

# Steel In The News

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

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## HIGHLIGHTS

1. The steel ministry has initiated talks with Japanese and Korean steel companies for setting up a 5-mtpa steel plant through a joint venture with state-run Rashtriya Ispat Nigam (RINL) in Visakhapatnam.
2. Crude steel output of JSW Steel grew 8.3 per cent to 14.48 lakh tonnes in August this year against 13.37 lt in August 2017.
3. Domestic steel pellet prices recently hit their multi-year highs on strong demand from China and supply-related constraints.
4. JSPL, NMDC have become the key gainers from higher steel pellet prices.
5. Both ArcelorMittal, Numetal back in race for Essar Steel.
6. Monnet Ispat shares to return under new owners
7. NCLAT clears NuMetal and Vedanta's bids for Essar Steel
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## RAW MATERIAL

### **JSPL, NMDC key gainers from higher steel pellet prices**

Domestic steel pellet prices recently hit their multi-year highs on strong demand from China and supply-related constraints. The continued shutdown at Brazilian pelletiser Samarco's mines and force majeure by Swedish player LKAB is disrupting third-party supplies of 55-60 million tonnes per annum (MTPA), supporting steel pellet prices, say analysts. While data from Equirus Capital indicates that Indian pellet exports have touched \$137 per tonne — an increase of 38 per cent over the June quarter — Edelweiss Securities has indicated that gains have been more than 29 per cent over the last month. The uptrend in prices is also reflected in recent contracts, at \$150 a tonne. The rise in pellet prices is supporting long steel prices. While this benefits all steel players, Pellet producers, such as Jindal Steel & Power and NMDC are the main beneficiaries. Amongst others pellet producers/exporters, Godawari Power & Ispat, Jindal Saw and Sarda Energy

and Minerals have gained. Their stocks have risen 13-52 per cent since their July lows. Analysts see further firming up of prices.

*Source: Business Standard, September 12, 2018*

## COMPANY NEWS

### **JSW crude steel output grows 8% to 14.5 lakh tonnes in August**

Crude steel output of JSW Steel grew 8.3 per cent to 14.48 lakh tonnes in August this year against 13.37 lt in August 2017. According to a BSE filing, production of flat rolled products was almost flat at 9.81 lt against 9.79 lt in August 2017. Long rolled products output increased 9.7 per cent to 3.05 lt against 2.78 lt in the same month last year. JSW Steel is a part of the diversified \$13-billion JSW Group, which has presence in steel, energy, infrastructure, cement, ventures and sports. It is a leading integrated steel company with an installed steel-making capacity of 18 million tonnes per annum. The company's plant at Vijayanagar in Karnataka is the largest single location steel producing facility in the country with a capacity of 12 mtpa.

*Source: Business Line, September 11, 2018*

### **Arcelor Mittal set to move apex court against NCLAT order on Essar Steel bid**

The resolution process of stressed Essar Steel is headed for another legal battle with ArcelorMittal set to approach the Supreme Court against a tribunal order granting conditional qualification to the Luxembourg company. Essar Steel's resolution professional has called for a meeting of the bidders and the Committee of Creditors on Monday. On Friday, the National Company Law Appellate Tribunal (NCLAT), had ruled that ArcelorMittal was ineligible to bid for Essar Steel as it held shares in defaulting companies, Uttam Galva and KSS Petron. The NCLAT had given ArcelorMittal time till September 11 to settle the debt for these companies to qualify. However, ArcelorMittal reckons it has been given an unfair ruling as the NCLAT had green-lighted a rival bid from Numetal. The tribunal accepted Numetal's second round of bidding after Aurora Enterprises —

owned by Essar Steel promoter Ravi Ruia's son Rewant — sold its 25 per cent holding in the consortium to other shareholders Indo and TPE. Indo holds 34.1 per cent stake in Numetal; TPE 25.9 per cent; and Russia's VTB-Bank-owned Crinium Bay, has 40 per cent. The NCLAT had observed that ArcelorMittal cannot deposit the defaulted money of its group companies in its own account and claim it as settlement for the defaulted amount. "Such deposit of amount in its own (ArcelorMittal) escrow account does not qualify as a payment of overdue amounts... A conditional offer to pay the overdue amount cannot be accepted," said the judgment.

