

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

June 30 – July 06, 2018

HIGHLIGHTS OF THE WEEK

1. Rs.5,000 cr saved on imports by making high-end steel in India, says Birender Singh.
2. Indian steel demand to double to 170 mt by 2025: BHP Billiton.
3. Tata Steel has signed a definitive agreement with ThyssenKrupp AG to create a 50:50 joint venture that would be Europe's second-largest steelmaker after ArcelorMittal.
4. JSPL's domestic crude steel output up 36% in Q1.
5. The deal to combine the European businesses of Tata Steel and ThyssenKrupp into an equal joint venture should provide relief to investors in the former.
6. The committee of creditors (CoC) of Adhunik Metaliks (AML) met to consider approving the resolution plan for the insolvent company submitted by UK-based Liberty House, the highest bidder.
7. Tata Steel to buy more iron ore after acquisition
8. Iron ore falls to 7-month low on trade fears
9. Sponge iron firms pay 80% more on coal for long term
10. Thermax wins Rs.340-cr order from steelmaker

RAW MATERIALS

Iron ore falls to 7-month low on trade fears

New York iron ore's starting to buckle after a series of warnings that prices are set to drop amid rising global supply, and as investors fret about the potential impact of the escalating trade tensions between US and China. Benchmark spot ore eased to \$62.50 a ton on Thursday, lowest since Nov.

Source: Economic Times, July 6, 2018

Sponge iron firms pay 80% more on coal for long term

Sponge iron manufacturers are paying up to 80% premium to secure most of the long-term fuel supply contracts being offered by Coal India, according to a senior executive of the state-run mining company. The contracts are being

secured through an auction mechanism handled by MSTC where the highest bidder wins. Some 450,000 tonnes of coal of various grades were offered to sponge iron manufacturers in the first three days of the auction, which were fully booked within minutes of the offer, the executive cited earlier said, adding that premiums being offered ranged between 20% and 80% of the base price. The government last year decided against renewing fuel supply agreements signed on nomination basis with the nonpower companies, and said these pacts would be replaced with supply contracts decided through e-auctions. Subsequently 100,000 tonnes of additional coal offered by South Eastern Coalfields on the second day at a base price of Rs 2,311 per tonne was fully booked at Rs 1,280 per tonne – a 55% premium. The coal offered was of G7 grade from the subsidiary's Chirimiri open cast mine.

Source: Economic Times, June 30, 2018

Tata Steel to buy more iron ore after acquisition

After the successful takeover of Bhushan Steel Ltd, Tata Steel is looking to bolster its iron ore supplies to help operate the acquired plant at its full rated capacity. The Bhushan Steel facility located at Meramandali in Odisha, nearly 150 km from its Kalinganagar greenfield plant, has a nameplate capacity of 5.6 million tonnes per annum (mtpa). Though Bhushan Steel has won the Kalamang iron ore block in competitive auctions in the state, mining has not taken off yet from the block. To ensure an uninterrupted flow of iron ore to the Bhushan Steel unit and also to cater to the ramp up of its Kalinganagar capacity to eight million tonnes per annum Tata Steel is looking to buy more ore from external sources including the state owned Odisha Mining Corporation (OMC). The steel maker's captive iron ore resources in Odisha are primarily feeding its Jamshedpur plant. "After the Bhushan Steel acquisition, we are now in the process of settling down. We are considering many options for iron ore and we are open to buy from external sources", said a Tata Steel source.

Source: Business Standard, July 3, 2018

COMPANY NEWS

Tata Steel, Thyssen seal 50:50 JV deal

Tata Steel has signed a definitive agreement with ThyssenKrupp AG to create a 50:50 joint venture that would be Europe's second-largest steelmaker after ArcelorMittal. The deal is being touted as the biggest consolidation in the European steel market since the acquisition of Arcelor by Mittal Steel in 2006 and Corus by Tata Steel in 2007. For Tata Steel, the deal valuations are better than what the Street was anticipating, following the underperformance of its Europe business in the past few quarters. The joint venture, to be named ThyssenKrupp Tata Steel BV, will have a workforce of 48,000 employees across 34 sites, producing about 21 million tonnes of steel a year and generating revenues of around 17 billion euros. The JV will result in the deconsolidation of Tata Steel Europe from the Tata Steel group balance sheet and facilitate deleveraging. The Tata Steel management said in the analyst call that 2.5 billion euros (Rs 200 billion) debt would be transferred. With this, Tata Steel has turned into an investor from an owner for this entity, in turn, insulating itself from the vagaries of the business cycle, said brokerages. The JV will be managed by a holding company located in the Amsterdam region. The future management board will have six members, who will be named at a later date. The management board will be overseen by a supervisory body comprising three representatives from each of the joint venture partners.

