

# 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. The one-year-old B2B portal promoted by Essar Steel has recorded sales of Rs 90 crore in the last three months and expects sales to touch Rs 100 crore a month in the second quarter of this fiscal.
2. Tata Metaliks has taken a beating after hitting its upper circuit limit for 11<sup>th</sup> consecutive sessions and zipped past the Rs 400 mark from a 2016 low of Rs 78 in just four months.
3. China's crude steel output climbed in May as the world's biggest producer continues to churn out supply in defiance of complaints that it's swamping the global market.

## RAW MATERIAL

### **CIL Offers 1.25 mt Coal for Sponge Iron Firms through E-auction**

Coal India (CIL) offered around 1.25 million tonnes of coal for sponge iron producers through e-auction, starting Friday and to continue till Wednesday, where top bidders opting for a portion of this volume will be supplied coal for five to 10 years in a row. "Companies participating in the e-auction have shown interest in picking up 40% of the volume on offer till Saturday. The e-auction for sponge-iron will be on till Wednesday and we would be offering incremental quantities each day depending on demand," said a senior Coal India official. Coal is being initially offered at 20% premium over the notified price of coal for the power sector. If demand through bids exceeds more than the volume being offered, the price would be hiked and consumers would be asked to bid on fresh volumes. The process will continue till demand matches supply. This is for the first time an e-auction for coal supply contract for five years is being held and the plan is to gradually sign supply contracts with all consumers through e-auction platforms. While non-power consumers would have to bid on the basis of prices and total volume to be fixed by Coal India, power consumers would have an entirely different model. "The long-term e-auction will lead to signing of new set of supply contracts," the official said.

*Source: The Economic Times, 13<sup>th</sup> June, 2016*

**States likely to auction 20 iron ore blocks this fiscal**

States are expected to auction around 20 iron ore blocks in the current financial year, including some of those which were left unsold in the last round. Odisha was the only state in the 2015-16 fiscal to have auctioned an iron ore mine, which was won by the Ruias-promoted Essar group. The auction will help the state government earn revenue, including royalty, DMF and NMET, of Rs 11,328 crore over a period of 50 years. This will include 14 iron ore blocks to be offered by Karnataka, Odisha (3), Rajasthan (1) and one each by Telangana and Maharashtra, the official said. According to government data, domestic production of iron ore was 169 million tonnes (MT) in 2011-12 and 137 MT in 2012-13 against consumption of 101 MT and 103 MT respectively. In 2015-16, India mined about 155 MT of the ore against 129 MT a year ago.

*Source: Business Line, 14<sup>th</sup> June, 2016*

**COMPANY NEWS****Tata Steel sets up eye hospital in Odisha**

Tata Steel inaugurated its 100-bed, super-specialty eyecare hospital at Samarjhola village of Ganjam district in Odisha last weekend. The hospital is to be operated by Sankara Eye Hospital of Tamil Nadu. Tata Steel funded Rs 42.3 crore for the construction of the hospital infrastructure and equipment. Built over 4.5 acres of land in the village, approximately 17 km from Berhampur city, the eye hospital with world-class facilities and highly qualified doctors will offer services comparable to the best corporate hospitals at an affordable cost. The 4-storey hospital building has 73,520 sqft built-up area with five operation theatres, 12 patient rooms and six wards. The hospital complex is environment-friendly and self-sufficient in energy and use of water. Tata Steel is also setting up a 500-bed multi-specialty hospital at Gopalpur in Ganjam district apart from running five mobile medical units in the region.

*Source: Business Line, 14<sup>th</sup> June, 2016*

**Bokaro Steel Plant bags prestigious Environment Award**

Bokaro General Hospital bagged the award for being the best hospital in Jharkhand for eco-friendly disposal of Bio-Medical waste. This prestigious Environment award was presented to Bokaro Steel Plant on 5<sup>th</sup> June, on World Environment Day, at a glittering ceremony at Hotel BNR Chanakya in Ranchi. Dr. Vibhor Sharma, Sr. Joint Director of BGH received the award from the Chief Secretary, Govt. Of Jharkhand, Smt. Raj Bala Verma. The team handed the trophy and the certificate to BSL's CEO Sri Anutosh Maitra in his office on 9<sup>th</sup> June. Mr. Maitra lauded the efforts of the BGH collective for achieving excellence in the field of Bio Medical Waste Management System. Jointly given by the

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Jharkhand State Pollution Control Board & Ministry of Forest & Environment, this award highlights the laudable step taken by BGH to conserve the environment. It is to be noted that BGH has a state of the art two stage incinerator for eco-friendly disposal of Bio-Medical waste.