*Source: Business Line, September 10, 2018*

### **Both ArcelorMittal, Numetal back in race for Essar Steel**

The National Company Law Appellate Tribunal ruled that both Numetal, a consortium headed by Russia's VTB Bank, and ArcelorMittal are eligible to bid for the bankrupt Essar Steel NSE 0.00 %, ending months of speculation about the fate of their offers. In the process, NCLAT opened the door to pitches from other parties as well. Numetal will no longer have a member of the Ruia family that founded the Essar Group as part of the consortium. ArcelorMittal's bid will be entertained once the companies in which CEO LN Mittal was classified a promoter — Uttam Galva and KSS Petron clear their dues to banks. The ruling allows other bids to be considered by the committee of creditors, opening up a window of opportunity for Vedanta Resources and JSW Steel that had expressed interest in the asset. Numetal and ArcelorMittal have challenged each other's eligibility under the provisions of Insolvency and Bankruptcy Code (IBC), which prohibit defaulters from bidding for their own assets during resolution proceedings. Rewant Ruia was originally a part of the Numetal consortium. Uttam Galva and KSS Petron, in which LN Mittal was listed as a promoter, have defaulted on debt. The ruling will have a significant bearing on the resolution process at Essar Steel, which has dues of more than Rs 49,000 crore. ArcelorMittal had offered Rs 30,000 crore in the first round, while Numetal had bid Rs 18,000 crore. Subsequently, both were declared ineligible by lenders — ArcelorMittal because of the association with Uttam Galva and KSS Petron and Numetal for the Ruia connection.

*Source: Economic Times, September 08, 2018*

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**ArcelorMittal warns Essar Steel's lenders**

ArcelorMittal has given an ultimatum to Essar Steel's lenders, asking them to approve its third bid for the stressed asset, or risk losing Rs.7,000 crore that the L.N. Mittal firm had offered to settle the debts of former group firms Uttam Galva and KSS Petron. The development comes even as the Supreme Court agreed on Wednesday to hear ArcelorMittal's plea against a ruling of the National Company Law Appellate Tribunal (NCLAT). Last Friday, ArcelorMittal was directed by NCLAT to pay within three days the loans that Uttam Galva and KSS Petron had defaulted on, so as to make itself eligible to bid for Essar Steel. However, instead of settling its dues, ArcelorMittal revised its bid on Monday, effectively telling lenders to either accept the revised offer and declare it the winner, or risk a confrontation in the Supreme Court. If ArcelorMittal were to choose the latter process, the lenders could miss out on the Rs.7,000-crore repayment of money owed to them by Uttam Galva and KSS Petron. ArcelorMittal has contested the NCLAT order asking it to repay the debt on the grounds that it has already exited both companies. If the Supreme Court were to uphold its position then the lenders could lose out on settling the debt. On Monday, ArcelorMittal had enhanced its bid to Rs.42,000 crore from the earlier Rs.33,000 crore and sought a direction from the Committee of Creditors on the mode of repayment of dues of the group companies. A Bench of Chief Justice Dipak Misra and Justices AM Khanwilkar and DY Chandrachud agreed to hear the company's plea on Wednesday. The deadline set by NCLAT for paying up about Rs.7,000 crore in dues ended on Tuesday, but the lenders will now wait for a ruling by the Supreme Court before proceeding.

