

# 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 OF THE WEEK

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## RAW MATERIAL

### **NMDC to make Jharkhand mines operational in a year**

State-owned mining major NMDC aims to start commercial operations at the two coal blocks allotted to it in Jharkhand last week by next 12 months, a company official has said. Last week, the Ministry of Coal allotted Rohne and Tokisud North coal mines in the Hazaribagh district of Jharkhand to the state-owned iron miner. "The company will first develop the mines and begin commercial operations at the mines in one year," the official said.

*Source: Financial Express, December 26, 2019*

### **CIL, OCPL tie up for sale of coal from captive block in Odisha**

Coal India Ltd. (CIL) and the Odisha government-owned Odisha Coal and Power Ltd (OCPL) have joined hands for sale of coal produced from OCPL's captive block at Manoharpur in Jharsuguda as a part of initiatives of the Central government to produce more indigenous coal available to country beyond CIL's production and cut imports. While the government has aimed to curb imports of thermal coal, India's thermal coal imports stood at 183.4 million tonne (MT) in FY19 and were likely to cross 200 MT in 2020, according to estimates made by Icra. The OCPL produced coal instead of going for captive use only will come into

the entire system which even, if little, will add to the demand-supply chain.

*Source: Financial Express, December 24, 2019*

## COMPANY NEWS

### **SAIL's Bhilai Steel Plant to enhance production capacity**

Even while it is consolidating its current round of expansion, SAIL's Bhilai Steel Plant (BSP) is looking to commence documentation work and undertake feasibility study for the next phase of expansion. The BSP had recently undergone modernisation and expansion, raising the plant's production capacity to approximately 7 million tonne (mt) from 4 mt at an estimated investment of around ₹17,000 crore. According to Anirban Dasgupta, Chief Executive Officer, BSP, plans are afoot to enhance the production capacity to 10 mt by 2030. Work on the next phase of expansion is likely to commence by 2024-25. "For the next three to four years, the focus will be on consolidating the current expansion, but we will start working on the documentation part of the next phase of expansion, which includes undertaking feasibility study, preparing detailed project report etc," Dasgupta told BusinessLine. BSP will explore the possibility of roping in a partner to bring in the required investments and for providing technological support. It would offer its prospective partners certain "enablers" such as land bank, raw material linkages, marketing network and its existing workforce. The expanded capacity (10 mt) is likely to come into force by 2030 by which time the country's demand would have grown and there would be a market to absorb the additional capacity, he said.

*Source: Business Line, December 23, 2019*

### **JSW to raise Rs.3,000 crore for Bhushan Power buy**

JSW Steel which is in the process of acquiring Bhushan Power and Steel, is raising Rs 3,000 crore in the form of bridge loans to make good the shortfall in the Rs 19,700-crore deal. Credit Suisse, Deutsche and Standard Chartered are the three lenders likely extending the money that JSW Steel would repay in three years, three people with direct knowledge of the matter told ET. The company is said to have already arranged three-fourths of the total sum. The short-term loan is needed to plug the residual gap. State Bank of India (SBI), Punjab National bank, Bank of

Baroda and Union Bank of India are among the lenders to Bhushan Power and Steel. The National Company Law Appellate Tribunal (NCLAT), which is considering an appeal from winning bidder JSW Steel, will hear the case on January 13.

*Source: Economic Times, December 24, 2019*

### **ArcelorMittal, Nippon complete acquisition of Essar Steel**

Global steel giant ArcelorMittal on Monday said it has completed acquisition of Essar Steel and formed a joint venture with Nippon Steel (AM/NS India) to own and operate the debt-ridden firm. The deal for acquisition of Essar Steel for Rs 42,000 crore by L N Mittal-led company was cleared by the Supreme Court last month. Aditya Mittal, President and CFO of ArcelorMittal, has been appointed Chairman of AM/NS India, and Dilip Oommen has been appointed as its CEO. “ArcelorMittal announces that it has today completed the acquisition of Essar Steel India Limited (ESIL), and simultaneously established a joint venture with Nippon Steel Corporation (Nippon Steel), called ArcelorMittal Nippon Steel India Limited (AM/NS India), which will own and operate ESIL,” ArcelorMittal said in a statement. ArcelorMittal holds 60 per cent of AM/NS India, with Nippon Steel holding the balance.

