

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. Steel prices shoot up Rs.1,700 per tonne, Rs.2,000 increase likely.
2. KIOCL sets pellet production target at 2.6 mt for 2019-20.
3. Neelachal Ispat Nigam posts best ever production figure since inception.
4. MSTC plans to raise Rs 226 crore at the upper band through IPO.
5. Steel price hike to compound cost woes of automakers.
6. Iron ore supply disruptions spike demand for low grade Indian fines.
7. Tata's Gopalpur industrial park may house chemicals, export oriented units.
8. Essar Steel: Lenders confident of recovering money by March-end despite legal wrangle

RAW MATERIAL

Iron ore supply disruptions spike demand for low grade Indian fines

of inferior grade accumulated at the mines heads in Odisha and Jharkhand are finding their way into the export markets amid the global supply turmoil created by the shutdown of a string of mines held by Brazil-based Vale, the world's largest iron ore miner. Demand for lower grade iron ore fines (iron content of less than 58 per cent) had evaporated as Chinese steel mills showed a proclivity to buy higher grade ore or even pellets to feed into their blast furnaces. China's steelmakers were spurred by their government's decision to crack down on rising emissions. However, the deepening iron ore deficit has swung the trade balance in favour of the Indian ore miners. The demand trigger for lower grade material might be a temporary phenomenon but it will help liquidate the enormous inventory in Odisha and Jharkhand for which there are no takers even in the domestic market, said an industry source. "To overcome the iron ore deficit, China has of late shown a tendency to buy even the lower grade

Source: Business Standard, March 14, 2019

COMPANY NEWS

KIOCL sets pellet production target at 2.6 mt for 2019-20

KIOCL Ltd (formerly Kudremukh Iron Ore Company Ltd) is targetting pellet production of 2.6 MTPA (million tonnes per annum) in the next financial year. MV Subba Rao, CMD, KIOCL Ltd, told BusinessLine that the company was expecting to match the last financial year's pellet production of 2.327 mt, this year also. On the plans for the next financial year, he said: "We are targeting 2.6 million tonnes for 2019-20." The pellet production of the company stood at 0.1 million tonnes and 1.46 million tonnes in 2015-16 and 2016-17, respectively. The installed capacity in Mangaluru is 3.5 MTPA. Rao said the performance of KIOCL has been improving steadily in the last three-four years due to initiatives taken by the management with the support of the Union Steel Ministry. He said the company was in the process of upgrading the technology and logistic system of the pellet plant. It has earmarked around ₹ 200 crore for modernising the pellet plant in Mangaluru. The company will spend around ₹ 1,500 crore to set up mining machinery, beneficiation plant, pelletisation plant etc., once mining lease is registered in the name of KIOCL. The Ballari project will help create huge employment in the region, he added.

Source: Business Line, March 09, 2019

Neelachal Ispat Nigam posts best ever production figure since inception

Neelachal Ispat Nigam Limited (NINL), the steel company co-promoted by MMTC Ltd and two Odisha government controlled entities, has churned out 0.72 million tonnes of hot metal in this fiscal (as on March 11), its best ever production figure since inception. NINL with its steel plant located at Kalinganagar (Odisha), home to a cluster of steel projects owned by Tatas, Jindals and others, edged past

its previous best output of 0.71 million tonnes in 2009-10. S S Mohanty, vice chairman & managing director, NINL, said, “The hot metal production will improve further. We have also plans to adopt Coal Dust Injection technology at the blast furnace which will improve techno-economic parameters and productivity. Operations of the captive mines is also expected early next fiscal which will be a game changer for the company.”

Source: Business Standard, March 13, 2019

Lakshmi Mittal closes in on Essar

Mittal’s global giant ArcelorMittal is finally nearing the end of a year-long battle to break into India with the \$5.9 billion acquisition of Essar Steel India Ltd. The Indian steel-maker was put on the block after its lenders approached the court to recover about \$7 billion in dues. The forced sale of the 10-million metric tonnes a year mill has hit numerous roadblocks, including rules that compelled Mittal to shell out an extra \$1 billion to clear the dues of two firms where he held some stake. He had to reportedly sell his holdings in one of them for ₹ 1 a share. Perhaps the biggest hurdle was posed by Essar Group’s Ruia brothers, who lost control of the mill after a regulator pushed it into bankruptcy court. Challenges from Essar Group, rival bidders and some creditors have seen ArcelorMittal make dozens of trips to court since an initial bid in February 2018 — dwarfing its five-month-long campaign for Arcelor SA in what was the industry’s biggest merger.

Source: Business Line, March 12, 2019

MSTC plans to raise Rs 226 crore at the upper band through IPO

State-owned MSTC’s initial public offering (IPO) will remain open for subscription between March 13 and March 15. The company has set the price band for its IPO at Rs 121-128 per share. MSTC will offer a discount of Rs 5.5 per share

on the allotment price to retail investors. At the upper end of the price band, the IPO size would be Rs 226 crore. The offering is entirely an offer for sale by the Government of India. The government has so far raised Rs 56,473 crore as part of its 2018-19 disinvestment programme. MSTC operates in the metals and mining sector and has three business verticals — e-commerce, trading and recycling.