*Source: Business Line, September 12, 2018*

**Arcelor to SC: Will pay dues if Essar Steel Bid Accepted**

ArcelorMittal told the Supreme Court it would lift the escrow on Rs 7,000 crore and pay the money owed by Uttam GalvaNSE -0.48 % and KSS Petron, companies in which LN Mittal is classified as promoter, if it gets to bid successfully for Essar SteelNSE 0.00 %. "If the bid is accepted, I will pay, it is big business — you can't go back on your word," senior advocate Harish Salve told the bench, comprising Justices RF Nariman and Indu Malhotra, on Thursday. The National Company Law Appellate Tribunal

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(NCLAT) had on September 7 asked the company to pay the money before it could bid for the ailing Ruia-founded company. Arcelor had said the money was in an escrow account but had not been allowed to bid, prompting it to move the top court. Salve said Arcelor had “deep pockets” and had made provisions for the money. ArcelorMittal submitted a fresh bid for bankrupt Essar Steel on Monday, in line with the NCLAT ruling. Lenders have decided to wait for the Supreme Court’s ruling on the eligibility of Numetal’s bid.

*Source: Economic Times, September 14, 2018*

## PROJECTS

### **Steel ministry talks with Japan, Korea firms for JV plant**

Prodded by the Prime Minister’s Office (PMO), the steel ministry has initiated talks with Japanese and Korean steel companies for setting up a 5-mtpa steel plant through a joint venture with state-run Rashtriya Ispat Nigam (RINL) in Visakhapatnam. The proposed venture, entailing an estimated Rs 30,000 crore investment, would produce high-end steel meant for automotive and other sectors aimed at imports substitution. In preliminary discussions with the representatives of major steel producers including Posco held recently here, the ministry has ensured uninterrupted supply of iron ore, a key raw material in steelmaking and the required land, already in possession with RINL, for the proposed unit. Aimed at giving a boost to the Prime Minister’s Make in India programme, the PMO recently instructed the steel ministry to “hold discussions with the concerned ministries/parties to facilitate domestic manufacturing of high-grade steel with the help of Japanese and Korean firms.” Steel secretary Binoy Kumar told FE that the shareholding pattern of the proposed joint venture would be decided on commercial parameters.

*Source: Financial Express, September 14, 2018*

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**FINANCIAL**

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**Monnet Ispat shares to return under new owners**

The shares of Monnet Ispat & Energy will be listed on the BSE on September 12 after the Insolvency & Bankruptcy Code (IBC) proceedings. The shares will be traded under the compulsory delivery segment - T Group. The resolution plan, submitted by the consortium of JSW Steel and AION Investments Pvt Ltd, involving reduction of capital was approved by the National Company Law Tribunal, Mumbai bench. Accordingly, the paid-up and subscribed equity share capital of the company held by the non-promoter shareholders was reduced on proportionate basis to 33.06 per cent of its original value without any payout, i.e., one equity share of the company of Rs.10 each was reduced to Rs.3.3 each. Then, the equity shares with reduced face value of Rs.3.3 were consolidated into equity shares of Rs.10 each while the then promoters' 100 per cent equity share capital was extinguished. A non-promoter shareholder holding 100 equity shares of the firm was entitled to receive 33 equity shares of the company upon reduction and consolidation of the equity share capital of the company, as on the record date of August 28. Monnet Ispat is part of the first lot of 12 large non-performing loans referred by the RBI for early resolution under the IBC last year. The company owes lenders Rs.10,000 crore and the committee of creditors (CoC) has agreed to take a haircut of around 72 per cent to settle the loan.

*Source: Business Line, September 12, 2018*

**Essar Steel's IRP to meet bidders and creditors today**

The insolvency resolution professional (IRP) of Essar Steel has called for a meeting of the bidders and Committee of Creditors (CoC) on Monday. The IRP is expected to open the second round of bids placed by all the three bidders — Numetal, ArcelorMittal and Vedanta — as per the direction of the National Company Law Appellate Tribunal (NCLAT). The IRP has 33 more days to find a suitor for the stressed asset. The NCLAT, in its judgment on Friday, had said that a long period had been taken due by the pendency of the case before the adjudicating authority (NCLT), and thereafter before the appellate tribunal (NCLAT). The adjudicating authority could therefore