*Source: Financial Express, December 23, 2019*

### **JSW Steel plans to close Vardhman acquisition by the month end**

Sajjan Jindal-promoted JSW Steel plans to close the deal to acquire Vardhman Industries for ₹127 crore by December-end as it has received the clarification sought from the National Company Law Appellate Tribunal (NCLAT). The company also expects the acquisition of Asian Colour Coated and Bhushan Power and Steel, to be completed by the March quarter. Seshagiri Rao, Joint Managing Director, JSW Steel told BusinessLine that the clarification given by NCLAT in the case of Vardhman Industries is very satisfactory and the fund will be transferred by this month end. As per the approved resolution plan, JSW Steel will infuse ₹63.5 crore in Vardhman Industries through equity shares or debt within 30 days from the date of NCLAT order. It will pay ₹62.5 crore to financial creditors while operational creditors will get ₹1 crore.

*Source: Business Line, December 25, 2019*

### **ArcelorMittal to sell 50% shipping stake to Drylog**

ArcelorMittal said it has signed a share purchase agreement with DryLog Ltd (DryLog) for the sale of a 50% stake in Global Chartering Limited (GCL), its wholly owned shipping business, and will subsequently form a 50:50 shipping joint venture with DryLog. The transaction is part of ArcelorMittal's commitment to unlock up to \$2 billion of value from its asset portfolio by mid-year 2021. The stake sale and JV formation will ultimately impact ArcelorMittal's net debt by \$530 million, with \$400 million on completion and a further \$130 million due in early 2020, an official statement from the world's largest steel company said. The transaction is expected to close before the end of 2019, the statement added. GCL currently operates 28 dry cargo vessels, which range from Supramax to Cape Size, 25 of which are on long-term leases and will be transferred into the joint venture, with the remaining three being owned outright. The joint venture is expected to benefit from the combination of the two businesses respective knowledge and expertise, and ArcelorMittal's extensive annual cargo commitments, a portion of which will be handled exclusively by the JV.

*Source: Economic Times, December 24, 2019*

## **PROJECTS**

### **Govt wants states, PSUs to help build additional steel capacity**

The steel ministry wants state-run units under its supervision, such as SAIL and RINL, and state governments to come up with various enablers such as encroachment-free land and steady supply of raw material to help the industry build 25-30 million tonne (MT) additional steel production capacity through the greenfield route by 2024-25. An estimated Rs 1-1.5 lakh crore investment would be required to create the targeted capacity. India's current steel capacity of 142 MT is being augmented by 28-30 MT through the brownfield route by 2024-25. The ministry envisages it would be imperative to create additional capacity through the greenfield route to meet the projected 160 MT consumption target by 2024-25. Consumption usually lags capacity. India consumed 99 MT steel in 2018-19. The steel ministry will do its bit, including facilitating single-window clearance for forest and environment, liaise with different agencies for iron ore linkages, etc to help the industry in creating the additional capacity. But it wants two potential routes, driven by steel CPSEs and state governments to operationalise the plan.

*Source: Financial Express, December 26, 2019*

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## STEEL PERFORMANCE

### **‘Nov steel output falls by 2.8%’**

India’s crude steel output fell for the second straight month in November, declining 2.8% to 8.934 million tonne (mt). In November 2018 the country’s crude steel output stood at 9.19mt, Worldsteel Association (worldsteel) said in its latest report.

*Source: Economic Times, December 23, 2019*

### **Steel prices to go up by Rs.1,000 a tonne in Jan**

Steel prices are set to go up for the third consecutive month in January following revival in domestic demand and firm price trend globally. Just like in many other metals, steel companies in India take price signal from global markets. Despite the prices going up in last two months, demand has been holding strong in both automobile and infrastructure sectors on restocking by dealers. Following this, steel companies have intimated that Hot-rolled coil prices will be increased to Rs 700-1,000 a tonne in January, said a stockist. In November, steel manufacturers hiked prices for the first time in this fiscal by ₹500-₹750 a tonne and followed this with another rise of ₹750-1,000 this month. Globally, steel prices have gone up by \$60 to \$70 (₹4,200-₹4,900) and this is expected to have a rub of effect on Indian steel prices. Steel companies have hiked prices by ₹1,000-₹2,000 a tonne. The rise in steel prices will directly add to the companies’ margin as the benefit of fall in raw material prices will kick-in.

