

# 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**

**February 16 - 22, 2019**

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## HIGHLIGHTS OF THE WEEK

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2. Moody's upgrades Tata Steel corporate family rating
3. JSW Steel gets 'positive' revised outlook from Moody's
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5. Arcelor has Rs.4,800-cr offer for Essar Mahan
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10. NCLT to hear Bhushan Power case on Feb 26

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## COMPANY NEWS

### **Moody's upgrades Tata Steel corporate family rating**

Moody's Investors Service upgraded Tata Steel's corporate family rating (CFR) to 'Ba2' from 'Ba3', reflecting the sustained improvement in company's credit profile. The outlook has been changed to 'stable' from 'positive'. Tata Steel's leverage, as measured by adjusted debt/EBITDA, is on an improving trajectory and will fall below 3.5x by March 2020, from 4.1x at March 2018 and 3.9x at March 2019. EBIT/interest coverage will remain above 3.0x, the ratings firm said. "The upgrade of Tata Steel's CFR reflects the sustained improvement in the company's credit profile, stemming principally from strong operating efficiencies and vertical integration, as well as stable demand and price conditions in its major market," Moody's said in a statement. Tata Steel's CFR is supported by its significant, diversified and growing operating base and globally cost competitive steel operations in India. It is also supported by ownership of key raw materials — iron ore and coking coal. These factors, along with favourable industry dynamics in its key operating market in India, have

translated into the company's sustained track record of improving credit metrics, Moody's observed. According to Moody's, Tata Steel's India business is on a strong footing and growth prospects in the country augur well for the company. The ratings firm said Tata Steel's CFR continues to reflect Moody's expectation of timely, ongoing and extraordinary support from its parent Tata Sons. In addition, the successful integration of Bhushan Steel's (Bhushan) steel assets in 2018 and the proposed acquisition of the steel business of Usha Martin have further cemented Tata Steel's business profile, it noted.

*Source: Financial Express, February 21, 2019*

### **JSW Steel gets 'positive' revised outlook from Moody's**

Moody's Investors Service on Wednesday said it has revised the outlook on JSW Steel to positive from stable, citing improving credit situation. Moody's also affirmed JSW Steel's Ba2 corporate family rating (CFR) and the Ba2 rating on the company's senior unsecured notes, it said in a statement. The corporate family ratings (CFRs) are opinions of a corporate group's ability to honour all of its financial obligations, according to Moody's. "Moody's has changed the outlook on JSW Steel's ratings to positive from stable. It has also affirmed Ba2 CFR and the Ba2 rating on the company's senior unsecured notes," it said.

*Source: Business Line, February 21, 2019*

### **JSPL bags rlys' order for additional 30k-tonne rails**

Jindal Steel & Power (JSPL) on Friday said it had bagged an additional order of 30,000 tonne long rails from the Indian Railways. In July last year, JSPL bagged from the Railways an order of 1 lakh tonne rails, to be supplied in one year. It had already supplied 62, 400 tonne rails to the Railways from its Raigarh plant and aims to complete the entire order by March 10.

*Source: Financial Express, February 16, 2019*

**PFC: Arcelor has Rs.4,800-cr offer for Essar Mahan**

Global steel giant ArcelorMittal has made an offer of Rs 4,800 crore for Essar Power's 1,200 Mw project at Mahan in Madhya Pradesh, according to Power Finance Corporation (PFC). Government-owned PFC is one of the lenders to the project, part of its portfolio of stressed assets. It is seeking a one-time settlement. The Arcelor offer, it says, is higher than Essar Power's settlement offer of Rs 3,500 crore. "The lenders will meet to consider the ArcelorMittal offer, which works out to Rs 4 crore a Mw," said Rajeev Sharma, chairman and managing director of PFC. The officials concerned at both Essar Power and ArcelorMittal declined to comment on queries from this publication. This would be the second time ArcelorMittal and the Essar group will find themselves competing for the latter's asset. Arcelor had earlier bid for Essar Steel. PFC hopes to resolve around 30 per cent of its stressed asset portfolios outside National Company Law Tribunal (NCLT) proceedings.

*Source: Business Standard, February 19, 2019*

**Fresh bids invited for Uttam Value and Metallica**

Fresh bids are being invited for Uttam Value Steels and Uttam Galva Metallica, after the lenders to the two companies rejected offers from SSG Capital Management and New Zone Intertrade FZE terming them "unsatisfactory", two people in the know said. The official appointed by the bankruptcy court to resolve their debt issues has invited fresh expressions of interest (EoI) for the companies that together owe Rs 5,500 crore to a consortium of lenders. The deadline for submitting new EoIs is March 1. Earlier, a consortium led by SSG Capital Management had offered an upfront payment of Rs 427 crore and another Rs 427 crore over a period of five years for the assets, one of the people said. This offer — at just over the liquidation value of Rs 750 crore set by Duff & Phelps - would have required the lenders to let go of more than 80% of the loans outstanding if they had accepted it. The offer from the other bidder, a consortium led by New Zone Intertrade FZE, could not be ascertained. The bid was rejected because it was not accompanied by a bank guarantee, the people said. The bid was rejected because it was not accompanied by a bank guarantee, the people said. The

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*Source: Economic Times, February 20, 2019*

## POLICY

### **Govt. ends classification of steel players**

The Government on Thursday said it has stopped the practice of classifying steel manufacturers as integrated, primary and secondary producers, in order to provide them a level-playing field. In a statement, the steel ministry said that, it has stopped classifying steel producers as integrated steel producers, primary steel producers, secondary steel producers. The step has been taken to provide a level- playing field to steel manufacturers, both small and medium enterprises and large players with different capacities producing steel through different routes, it said. In India steel is produced mainly through two routes- the basic oxygen furnace route used by the primary players and electric arc furnace route used by the secondary steel players.