Source: Business Line, July 1, 2018

Tata Steel rises 3% after deal with ThyssenKrupp, but erases gains later

Shares of Tata Steel rose by 3.3% intraday on Monday as the company signed joint venture (JV) agreement with Thyssenkrupp to create new steel company in Europe. However, the stock could not hold on to the initial gains and fell by 1.22% to end the session at Rs 560.95. Tata Steel and Thyssenkrupp signed definitive agreements to combine their European steel businesses in a 50:50 joint venture in a new company on Saturday. The move would lead to the formation of a new player in the second position in the European steel market, having a combined turnover of 17 billion euro per

annum and around 48,000 workers. The proposed joint venture will also result in significant de-leveraging exercise for Tata Steel as it will transfer 2.5 billion euros to the joint venture company. Thyssenkrupp on its part gets to transfer about 3.6 billion euro of its pension liabilities to the JV. The transaction is subject to merger control clearance in several jurisdictions, including the European Union..

Source: Financial Express, July 3, 2018

JSPL's domestic crude steel output up 36% in Q1

Private steel maker JSPL reported a 36 per cent rise in the domestic crude steel production to 1.23 million tonnes for the quarter ended June 30. "JSPL also recorded a 46 per cent growth in domestic sales during first quarter of 2018-19 to 1.18 million tonnes, up from 0.81 million tonne in the first quarter of the previous fiscal," Jindal Steel and Power (JSPL) said in a statement. In India, the company has two integrated steel plants in Raigarh and Angul. JSPL had posted quarterly crude steel production at 1.26 million tonnes as of March 31, 2018.

Source: Financial Express, July 4, 2018

ThyssenKrupp deal to revive sentiment, says Tata Steel

The deal to combine the European businesses of Tata Steel and ThyssenKrupp into an equal joint venture should provide relief to investors in the former. For one, the terms are largely in line with those indicated in the Memorandum of Understanding (MOU) signed in September last year. Until the details were known, street concerns were elevated. For reports suggested both entities might have to reassess the worth of their operations and deal valuation, as ThyssenKrupp had done better than Tata Steel Europe after the MoU. And, buzz that with a large global investor, Elliott Management Corporation, increasing its stake in ThyssenKrupp (and pushing for a re-evaluation), this could adversely influence the deal.

Source: Business Standard, July 2, 2018

Thermax wins Rs.340-cr order from steelmaker

Thermax won a Rs.340-crore order from an Indian major for a specially designed boiler, electric turbo generation and ancillary equipment for its production facility in Maharashtra. The scope of work includes design, engineering, procurement, supply, installation and commissioning. “Our expertise is waste heat recovery from industrial processes that help in optimising energy usage has led Thermax to win this repeat order from the customer, MS Unnikrishnan, MD & CEO of Thermax said.

Source: Financial Express, June 30, 2018

Numetal questions ArcelorMittal’s eligibility to bid for Essar Steel

Russia’s VTB Bank-led Numetal on Monday challenged the eligibility of ArcelorMittal to bid for bankrupt Essar Steel under the section 29 (A) of the Insolvency and Bankruptcy Code (IBC). Appearing on behalf of the company in the National Company Law Appellate Tribunal (NCLAT), senior counsel Mukul Rohatgi said 29 (A) (c) prohibits a person from submitting a resolution plan if such person fails to make payment of all overdue amounts with interest thereon and charges relating to non-performing asset accounts before submission of the plan. As a promoter for two defaulting firms - UttamGalva and KSS Petron- ArcelorMittal has not yet paid the dues to become eligible to bid for Essar Steel. Mere transfer of dues to an escrow account does not mean that the amount has been paid. “If they win, they would pay, if not, then it would be scrapped. The payment should have been upfront and should be paid before submission of bids,” Rohatgi said. The NCLAT bench, headed by justice SJ Mukhopadhaya, will resume hearing the matter on July 4. Rohatgi said Numetal has severed its association with Rewant Ruia, son of Essar Steel promoter Ravi Ruia, to become eligible to buy the steel company. While Numetal has submitted Rs.37,000-crore bid, sources said ArcelorMittal has made an upfront offer of Rs.30,500 crore and pledged another Rs 8,000 crore in the form of capital infusion into Essar Steel. Essar Steel owes financial creditors close to Rs.50,000 crore.