*Source: Business Line, December 26, 2019*

### **Increasing Chinese demand bodes well for steelmakers**

Domestic steelmakers such as Tata Steel, JSW Steel, Steel Authority of India (SAIL), and Jindal Steel & Power (JSPL) have been gaining on the bourses in the recent past, following brokerage upgrades on account of improving fundamentals. The stocks are up 24-63 per cent since their October lows, and there could be more legs to the rally. The Street’s confidence stems from the rising Chinese demand, which is supporting international steel prices at a time when there are expectations of trade tariff talks between the US and China succeeding. The Chinese steel demand in 2019 has also come ahead of estimates made earlier, say analysts,

though demand from the Rest of the World (RoW) markets still remains muted. While steel inventories in China are low and most of its productions is to be consumed within the country, the production cuts in winter to curb pollution means export from China will remain low too. All this is good news for Indian steel producers, as it is helping domestic prices to improve too. India's hot rolled coil prices had fallen to a 34-month low in October to around Rs.34,250 a tonne and were below anti-dumping duty notified levels during 2017-18 and 2018-19. However, the fall was for a brief period and as the destocking cycle started coming to an end, domestic prices have been hiked through November and December.

*Source: Business Standard, December 24, 2019*

### **Steel sector likely to face disruption after March:SAIL**

State-run SAIL said the steel industry may face disruption post March 2020 when a number of mining leases expire. A clutch of mining leases for coal and iron ore are slated to expire by March next year. According to the amended Mines and Minerals (Development and Regulation) Act, these licences will not be renewed and the mines will be allotted through fresh auctions. "Today perhaps because of the change in the legislation everything has to go through the auction route, which is creating lots of issues and the steel industry may face disruption by 1.4.2020 because of the auctions of coal mines," SAIL Chairman Anil Kumar Chaudhary said. Another concern for the industry is high input cost, Chaudhary said. Today the production cost of steel in India is the highest and one of the major factors contributing to this are the taxes, he said. Royalty is close to 20 per cent on the input material, whether it is coal or iron ore. Freight cost is higher than what is being paid in other countries. Electricity also adds to the high production cost, Chaudhary said. All these challenges need to be addressed for meeting the ambitious 300 MT steel production capacity target set by the government under the National Steel Policy, he added.

*Source: Business Standard, December 22, 2019*

## **POLICY**

### **Pradhan: White paper coming on how to reduce tax burden on steel sector**

The government will soon come out with a white paper on steel industry that will focus on ways to reduce the tax-related expenditure in the sector and make it

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competitive, Union Minister Dharmendra Pradhan said. The task will be completed in three-four months with the help of NITI Aayog and other ministries concerned, he said at an industry event here. The Steel Minister said he will, on behalf of his Ministry, assign a task to NITI Aayog and ask the think tank to discuss ways with all the government departments, especially the Finance Department, to make steel industry competitive. The white paper will focus on lessening the burden of taxes, cess and other duties on the local steel industry, besides studying the global models. Recently, the issue of taxes in the steel sector was a part of a panel discussion on 'India: Roadmap To A USD 5 Trillion Economy'. It was informed that the production cost of steel in India is the highest and one of the major factors contributing to this is the taxes.

*Source: Business Line, December 24, 2019*

### **Rly hints at freight rate cut**

The railways may cut freight rates in a bid to boost economic growth, besides "rationalising" passenger fares. While Railway Board Chairman V K Yadav refused to say if passenger fares would see an increase, he hinted that freight rates might be reduced. In September, the railways had announced several incentives to boost freight traffic. These included deferring the levy of busy season charge, waiving the supplementary charges applicable to loading rakes, and introducing the round-trip charge on container traffic. The railways has been hit hard by the economic slowdown, with earnings from passenger fares dropping significantly. Passenger earnings stood at Rs 40,415 crore in the April-December period of 2019-20, according to Rail Drishti, the national transporter's publicly available monitoring platform. Passenger earnings stood at Rs 51,066 crore in 2018-19.

*Source: Business Standard, December 27, 2019*