

# 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. NMDC to resume iron ore production from Karnataka mines as HC rules in its favour.
2. RINL targeting Rs.25,000-cr turnover: CMD.
3. Tata Metaliks Q1 PAT falls over 35% to Rs.19.62 crore
4. 'Steel makers without captive mines may face 20% rise in cost'
5. Steel exports fall 34% in 2018-19

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## RAW MATERIAL

### **NMDC to resume iron ore production from Karnataka mines as HC rules in its favour**

State-owned miner, NMDC Limited said it is set to resume operations at its Donimalai Iron Ore Mine in Karnataka following the state high court order in favour of it over a dispute related to 80 per cent premium imposed by the state government. NMDC in November last year suspended the iron ore mining from Donimalai in Ballari district after the state government by its November 2, 2018 order imposed premium equivalent to 80 per cent of average sale price of iron ore while extending the mining lease for a period of 20 years. Subsequently, the NDMC filed a petition in the Karnataka High Court challenging the state Commerce and Industries department order imposing the premium, which was allowed by the court in a recent order. After closure of Donimalai Iron Ore Mine for more than eight months, NMDC is set to resume operations in accordance with the Honourable High Court of Karnataka decision, NMDC said in a statement here. NMDC has approached Karnataka Government to facilitate execution of lease deed and resumption of operations at Donimalai Mine, it said. Though, it had been a long wait for NMDC, the news has "brought in lot of cheers" especially to steelmakers of Karnataka, investors, mining fraternity, customers and employees who have been eagerly waiting for this, Chairman and Managing Director of NDMC N Baijendra Kumar said.

*Source: Financial Express, July 18, 2019*

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## COMPANY NEWS

### **RINL targeting Rs.25,000-cr turnover: CMD**

Rashtriya Ispat Nigam Ltd is aiming at a sales turnover of ₹25,000 crore during the current financial year as against ₹20,000 crore achieved last year, according to its Chairman and Managing Director PK Rath. In an interview, he said the market was in a sluggish phase, but it would improve soon. The capacity of the steel plant had been enhanced from the original 3 mt to 6.3 mt and with modernisation of the units another one mt will be added, taking the total to 7.3 mt.

*Source: Business Line, July 18, 2019*

### **Tata Metaliks Q1 PAT falls over 35% to Rs.19.62 crore**

Tata Metaliks on Monday said its profit after tax (PAT) fell by over 35% to Rs.19.62 crore during the quarter ended June 30, 2019. The company clocked Rs.30.39 crore PAT in the year-ago period, Tata Metaliks said in a BSE filing. Total income was however, higher at Rs.503.43 crore as compared to 469.02 crore in April-June 2018.

*Source: Financial Express, July 16, 2019*

### **JSW to NCLT: Not retreating from Bhushan Power deal**

JSW Steel told the National Company Law Tribunal that the company is not backing out from the ongoing resolution process of Bhushan Power & Steel despite reports of alleged fraud by its former promoters. During the proceedings in NCLT, counsel appearing for JSW Steel informed the tribunal that it was anxious about the alleged fraud reports and needs to know what is going inside Bhushan Power & Steel Ltd (BPSL). A two member NCLT bench headed by the President Justice M M Kumar asked the Resolution Professional (RP) of BPSL to hand over a copy of the forensic report to JSW Steel. NCLT said that alleged fraud reports will not have any impact on the insolvency resolution process and JSW's resolution plan for BPSL. NCLT has to take a decision over the lenders' approval of the resolution plan of JSW Steel for BPSL. Earlier on February 4, the National Company Law Appellate Tribunal (NCLAT) had dismissed the plea of Tata Steel and upheld the Committee of Creditors (CoC) decision to approve JSW Steel's bid. The NCLAT had said the CoC decision was well within its rights to negotiate

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better terms with resolution applicants and has had asked NCLT to decide over JSW Steel's bid by March 31, 2019. However, the judgement is still pending before the Principal bench of NCLT. JSW Steel had revised its offer from ₹ 11,000 crore to ₹ 18,000 crore and later to over ₹ 19,000 crore, whereas Tata Steel's last offer was at ₹ 17,000 crore after it had refused to revise its bid. Last week, state-owned lender Allahabad Bank had reported fraud of over ₹ 1,774 crore by BPSL to the Reserve Bank of India.