*Source: Financial Express, February 22, 2019*

## FINANCIAL

### **Vedanta, JSW may jointly bid for Essar**

Vedanta and JSW are in talks to make a joint bid for Essar Steel in a last attempt to keep ArcelorMittal away. A bid together, or one from either company, could be made next week, said sources aware of the development. Vedanta said they did not comment on market speculation, while JSW Steel did not make a statement. The bid could be in the range of Rs 45,000-48,000 crore, and would be made on the grounds of value maximisation. Arcelor's bid is for Rs 42,000 crore. Sources said the companies were considering if JSW Steel should make the bid, or Vedanta. Vedanta had submitted an expression of interest for Essar. JSW Steel had not, and therefore, had to partner Numetal as a step-down subsidiary in the second round of bidding.

Both Vedanta and JSW Steel were aspirants for Essar Steel in the second round. This would be another attempt by both to get back in the fray.

*Source: Business Standard, February 19, 2019*

### **ArcelorMittal buys back 4 mn shares worth \$89 million**

Global steel giant ArcelorMittal Tuesday said it has repurchased four million shares worth \$89 million under its share buyback programme. The steel major bought back shares at an average price of 19.894 euro. The company on February 7 had announced the launch of the share buyback programme. "ArcelorMittal has repurchased 4 million shares for a total value of approximately Euro 79,577,540 (equivalent \$89,679,370) at an approximate average price per share of Euro 19.894," the company said in a statement. The shares acquired under this programme "are intended to meet ArcelorMittal's obligations arising from employee share programmes", it added.

*Source: Business Standard, February 20, 2019*

### **Vedanta says no revised bid for Essar Steel**

The talks between billionaire Anil Agarwal-owned Vedanta and JSW Steel for submitting a higher joint bid for the stressed Essar Steel asset seem to have not taken off. According to sources, Vedanta was in talks with JSW Steel the past few weeks to increase its bid from ₹ 36,000 crore to ₹ 48,000 crore with both companies contributing ₹ 24,000 crore each. This was seen as an effort to compete with ArcelorMittal's bid of ₹ 43,000 crore, which has been approved by the Committee of Creditors and is pending before the National Company Law Tribunal (NCLT) for final approval. Vedanta said, "it categorically confirms that it is not in the process of submitting any revised bid for Essar Steel and as a policy we do not comment on market speculation." As per the joint venture discussions, sources said, JSW Steel was supposed to operate the 10-million-tonne per annum Essar Steel plant at Hazira with gas supplied by Vedanta's subsidiary, Cairn India, and iron ore sourced from its Goa mines. The joint bid, if placed, would have been a win-win for both the companies as Vedanta does not have the expertise to

run a steel plant. Once the mining ban is lifted in Goa, it can use the iron ore within the country for value addition, said an analyst. The joint venture was banking on NCLT's Bhushan Power and Steel verdict which approved the revised highest bid of JSW Steel and stressed on maximisation of value as the top priority of the Insolvency and Bankruptcy Code (IBC). However, the epic corporate battle for the acquisition of Essar Steel has crossed over 560 days, far exceeding the 270 days set out in the IBC for resolution.

*Source: Business Line, February 20, 2019*

### **Ruias reject Arcelor's bid to buy out power assets**

The Ruias have turned down a proposal by ArcelorMittal to buy out its port and power assets in Hazira in Gujarat, both of which have long-term supply agreements with Essar Steel. While most of the power generated by Essar Hazira is used by Essar Steel, the company can also sell some power to the grid. In the case of the ports company, Essar Hazira Bulk Terminal, while most of the capacity is for use by the steel company, it can offer upto 5 per cent to others.

*Source: Business Standard, February 22, 2019*

### **NCLT to hear Bhushan Power case on Feb 26**

The Resolution Professional for Bhushan Power and Steel placed JSW Steel's resolution plan before the principal bench of National Company Law Tribunal (NCLT) for approval. The court said it would hear all the parties on February 26 when others matters in the same case are listed for hearing. Bhushan Power is among the first companies impacted by Reserve Bank of India's February 12 circular.

*Source: Business Standard, February 21, 2019*

**NEWSMAKER****Tata Steel's Ex-UK Chief is Ambuja Cement MD**

Former Tata Steel NSE 0.91 % UK chief executive Bimlendra Jha has been appointed as the new managing director and CEO at Ambuja Cement as current MD Ajay Kapur gets ready step down from the role after resigning in December. Jha's appointment will come into effect from March 1, 2019. Associated with Tata Steel for nearly three decades, Jha has held multiple leadership roles over the last six years including executive chairman of long products Europe, executive director on the board of Tata Steel Europe and CEO of Tata Steel UK, looking after operations in the UK, Sweden and Canada. He has been actively involved in "strategic portfolio restructuring and supply chain transformation in Europe and market development, sales and brand management, and innovation in construction practices in India", a release by Ambuja Cement said. Jha will be succeeding Ajay Kapur who has been associated with the cementmaker for 26 years and quit to "pursue a career outside the cement industry".

*Source: Economic Times, February 19, 2019*