

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

August 20 - 26, 2016

HIGHLIGHTS OF THE WEEK

1. Tata Steel has commenced exports of Tata Ferrosshots, a granulated pig iron product, from its plant at Kalinganagar in Jajpur district of Odisha.
2. Arcelor Mittal South Africa Ltd. will pay a 1.5 billion-rand (\$110 million) fine to anti-trust authorities after admitting to being involved in cartels in long steel and scrap metal in the country.
3. JSW and Hindalco have identified logistics as a major area to curtail costs in order to protect operating margins.

RAW MATERIAL

Tata, Adhunik to benefit from sponge iron price rally

A rally in sponge iron prices should boost the earnings of big entities in the space, such as Tata Sponge Iron and Adhunik Metalliks. The price of the intermediate steel product has risen by a little over Rs.500 a tonne over a week. Normally, the price rise for sponge iron happens in mid-September, but the monsoon's slowing has seen a rebound from the low base month of July, where prices of steel products were down by Rs1,200-1,500 a tonne. And the price sentiment is bullish, with the central government extending the minimum import price cover till October and long steel producers, the major users of sponge iron, looking at restocking as the rainy season ends. Good demand is anticipated in October to December. India is the world's biggest producer of sponge iron. The country produced 17.9 million tonnes in 2015-16, with a little over 80 per cent made from the coal based method. However, capacity utilisation was barely 37 per cent of the rated 48 million tonnes. D.P. Deshpande, managing director, Tata Sponge iron said: "I have little doubt that this price rally will continue beyond two to three weeks from now. Input prices have gone up and steel prices have not moved up commensurately. In any case, it will boost our short-term operating earnings. We are looking at Rs.1,200 a tonne (operating earnings) on this price hike. Sponge iron prices are now Rs.11,700-11,800 a tonne."

Business Standard, 26 August, 2016

Tata Steel starts exports of pig iron product from Odisha plant

Tata Steel has commenced exports of Tata Ferrosshots, a granulated pig iron product, from its plant at Kalinganagar in Jajpur district of Odisha. Rajiv Kumar, Vice President, (Operation) of Tata steel, flagged off the first export consignment to a South East Asian country, the company said in a statement. Tata Ferrosshots was launched by the steelmaker from its Kalinganagar plant in March, it said. Within a few months of its launch, the product garnered a lot of interest from steel industry, which has traditionally pig iron,

sponge iron and scrap. The end use of tata ferroshots includes electric arc furnaces, induction furnaes, cupolas, basic oxygen furnaces and foundries as a replacement of pig iron, scrap or DRI. Its inherent properties lead to better yield, higher productivity and lower energy cost. Besides, the process of manufacturing is safe and environmentally friendly, the company claimed.

Business Line, August 25, 2016

COMPANY NEWS

JSW, HINDALCO Turn to Logistics to Protect Margins

Metal companies have identified logistics as a major area to curtail costs in order to protect operating margins. "There is ample scope to lower logistics costs to become more competitive," said Seshagiri Rao, Managing Director and Group Chief Financial Officer of JSW Steel. The Sajjan Jindal-led company reported a strong performance in the June quarter despite only a 1 per cent rise in realizations mainly on lower expenses and higher volumes. Logistics and transportation contribute 15-20 per cent to JSW Steel's total expenses. Like JSW Steel and Hindalco, Essar Steel uses coal as a raw material but will be unaffected by the rail freight hike on coal because it ships by sea. "We have plans to switch to coastal transportation and use cape size vessels. With the railways hiking coal freight by nearly 19 per cent, our plans to increase reliance on them have been hit," said Rao of JSW Steel. "My math on savings on logistics costs goes for a toss," he added.

JSW Steel relies entirely on auctioned coal and the rail freight hike is expected to hurt the company.

Source: The Business Standard 24th August, 2016

Arcelor Mittal South Africa to pay \$110m to settle anti-trust cases

Arcelor Mittal South Africa Ltd. will pay a 1.5 billion-rand (\$110 million) fine to anti-trust authorities after admitting to being involved in cartels in long steel and scrap metal in the country. The continent's biggest steel producer will pay instalments of at least 300 hundred million rand annually over five years starting in 2017, the company and Competition Commission said in statements. No interest will be levied for the first 18 months once the settlements has been made an order of the Competition Tribunal. After that, the rate will be that as prescribed by the Finance Minister, currently at 10.5 per cent. The company, known as AMSA, admitted guilt on allegations of fixing prices, allocating customers and sharing commercially sensitive information on long-steel products. It also admitted to fixing scrap-metal prices. It made no admissions on four other matters. The

commission started investigating anti-trust complaints against the producer in 2008. The penalty comes as AMSA, which employed almost 10,000 people in the country at the end of 2015, is struggling to restore profit because of the surge in Chinese imports at prices as much as a quarter below local production costs. The company is calling on the government to buy local steel and increase both tariffs and anti-dumping duties to make its business more viable.

Source: The Business Line 23rd August, 2016

GLOBAL STEEL

China's Bohai Steel \$28.9 debt plan to get local support

Bohai Steel group, the indebted state-owned conglomerate, may receive help from a local government bailout fund to restructure its debts, the online financial magazine Caixin said at the weekend. Bohai steel, which was created in 2010 through the combination of four manufacturers, holds liabilities of 192 billion yuan (\$28.9 billion) from 105 creditors, alongside assets of nearly 290 billion yuan, Caixin reported. The Tianjin government plans to create a local asset manager to assist the debt workout of Bohai Steel, alongside other troubled Tianjin enterprises, the magazine said. In February, the top industrial asset manager appointed China Chengtong Holdings Group and China Reform Holdings Co. to pilot shareholding reform among loss-making government firms. The country's steel sector has been pressed to restructure following an extended slowdown in the nation's real estate industry, a major consumer of basic materials.

Source: The Financial Express, 22nd August, 2016

World Steel Output Sees Positive Growth in July

For the first time in the current year, world steel production saw a positive growth in July, led largely by a 2.6% growth in Chinese output, global steel production grew by 1.4% in July to 133.7 MT compared by World Steel Association (WSA) showed. Continuing with the downward trend of 2015, which saw a 2.8% decline in global output at 1,623 MT; steel production has been in the negative terrain each month since the beginning of the year. The decline was the steepest in January, 2016 at 7.1% followed by 3.3% in February, 0.5% each in March and April and a 0.1% in May over the corresponding months last year. With neither growth and nor decline, global steel production was flat in June at 134.9 MT. China, as usual was the largest producer of steel in July producing exactly half of the world's output for the month. Next in the line was Japan which

produced 8.8 MT, recording a marginal growth of 0.5% over the same month last year. India remained the third largest producer during the month notching 8 Mt production. Among the major producing nations, output went up in Russia by 0.9% at 6.1 MT and in Korea by 1.5% at 6 MT. But, the US produced 2.2% less in July this year at 6.87 MT compared to the same month last year. Meanwhile, global steel production has been down even after seven months of the current year by 1.2% to stand at 930 MT. However, the gap has been gradually narrowing.

Source: The Financial Express 24th August, 20