

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

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HIGHLIGHTS OF THE WEEK

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COMPANY NEWS

Jindal Stainless chalks out road map to better revenue & build brand

With Jindal Stainless' corporate debt restructuring (CDR) plan in the final lap, the country's largest stainless steel producer is chalking out a road map to enhance its revenues while focusing on a fresh branding strategy. "We are seeing strong demand for automotive, railways and building construction segments where a sizeable market is available for us to capture," Abhyuday Jindal, managing director told Business Standard. "We are actively working with builders in Mumbai on several redevelopment projects where replacement demand is strong," he said. Of the total revenue of Jindal Stainless, the railways contributes around 10 per cent. Going ahead, the company sees a long term demand for their products from the railways and is aiming and aiming to strengthen its ties with it. Currently, the per capita consumption of stainless steel in India stands at 2 kg as against a global average of 6 kg. This indicates there is an ample scope for consumption growth of the commodity. While the company is banking on some trusted segments to derive strong revenue stream after the implementation of the goods and services tax (GST), the kitchenware segment has started to look attractive, the management said. In the December quarter, Jindal Stainless (Hisar) reported a top line of Rs.2,233 crore, down 8 per cent from the same period last year. Contrary to the expectations of a festive season, demand from major segments like automobiles and consumer goods slowed down during the quarter, the company said.

Source: Business Standard, February 04, 2019

JSW Steel's bid for Bhushan Power upheld

(NCLAT) has upheld the ₹ 19,300-crore bid placed by JSW Steel for Bhushan Power and Steel. It has also dismissed Tata Steel's plea that its bid be considered as the best offer, as it had been placed ahead of deadline. Hearing a petition filed by Tata Steel, Justices SJ Mukhopadhaya and Bansi Lal Bhat ruled that Tata Steel's plea was "premature" and "unmaintainable" and upheld the right of the committee of creditors (CoC) to update, amend, modify or annul its resolution plans. Tata Steel had initially pipped JSW Steel to emerge as the highest bidder for Bhushan Power, which had defaulted on loans worth ₹ 47,700 crore. However, Liberty House of the UK submitted a better offer after the bidding deadline. Tata Steel moved the NCLAT against the resolution professional for considering the bid submitted after the deadline. Meanwhile, JSW Steel revised its offer from ₹ 9,500 crore to ₹ 19,300 crore and it was approved by the CoC with 97 per cent vote. Bhushan Power is among the first 12 large corporate accounts shortlisted by the RBI for insolvency proceedings. The NCLAT had reserved its order in the case on December 20 after hearing all the aggrieved parties.

Source: Business Line, February 05, 2019

Essar Steel: BPCL prefers liquidation over Arcelor plan

Public sector oil refiner Bharat Petroleum Corporation Limited (BPCL) — one of the Operational Creditors (OCs) of the distressed Essar Steel India Limited (ESIL) — on Monday sought liquidation of the company objecting to ArcelorMittal's resolution proposal, which is being considered by the Ahmedabad Bench of National Company Law Tribunal (NCLT). In its arguments during the hearing of the ₹ 42,389-crore resolution plan submitted by LN Mittal-led ArcelorMittal, BPCL stated that ESIL's former promoters under Essar Steel Asia Holdings Limited (ESAHL) had offered to pay the entire debt of ₹ 54,000 crore, which provides a possibility for OCs such as itself to get full recovery of dues. Notably, as per ArcelorMittal's resolution plan, as an OC, BPCL having recoverable dues of ₹ 500 crore from ESIL for supply of liquefied natural gas, was not entitled to get anything. Counsel representing BPCL stated that there was no reason to believe that liquidation of ESIL will fetch not more than ₹ 15,000 crore.

Source: Business Line, February 05, 2019

JSW Steel Q3 profit falls 10% to Rs.1,603 crore on higher interest cost

JSW Steel reported a 10% year-on-year drop in its consolidated net profit for the October-December quarter at Rs 1,603 crore after the steel producer incorporated the financials of companies acquired in US and Italy during the financial year. The finance cost rose by 10.61% on year to Rs 1,061 crore, while depreciation and amortisation for the December quarter was up by 26.5% on year to Rs 1,078 crore. “The interest and depreciation from acquisitions made in Italy and US have impacted the financials at the consolidated net profit level. The Ebitda has, however, gone up by 16.9% during the quarter to Rs 4,501 crore,” Sheshagiri Rao, joint MD and group CFO, told reporters. The steel company’s subsidiaries, JSW Steel USA Ohio reported an Ebitda loss of \$10.55 million in the December quarter, while JSW Steel (Italy) SrlAferpi, reported an operating loss of €7.36 million for the December quarter. JSW Steel’s operating margins improved by 107 basis points to 22.15% in the December quarter as the realisations on per tonne basis improved on long-term contracts, Rao said. The realisations were further aided by selling more in the domestic market, and a better product mix, Rao added. The consolidated Ebitda/tonne in the December quarter rose 29.63% on year to Rs 12,441 from Rs 9,597 a year ago. However, the cost of raw material consumed during the quarter was up at Rs 11,611 crore compared with Rs 9,695 crore a year ago. JSW Steel’s consolidated crude steel production during the quarter increased by 3% on year to 4.23 million tonne aided by higher capacity utilisation at both Vijayanagar and Dolvi. The demand in domestic market during the December quarter was firm and the company focused on increasing the sales in domestic market leading to 15% year-on-year increase in domestic sales. However, exports during the quarter dropped 70% on year led by muted demand and weak pricing. Overall, the steel sales volume dropped 7% on year to 3.68 million tonne during the quarter, while saleable steel sales fell 10% on year to 3.62 million tonne. The steel producer may fall short of its FY19 sales volume guidance of 16 mtpa by 2-3% as it is unlikely to recoup the lost volumes in the fourth quarter.

