

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. The rollout of new steel policy saved forex of Rs5,000 crore since last year while around 24 million tonne of crude steel capacity was added during past four years, steel secretary, Aruna Sharma said.
2. Tata Steel is likely to have an edge in the battle for Bhushan Power & Steel after the Committee of Creditors sat through presentations on resolution plans from all bidders.
3. JSW said its crude steel output grew 3 percent to 13.99 lakh tonne during May 2018.
4. Vedanta has acquired the management control of debt-laden Electrosteel Steels.
5. Usha Martin is likely to discuss offers from Tata Steel and JSW Steel for its steel business during its board meeting.
6. Federation of Indian Mineral Industries (FIMI) has decided to move the Supreme Court with an appeal to allow Karnataka's iron mining industry to sell ore to more players apart from manufacturers to clear their stock.
7. Thyssenkrupp and Tata Steel are struggling to narrow a widening valuation gap as they seek to adjust debt and asset contributions in a planned merger of their European steel operations.
8. The Karnataka Iron and Steel Manufacturers Association has requested for intervention on the prevailing high iron ore prices in State.

RAW MATERIALS

Karnataka iron ore firms unable to clear stocks

Mining industry's apex body, Federation of Indian Mineral Industries (FIMI), has decided to move the Supreme Court with an appeal to allow Karnataka's iron mining industry to sell ore to more players apart from manufacturers to clear their stock. The decision comes after it was found that some large steel companies in the state prefer to buy from Odisha or even import it at a higher price, rather than buying through auctions conducted in the state. As the apex court has started relaxing norms for iron ore mining in Karnataka after banning exports from state to check malpractices, the mining industry is not able to raise production despite a good demand because many steel mills in the state are not listing their requirements. Now the state's mines want to broaden their base for selling ore without which they find it difficult to sell all their output to steel mills. The main problem is that steel manufacturers in Karnataka do not have any restrictions and can procure raw material for steel from any part of the country, or even have it imported. However, according to the current Supreme Court directives, Karnataka iron ore miners are allowed to sell only via the e-auction platform.

Source: Business Standard, June 11, 2018

‘High base price affecting demand of Karnataka iron ore’

JSW Steel has blamed the high base price set for iron ore in the Karnataka e-auction as a major deterrent for sourcing the key raw material, contrary to miners’ claim of weak demand from steel companies in the State. The Federation of Indian Mineral Industries recently decided to move the Supreme Court with an appeal to allow Karnataka iron mining companies export the ore to clear inventory. Some of the large steel companies in the State preferred to buy from Chhattisgarh and Odisha than an e-auction. Seshagiri Rao, Joint Managing Director, JSW Steel said the lack of demand in the iron ore e-auction is due to the high base- price fixed by NMDC, the largest miner in the state. In fact, he said it would be better for the steel companies to buy quality iron ore from Chhattisgarh and Odisha at a cheaper price than sourcing lower grade material at a higher price from the State. Compared to sourcing from Karnataka, JSW Steel has managed to buy ore with 64 per cent iron content at Rs. 600 a tonne cheaper from Chhattisgarh and Rs. 2,000 a tonne less from Odisha when value in use is taken in account, said Rao. The iron content of Karnataka ore ranges between 58-60 per cent and needs beneficiation to improve its quality.

Source: Business Line, June 14, 2018

Karnataka steel companies want NMDC to slash iron ore prices

The Karnataka Iron and Steel Manufacturers Association has written a letter addressed to Piyush Goyal, Finance Minister, Narendra Singh Tomar, Minister for Mines, and Chaudhary Birender Singh, Minister for Steel, on the prevailing high iron ore prices in State which were pushing up the cost of steel production, particularly when the demand is reviving. Requesting the government not to allow NMDC, the largest miner in the State, fix the base price of iron ore artificially high in the e-auction, the association said steel companies are not able to pass on the incremental cost as other companies in neighbouring States are offering steel at a lower price due to cheap raw material availability. RK Goyal, Managing Director, Kalyani Steel and Vice-President of Karnataka Iron and Steel Manufacturers Association, told BusinessLine that the iron ore prices in Odisha should be the base price for e-auction in the State as it is a free market and there are no restrictions on output like in Karnataka. “While steel companies in the State are losing about Rs. 1,200-1,500 a tonne depending on the iron ore grade they use, miners cannot be allowed to jack up prices with a profiteering motive,” he said. The Government should instruct the state-owned NMDC to reduce the prices rather than cutting down its production in the pretext that there is no demand for iron ore in the State, the association said in the letter.

Source: Business Line, June 15, 2018

COMPANY NEWS

JSW Steel output grows 3% to 14LT in May

JSW said its crude steel output grew 3 per cent to 13.99 lakh tonne (LT) during May 2018. The Sajjan Jindal-led company had produced 13.57 LT crude steel in May 2017, it said in a statement. During the month, there was a rise of 2 percent in production of flat rolled products at 9.56 LT as against 9.39 LT in May 2017, it said. The company also registered 6 percent growth in the output of its long rolled products at 3.29 LT as compared to the year-ago month, it added. JSW Steel is a leading integrated steel company in India with an installed steel-making capacity of 18 MTPA.

Source: Financial, June 13, 2018

Bhushan Steel appoints 2 additional directors on board

Bhushan Steel Ltd. (BSL) said that it has appointed two new officials on the board of the company. The entire BSL management was changed last month after Tata Steel took control of the company. On May 18, Tata Steel – which had won the bid for Bhushan Steel under the insolvency process- completed the acquisition of controlling stake of 72.65 per cent in the debt-laden firm.