exclude the period the appeal was pending before the NCLAT (April 26 to September 7, 2018) for the purpose of counting the total insolvency process period of 270 days, it added. The new deadline for case is now October 10. Further, the two-member NCLAT Bench headed by Chairman Justice SJ Mukhopadhyaya set a deadline of September 11 for ArcelorMittal to clear the Rs.7,000-crore dues of its units Uttam Galva Steel and KSS Petron to remain in the race. NCLAT has said ArcelorMittal's deposit in its own escrow account does not qualify as payment of the overdue amount. Essar Steel, which defaulted on Rs.44,000-crore loans, was among the initial 12 companies identified by the RBI for insolvency proceedings.

*Source: Business Line, September 10, 2018*

### **NCLAT clears NuMetal and Vedanta's bids for Essar Steel**

The National Company Law Appellate Tribunal (NCLAT) on Friday ruled that Numetal's Rs.37,000-crore second-round bid for Essar Steel is valid, but asked rival bidder ArcelorMittal to clear the Rs.7,000-crore dues of Uttam Galva and KSS Petron, firms with which it was associated, within three days to qualify as a bidder. The NCLT had held that the first-round bid by Russia's VTB Group-backed Numetal in February was ineligible as the firm was 25 per cent owned by Rewant Ruia, son of Ravi Ruia, the defaulting promoter of Essar Steel. But he exited the firm before the second round of bids was submitted in March. The NCLAT today directed Essar Steel's Committee of Creditors (CoC) to consider Numetal's second-round bid, in which JSW Steel is a stakeholder, too, as a shareholder. Anil Agarwal-owned Vedanta, which had placed a financial bid for Essar Steel in the second round, will also be considered. The first round of bids placed by ArcelorMittal and Numetal had been rejected as the National Company Law Tribunal (NCLT) had ruled that they were not eligible bidders. The NCLT gave the companies a week's time to 'cure' themselves and ordered the CoC to call for a second round of bidding. While challenging the NCLT order at the NCLAT, ArcelorMittal made a conditional deposit of Rs.7,000 crore in its own current account to settle the dues of its group companies and Numetal forced Ravi Ruia to sell his stake.

*Source: Business Line, September 08, 2018*

**Arcelor Mittal hikes bid for Essar Steel to Rs.42,000 cr**

The fight for Essar Steel intensified on Monday with ArcelorMittal increasing its bid for the stressed steel asset to Rs.42,000 crore from Rs.31,000 crore. It has also offered to clear the entire dues of erstwhile Group companies Uttam Galva and KSS Petron, amounting to Rs.7,000 crore, to become eligible to bid. Reserving its right to move the Supreme Court in its third revised offer on Monday, the Lakshmi Mittal-owned company sought details related to the final loan settlement amount of both the defaulted group companies and the mode of payment to banks. The revised offer from ArcelorMittal outstrips the Rs.37,000-crore bid by Numetal, a consortium led by Russia's VTB Bank. ArcelorMittal, which has joined hands with Japan's Nippon Steel and Sumitomo Metal Corporation, in a statement confirmed that it has submitted a revised proposal to Essar Steel's Committee of Creditors. The financial terms of the proposal are confidential but represent a material increase to the previous offers made by the company, it added. The revised offer, which includes a commitment to pay the entire amount due to the financial creditors of Uttam Galva and KSS Petron, therefore represents unprecedented value to all creditors concerned, it said. The National Company Law Appellate Tribunal on Friday directed ArcelorMittal to repay all loans defaulted by Group companies before September 11 to make itself eligible to bid for Essar Steel, which owes Rs.49,000 crore to lenders. The Insolvency and Bankruptcy Code, under Section 29A, does not allow promoters of defaulting firms to participate in a bidding process. Terming the ArcelorMittal move to revise its bid on Monday as a time-buying exercise, banking sources said the company was trying to safeguard itself from being rejected by inserting the clause reserving the right to move the Supreme Court.