Source: Financial Express, July 3, 2018

ArcelorMittal says NuMetals Alter Ego of Ruias; NCLAT disagrees

Locked in a direct fight to acquire Essar Steel, ArcelorMittal sought disqualification of Russia's VTB Capital-backed NuMetal Ltd, alleging that the firm was acting in concert with delinquent promoters of Essar group but the NCLAT hearing the case did not agree to its contention. When first bids for loan defaulter Essar Steel were called in February, Rewant owned 25 per cent in Mauritius-based investment vehicle NuMetal. VTB Group bought out Aurora Trust to cure its ineligibility as bankruptcy rules disqualify owners of distressed assets from bidding for those assets in the insolvency process. The NCLAT also observed that allegations of NuMetal acting in concert with the promoters of ESIL cannot be based on general analysis and needs be substantiated with legal grounds in accordance with law. The NCLAT is hearing cross-petitions filed by NuMetal and ArcelorMittal challenging each other's eligibility to bid for Essar Steel which is being auctioned after the company defaulted on payment of Rs 51,800 crore loans to lenders.

Source: Economic Times, July 6, 2018

PROJECTS

JSW promoters's firm buys iron ore mine in Jharkhand

South West Mining, the JSW Group promoter Sajjan Jindal-owned company, has bagged a mine with 40 million tonne per annum iron ore reserve at Bhangaon in Jharkhand. The company plans to mine about two mtpa of iron ore after taking the requisite approvals. SWM, which will sell the ore in the open market, plans to start operations in 12-18 months. Seshagiri Rao, Joint Managing Director, JSW Steel, said the mine is marked for merchant purpose and JSW Steel did not participate in the auction process. JSW Steel has its own plans to source captive iron ore from Karnataka and has bagged five C grade mines in the State, he said. It plans to produce two mt of iron ore in the two mines that have started production and is expecting statutory clearances to start iron ore mining from the remaining three mines by December. The five mines is expected to supply 20 per cent of the company's annual iron ore requirement. JSW Steel will invest about

Rs.300 crore in developing the five mines, said Rao. As on June 18, the government has auctioned 41 mineral blocks valued at Rs.1.86 lakh crore. The resources promise Rs.1.48 lakh crore in revenue for the host States. The State governments will also get Rs.33,100 crore as royalty and contributions by lessees to District Mineral Funds (DMF) and National Mineral Exploration Trust. Karnataka has seized the lead in electronic auctions followed by Madhya Pradesh, Rajasthan, Odisha, Chhattisgarh, Jharkhand, Gujarat and Maharashtra.

Source: Business Line, July 4, 2018

STEEL PERFORMANCE

Rs.5,000 cr saved on imports by making high-end steel in India, says Birender Singh

India has been able to save Rs.5,000 crore worth of foreign exchange through domestic substitution of high-end steel over imports, according to Union Steel Minister Choudhary Birender Singh. Singh said the savings have been achieved by boosting production of high-end steel for the application, shipping, defence, medical equipment and infrastructure sectors. He said the government has been able to incentivise high-end steel makers and this has resulted in reduction of import by 36 per cent to 7.48 million tonnes in 2017-18 compared from 11.7 mt in 2015-16. Singh said that as and when the scrappage policy comes into force, domestic steel will get a big boost. He also pointed out that Steel Authority of India Ltd (SAIL) has tied up with Arcelor Mittal to produce high-grade steel for the automobile sector, which will help auto-makers buy it in the domestic market instead of importing it. To meet the nation's needs, substantial R&D, innovation is required and the Steel Ministry has set up Steel Research and Technology Mission of India for this purpose. According to the new National Steel Policy 2017, India is projected to have a capacity of 300 mt by 2030-31 with a production of 255 mt, with finished steel per capita consumption of around 160 kg during the same period. Besides, the thrust of the government on infrastructure development is sure to have a positive impact on the domestic demand, the Minister said.

Source: Business Line, June 30, 2018

Indian steel demand to double to 170 mt by 2025: BHP Billiton

Anglo-Australian mining giant BHP Billiton has forecast Indian steel demand will double by 2025, even as it termed the government's steel production target of 300 million tonnes by 2030 as "aspirational". "Steel is going to be a great enabler for the Indian growth story, particularly for the downstream sector," Huw McKay, vice-president, analysis and economics, at BHP Billiton, said on phone. "Using 2016 as the base, we expect the demand to double to roughly around 170 MT by 2025," McKay told ET. McKay said construction and infrastructure would occupy the "lion's share" of this growth in demand, with steel consumption growing almost at the same clip as the sector—at 8% till 2025. But the economist maintained that the government's steel output target of 300 million tonnes by 2030 is "aspirational". He, however, conceded that the acceleration of insolvency proceedings should assist the sector and will also give it an upside.

Source: Economic Times, July 5, 2018

FINANCIAL

Tatas to get debt relief from ThyssenKrupp deal

The signing of the long-due joint venture deal between Tata SteelNSE -1.26 % Europe and Germany's Thyssenkrupp will spell relief for Tata Steel in India, with debt close to Rs 20,000 crore offloaded to the JV from its books, however, the impending Bhushan Power deal still looms large on its financials. According to definitive agreements signed by the two European steel companies Tata Steel Europe will transfer Euro 2.5 billion of its debt to the JV while Thyssenkrupp will transfer ₹4 billion, which includes Euro 400 million of debt and the remaining unfunded pension liabilities.

