

# 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

1. SAIL and NMDC should surrender undeveloped iron ore blocks: Experts.
2. NMDC, GSI signs MoA for sharing data to explore minerals
3. Tata Steel hoarding mines, says PIL
4. MSTC receives Sebi approval for IPO
5. JSW gets Rs.4,970-cr trade finance to supply steel to Duferco International
6. JSL gets Odisha govt's nod for private industrial estate
7. JSPL to gain from expansion in capacity, better pricing for steel
8. China's iron ore futures drops 1.2%
9. Steel players ready plans to substitute Imports
10. JSW seeks to be in Driver's seat at GM Talegaon Plant

## RAW MATERIAL

### **NMDC, GSI signs MoA for sharing data to explore minerals**

NMDC has signed a memorandum of agreement (MoA) with the Geological Survey of India (GSI) for sharing of aero-geophysical data (magnetic) for mineral exploration in part of Obvious Geological Potential (OGP Block-2) in Madhya Pradesh. With its expert team of geologists, NMDC was identified as a nodal agency by the Union Ministry of Mines for specialised mineral exploration works. The data would be processed jointly by NMDC-Centre of Exploration Geophysics (CEG), Osmania University, Hyderabad.

*Source: Financial Express, March 07, 2019*

### **SAIL and NMDC should surrender undeveloped iron ore blocks: Experts**

State-owned companies like SAIL and National Mineral Development Corporation should surrender undeveloped iron ore blocks to fulfil the recently approved National Mineral Policy's objective of "rationalising reserved areas" held by PSUs and releasing them for auctions for private participation, experts said. This will reduce the country's dependence on imports of iron ore, the prices of which have been volatile in the last few months, even as the country harbours a vision to achieve 300 million tonnes

of steel production by 2030, which will require about 500 mt of iron ore. It takes about 1.6 mt of iron ore to produce 1 mt of steel.

*Source: Economic Times, March 07, 2019*

### **Tata Steel hoarding mines, says PIL**

The Odisha High Court will hear a public interest litigation on March 25 filed against Tata Steel for holding excess mining rights in Odisha and the State government's move to increase the maximum area limit for lessee of iron ore mines from 10 sq km to 75 sq km. In a petition with the High Court, Bijaya Kumar Mishra from Angul district of Odisha said it is pertinent to note that out of 56 sq km of mining lease area held by steel companies in Odisha, Tata Steel owns 49.61 sq km of iron ore and manganese mines which account for 89 per cent of total mining leases ever allotted to steel companies. Interestingly, Section 6 of Mining and Mineral Development (Regulation) Act restrict mining area to be held by a miner at 10 sq km. The State government recently recommended to the Centre to raise the maximum area limit for iron ore lessees to 75 sq km. The Centre had increased area limit for bauxite deposits to 50 sq km. In response to a BusinessLine questionnaire, a Tata Steel spokesperson said: "We have no comments to offer as the matter is sub-judice". But, owning mines above the prescribed limit has not deterred Tata Steel from participating in an auction last year and increasing the holding limit will help Tata Steel to amass more mines, said the petition. Tata Steel currently has 3 million tonnes per annum steel production capacity in Odisha and plans to increase it to 8 mtpa. Even after expansion, it requires only 13.12 mtpa of iron ore. It is startling that Tata Steel is being allotted a 75-year-old iron ore mine with reserve of 438 million tonnes, said the petition.

*Source: Business Line, March 06, 2019*

## **COMPANY NEWS**

### **MSTC receives Sebi approval for IPO**

MSTC, a mini ratna company under the Ministry of steel, has got the Sebi nod for an IPO. The company engaged in ecommerce and trading activities, is one of the leading PSU entities engaged across diversified industry segment offering e-auction/e-sale, e-procurement services and development of customised software solutions. The MSTC IPO comprises an offer for sale

of 17,600,000 equity shares equivalent to 25% of the post –offer paid-up equity share capital. The government at present holds an 89.85% stake in MSTC. The divestment would bring down the government holding to 64.85%.