Source: Financial Express, February 07, 2019

Wheels India Q3 profit up 18.8% to Rs.15 crore

Steel Wheel manufacturer: Wheels India has registered a 18-6% rise in its net profit for the third quarter ended December 2018 at Rs.15.3 crore compared to Rs.12.9 crore registered in the same quarter the previous year. Revenue for the

quarter went up 32.8% to Rs.786 crore from Rs.591.9 crore in the quarter ended December 2017.

Source: Financial Express, February 07, 2019

Jindal Stainless Q3 profit falls over 61%

Jindal Stainless said its standalone net profit plunged over 61 per cent to Rs 52.35 crore during December quarter 2018 on account of higher expenses. The company had posted Rs 134.73 crore profit during the same period a year ago, Jindal Stainless Ltd (JSL) said in a BSE filing. Total income during the quarter under review increased to Rs 3,140.59 crore from Rs 2,999.66 crore in October-December 2017.

Source: Financial Express, February 07, 2019

SAIL's Q3 net rises to Rs 616.30 cr on higher income, posts lower expenses

State-run steel maker SAIL on Thursday said its consolidated net profit jumped manifold to Rs 616.30 crore during the quarter ended on December 31, 2018, helped by lower stocks level and higher income. The company had posted a net profit of Rs 43.16 crore during the same quarter a year ago, Steel Authority of India Ltd (SAIL) said in a BSE filing.

Total income of the company rose to Rs 15,910.46 crore during the quarter under review from Rs 15,443.13 crore in the December quarter of 2017. Total expenses fell to Rs 14,937.43 crore in October-December 2018 from Rs 15,317.51 crore in the corresponding quarter of the previous financial year. SAIL is the largest steel-making company in India.

Source: Business Standard, February 08, 2019

Q4 results: ArcelorMittal net income up 16 per cent

ArcelorMittal on Thursday reported a 15.53 per cent jump in its net income to \$1.19 billion for the quarter ended December 31, 2018. The world's largest steel-maker had posted a net income of \$1.03 billion in the year-ago quarter, the company said in a statement.

The world's leading integrated steel and mining company which follows January-December calendar, reported FY2018 net income of \$5.1 billion, 12.7 per cent higher as compared to \$4.6 billion for FY2017.

Source: Business Line, February 08, 2019

POLICY

Steel firms seek import duty hike to curb rising shipment

Executives from top Indian steel companies met with government officials on February 6 and sought an increase in duties on imports of steel to check surging shipments from overseas, two sources with direct knowledge of the matter said. Top Indian steel producer JSW Steel attended the meeting in which companies asked the government to implement higher duties or other short-term emergency measures to curb imports, the sources said. Local Indian producers are suffering from double whammy of a rise in cheap imports and low domestic steel prices, which threatens to wipe out the healthy profits made in the last couple of years.. The steel companies have approached the ministry multiple times over the past few months, alleging China, Japan, South Korea and Vietnam are dumping various grades of low cost steel into the Indian market and stealing market share as a result, three government sources said. The ministry has given various indications that some measures might be taken, the sources said.

Source: Financial Express, February 07, 2019

FINANCIAL

Essar Steel bid: StanChart demands equal treatment for CoC members

During the hearing of Essar Steel's insolvency case at the Ahmedabad bench of National Company Law Tribunal (NCLT), Standard Chartered Bank (SBC) counsel argued that SBC was discriminated against and not counted as a secure financial creditor and, as result of which, the bank was getting mere Rs.60.71 crore against Rs.3,487 crore, which is hardly 1.7 percent of total claim. The counsel told NCLT on Tuesday that SBC too should be treated equally with other members of committee of creditors (CoC). He told the bench that the CoC members led by

State Bank of India (SBI) were paid full in principal amount and 40% of interest accrued from the bid offered by ArcelorMittal in tune with Rs 42,000 crore. However, according to him, SBC was excluded from the CoC and not even counted as secured financial creditor. It is worth mentioning that CoC didn't declare SCB as secured financial creditor, saying that ESL was not a direct corporate debtor of SCB and the private sector bank also not offered any collateral. On October 22, 2018, a meeting of CoC was held to discuss resolution plan submitted by ArcelorMittal. The final plan was presented the next day on October 23, minutes before the voting on the plan initiated. Moreover, CoC appointed a four-member sub-committee to renegotiate the plan with ArcelorMittal and kept SCB in dark," the counsel told. ArcelorMittal's resolution plan envisages an upfront payment of Rs 42,000 crore to lenders and an additional Rs 8,000 crore towards capital expenditure. Later, Standard Chartered Bank approached the bankruptcy court, challenging the resolution plan approved by the majority of financial lenders. The bank has more than 7.5 percent weight in the voting process and voted against ArcelorMittal's resolution plan.

