

Steel In The News

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

CONTENTS	Page
Highlight of the Week	2
Raw Material	2
Company News	3
Financial	8
Steel Performance	8

**A Weekly News Report by Joint Plant
Committee**

**February 23 – March 1,
2019**

HIGHLIGHTS OF THE WEEK

1. Domestic steel firms set to increase prices again
2. Iron ore prices in India may rise 3-4% in 2019
3. Tata Steel to raise around Rs. 5k cr via NCDs on private placement
4. JSPL lowest bidder in Rail Vikas Nigam Limiteds 4.45 LT rail tender: MD.
5. ArcelorMittal sees major capex risk in Essar Steel acquisition

RAW MATERIAL

Indian iron ore unaffected by global volatility

Global iron ore prices have been highly volatile recently on concerns of supply crisis, after the world's top producer Vale SA's mining operations were forced to be shut down, following the mining dam collapse. While the international prices spiked immediately in the wake of news, reaching two years high, they settled down in reports of increased production plans from other manufacturers and China's slowdown. The Indian iron ore industry was, however, unaffected by the developments. In fact the prices fell, playing by their own supply and demand dynamics. Indian iron ore prices are not following international market trends right now. In 2019, NMDC had cut iron ore prices of iron ore lumps and fines to 26 per cent respectively over the December price levels. Piling up of inventory would be one of the reasons that prompted NMDC to axe the prices.

Source: Business Line, February 25, 2019

Iron ore prices in India may rise 3-4% in 2019

Domestic iron ore prices are likely to rise by three to four percent in 2019 on account of global supply glitch, rating agency Crisil said. "We foresee domestic iron ore prices rising three to four percent during 2019. This would have a direct bearing on 62 percent of the steel production that is based on supply from merchant miners," Crisil Research Senior Director Prasad

Koparkar said in a statement. Further, domestic steel prices are likely to soften following global cues, he said. "This would heap pressure on margins of steel makers who lack captive iron ore supply - especially long steel players - impacting their gross spreads by two-four percent," he added.

Source: Financial Express, February 28, 2019

COMPANY NEWS

Tata Steel board to consider Rs.12,000-cr NCD issue next week

Tata Steel board panel will consider the issuance of unsecured non-convertible debentures (NCDs) on private placement basis of up to Rs 12,000 crore in a meeting to be held on February 26. The company's shareholders had given a nod for the same in the annual general meeting (AGM) held on July 20, 2018 and was also approved by the board of directors on August 13, 2018. While the company has not stated the reasons for the said fund raise, it comes at a time when Tata Steel has picked up stressed asset of Bhushan Steel for about Rs. 35,000 crore. Besides, the acquisition of Usha Martin of around Rs. 4,500 crore is underway and the brownfield expansion of 5 million tonne per annum is taking place at Tata Steel's Kalinganagar plant for enhancing the capacity from 3 MTPA at present to 8 MTPA. In January 2018, Tata Steel through its wholly owned subsidiary ABJA Investment Co, had issued two tranches of \$1.3 billion unsecured bonds in the overseas markets. Later in March 2018, the company had raised `12,800 crore through a rights issue, the proceeds of which were to be used to fund organic, inorganic expansions and also to deleverage. Moody's Investors Service on Wednesday had upgraded Tata Steel's corporate family rating to Ba2 from Ba3, reflecting the sustained improvement in company's credit profile.

