

Steel In The News

A compilation of leading news items on Indian steel industry as reported in major national dailies

CONTENTS	Page
Highlights of the Week	2
Raw Material	2
Company News	3
Financial	5
Policy	6
Steel Performance	7
Global Steel	8
Miscellaneous	8

A Weekly News Report by Joint Plant
Committee

June 22 - 28, 2019

HIGHLIGHTS OF THE WEEK

1. India's crude steel output grows 5% in May:worldsteel
2. India's May steel exports drop to lowest in 3 years
3. Railways, SAIL spar over rails quality
4. NMDC Terminates contract given to BHEL over delay
5. Tata Steel's FY19 net debt at Rs.28,471 cr
6. Electrosteel to invest up to Rs.5000 cr to double production capacity
7. Tata Sponge aims to become 'integrated steel enterprise'
8. Keep steel, allied products out of RCEP: Trader's body
9. Tata Steel eyes 10% of its revenues from non-steel segment by 2025
10. Tata plans first industrial –scale CO2 capture plant in UK

RAW MATERIAL

NMDC Terminates contract given to BHEL over delay

The National Mineral Development Corporation (NMDC) has invoked termination clause against Bharat Heavy Electricals Limited (BHEL) for failing to complete a contract awarded for its Nagarnar steel project in Chhattisgarh's Bastar district. The state-run miner is setting up a 3 million tonne per annum (mtpa) greenfield integrated steel plant in Nagarnar -- about 16 kms from Bastar's divisional headquarters at Jagdalpur. The project is part of NMDC's diversification, value addition and forward integration programme. The company plans to feed raw material to the plant from its iron-ore complexes located in Bastar division. NMDC manages two fully mechanised mines with a capacity of 25 mtpa in Dantewada district of Bastar. The Nagarnar steel plan was conceived by the NMDC in 2009-10 and the contract to build raw material handling system was awarded to BHEL on August 1, 2011. The state-run engineering enterprise failed to expedite the contract. Even after continuous follow up at corporation and ministry level, BHEL did not accelerate the progress of the project, resulting in a delay of over five years.

Source: Business Standard, June 28, 2019

COMPANY NEWS

Railways, SAIL spar over rails quality

A study has said the rails Steel Authority of India (SAIL) provides to the Indian Railways are of lower quality and not suitable to run 25-tonne axle load wagons, dealing a huge blow to an ambitious plan of the Railways to move 70 per cent of its freight traffic on higher axle load wagons by 2019-20. The finding of the University of Illinois study, which was commissioned by the railways ministry, is likely to lead to a tussle between SAIL and its largest customer, the Railways, as sources indicate that the state-run steel major is unlikely to immediately shift to a top-grade rail. According to the report, the existing track structure in India, having 880 mega pascal (MPa) tensile strength, is not adequate for 25 tonne axle load operation. According to sources, the Railways has asked the Ministry of Steel and SAIL to shift to higher grade rail in the next two years, so that it can go ahead with the “Mission 25 Tonne” plan.

Source: Business Standard, June 28, 2019

Tata Steel’s FY19 net debt at Rs.28,471 cr

Tata Steel’s standalone net debt for the full year ended March 2019 more than trebled to Rs 28,471 crore, from Rs 8,769 crore a year ago, because of a decrease in current investments along with cash and bank balances. The company witnessed a net decrease in cash and cash equivalents of Rs 4,044 crore for 2018-2019, against a net increase of Rs 3,684 crore in the previous year, according to the 112th annual report for FY19. The standalone net debt to equity increased 0.42 times during the year against 0.15 times in the full year ended March 31, 2018, which was primarily on account of a significant decline in cash and bank balances and other liquid investments. Higher gross debt and decrease in current investments, cash and bank balances, mainly at Tata Steel standalone business, pushed up the net debt at a consolidated level. On a consolidated level, the net debt was higher by Rs 25,664 crore, or nearly 37%, and stood at Rs 94,879 crore, against Rs 69,215 crore in the previous year. The gross debt at over Rs 1 lakh crore was higher by Rs 8,669 crore over the previous year. According to the annual report, the increase in gross debt was mainly on account of proceeds from borrowings (net of repayment) by Rs 8,340 crore along with exchange impact on translation being Rs 345 crore. The increase in borrowings was mainly at TSBSL (Tata

Steel Bhushan) and Tata Steel standalone, partly offset by decrease at Tata Steel Europe and Singapore-based entities.