Source: Business Standard, March 13, 2019

Tata's Gopalpur industrial park may house chemicals, export oriented units

Tata Steel Special Economic Zone Ltd (TSSEZ) is in advanced talks with two chemicals companies and a 100 per cent export oriented unit to set up facilities at the industrial park at Gopalpur off the coast of south Odisha. TSSEZ is the developer for the park sprawling over 2900 acres. The industrial park is split into Special Economic Zone (SEZ) notified over 1235 acres and the residual stretch of land designated as the domestic tariff area (DTA). “The two chemicals industries that we are talking to are eyeing the DTA area. For the SEZ, we have one 100 per cent export oriented company keen to set up their facility. Investments are gaining steam at our Gopalpur industrial park and we have Rs 1800 crore of proposals. Gopalpur is slowly emerging as an industrial destination of consequence”, said Ashish Mathur, managing director, TSSEZ Ltd.

Source: Business Standard, March 13, 2019

Essar Steel: Lenders confident of recovering money by March-end despite legal wrangle

Notwithstanding the imminent challenges, bankers involved in the Essar Steel debt resolution process are confident of shoring up their balance sheet this fiscal with ArcelorMittal’s winning bid of ₹ 42,000 crore. On the contrary, the legal fraternity feels the judiciary does not necessarily work on bankers’ deadlines, and expects

the case to end only in the June quarter. The matter will come up for hearing at the National Company Law and Appellate Tribunal (NCLAT) on March 15, and aggrieved parties further have the liberty to move the Supreme Court. Last Friday, the Ahmedabad Bench of the National Company Law Tribunal (NCLT) approved ArcelorMittal's bid but had suggested that the Committee of Creditors (CoC) share 15 per cent of the bid amount with the operational creditors.

Source: Business Line, March 14, 2019

FINANCIAL

NCLT clears ArcelorMittal's Rs.42,000-cr for Essar Steel

The Ahmedabad Bench of the National Company Law Tribunal (NCLT) approved ArcelorMittal's ₹ 42,000-crore resolution plan for the insolvent Essar Steel India Ltd (ESIL). This allows the LN Mittal-led global steel major to gain a foothold in the Indian market. Essar Steel has a steel plant with a capacity of 10 million tonnes per annum at Hazira in Gujarat. ArcelorMittal's resolution plan was approved by the ESIL Committee of Creditors (CoC) led by SBI with a majority vote in October last year. Under the plan, 92 per cent of the total amount will be distributed among the financial creditors, while the operational creditors (OCs) with dues of less than ₹ 1 crore stand to get the remaining 8 per cent. On ArcelorMittal's demand for immunity from past tax and legal liabilities, the Bench said it was out of its jurisdiction to give such an immunity and left it to "the wisdom of the competent government authorities to decide". It turned down a plea of the suspended management of ESIL seeking to participate in CoC meetings to consider the resolution plan.

Source: Business Line, March 09, 2019

NCLT told to decide by March 31 on JSW's bid for Bhushan Power

The National Company Law Appellate Tribunal (NCLAT) on Friday asked the principal Bench of the National Company Law Tribunal (NCLT) to decide on JSW Steel's bid for Bhushan Power and Steel by March 31. A two-member NCLAT bench headed by Chairman Justice SJ Mukhopadhyaya has also directed the National Company Law Tribunal (NCLT) to hear the representatives of the operational creditors, promoters, and dissenting banks also. During the proceedings, Bhushan Power promoter Sanjay Singhal through his counsel offered to settle all dues to the lenders. In this, the appellate tribunal has directed NCLT to also take a decision over Singhal's offer to settle.

Source: Business Line, March 09, 2019

Ex-Essar Steel directors move NCLAT against order

Three former directors of Essar Steel, Prashant Ruia, Dilip Oommen and Rajiv Bhatnagar, have approached the NCLAT against the Ahmedabad Bench of the National Company Law Tribunal's (NCLT's) order approving ArcelorMittal's resolution plan for debt-ridden Essar Steel. Standard Chartered has also moved the NCLAT against the NCLT's judgement.

Source: Business Standard, March 12, 2019

STEEL PERFORMANCE**Steel prices shoot up Rs.1,700 per tonne, Rs.2,000 increase likely**

Steel companies increased prices by nearly Rs 1,700 per tonne on Friday and another Rs 1,500-2,000 increase is on the cards. This comes against the backdrop of an increase in steel demand and a hike in iron ore prices. The price is now around Rs 44,000 per tonne, according to industry sources. The price of hot rolled coil was Rs 46,000 per tonne in September. This was increased by Rs 800 a tonne

in October, they added. Between November 2018 and January 2019, the prices dropped by nearly Rs 7,300 a tonne. During the same period, iron ore prices also fell. In February, the prices of steel increased by Rs 1,750 and by around Rs 1,700 on Friday, apart from other hikes. Prices will increase further by around Rs 1,500-2000 a tonne as industry sees a hike in the price of iron ore, said a senior official from a steel company.

Source: Business Standard, March 09, 2019

Steel price hike to compound cost woes of automakers

Domestic steelmakers' decision to hike prices is likely to compound cost woes for Indian automakers already experiencing a spiralling of costs to prepare for the implementation of Bharat Stage VI emission norms on top of declining sales. While auto companies are monitoring price contracts with steelmakers, any cost escalation beyond a level will make vehicles dearer for consumers, which may further impact demand, industry insiders said. The auto industry reported a 5% overall fall in sales in January, and demand remained tepid in February even in an environment of heavy discounting by original equipment manufacturers (OEMs). Indian steelmakers have decided to increase steel prices by at least Rs 1,000 per tonne starting March with some having already implemented the price hike. Steel manufacturers had hiked prices twice in February by a total of ₹ 1,750 per tonne after prices started falling from end of November. OEMs are negotiating with steelmakers and it is yet to be decided how big the price hike will be, if it takes place. Steel companies are taking their cue to raise prices primarily from an increase in global iron ore prices that have increased 30% to \$90 per tonne between December and February.

Source: Source: Economic Times, March 09, 2019