Source: Business Standard, June 09, 2018

Usha Martin board may discuss Tata, JSW offers

Usha Martin is likely to discuss offers from Tata Steel and JSW Steel for its steel business during its board meeting on Monday. The company had reached out to steel players a little over a month ago, after which discussions were opened. The board meeting is likely on June 11, sources said. Evaluating strategic options for growth is an ongoing process in the company, Tata Steel said. The company clarified to the stock exchanges it had not submitted any bid to acquire Usha Martin's steel business. Shares of Usha Martin were locked in the upper circuit of 20 per cent at Rs 28.90. It finally closed at Rs 28.20, up 17.01 per cent on the BSE. Sale of steel business was aimed at paring the debt the company, which according to sources, was close to Rs 50 billion. Tata Steel was understood to have indicated an offer of Rs 60 billion while JSW Steel was said to have around Rs 45 billion for the Jamshedpur facility. However, there is a shareholder dispute in Usha Martin and a consensus among major shareholders might be necessary for the sale to go through, sources added.

Source: Business Standard, June 09, 2018

Electrosteel Steels: Vedanta acquires management control

Metal and Mining giant Vedanta has acquired the management control of debt-laden Electrosteel Steels. In March, Vedanta was declared as successful resolution applicant by the Committee of Creditors (CoC) for Electrosteel Steels under the Corporate Insolvency resolution process of the Insolvency and bankruptcy Code, 2016

Source: Financial Express, June 12, 2018

FINANCIAL**Bhushan Power: Advantage Tata Steel**

Tata Steel is likely to have an edge in the battle for Bhushan Power & Steel after the Committee of Creditors (CoC) sat through presentations on resolution plans from all bidders. All the three bidders- Tata Steel, Liberty House and JSW Steel- made presentations on their resolution plans. Tata Steel is said to have put in a bid of Rs 245 billion, including capital infusion of Rs 75 billion. Liberty House's bid was Rs 10 billion higher than Tata Steel's at Rs 180 billion. However, there were some questions about the source of funding, and the CoC is likely to have granted the company time to address the issue, according to sources. Lenders who met informally after the presentations might be in favour of Tata Steel's resolution plan, since there were some concerns regarding the funding plan of Liberty House, sources said.

Source: Business Standard, June 13, 2018

STEEL PERFORMANCE**India saved Rs.5k cr forex post new policy: steel secy**

The rollout of new steel policy saved forex of Rs5,000 crore since last year while around 24 million tonne of crude steel capacity was added during past four years, steel secretary, Aruna Sharma said. India also replaced Japan as the second largest steel producer this year, she said. "We are not going to stop here. We all know about the ambitious National Steel Policy (NSP) announced last year under which we have set a target of raising the capacity to 300 MT by 2030 and produce 250 MT of crude steel. Steel production capacity has increased from 110 MT in 2014-15 to 134 MT in 2017-18, while 7 MT was added in 2017 alone, she outlined. Indian steel sector has been growing at a compounded annual growth rate (CAGR) of about 5 per cent over the past four years on account of improvement in the overall capacity utilisation, she said. Steel exports have been surging since FY2014-15, she said. "InFY17, India became net exporter of steel with significant

export of 8.2 MT registering 102 per cent growth over previous fiscal. The exports from 5.6 MT in FY15 rose to 9.6 MT in FY18. On the other hand, the imports have declined by 36 per cent from a level of 11.7 MT in FY16 to 7.5 MT in FY18," she added. A number of PSUs including Steel Authority of India Ltd (SAIL) turned profitable, she said. To a question related to supply of raw materials like coking coal, iron ore etc, the secretary said there will not be any scarcity of raw material for the producers.

Source: Financial Express, June 11, 2018

GLOBAL STEEL

Tata Europe union ‘unconvinced’ over ThyssenKrupp merger

The body representing workers at Tata Steel’s European operations has raised concerns about the planned merger with ThyssenKrupp, including the potential prioritisation of “shareholder dividends over the long-term development of the joint venture” and “significant gaps” in their understanding of proposed venture. It has urged better engagement from ThyssenKrupp and commitments on five key tests from the two companies, warning that they remained “unconvinced” that the deal as it stood represented the best interests of Tata Steel Europe operations and employees. The statement from the European Works Council came after a June 7 meeting in IJmuiden in the Netherlands, which was held to consider the findings of Syndex, trade union consultants, hired by the council to analyse the deal and propose steps forward. While the companies’ ongoing consultation process with employees had been conducted “in the right spirit” and “extensive efforts” had been made to disclose information, there were still “significant gaps” that made it hard to reach definitive conclusions, the EWC said. It pointed to the lack of information on the financial structure of the deal and “continued unwillingness” by ThyssenKrupp to engage with the EWC and its advisors. “

Source: Business Line, June 12, 2018

Thyssenkrupp looking to close value gap in Tata Steel JV

Thyssenkrupp and Tata Steel are struggling to narrow a widening valuation gap as they seek to adjust debt and asset contributions in a planned merger of their European steel operations, people familiar with the matter said. Thyssenkrupp's business has performed better than Tata Steel's since an initial deal was struck in September, requiring both parties to adjust what their operations are worth and leading to a valuation gap. As talks reach their final stretch, options now include adjusting the amount of debt both groups will transfer to the venture or Tata Steel making a cash payment to Thyssenkrupp to settle the difference. A third option could include changing the 50-50 ownership structure of the planned entity, the sources said, adding this was the least likely scenario.

Source: Financial Express, June 14, 2018