*Source: Business Standard, 14<sup>th</sup> June, 2016*

### **Essar Steel's online sales taking wings**

The one-year-old B2B portal promoted by Essar Steel has seen sales of Rs 90 crore in the last three months and expects sales to touch Rs 100 crore a month in the second quarter of this fiscal with the pickup in construction activity across the country. The innovative online market place sells industrial and infrastructure-related products, including steel variants and products such as hot and cold rolled coils, colour coated products, galvanised steel, gears, and clutch parts. The site offers discounts of up to 20 per cent on most products. Ravi Singh, CEO of Hypermart, said: "It is really heartening to see people buying steel from Essar and delivering value-added products on our own platform." Last month, the portal recorded highest-ever delivery of 6,500 tonnes rebar and it is expected to cross 10,000 tonnes soon. Going by the current trend, the company will cross the annual sales target of Rs 500 crore by a big margin, he said.

*Source: Business Line, 15<sup>th</sup> June, 2016*

## **FINANCIAL**

### **VISA Steel stock up 20% on JV firm's merger plan**

The VISA Steel stock rose 20 per cent on Friday after the company informed the stock exchanges it would seek shareholders' approval to merge VISA Bao, its joint venture with China's Baosteel Resources, with itself. The stock closed at Rs 16.38 a share on the BSE on Friday, up from Thursday's close of Rs 13.65. VISA Bao, in which VISA Steel holds a 65 per cent stake and Baosteel 35 per cent, was set up in 2008 to build a ferrochrome plant in Odisha. The company said in a filing to the exchange that every ferrochrome producer should have a captive chrome ore mine or a captive power plant to have sustainable growth. Hence the decision to consolidate the ferrochrome business of VISA Steel and VISA Bao, it added. VISA Steel currently produces 60,000 tonnes of ferrochrome, which can be scaled up to 120,000 tonnes. Further, it has a 75-Mw captive power plant and has secured prospecting licence for chrome ore in Manipur. On the other hand, VISA Bao is setting up a ferrochrome plant with four submerged arc furnaces at Kalinganagar Industrial Complex in Odisha. Two were commissioned in June 2013 and the remaining were expected to be commissioned in 2015-16 and 2016-17. VISA Steel

had announced its merger plan first in August 2015. According to the company, the amalgamation would result in a five per cent stake for Baosteel Resources in VISA Steel. "We already have Baosteel as a partner. This move will help us consolidate the ferro chrome business," VISA Steel Vice-Chairman and Managing Director, Vishal Agarwal, said.

*Source: Business Standard, 11<sup>th</sup> June, 2016*

### **Extension of MIP, debt recast figure in steel ministry's wish list to PMO**

The steel ministry has recommended to the Prime Minister's Office (PMO) a host of measures aimed at brightening fortunes of the steel industry. The measures include extension of the minimum import price (MIP) for at least another six months from August 30, debt restructuring and rationalisation of freight rates. Placing steel in the negative list of the proposed RCEP and CEPAs with Japan and South Korea, creation of a national e-platform for auction of iron ore, supply of the raw material at affordable prices, reservation of coal mines for the steel sector in future auctions and distribution of unallocated coal blocks to steel PSUs also figure in the wish list of the ministry. The steel sector, hit hard by high input costs and slump in demand, is limping back to normalcy. With imports down by 29.3% in the first two months of the current fiscal at 1.2 MT over the corresponding period of last fiscal and a significant rise in prices, the steel industry has now been on a sound footing though it is far from being in the pink of health. The Narendra Singh Tomar-led ministry also intends mandatory sourcing of steel for government and PPP projects from domestic producers in order to generate demand, which witnessed anemic growth last fiscal even as the economy had a robust 7.6% growth. The ministry also seeks rationalisation of taxes, duties and levies on the raw material and placing higher priority for the steel sector in gas allocation, waiver of import duty on R-LNG and reduction in other taxes and duties.

*Source: The Financial Express, 13<sup>th</sup> June, 2016*

### **Tata Metaliks up 400% in 89 days! Does This Story Have any Mettle?**

Tata Metaliks on Thursday took a beating after hitting its upper circuit limit for 11th consecutive sessions to Wednesday and zipping past the Rs 400 mark from a 2016 low of Rs 78 in just four months. Since February 12, the stock has zoomed five-fold or 410 per cent against a 17 per cent rise in the BSE500 index. Some analysts see speculative hands behind the rally, but others beg to differ. The stock has picked up pace, climbing 188 per cent ever since the board of the parent Tata Steel on May 17 withdrew its decision to amalgamate Tata Metaliks and Tata Metaliks DI Pipes with the company. Data

suggested that in the 23 sessions since May 17, the stock has hit its upper circuit limit in 19 sessions. On Thursday, the stock hit a 5 per cent lower circuit to settle at Rs 382.35 on BSE. It had hit 2016 low of Rs 78 on February 12. Parag Thakkar, Head of Institutional Sales at HDFC Securities, holds a different view. "Tata Metaliks was considered a commodity company, but now it is a ductile iron pipe company and that has a huge potential in India given the thrust on irrigation by the government. We have seen some stocks like Srikalahasthi Pipes reporting very good numbers. Tata Metaliks is a Tata Group company and deserves higher PE multiple for sure," Thakkar said.