*Source: Business Line, July 16, 2019*

## FINANCIAL

### **Essar Steel: Banks move SC against NCLAT judgement**

Lenders led by the State Bank of India (SBI) have filed a petition in the Supreme Court against the National Company Law Appellate Tribunal (NCLAT) judgment allowing at-par treatment of both financial and operational creditors in the Essar Steel case. Banks are aggrieved that they will realise less from the resolution of the Essar Steel case due to the NCLAT judgment. So, the committee of creditors (CoC) took a call to move the SC. The NCLAT earlier this month approved the ₹42,000-crore bid placed by ArcelorMittal to take over Essar Steel. But the lenders will have to take a larger haircut, as the appellate tribunal has said secured creditors will get only 60.7 per cent of their ₹49,473-crore claims. The rest will go to operational creditors, hence treating them at par with the financial creditors. Rajnish Kumar, Chairman, SBI, had on Wednesday indicated that lenders to Essar Steel will appeal to the SC against the NCLAT order.

*Source: Business Line, July 13, 2019*

### **Essar Steel case: Centre likely to bat for financial creditors in SC**

The Ministry of Corporate Affairs (MCA) is likely to implead in the Supreme Court (SC) against the recent National Company Law Appellate Tribunal (NCLAT) judgment in the Essar Steel case treating secured lenders and operational creditors on a par, said a senior government official. The order, the government said, is not in line with the Insolvency and Bankruptcy Code (IBC). "We will clarify the intent of the law in the apex court. The latest order is deviating from the Code," said a senior official. Lenders to Essar Steel have appealed against the NCLAT order in the SC, which will be heard next week. The Cabinet on Wednesday approved amendments to the IBC to give preference to secured lenders over operational creditors effective retrospectively. The MCA

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wants to make it ‘abundantly clear’ in the law, the limit to the protection available to unsecured and operational creditors, a senior government official said, adding, “All options are open in front of the government.” Operational creditors — supplier of goods and services such as vendors — are kept at a different footing from secured lenders who bring in finances into the company and have greater risk exposure. Experts feel that the proposed retrospective amendment will have far-reaching impact. “It will directly affect even such plans which have long ago attained judicial finality, on merely there being an appeal pending against such finality. This may result in opening the floodgates to fresh challenges and would be interesting to see how the courts react to the same,” said Diwakar Maheshwari, dispute resolution partner, Khaitan & Co.

*Source: Business Standard, July 18, 2019*

## STEEL PERFORMANCE

### **Steel output: Odisha beats nation avg**

Odisha has trumped the national average in terms of growth in crude steel production between 2014 and 2018. Nationwide, the crude steel output during the period witnessed a 22 per cent jump — rising from 87.29 million tonnes (mt) to 106.5 mt. In Odisha, crude steel output almost trebled from 8.8 mt to 23 mt, shows a report prepared jointly by JSW Group and PwC India. The country’s crude steel capacity is estimated to grow to 300 mt by 2030, of which actual production is gauged at 255 mt. Odisha is expected to contribute approximately 80 mt in incremental production. This additional production in Odisha will be catalysed by brownfield ramp-ups by Tata Steel, Jindal Steel & Power (JSPL), Jindal Stainless (JSL), and others, along with a new 12-million-tonne greenfield steel plant proposed by JSW Steel. Tata Steel is deploying an extra Rs 23,500 crore to scale up capacity of the Kalinganagar steel plant, from to 8 mtpa (million tonnes per annum) from the current 3 mtpa JSPL has announced it will raise its total investment in the state from Rs 45,000 crore to Rs 1 trillion by 2030.