Source: Financial Express, June 24, 2019

Tata Steel's home run pays off

In a year that Tata Steel made two strategically important acquisitions — Bhushan Steel and Usha Martin — it also recorded its highest ever levels of revenues and Ebitda (earnings before interest, taxation, depreciation and amortisation). N Chandrasekaran, chairman of Tata Steel, said in his annual message to shareholders that on a consolidated basis, the company had achieved the highest ever levels of revenues and Ebitda this year. Tata Steel has also generated positive free cash flows of Rs 8,839 crore this year, for the first time in over a decade.

Source: Business Standard, June 24, 2019

Steel major to seek shareholders' nod to reappoint T V Narendran CEO & MD

Tata Steel said it will seek shareholders' nod for the re-appointment of T V Narendran as CEO and MD of the company. It will also seek shareholders' approval for appointment of Vijay Kumar Sharma as a director and reappointment of Mallika Srinivasan and O P Bhatt as independent directors, as per a BSE filing. The company's next Annual General Meeting is scheduled for July 19, 2019 in Mumbai. Tata Steel is seeking the consent of shareholders for reappointment of Narendran as CEO and MD for a period of five years with effect from September 19, 2018, not liable to retire by rotation, it said. The company also said it will seek approval "to appoint a director in the place of Koushik Chatterjee, who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and, being eligible, seeks reappointment." Narendran, 54, was appointed as the Managing Director for a period of five years with effect from September 19, 2013, and the appointment was approved by the shareholders at the AGM on August 14, 2014.

Source: Business Standard, June 24, 2019

Electrosteel to invest up to Rs.5000 cr to double production capacity

Having successfully turned around the operations of Electrosteel Steels Ltd (ESL) in less than a year post its acquisition, the Anil Agarwal-controlled

Vedanta Ltd is now looking to scale up production capacity and revamp the product portfolio to improve profitability. Plans are also afoot to give the company an image makeover and rename it. According to Pankaj Malhan, Deputy Chief Executive Officer, Electrosteel Steels, the company will invest around ₹4,000-5,000 crore to double the production capacity of the plant at Bokaro to nearly 3 million tonne (mt) in the next two years. Its current capacity stands at 1.5 mt. The company will subsequently also explore the possibility of setting up an additional 3-4 mt steel making unit beside the existing the Electrosteel facility. It also aims to add another 3-4 mt taking the total capacity to close to 10 mt in the next five-to-six years either by way of organic expansion or inorganic route. For its inorganic expansion, the company might look at assets in West Bengal or in the southern markets, he said.

Source: Business Line. June 27, 2019

Tata Sponge aims to become integrated steel enterprise

Tata Steel subsidiary Tata Sponge Iron is aiming to position itself as an “integrated steel enterprise” with a diversified business portfolio after completing the acquisition of the steel business of Usha Martin (UML). The company is focussing on integrating the steel business with itself, including bringing about technological changes and skill enhancement of existing workforce. The company, wherein Tata Steel holds 54.5% shareholding, completed the acquisition of the steel business undertaking of Kolkata-based Usha Martin in April. UML’s steel business comprised a specialised alloy-based manufacturing capacity in the long products segment based in Jamshedpur, an iron-ore producing mine, a coal mine under development and captive power plants. “UML’s steel business has the rich product mix of carbon steel and alloy steel which caters to automotive customers as well as produce high-end wire rods. On April 9, 2019, the company completed the acquisition of the steel business undertaking, including captive power plants and some other assets which comprise mines and certain land parcels of UML,” Tata Sponge Iron said in its annual report for 2018-19.

Source: Financial Express, June 22, 2019

FINANCIAL

Neelachal Ispat eyes Rs.400-crore Ebidta in FY20

Nilachal Ispat Nigam, a company co-promoted by trading firm MMTC, and

the Odisha government – controlled entities, is eyeing Ebidta of Rs.400 crore in this financial year. Neelachal Ispat hopes to aim a post marginal net profit in 2019-20.

Source: Business Standard, June 25, 2019

Tata Steel eyes 10% of its revenues from non-steel segment by 2025

Tata Steel is looking to partially insulate revenues from cyclicalities of the steel business by exploring possibilities in the non-steel materials segment, which it hopes will corner 10 per cent of revenues by 2025. The new materials business is focused on fibre reinforced polymer (FRP) composites and graphene, but there is also an effort of bringing advanced materials like ceramics into the fold. The company's latest annual report said that with the growth in the economy there was a large opportunity for new materials and applications for existing and new sectors and Tata Steel aspired to be a technology and innovation leader in the industry. The new businesses are expected to account for 10 per cent of revenues. The model adopted by the new materials business is asset-light model through partnerships to develop FRP products that cater to automotive, industrial, infrastructure and railway sectors. The wide-ranging applications could be solutions for streetlight poles, pressure vessels, pipes, modular toilets, chemical tanks and footover bridges. Tata Steel is already collaborating with National Composite Centre - Bristol, Indian Institute of Science, Bangalore, IIT Roorkee, NIT Rourkela and other Council for Scientific and Industrial Research (CSIR) Labs for the purpose.