*Source: Business Line, September 11, 2018*

**ArcelorMittal: NCLAT order slipped up on clearance dues**

ArcelorMittal has said the National Company Law Appellate Tribunal (NCLAT) failed to recognise that a financial arrangement will have to be made to pay the dues on account of Uttam Galva Steels and KSS Petron because the Luxembourg-based firm is no longer a shareholder in the two. The company said this in its application for a stay on the NCLAT's ruling on

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September 7, directing ArcelorMittal to clear the dues on account of defaulting firms — Uttam Galva and KSS Petron — by September 11 to be an eligible bidder for Essar Steel. The appellate tribunal, in its order, said the stigma of classification of the account as NPA would continue to be levelled against the promoters of Uttam Galva and KSS Petron even after the divestment of shares till the dues were cleared. Uttam Galva and KSS Petron had been classified as non-performing assets for more than a year, and because of this the NCLAT granted ArcelorMittal a conditional nod to eligibility. Also, Arcelor was not a shareholder in KSS Petron. KSS Petron is a 100 per cent subsidiary of KSS Global BV, which was acquired by Frasel, a firm owned and controlled by Mittal Investments.

*Source: Business Standard, September 14, 2018*

### **Numetals ineligible to bid for Essar: Arcelor to SC**

Steel and mining firm ArcelorMittal on Thursday told the Supreme Court that its rival bidder NuMetal was not eligible to bid for Essar Steel on several grounds, including that it was a "shell company" created by a firm in which Essar group promoters had majority shares. ArcelorMittal India (AMI), the steel tycoon L N Mittal-promoted group which has made a bid of Rs 420 billion for Essar Steel, raised various objections before a bench of Justices R F Nariman and Indu Malhotra regarding the eligibility of NuMetal to bid for the debt-ridden Essar Steel and alleged that Arora Enterprises Ltd (AEL), whose majority shares were with Rewant Ruia, had created Numetal. NuMetal, a consortium of Russia's VTB-JSW, has also filed an appeal challenging the National Company Law Appellate Tribunal (NCLAT) order allowing ArcelorMittal to take part in the bid and alleged that the firm stood disqualified due non-deposition of the money. The NCLAT had asked ArcelorMittal to clear the stigma of defaulter by clearing the dues of Uttam Galva Steel and KSS Petron in which it had shares. It had ruled that NuMetal's second bid for Essar Steel was eligible but the same by ArcelorMittal will qualify only if it cleared the Rs 70 billion dues of the two firms it was previously associated with.

*Source: Business Standard, September 14, 2018*

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## STEEL PERFORMANCE

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### **Moody's says Tata steel, JSW to better earnings on strong local demand**

Two of India's largest steel producers Tata Steel and JSW Steel are expected to improve earnings per tonne due to strong domestic consumption, few new capacity additions and higher capacity utilisation driven by consolidation in the sector. This is part of Moody's Investors Service latest outlook for the Asian steel industry which is tipped to remain stable on the back of steady demand with producers' profitability is expected to improve over the next 12 months. Moody's conclusions are contained in its just-released report, "Steel-Asia: Earnings Growth on Steady Asian Demand Drives Stable Outlook". Two rated Indian steel producers' EBITDA per tonne will rise by a midsingle-digit percentage on solid steel consumption, the report said. "With minimal new steel capacity expected to be commissioned until 2021 in India, robust steel demand — especially from the construction, infrastructure and automotive sectors — will keep end-product prices high, even as rising costs for key inputs, coking coal and iron ore, pressure profitability," it added.