*Source: The Economic Times, 17<sup>th</sup> June, 2016*

## POLICY

### **Govt issues steel quality control order for kitchen appliances**

In order to check the sale of defective and sub-standard stainless steel products used for making utensils and various kitchen appliances, the government today issued a quality control order that will help filter imports of the metal. The Steel Ministry issued the Stainless Steel (Quality Control) Order, 2016 for products used in making utensils and kitchen appliances. Prepared in consultation with Bureau of Indian Standards (BIS), the quality control order seeks to check sale of defective and sub-standard stainless steel products. It is applicable on various grades of stainless steel plate, sheets and strips used for utensils as well as for low nickel austenitic stainless steel sheet and strips used in kitchen appliances and utensils. "No person shall by himself or through any person on his behalf manufacture or store for sale, sell or distribute any stainless steel product specified in the schedule, which do not conform to the specified standards and do not bear standard mark of BIS, on obtaining a certification mark licence from BIS," the Ministry said.

*Source: The Financial Express, 11<sup>th</sup> June, 2016*

## STEEL PERFORMANCE

### **Modi's \$87-b Make-in-India Infra Push to Drive Steel Demand**

Prime Minister Narendra Modi's 'Make in India' programme, which has earmarked \$87 billion worth of investment in new infrastructure and manufacturing projects over the next five years, will benefit the country's steel and mining companies, a research report says. The initiative is likely to translate into meaningful steel demand after a gap of around 18 months, according to a report by research agency S&P Global Platts. Yet the

potential upside is enormous, Platts said, with new investments in roads, power and railways over next five years accounting for almost 60% of the total investment. The government wants to construct 10,000 km of highways in the current financial year. One positive sign is low level of resistance to reforms taken by the government in the last 32 months. Steelmakers are already benefiting from higher road construction activity with consumption of rebar and wire rod increasing by 8.5% to 30.14 million tonne (mt) between April 2015 and February 2016, according to Joint Plant Committee data. Similarly, Railways plans to spend \$128 billion on its network in the next five years, including \$17.6 billion in FY17. Pace of building new railway lines is set to almost double from 7 km/day during FY17 to 13 km/day in FY18. Steel Authority of India is tipped to be one of the major beneficiaries of the rail network rollout and estimates an additional 118,000 tonnes of rail will be required during FY17 and 644,000 tonnes in total over the next three years. Other domestic steelmakers could also benefit from plans for three new railway freight corridors and double track laying, which has doubled demand for steel. Demand for steel from the Smart Cities programme is harder to quantify. A report by Confederation of Real Estate Developers' Associations of India estimated that \$1.1 billion have to date gone into developing the Smart Cities programme, Platts said. Government push to roads and railway projects in FY17 is poised to grow steel demand by 5-6% year on year, taking the country's steel requirement to 135 mt.

Source: *The Economic Times*, 16<sup>th</sup> June, 2016

## GLOBAL STEEL

### China's crude steel production rises in teeth of trade tensions

China's crude steel output climbed in May as the world's biggest producer continues to churn out supply in defiance of complaints that it's swamping the global market. Output rose to 70.5 million metric tons, up 1.8 percent from a year earlier and 1.6 percent higher than April, the National Bureau of Statistics said Monday. The figure is just below March's record 70.65 million tons and brings the total for the first five months to 330 million tons, down 1.4 percent on year. China accounts for about half of global supply for the metal used in everything from cars to skyscrapers. Steel prices in China flipped from bull to bear market in May following a 29 percent slump in the Shanghai benchmark for reinforcement bar from its April high. The collapse came after regulators and exchanges stepped in to cool excessive speculation and supply expanded as mills fired up capacity to capture thicker margins. Competitors from India to the European Union have raised trade barriers and in recent weeks China's industrial overcapacity has been singled out as a global problem.

Source: *The Financial Express*, 14<sup>th</sup> June, 2016

**US Steel Canada draws final bids from Essar, others**

US Steel Canada Inc, the former unit of US Steel Corp that is under creditor protection, received final-round offers from KPS Capital Partners, Essar Group and Bedrock Industries, people with knowledge of the matter said. Another interested suitor, ERP Complaint Fuels, is no longer in the bidding process, said the people, who asked not to be identified because the information is private. ERP dropped out after submitting an offer valued at about \$1.5 billion. As part of its proposal, India-based Essar would aim to restart US Steel Canada's operations in Hamilton, Ontario, according to a person familiar with the matter. It plans to use part of the funds from a proposed sale of a stake in Essar Oil to Russia's Rosneft OJSC to help finance the investment, one of the people said.

*Source: The Financial Express, 16<sup>th</sup> June, 2016*