Source: Business Standard, June 26, 2019

POLICY

Keep steel, allied products out of RCEP: Trader's body

Domestic steel and other metal products should be kept out of the proposed RCEP as the mega trade pact will enable nations like South Korea and China to flood the Indian market with their goods, traders' body CAIT said on Friday. In a meeting convened by the Commerce Ministry to discuss the impact of the Regional Comprehensive Economic Partnership (RCEP) on steel sector, the Confederation of All India Traders (CAIT) submitted a memorandum calling for India not to sign the mega trade pact, saying it will adversely affect steel trade and industry in the

country. Commerce Minister Piyush Goyal attended the meeting. CAIT said the pact will open flood gates for RCEP countries to export to India through zero duty access, making operations for domestic producers non-viable.

Source: Business Line, June 22, 2019

STEEL PERFORMANCE

India's crude steel output grows 5% in May:worldsteel

India's crude steel output rose 5.1% to 9.196 million tonne (MT) during May 2019, according to a World Steel Association report. The country has produced 8.753MT of crude steel during the same month in 2018, the global body said in its latest report. Global crude steel production for the 64 countries reporting to the World Steel Association (worldsteel) was 162.744 MT in May 2019, a rise of 5.4% compared to 154, 460 MT in May 2019 up 5.1% over 8.753 MT in May 2018," the report said. China has registered a 10 percent rise in its output of crude steel at 89.091 MT as against 81.018 MT during same month last year. Japan, from whom India bagged the tag of world's second largest producer of crude steel, has reported a fall of 4.6 percent in its output at 8.676 MT as compared to 9.096 MT in May 2018.

Source: Financial Express, June 25, 2019

India's May steel exports drop to lowest in 3 years

India's finished steel exports in May fall to their lowest in three years as shipments to traditional markets in the European Union (EU) and Nepal shrank, preliminary government data reviewed by Reuters showed. India exported 319,000 tonnes of finished steel in May, down 28% from the same month last year and the lowest level since April 2016, the data showed. Steel exports to the EU dropped 55% in May, led by fewer shipments to Italy, Belgium and Spain, which together made up about 80% of India's overall exports to the region. That comes amid 'safeguard' measures by the EU that are designed to limit incoming steel and prevent a surge of imports as a result of Washington's 25% import tariffs, which have effectively closed the US market.

Source: Financial Express. June 27, 2019

GLOBAL STEEL

Tata Steel Europe CEO to step down

Tata Steel said its European business chief executive Hans Fischer will step down, effective July 1. However, Fischer will continue to serve on the board of Tata Steel Europe (TSE) as non-executive director and advise T V Narendran, CEO and MD of Tata Steel Limited till September 30, according to a regulatory filing. Henrik Adam, currently Chief Commercial Officer Tata Steel Europe, has been appointed to succeed Hans as the CEO from July 1, 2019. He will also join the board of TSE and report to Narendran. The development comes nearly a fortnight after the European Commission on June 11, 2019 blocked Tata Steel's proposed merger of its European business with German giant ThyssenKrupp over monopoly situation.

Source: Business Standard, June 28, 2019

MISCELLANEOUS

Tata plans first industrial –scale CO2 capture plant in UK

Tata Group's unit making chemicals in the U.K. plans to build the country's first industrial-scale carbon capture project. The 16.7 million pound (\$21 million) facility in Northwich, England, is to start working in 2021, Tata said in a statement. It will draw in CO2 created by burning fossil fuels and use it to make sodium bicarbonate, an ingredient in the food and pharmaceuticals industries. Carbon capture and storage so far struggled to gain traction mainly because of the cost of the technology and because there's no clear business model to make it pay. This project has a twist in that the CO2 will be used by in another process instead of being stored underground. The U.K. government has a target to reduce its net emissions to zero by 2050. The new plant will take the carbon dioxide from the exhaust gases of a natural gas-fired combined heat and power plant, which supplies steam and electricity to the company's operations and other businesses in the area. The so-called carbon-capture and use plant will be capable of capturing as much as 40,000 tons per year of CO2 and will reduce the chemical facility's emissions by 11%. Tata is funding the development in part with a 4.2 million-pound grant from the U.K. government, which has a program to spur the technology as a way of reducing greenhouse gas emissions.

Source: Financial Express, June 28, 2019