Source: Financial Express, February 06, 2019

Domestic stainless steel makers allege abuse of India- ASEAN free trade rules

Provisions of the India-Association of Southeast Asian Nations (ASEAN) free trade agreement (FTA) are being misused to dump Chinese company products into India according to domestic stainless steel manufacturing industry. According to the Indian Stainless-Steel Development Association (ISSDA), there has been a nine times increase of Indonesian imports of stainless steel to India. This is on the back of "widespread mis-declarations by exporters from ASEAN countries such as

Indonesia, Malaysia, Singapore, Thailand, and Vietnam to avail preferential tariff under the FTA," according to a statement issued by the ISSDA. "The menace of misdeclaration needs to be nipped in the bud. It must be mandated by the government to clear consignments, with provisional duty by taking bank guarantees, to safeguard the government revenue. Moreover, the government must initiate appropriate actions against erring importers who are not only causing loss to the exchequer but also hurting domestic industry," KK Pahuja, President, ISSDA, said. The ISSDA has requested the Centre to impose an Anti Dumping Duty or a Countervailing Duty on imports of stainless-steel flat products from Indonesia, to counter Chinese imports, which are now being routed through ASEAN FTA route, the statement said.

Source: Business Line, February 06, 2019

Bhushan Power lenders likely to reject Singal's last-minute offer

Lenders to Bhushan Power and Steel (BPSL) are likely to reject the last-minute offer made by the debt-ridden firm's erstwhile owner Sanjay Singal of repaying financial creditors in full. JSW Steel has already been chosen by the lenders as the most preferred bidders for BPSL. The lenders are scheduled to meet on February 8 to decide on the matter. Singal has offered to pay the financial creditors in full and take the company out the corporate insolvency resolution process (CIRP), under section 12 A of the Insolvency and Bankruptcy Code (IBC), by converting their entire debt into cumulative redeemable preference shares, payable over 17 years. Sources said both SBI and PNB, having around 20% and 9% shares, respectively, in the committee of creditors (CoC), may oppose Singal's offer at the Friday meeting. A proposal to withdraw an application under Section 7 or Section 9 or Section 10 of the IBC, on an application made by the applicant, has to have 90% of voting share of the CoC. A clutch of 34 financial creditors have claimed Rs 47,303 crore from the company as on January 3, 2019, of which, the RP has admitted claims worth Rs 47,150 crore. Singal, sources said, has also offered to pay the operational creditors of the company their due in 5-6 years.

Source: Financial Express, February 07, 2019

Essar Steel operational creditor moves SC against NCLAT

An operational creditor of Essar Steel has moved the Supreme Court against the National Company Law Appellate Tribunal's orders asking the Ahmedabad bench of the National Company Law Tribunal to decide on the resolution plan for the company on or before February 11. The matter is likely to be mentioned for urgent hearing before a bench led by Chief Justice Ranjan Gogoi on Thursday. Kamaljeet Singh Ahluwalia, an operational creditor, has sought setting aside of the NCLAT's January 23 and February orders on the grounds that the orders are contrary to the settled legal propositions and against the principles of natural justice. According to him, the NCLAT has erred in concluding that only one representative of the operational creditor is required to be heard and this is contrary and beyond its scope of jurisdiction, thus unsustainable in law. "The appellate authority, while exercising powers under Section 61 of the Insolvency and Bankruptcy Code, 2016 cannot assume supervisory jurisdiction over the adjudicating authorities and issue directions dictating the procedure to conduct the hearing of applications before the adjudicating authority," Ahluwalia said. He further said that the appellate tribunal cannot pass orders, which would be otherwise prejudicial to the person or entity

without hearing or affording a hearing to them. 92% of lenders of Essar Steel had voted in favour of ArcelorMittal's resolution plan on October 25.

Source: Financial Express, February 07, 2019

ArcelorMittal bid for Essar Steel 'big scam': Standard Chartered

Standard Chartered Bank's (SCB) counsel on Thursday termed the bid made by ArcelorMittal for the distressed Essar Steel Limited (ESL) as 'big scam' during the hearing of Essar Steel Insolvency Case.

Arguing before the Ahmedabad bench of National Company Law Tribunal (NCLT) on Thursday, the SCB counsel said that instead of upfront payment of over Rs 42,000 crore, ArcelorMittal submitted a plan of Rs 39,500 crore and Rs 2,500 crore for working capital.

Earlier RP's counsel stated that RP's job is to present resolution plan to CoC for approval and he is not responsible for any decision. "Role of RP is just that of a facilitator. It is CoC, which decides on Resolution Plan. Distribution mechanism is also decided by CoC. Both these plans were voted separately and passed with majority," he told the NCLT.

Source: Financial Express, February 08, 2019