*Source: Financial Express, March 05, 2019*

### **JSW gets Rs.4,970-cr trade finance to supply steel to Duferco International**

In the largest-ever trade finance in Indian steel sector, JSW Steel has received \$700 million (₹ 4,970 crore) for supplying steel over the next five years to Duferco International Trading Holding, a global steel trader and distributor. Both companies had signed the advance payment and supply agreement last Wednesday. The pact will help JSW Steel part-finance its ₹ 19,650-crore Bhushan Power acquisition through the insolvency process. It has already accepted the letter of intent, issued by the resolution professional of Bhushan Power, and is in the process of tying-up the funds. The financing structure with Duferco International provides JSW long-term funding to complement its plans for growth, secured by committed export of steel products to DITH. For DITH, the transaction assures a captive supply of various steel products from JSW over the term of the agreement. In the last 15 years, both companies had partnered in various commercial ventures. The deal has been arranged and financed by the global banks BNP Paribas, Citibank, Credit Suisse, ING, Mashreqbank, Natixis, Societe Generale, and Standard Chartered Bank. Seshagiri Rao, Joint Managing Director, said the structured long-term trade finance transaction is an important deal in diversifying the sources of financing for JSW Steel.

*Source: Business Line, March 04, 2019*

### **JSW seeks to be in Driver's seat at GM Talegaon Plant**

The JSW Group is in advanced negotiations with General Motors India to buy its Talegaon plant as part of the steel maker's ambition to venture into electric vehicles. Under the plan, among several that are said to have been examined by GM India, JSW Energy will take over the plant and become a contract manufacturer for the Beat and Essentia compact cars, which are being made for Mexico and other overseas markets. This will mean GM India fully exiting vehicle manufacturing in the country by the end of 2019, having already stopped local sales in mid-2017. JSW Energy could also use the Beat architecture to develop its own electric vehicles for the Indian

market by 2021-2022, said the people cited above. It has committed Rs 3,500-4,000 crore for its electric vehicle venture, they said.

*Source: Economic Times, March 02, 2019*

### **JSL gets Odisha govt's nod for private industrial estate**

A Special Purpose Vehicle for the purpose has already been formed, they said. Odisha government has approved a proposal of Jindal Stainless Ltd (JSL) for setting up a private industrial estate near Kalinga Nagar in Jajpur district. A high-level meeting chaired by Chief Secretary A P Padhi gave a go-ahead to the proposal on Wednesday. Padhi asked the concerned authorities to complete the work in the first phase within three years from the date of land allotment. The industrial estate will be developed in two phases. Chairman-cum-managing director (CMD) of Industrial Infrastructure Development Corporation (IDCO) Sanjay Singh said the downstream cluster will manufacture and supply stainless steel products, including construction materials, architectural designs, pipes, industrial goods, lifestyle consumables, kitchen wares and others. A Special Purpose Vehicle for the purpose has already been formed, they said. Meanwhile, the IDCO has identified around 300 acres of land to be allotted for the industrial estate. Water requirement of 2.54 MLD (million litre per day) will be sourced from the intake well of JSL in river Bramhani. The power requirement for the proposed estate is around 40.58 MW, which will be met both from the CPP of JSL and the NESCO grid. The industrial estate envisages an investment of around Rs 1,532 crore with an employment potential of 19,000 persons, official sources said. As per preliminary estimates, around Rs 168 crore will be invested for infrastructural development and creation of common facility centres. JSL will be the anchor investor.

*Source: Business Line, March 08, 2019*

### **JSPL to gain from expansion in capacity, better pricing for steel**

Jindal Steel and Power (JSPL) is set to accrue gains on account of various factors, following an improvement in outlook for steel prices. While the higher steel prices will translate to better margins and earnings, capacity expansions in the firm's steel business will further boost its financials. JSPL's DRI (direct-reduced iron) plant at Angul, with a capacity of 1.8 million tonnes per annum (mtpa), is expected to start production by mid-March. The company will also see its 3.2 mtpa blast furnace achieve 11,000 tonnes per day (tpda) of rated capacity by the end of FY19. While the blast furnace had already stabilised with a production rate of 8,500 tpda, the DRI

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plant has now resumed operations of its coal gasification unit. All these factors indicate good progress on its Angul plant achieving 5 mtpa production, say analysts who expect JSPL to achieve 5.8 – 6.5 mt of steel production during FY20, compared to an exit rate of 6 mt at the end of January 2019. The ramp-up in downstream capacity will also boost margins. Coupled with cost efficiencies, all this will likely result in savings of upto Rs.2000 per tonne in FY20, say analysts at Edelweiss.