*Source: Economic Times, September 11, 2018*

### **JSW, Liberty, Tata Steel may bid for Usha Martin biz**

At least three companies - JSW Steel, Tata Steel, and Liberty House - are understood to be evaluating a bid for Usha Martin, which is in the last lap of divesting its steel business. Of the five companies in the fray, these three are potential bidders, source said. Bids are expected to be invited this month. JSW is in the process of doing a due diligence, which is expected to be completed in a few weeks, said Seshagiri Rao, company's joint managing director and group chief financial officer. Rao, however, clarified the company would evaluate a bid if it was a good opportunity. A Tata Steel spokesperson said evaluating strategic growth opportunities was an ongoing activity. Liberty House declined to comment. Usha Martin had put its steel business on the block to pare its debt, pegged at around Rs 45 billion. Sources close to the development said Arpwood Capital and SBI Capital Markets were given a joint mandate of finding buyers in June. The Usha

Martin board decided to set up an independent committee also to evaluate proposals and oversee the process of sale of the steel business. The firm has a one-million tonne plant in Jamshedpur. Around one-third of its production is used in-house by the wire and wire rope division, and the rest is sold to buyers, who in turn supply it to the commercial automotive sector. If JSW Steel, Tata Steel, and Liberty bid for Usha Martin, it would be yet another firm that the three steelmakers would be vying for. The trio are locked in a battle for Bhushan Power & Steel, which is going through insolvency proceedings.

*Source: Business Standard, September 10, 2018*

## MISCELLANEOUS

### **WTO: US rejects India's request to join Russia in dispute against duties on steel, aluminium**

Signalling its unwillingness to be flexible on its decision to impose penal import duties on aluminium and steel from countries such as India, Russia and China, the US has rejected New Delhi's request to be an interested party in the dispute filed by Russia against Washington's move at the World Trade Organisation (WTO). "Issues of national security are political matters not susceptible to review or capable of resolution by WTO dispute settlement," the US said in a reply to India. While the US has the authority to reject a member's request to join consultations that another country has requested to hold with it on a matter of dispute, it will not have a say if the issue takes the form of a full-fledged dispute and a dispute settlement panel is established. Washington's continued hard posture on its decision to impose additional duties on aluminium and steel unilaterally on a handful of countries doesn't augur well for the bilateral talks India is having with the US to try to persuade it to do away with the duties, the expert added. Earlier this year, the US had imposed additional duties on imports of steel and aluminium from a handful of countries including India, Russia, China, Turkey and the EU to the tune of 20 per cent and 10 per cent respectively on grounds of security concern. In response to the unilateral measure, India notified retaliatory duties worth \$230 million on US imports of 29 items including almonds, apples and certain steel products on June 20, but put off its implementation

till August 4 to give some time to the US to sort out the matter. It further extended the deadline by 45 days to September 17 when the issue could not be resolved by August 4. India had also launched a dispute at the WTO earlier this year against the unilateral US measure by requesting consultations to settle the matter. If consultations fail, India will have the authority to ask for a dispute settlement panel to sort out the matter. With Russia, too, requesting consultations with the US at the WTO on the same issue, India had requested in July to be a third party to the consultations.

*Source: Business Line, September 10, 2018*

### **The NCLAT ruled Numetal's second bid for Essar Steel valid.**

The National Company Law Appellate Tribunal (NCLAT) ruled that Numetal's second bid to acquire debt-laden Essar Steel was valid and directed ArcelorMittal to clear its dues on account of defaulting firms by September 11 to be an eligible bidder, in what appears to be a blow to the LN Mittal-led company. The appellate tribunal said ArcelorMittal India had made a conditional deposit of Rs 70 billion in its own current account (escrow account), which did not qualify as a payment of the due amount. An offer to repay the debt could not be accepted till it complied with the provision to Clause (c) of Section 29A unconditionally, the NCLAT order said. The stigma of classification of the account as non-performing asset (NPA) would continue to be levelled against the promoters of Uttam Galva and KSS Petron, even after the divestment of shares, till the dues were cleared, the order noted. ArcelorMittal said it would review the order before determining its next step. A spokesperson for Numetal welcomed the judgment.

*Source: Business Standard, September 14, 2018*