*Source: Business Standard, July 13, 2019*

### **Steelmakers jittery over drop in car sales**

Amid the ongoing electric vehicle (EV) frenzy, when India’s auto sales for the June quarter have hit the worst in almost two decades, domestic flat steel producers have turned jittery over how demand would pan out. “I am seeing a

bigger disruption via platform economy and what it means to the auto industry in this country,” T V Narendran, chief executive officer and managing director of Tata Steel, told Business Standard. “As more and more Ubers, Olas and such options come up, the younger generation is not going to find the need to own a vehicle. That, to me is, a bigger impact than the EVs,” added Narendran. India’s passenger vehicle sales dropped the most in almost two decades in the June quarter on the back of weak consumer sentiment, slowdown in economic activity, farm distress, and liquidity squeeze. The total sales of cars, sport utility vehicles, and vans in the period under review declined 18.4 per cent year-on-year, the sharpest since a 23.1 per cent drop in the third quarter of 2000-01. Every segment of the auto industry reported a double-digit decline. Flat and long steel products are two categories which find application in the auto and infrastructure sectors, respectively. In India, Tata Steel, Essar Steel, and Sajjan Jindal-led JSW Steel are flat steel producers, while state-owned Steel Authority of India and Jindal Steel & Power are into long products.

*Source: Business Standard, July 16, 2019*

### **‘Steel makers without captive mines may face 20% rise in cost’**

With a host of merchant mines nearing expiry of leases in March 2020, steel makers without captive mines who contribute up 75% of the domestic production, are likely to face up to 20% hike in costs. This would put pressure on profitability of these steelmakers leading to a 300-400 basis point fall in Ebitda (earnings before interest, tax, depreciation and amortisation) margins in fiscal 2021, according to a latest report by CRISIL. In March 2020, leases for over 30 iron ore mines which account for nearly 62 million tonne (mt) of ore – comprising 50-55% of Odisha’s output and 10% of other state’s production of around 10 mt-- are expiring. This could lead to a 30% reduction in overall iron ore output. Significantly all these leases are held by merchant miners. With the expiry of iron ore mining leases nearing, there is quite some uncertainty about the completion and scheduling of auctions for G2 exploration licenses,” the report said. Three possible scenarios could emerge, it added. In the base case, assuming auction takes place in Q3 of FY2020, prices are predicted to go up by 15-20% in 2021 with limited supply disruption. If leases are extended by 2-3 years for existing mines there will be no supply disruption. “However, if there is a delay in auctions which is open to both captive and merchant miners, large steel players shall bid higher premiums to ensure long term supply leading to higher iron ore costs for them. The entire supply of 60 mt will come to a halt leading to iron ore imports at higher prices,” the CRISIL report added.

*Source: Economic Times, July 18, 2019*

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## **Steel, cement prices plunge amid economic slowdown**

A weak economy and slowing infrastructure spending have taken a heavy toll on steel and cement prices. Steel prices have plunged below the ₹40,000-mark for the first time in two years due to low demand from the auto and white goods sectors while cement prices have started cracking since June. Over the past few months, the price of the basic hot-rolled coil steel variety has slipped to ₹38,000-39,000 a tonne due to a sharp fall in demand. The auto sector, one of the major drivers of steel demand, has seen sales drop over the last 10 months, with the crisis in the NBFC sector squeezing lending to the sector. Rising defaults by automobile dealers have prompted large banks such as SBI and HDFC Bank to trim exposure towards their inventory funding. Seshagiri Rao, Joint Managing Director, JSW Steel, said steel demand is weak, growing just 6.5 per cent in April and May compared to 8 per cent in the March quarter, driven largely by liquidity constraints and bank lending curbs. Since there are few active lenders, the availability of credit at reasonable rate has become an issue, he said. There is an anomaly in the market place with the RBI cutting key bank rates to stimulate growth while banks' lending rates are going up to unaffordable levels, he added. Unlike steel, cement prices are driven by local demand and availability. Any cut in output by a cement company in a particular region can push up prices substantially. Though the average cement prices were down 2 per cent at ₹366 a 50 kg bag in June, it was up 4 per cent in the first quarter due to the sudden price spike in May to ₹375 from ₹359 in April. Kunal Shah, Research Analyst, Yes Securities, said the western and southern regions witnessed the sharpest price decline. It was down 9 per cent in Visakhapatnam in June due to government project cancellations and a ban on illegal sand mining, he added. This apart, he said, a liquidity crunch, slowdown in government-led infrastructure activities and onset of monsoon in a few regions impacted demand.