Source: Financial Express, February 23, 2019

JSPL lowest bidder in RVLN's 4.45 LT rail tender: MD

The company operates 1 million tonne per annum (MTPA) rail mill at its Raigarh plant in Chhattisgarh Steel maker Jindal Steel and Power (JSPL) on

Monday emerged as the lowest bidder in a tender worth approximately Rs 3,300 crore, floated by Rail Vikas Nigam (RVNL) for supply of 4.45 lakh tonnes of rails. RVNL functions as an extended arm of the Ministry of Railways. It is empowered to act as an umbrella special purpose vehicle (SPV) to undertake projects directly or by creating project specific SPVs, according to its website. Last year, RVNL had floated a tender for supply of 4.45 lakh tonne of rails, JSPL Joint Managing Director N A Ansari said, adding that the company had participated in the tender. “We are the lowest bidder or L1 for the order. Now the RVNL is evaluating other aspects before placing the order. We are hopeful of a positive outcome as early as possible,” he added. JSPL has made its mark in steel, power, mining and infrastructure sectors. The company operates 1 million tonne per annum (MTPA) rail mill at its Raigarh plant in Chhattisgarh.

Source: Business Line, February 26, 2019

Tata Steel to raise around Rs. 5k cr via NCDs on private placement

TATASTEEL will be raising around Rs. 5,000 crores through unsecured non-convertible debentures (NCDs) on a private placement basis to all eligible investors. This was approved by a committee of directors at a meeting held on Tuesday, according to a stock exchange filing by the company. The company proposes to issue 40,000 NCDs of face value of UO lakh each aggregating to Rs. 4,000 crore and a green shoe option of up to Rs 1,000 crore. The company had said that it would be considering and approving issuance of debt securities on private placement basis of up to Rs. 12,000 crore, last week. The firm's shareholders had given a nod for the same in the annual general meeting held on July 20, 2018 and was also approved by the board of directors on August 13, 2018. The instrument will have fixed rate coupon, with annual interest payment. The date of allotment for the instrument will be March 1, 2019, and final date of maturity will be March 1, 2034. The schedule of principal payment will involve redemption in 4 equal instalments at the end of the 12th, 13th, 14th and 15th year from the date of allotment, according to a stock exchange filing.

Source: Financial Express, February 27, 2019

FINANCIAL

ArcelorMittal sees major capex risk in Essar Steel acquisition

ArcelorMittal, the world's largest steel company, sees excess capital commitments and timely execution of its resolution plan as major risks in acquiring Essar Steel. ArcelorMittal, along with Japan's Nippon Steel and Sumitomo Metal Corporation, has emerged as the frontrunner to acquire the stressed company. Listing the difficulties in achieving the commercial objectives of the resolution plan, ArcelorMittal, in its latest annual report, said the risks involved in turning Essar Steel around are compounded to an extent by the fact that the company is emerging from bankruptcy with deferred maintenance capital expenditure. There are also risks associated with capital expenditure in excess of budgeted amounts, it added. Essar Steel will be operated by a joint venture with attendant risks around strategic alignment, potential discord and deadlock, said ArcelorMittal. While the deal is expected to be financed jointly, the exact ratio has not yet been determined and the nature of the long-term debt financing of the joint venture has not yet been defined, including what amount will be guaranteed by ArcelorMittal and Nippon Steel, it added.

Source: Business Line, February 27, 2019

STEEL PERFORMANCE

Domestic steel firms set to increase prices again

Prompted by strong demand growth in the domestic market, steel producers are set to hike product prices by Rs. 1,000 a tonne from March 1. This will be the third rise in prices since February 1.

"There is a growing demand for steel across sectors, and so all large producers are going ahead with a yet another price hike," said an industry source in the knowledge of the development. Tata Steel, Sajjan Jindal-led JSW Steel, state-owned Steel Authority of India (SAIL), Naveen Jindal-led Jindal Steel & Power, and Rashtriya Ispat Nigam Limited are among top steel producers in the country. They had earlier raised product prices by Rs.

750 a tonne on February 1 after a gap of four months and followed it up with another Rs. 1,000hike in the third week of February. Besides a spurt in demand, industry players attribute the increase in steel prices to a 17 percent increase in iron ore prices by NMDC. Among the large steel producers, JSW Steel is the only player that buys ore from state-owned NMDC, while most other producers have captive source of ore. Besides, a majority of NMDC's iron ore is lifted by the domestic sponge iron industry.

Source: Business Standard, February 26, 2019