*Source: Business Standard, March 06, 2019*

## FINANCIAL

### **ArcelorMittal hopes to get NCLT nod for Essar Steel deal by March**

ArcelorMittal has agreed to pay a total of Rs 50,000 crore, including a Rs 8000-crore capital infusion, to acquire Essar Steel, as bankers started voting on its offer. Electronic voting started at 4 pm Tuesday. Banks have 24 hours to support or reject the offer. “As per the offer, secured creditors are about to receive Rs 39,400 crore as cash up front and also Rs 2,500 crore cash into the company, which takes the total cash amount to Rs 42,000 crore. Besides this, Arcelor has offered to infuse up to Rs 8,000 crore later,” said a person involved in negotiations. A meeting of the committee of creditors, which started late on Monday at St Regis Hotel, ended in the wee hours of Tuesday as bankers, lawyers and representative of ArcelorMittal finalised contours of the deal, which includes payments to unsecured creditors and full repayment to small operational creditors with dues of up to Rs 1 crore. Workmen and employees are owed Rs 18 crore and will also be paid in full, according to the agreement. Secured lenders will get Rs 42,000 crore on total debt of Rs 49,000, a recovery of almost 86% for the steel asset — one of the highest among the 12 dragged to insolvency court by Reserve Bank of India’s first list of defaulters. “This is the best deal we could have got. I have already given my consent for this plan. I think the decision by lenders will be close to unanimous because it cannot get better than this,” said a top executive of a lender who has an outstanding principle of Rs 1,500 crore to Essar Steel. He expects to get back his full principle and “a substantial part” of interest.

*Source: Economic Times, March 05, 2019*

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## POLICY

### **Steel players ready plans to substitute Imports**

Domestic primary steel producers are aiming their capital expenditure at substituting imports, that have risen and are capturing the market because of low- priced products. “There is a strong import substitution plan in place. We have developed new grades that substitute imports from Russia in segments such as defence, submarine and shipbuilding,” said a senior official with state-owned Steel Authority of India (SAIL). Besides SAIL, Tata Steel, JSW Steel and Jindal Steel & Power are two of the big primary steel producers in the country. During April to November 2018, India’s finished steel imports surpassed exports by 0.7 million tonne, making the country a net importer of the commodity compared to being a net exporter in financial year 2016-17 (FY17) and FY18. Consumption of steel during the period stood at 71.6 million tonne, up 7.9 per cent from the corresponding period a year ago. Industry executives said the flooding of steel imports into the Indian market is mainly because of the cheap price, and is not driven by a lack of availability of products in the country. Tata Steel Kalinganagar has kicked off its phase-II expansion of five million tonne cold rolling mill, scheduled for production by FY21. The expansion will install one of the biggest blast furnaces in the world, taking the total capacity at Kalinganagar to eight million tonne catering entirely to the auto sector. The investment for phase-II expansion is Rs 23,500 crore. SAIL is also engaged in modernisation of its facility and aims to augment its capacity to 50 million tonne entailing an investment of Rs 150,000 crore by 2025. SAIL’s current capacity stands at 21 million tonne.

*Source: Business Standard, March 03, 2019*

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## WORLD STEEL

### **China’s iron ore futures drops 1.2%**

Prices of China’s steelmaking raw materials dropped after Tangshan maintained the highest smog alert amid unfavourable weather conditions. The most trades iron ore contract on the Dalian Commodity Exchange fell as much as 1.2% to 610 yuan (\$90.86) a tonne.

*Source: Economic Times, March 07, 2019*

**MISCELLANEOUS****NCLT rejects Karur Vysya Bank's pleas on ArcelorMittal's Essar Steel bid**

Karur Vysya Bank wanted the NCLT to reject ArcelorMittal's resolution plan for Essar Steel citing pending dues from the company in KSS Petron. The Ahmedabad Bench of the National Company Law Tribunal (NCLT) rejected two pleas by lender Karur Vysya Bank (KVB) which sought to reject ArcelorMittal's resolution plan for Essar Steel India Limited (ESIL) citing pending dues from ArcelorMittal in KSS Petron. KVB, which was asked last month to make written submissions on its plea before the NCLT Ahmedabad, had claimed dues worth over ₹ 3 crore accruing out of KSS Petron where ArcelorMittal was a related party. In its plea, the lender had sought the quashing of ArcelorMittal's takeover bid of ₹ 42,000 crore for ESIL on the grounds of non-payment of dues accruing to itself. Earlier in February, 2019, during the hearing in the matter, the respondents i.e., Committee of Creditors (CoC) and Resolution Professional (RP) of ESIL objected to KVB's pleas stating that the bank was late in submitting its claims with KSS Petron's RP.

*Source: Business Line, March 08, 2019*