the company winning two iron ore mines in Odisha. Besides, it is expected that the government's continued focus on infrastructure will bode well for steelmakers. JSW Steel's stock, thus, gained 2.9 per cent on Monday after having corrected about 11 per cent since mid-January 2020. And, there could be more gains. The company's efforts on securing basic raw materials, such as iron ore for steel-making through fresh bidding of mines in states like Odisha, are positive, and are yielding results. JSW had secured some mines in Karnataka earlier but was only able to meet 8-10

per cent of its requirements. In fact, a rise in iron ore prices to around \$95 a tonne in January, after plunging a sub-\$80 levels in November last year, has raised concerns about the company's profitability, given that JSW procures most of its raw materials from external sources.

Source: Business Standard, February 4, 2020

JSPL stock may see re-rating after SC relief on Sarda Ore

Jindal Steel and Power (JSPL) stock may be headed for a strong re-rating as the company started transporting its 12 million tonnes of iron ore inventory from Sarda mines following a Supreme Court order. The relief is well-timed given the domestic market tightness amidst mine auctions. Analysts expect a cost windfall of about Rs 2,500 crore accruing to the company, which should be fully absorbed in FY21. "Lower iron-ore cost results in Rs 2,500 crore or 29 per cent increase in FY21 estimated Ebitda and 160 per cent increase in FY21 earnings per share. Higher cash flows accelerate deleveraging with net debt/Ebitda reducing to 2.6 times in FY21 from 4.6 times in FY20," said Sumangal Nevatia, analyst, Kotak Securities. "We see a strong case of re-rating with accelerated deleveraging, credit rating upgrades and reducing concerns over lumpy debt repayments". Shares of JSPL, which rallied more than 100 per cent since September 1, 2019, gained 3.54 per cent to close at Rs 189.90 on Wednesday. The company has reduced its debt from Rs 42,962 crore in March 2019 to Rs 32,113 crore in September 2019. Stock is currently trading at 0.58 times its book value.

Source: Economic Times, February 6, 2020

Mining ban has sent Goa's debt soaring to Rs.19,000 cr: GOMEA

The Goa Mineral Ore Exporters Association (GMOEA), a body representing mine owners, said the state's debt has ballooned to around Rs 19,000 crore on account of mining coming to a halt and stressed on immediate resumption of mining in the coastal state. Mining in Goa came to a halt in March 2018, after the Supreme Court quashed the renewal of 88 mining leases. "The state's debt was between Rs 13,000-Rs 14,000 crore when mining was stopped. And today it has reached almost Rs 19,000 crore. In a small state like Goa debt has increased in the last two years which really shows how mining has affected the state economy," GMOEA Secretary Sauvick Mazumdar told reporters here. Stakeholders involved in machinery, logistics, ports, service sectors among others and most importantly the state and the centre have already lost revenue of approximately Rs 7,000 crore in the last two years of mining ban, he said.

Source: Business Line, February 7, 2020

Vedanta to execute resolution plan for FACOR, complete acquisition

The decks have been cleared for Vedanta Ltd's acquisition of Ferro Alloys Corporation Limited (FACOR). In a notification to the BSE, the Anil Agarwal-led resouces major said it is implementing the approved Resolution Plan for Ferro Alloys Corporation Limited (“FACOR”) as per an order of the National Company Law Tribunal Cuttack, dated January 30, 2020. This is Vedanta's second major acquisition through the auction of stressed steel assets under the Insolvency and Bankruptcy Code. It follows Vedanta's acquisition of Electrosteel Steels through the IBC-led process in 2018 for around Rs 5,320 crore.

Source: Economic Times, February 1, 2020

COMPANY NEWS

Global warming: Tata Steel brings a ‘green’ touch to production

Tata Steel has piloted a new process for production of steel, one it says “results in enormous efficiency gains” and reduces energy use and carbon dioxide emissions by a fifth of that in the conventional blast furnace route. The company has tested this “completely new technology for producing steel” in five pilot plants in Europe; the next step is to bring a commercial scale plant to India. The process, called HIsarna, is a combination of Isarna and Hismelt, the Celtic words for iron and melting vessel, respectively. The company has spent \$75 million in developing the technology at its steel plant in IJmuiden, The Netherlands. In a conventional blast furnace, the ‘flux’ – a mixture of iron ore, coke and limestone – is put into the furnace and a blast of oxygen is sent in through a lance. The mixture melts and collects at the bottom. In HIsarna, the ore is liquefied in a high-temperature cyclone at the top and the molten ore drips to the bottom of the reactor, where powder coal is injected. The technology removes a number of pre-processing steps and requires less stringent conditions on the quality of the raw materials used,” says a Tata Steel note on the technology. Since it is highly concentrated carbon dioxide that leaves the reactor, the system is “ideally suited for carbon capture and either storage (CCS) or use (CCU), without the need for a costly gas separation stage.” The combination of HIsarna with storage could slash slash carbon dioxide emissions by 80 per cent, compared with that in the conventional steel production process, the company says.

Source: Business Line, February 6, 2020

Arcelor made \$1.6-bn equity contribution for Essar acquisition

ArcelorMittal's equity contribution for the acquisition of Essar Steel India (now AM/NS India) is \$1.6 billion, the company said while announcing its 2019 financial results. Described as its biggest achievement in 2019, ArcelorMittal said that the acquisition of Essar formed a fifth steel pillar for it. However, in spite of its equity contribution towards the acquisition of Essar, Arcelor's net M&A spend in 2019 was offset by portfolio optimisation including the formation of the shipping joint venture. Shortly after completion of the \$5.7 billion Essar deal, ArcelorMittal signed a deal for sale of 50 per cent shipping business stake to pare debt. The company said that its past two years' net M&A impact was \$0.2 billion spend.