Source: Economic Times, July 2, 2018

Adhunik Metaliks CoC meets to mull clearing Liberty's resolution plan

The committee of creditors (CoC) of Adhunik Metaliks (AML) met to consider approving the resolution plan for the insolvent company submitted by UK-based Liberty House, the highest bidder. There were only two

resolution applicants for the debt-laden steel maker — Liberty House and Maharashtra Seamless of the DP Jindal group. The CoC of Adhunik Metaliks already identified Liberty House as the highest bidder (H1), while the plan of Maharashtra Seamless was rejected as it was offering less than the liquidation value of the company. In his submission before the Kolkata bench of the National Company Law Tribunal (NCLT) on Monday, Sumit Binani, resolution professional (RP) of AML, said: “The committee of creditors will consider today the resolution plan forwarded by the bidder.” Notably, the Kolkata bench of the NCLT on June 15 had ordered exclusion of 20 days from the mandated 270-day deadline under the CIRP for the company, the flagship of the Adhunik Group. Lenders to AML are State Bank of India, Punjab National Bank, ICICI Bank, IFCI, Punjab & Sind Bank, UCO Bank, Allahabad Bank, Bank of Baroda, Corporation Bank and Srei Infrastructure Finance, among others. AML and Zion Steel put together, Liberty House’s offer earlier stood at around Rs 600 crore.

Source: Financial Express, July 3, 2018

MISCELLANEOUS

Retain ‘buy’ on Tata Steel with target price ar Rs.903

Putting an end to uncertainties, Tata Steel (TATA) and ThyssenKrupp (TK) have signed a definitive agreement to merge the former’s European operations and TK’s Steel Europe division. Key takeaways: 1) TATA’s share in the JV & debt transfer to the JV remain unchanged as per the MoU; 2) the JV will issue 10% equity as warrants to TK in case of an IPO; and 3) management anticipates EUR400-500mn synergies. We view the development as positive for the TATA stock, which had been roiled by the recent uncertainties on the deal. We perceive additional ~INR85/share value pursuant to completion of the transaction. Maintain ‘buy’ with target price of INR903.

Source: Financial Express, July 3, 2018

ThyssenKrupp JV will help Indian market: Chandra

Tata Steel Chairman N Chandrasekaran welcomed the definitive agreement with German steel major ThyssenKrupp to create a new joint venture company as a "historic" development that would strengthen the steel industry across Europe and India. Chandrasekaran was addressing a joint press conference with ThyssenKrupp CEO Heinrich Hiesinger in Brussels. "This marks a significant milestone in the history of Tata Steel and Tata Group. It strengthens and provides scale to our European operations, creates a strong steel enterprise and also helps the Indian operations to grow and address the needs of the Indian market," he said. He asserted Tata Steel's plans to "double down" in India, where the firm plans to increase its presence from 13 million tonnes to 25 million tonnes a year capacity.

Source: Business Standard, July 3, 2018

Numetal just a 'shell firm': ArcelorMittal

A day after Numetal questioned ArcelorMittal's eligibility to bid for the bankrupt Essar Steel in the National Company Law Appellate Tribunal (NCLAT), the latter on Wednesday responded, saying that Numetal was just a "shell company" formed for the purpose of submission of the resolution plan. Senior counsel Abhishek Manu Singhvi, appearing on behalf of ArcelorMittal, said: "This is evident from the manner in which Numetal and Aurora Enterprises were incorporated on the same date in Mauritius in 2017." Hearing the cross-plea of both the companies over which bid should be valid — one from the first round or the second — the two-member NCLAT bench headed by Justice SJ Mukhopadhyay placed the matter for further hearing on Thursday. Russia's VTB Bank-led Numetal on Monday had argued that ArcelorMittal was not eligible to bid for Essar Steel under Section 29 (A) of the Insolvency and Bankruptcy Code (IBC). Appearing on behalf of Numetal, senior counsel Mukul Rohatgi had said Section 29 (A) (c) prohibits a person from submitting a resolution plan if such person fails to make payment of all overdue amounts with interest thereon and charges relating to non-performing asset accounts before submission of resolution plan. As a promoter for two defaulting firms — UttamGalva and KSS Petron — ArcelorMittal had not yet paid the dues to become eligible to bid for

Essar Steel. Mere transfer of the dues to an escrow account does not mean that the amount has been paid and make it eligible to bid for the company, Rohatgi had argued.

Source: Financial Express, July 5, 2018