*Source: Business Line, July 18, 2019*

## **POLICY**

### **Steel users urge govt not to accept manufacturers' plea to hike import duty**

In a letter addressed to Prime Minister Narendra Modi and Finance Minister Nirmala Sitharaman the user industry had said that imports as of May account for less than 4.68 per cent of the country's total gross production. The claim of steel companies that South Korea, Japan and China have diverted big volumes to India

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due to trade barriers imposed by the US and EU is false as the three countries export very little to the US, said the user industry. Safeguard measures are in response to sudden surge in imports, but in reality imports have come down in last three years due to protective measures taken since September 2015, said the letter also addressed to the commerce, steel and MSME ministers. Earlier, the Indian Steel Alliance – primary steel producers body – had petitioned the Directorate General of Trade Remedies for levying 25 per cent safeguard duty on wide range of steel items imported.

*Source: Business Line, July 15, 2019*

### **Steel exports fall 34% in 2018-19**

The country's total steel exports fell 34 per cent in 2018-19 to 6.36 million tonnes compared to the preceding fiscal, parliament was informed on Monday. In comparison to 2017-18 (9.62 million tonnes), India's total steel export has declined by 34% in 2018-19 and stood at 6.36 million tonnes" Union Minister for Steel, Dharmendra Pradhan said in a written reply to the Lok Sabha. He also said the government has taken appropriate measures to protect the domestic industry from unfair external competition.

*Source: Business Line, July 16, 2019*

## **MISCELLANEOUS**

### **'NCLAT order on Essar Steel has rewritten IBC rules'**

The lenders of Essar Steel have told the Supreme Court that the National Company Law Appellate Tribunal (NCLAT) has misconstrued and misinterpreted the provisions of the Insolvency and Bankruptcy Code (IBC) to such an extent that the statute itself has been literally rewritten. In an appeal filed against the NCLAT order, the Committee of Creditors (CoC) has said the judgment has put the entire insolvency of one of the largest non-performing assets of the country under jeopardy and unsettled the otherwise settled principles of law recognising and protecting the rights of the secured creditors. The verdict, which suffers from jurisdictional and factual errors, has also endangered the economic interests of the country, it said. On July 4, the NCLAT had approved the ₹42,000-crore bid placed by ArcelorMittal to take over Essar Steel, but placed the secured and operational

creditors on the same pedestal for distribution of the recovered money. This has led to banks suffering a higher hair cut than envisaged before. The NCLAT has entirely altered the payment terms of the approved resolution plan without the consent of the CoC or the resolution applicant ArcelorMittal, and has taken away the CoC's authority to approve or reject a resolution plan, said the appeal.

*Source: Business Line, July 16, 2019*

### **Essar Steel insolvency: ArcelorMittal moves SC against NCLAT order**

ArcelorMittal, which was declared the highest bidder for debt-laden Essar Steel, moved the Supreme Court against a part of the order of the National Company Law Appellate Tribunal (NCLAT) which had ruled that the profit of Rs 3,495 crore generated during the corporate insolvency resolution process cannot be given to it. The appellate tribunal had held that the profit should be distributed among all the financial and operational creditors on a pro-rata basis of their claims. The NCLAT had on July 4 said if ArcelorMittal did not pay the total dues to the creditors – financial creditors or operational creditors – “but pays lesser amount than the claim, then in such case, the profit should be distributed among all the creditors”. It directed that “after the distribution of Rs 42,000 crore, if any amount is found to have been generated as profit during the CIRP after due verification by the auditors, it should be distributed among all the creditors... on a pro-rata basis of their claims subject to the fact that it should not exceed the admitted claim”. Last week, State Bank of India-led committee of creditors of the insolvent firm had moved the Supreme Court against the NCLAT's order that reduced their share of sale proceeds and also put financial creditors and operational creditors at par in the settlement of claims. The petitions are coming up for hearing on July 22.

*Source: Financial Express, July 19, 2019*