Source: Business Standard, February 7, 2020

ArcelorMittal reports \$1.9-bn loss in December quarter on lower sales

ArcelorMittal, the world's largest steel company, reported a net loss of \$1.9 billion for the fourth quarter ended December 2019, against a net profit of \$1.2 billion in the same period last year, on the back of a challenging business environment across countries where it has production facilities. ArcelorMittal follows a January to December fiscal year. Sales in the quarter under review was down 15 per cent at \$15.5 billion (\$18.3 billion) due to 16 per cent lower average steel selling prices, and a 2 per cent fall in steel shipments, the company said on Thursday. Depreciation was higher at \$802 million (\$723 million). As of December-end, the company had cash and cash equivalents of \$5 billion, against \$3.6 billion at the end of the September quarter.

Source: Business Line, February 7, 2020

POLICY

BPSL Fraud: NCLAT reserves decision on immunity to JSW

An appellate tribunal on reserved its judgement on the contentious matter of whether JSW Steel, the successful bidder for debt-ridden Bhushan Power and Steel, would have immunity from offences committed by the erstwhile management under a recent change in the insolvency law. The National Company Law Appellate Tribunal concluded the hearings in the case. The corporate affairs ministry and the Enforcement Directorate have locked horns over the retrospective application of the recently amended IBC that provides immunity to new promoters from wrongdoings of the erstwhile management. The ministry of corporate affairs (MCA) has argued before an appellate tribunal that the new law will apply to JSW Steel, the successful resolution applicant for Bhushan Power

and Steel while ED maintains that the amended law could not be applied retroactively. The Centre has previously submitted that the December ordinance, which grants immunity to the new management from offences committed prior to insolvency proceedings, also applied to cases pending before the NCLAT. The MCA has also backed the argument of JSW Steel that it is not a related party to the erstwhile management and therefore immune from prosecution for offences committed by the latter, taking a stance counter to ED's that maintains that the new promoter was a related party.

Source: Financial Express, February 5, 2020

STEEL PERFORMANCE

India's steel demand likely to pick pace in fourth quarter: Ind-Ra

India Ratings and Research (Ind-Ra) has said that the fourth quarter is likely to post an improved demand scenario for steel compared to the previous three quarters even as demand growth remained at a modest 3.5% in the nine month period ended December 2019. The agency said it expects limited downside to steel prices, notwithstanding the impact of coronavirus outbreak on the domestic steel sector which it continues to monitor. In the December 2019 edition of its credit news digest on the domestic steel sector the domestic steel sector agency maintained its demand growth expectation at 4% as reflected in its mid-year steel outlook. Ind-Ra said that demand construction and infrastructure sector is picking up in line with its expectation and is reflected in consumption of long steel products which was around 16% higher in December 2019 compared to the average over 2019.

Source: Financial Express, February 5, 2020

Core sector growth recovers to 1.3% in Dec

The growth of eight core sectors recovered after remaining in negative in the last four months on account of expansion in production of coal, fertiliser and refinery products. The growth recovered to 1.3 per cent in December 2019, the government data released on Friday showed. In November, the core sector posted a contraction of 1.5 per cent while in October the same stood at 5.8 per cent. The coal production increased by 6.1% in December 2019, as compared to December 2018. While crude oil production contracted by 7.4 per cent. Natural gas production declined by 9.2% in the same period. The

petroleum refinery production saw an upward trend of 3% year on year. The steel production increased by 1.9%. The cement production increased by 5.5% in December 2019, hinting at signs of revival in the economy. The fertilizer production increased by 10.2 per cent in December 2019 over December 2018. On the negative side, electricity generation declined by 1.6% in the last month of 2019. The April-December core sector output growth at 0.2 per cent vs 4.8 per cent Year on Year.

Source: Financial Express, February 1, 2020

OTHER METALS

Vedanta plans expansion of alumina refinery

Vedanta Limited is evaluating plans for a three-fold expansion of the capacity of its alumina refinery and associated power plants and infrastructure in Odisha to 6 million tonne per annum (mtpa) from its present level of 2 mtpa. On Thursday the Anil Agarwal-led company invited global bids for engineering procurement construction (EPC) contract for the mega expansion project at Lanjigarh that is tipped to emerge among the world's largest refineries. The company has invited Expressions of Interest (EoI) from leading construction companies to partner with it. The company said it is in the process of working out final details of the cost and investment required for the project.

Source: Economic Times, February 7, 2020

Vedanta net up 14% on one-off gains and low aluminium output costs

India's biggest miner Vedanta Ltd benefited from one-off gains in its oil and gas and aluminium businesses in the December quarter, gains that helped offset the impact of a weak operating environment marked by southbound estimates of global economic growth and trade volumes. EBIDTA of Rs. 6,531 crore (up 10% year on year) and a net profit of Rs. 2,665 crore (up 14%) were buttressed by one-offs from the past cost recovery at oil and gas business of Rs. 1,276 crore and Rs. 460 crore in the aluminum vertical. These gains helped mitigate the impact of a production cut in the oil and gas business, which had earlier given a guidance of faster growth. Other businesses at the miner were also affected by weak commodity Vedanta - Consolidated December quarter results

Source: Economic Times, February 1, 2020