

# 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 Materials	2
Company News	2
Steel Performance	3
Projects	4
Policy	5
Global Steel	5
Miscellaneous	6

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CONTENTS	Page
Highlight of the Week	2
Raw Matrials	2
Company News	2
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Projects	4
Policy	5
Global Steel	5
Miscellaneous	6

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

**August 26- September 1,  
2017**

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## HIGHLIGHTS OF THE WEEK

1. The steel ministry has recommended keeping steel in the negative list under the proposed regional comprehensive economic partnership (RCEP) agreement, in order to avoid influx of imports hitting domestic manufacturers of the alloy.
2. Domestic steel firms likely to benefit from global price increase.
3. JSW Group has re-initiated talks to buy Lucchini SpA, the second largest steel producer in that country.
4. South Korean steel manufacturer Posco may consider bidding for debt-ridden Essar Steel.
5. A joint task force of SAIL and ArcelorMittal is in the process of finalising a business model for the proposed JV.
6. Thyssenkrupp should consider alternatives to a planned merger of its European steel activities with those of Tata Steel, German foreign minister Sigmar Gabriel said.
7. US steel executives appeal directly to Trump for import restrictions.

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## RAW MATERIAL

**NMDC to increase iron ore output**

To cater to the steel industry's growing appetite for iron ore, state-owned miner NMDC has decided to raise production capacity to 67 million tonnes per annum by 2021-22, the PSU said in its annual report for 2016-17. To achieve its goal, the company is looking to expand its footprint in India and abroad. The strategy focuses on growth largely through brownfield expansion of existing mines and improving evacuation.

*Source: Business Line, September 1, 2017*

**COMPANY NEWS**

**JSW restarts talks to acquire Italian steel major**

Having lost the race to acquire Italy's largest steel company, Ilva to ArcelorMittal, Sajjan Jindal-owned JSW Group has re-initiated talks to buy Lucchini SpA, the second largest steel producer in that country. In 2014, JSW Steel had made a bid to acquire Lucchini.

However, Algeria's Cevital Group acquired it the following year and renamed the company Aferpi (Acciaierie e Ferriere di Piombino) SpA. Currently, JSW Steel is in talks with Cevital Group to acquire Aferpi for a valuation of \$100 million (Rs. 640 crore), sources said. An email sent to JSW Steel officials on the Aferpi acquisition remained unanswered till the time of going to press. With an annual steel production capacity of about 2.5 million tonne in Piombino, Lucchini was originally owned by Russia's Severstal. The company ran into trouble in the 2008 recession that cut Europe's steel demand by about a quarter. It was declared insolvent in 2012 and the Italian government placed Lucchini under special administration before founding a suitable buyer in Cevital Group. Aferpi is engaged in the production of specialty long products for European railways, bars for specialised auto industry parts and wire rod mills. The JSW Group's talks to acquire a company in Italy comes when its promoter Sajjan Jindal has shown keen interest to produce electric cars in India. A foothold in Europe, one of the largest electric car markets, will enable the Group to gain technical knowhow on electric vehicle production and localise manufacture of components much faster, said an analyst.

*Source: Business Line, August 28, 2017*

**Posco likely to bid for Essar Steel**

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South Korean steel manufacturer Posco may consider bidding for debt-ridden Essar Steel, currently facing proceedings under the Insolvency and Bankruptcy Code, according to merchant banking sources close to the development. Essar Steel's debt in 2015-16 financial year stood at Rs 37,284 crore. If Posco bids for Essar Steel, the deal would benefit Posco in boosting its India plans. Posco came to India with plans for a mega steel plant, but the plans took a bit hit. It had signed a deal with the Odisha government in 2005 for a 12-million-tonne steel plant. But protests over land acquisition and change in mining policies put the project on the backburner. At present, Posco has a cold rolling and galvanising project in Mangaon, Maharashtra, with a capacity of 0.45 million tonne for coated steel and 1.8 million tonnes for cold rolled steel. The unit supplies products to automotive customers. Other bidders for Essar Steel, which has a capacity of 10 million tonnes, could be ArcelorMittal, Tata Steel and JSW Steel.

*Source: Business Standard, August 26, 2017*

## STEEL PERFORMANCE

### **Domestic steel prices recover on global cues: Report**

Domestic steel prices staged a smart rebound, in line with international trend, despite a

moderate demand growth of 4.4% in the the first four months of current fiscal says a report. "International steel prices have staged a sharp recovery since June 2017, driven by the Chinese government's supply- side reforms to reduce domestic steel overcapacity, a steadily declining trend in Chinese steel exports..." Iera said in a report.

*Source: Financial Express, August 31, 2017*

### **Domestic steel firms likely to benefit from global price increase**

A 30% spurt in global steel prices since June 2017 led by a significant cutback in China's production capacity is likely to boost fortunes of domestic steel firms in the coming months. The perk up in international prices has helped raise domestic steel prices by 10% in last 2 months and is likely to boost export earnings of steel firms given the moderate increase in domestic steel demand, according to the latest sector report by ratings agency, Iera. prices of Chinese hot rolled coil (HRC) export offers rallied by over 30% between June and August 2017, reaching US\$ 555 per tonne on Tuesday (August 29, 2017). International steel prices have staged a sharp recovery since June 2017, driven by the Chinese government efforts to reduce domestic steel overcapacity. This has also led to a

decline in Chinese steel exports on the back of resilient domestic steel demand in that country, ICRA said.

*Source: Economic Times, August 31, 2017*

## PROJECTS

### **Task force working on business model for SAIL-ArcelorMittal JV**

A joint task force of SAIL and ArcelorMittal is in the process of finalising a business model for the proposed JV. "Joint task force of SAIL and ArcelorMittal is working on feasibility study, location of unit and business model for the alliance," Steel Authority of India (SAIL) said in its annual report 2016-17. Based on the outcome of the joint study, it said, definitive agreements for setting up the joint venture (JV) company will be put in place. The team consists of representatives from both the companies. In line with the Make in India programme, SAIL and ArcelorMittal in May 2015 had entered into a pact to explore the possibility of setting up an automotive steel manufacturing facility under a JV in the country. The proposed JV will construct a state-of-the-art cold rolling mill and other downstream finishing facilities in India that will offer technologically advanced steel products to India's rapidly growing automotive sector, the annual report said.

*Source: Business Standard, August 28, 2017*

## POLICY

### **Ministry for keeping steel under RCEP negative list**

The steel ministry has recommended keeping steel in the negative list under the proposed regional comprehensive economic partnership (RCEP) agreement, in order to avoid influx of imports hitting domestic manufacturers of the alloy. India's bilateral free trade pacts with Japan and Korea had led to a surge in imports from these countries, forcing the government to resort to anti-dumping duties and other measures to protect the local industry. The negative list implies protection from tariff cuts under the RCEP. In the face of rising imports, India has taken a series of tariff and non-tariff measures since early February 2016 which helped rein in imports by 36% in 2016-17 to 7.4 million tonne. The RCEP is a proposed regional free trade agreement (FTA) between 16 Asia-Pacific nations including China and Japan, besides the 10-member ASEAN bloc. The steel ministry believes that removal of tariff barriers will be highly profitable to steel-surplus nations and will lead to huge consequential losses to the domestic industry. India had signed a

comprehensive economic partnership agreement (CEPA) with South Korea in 2010 and in the following year, it had inked a similar pact with Japan. Taking advantage of CEPA agreement, which offers concessional tariff rates, Korea and Japan have made huge inroads into the Indian steel market, raising their combined exports to India to 3.3 MT in 2016-17 from 1.6 MT in 2010-11. India's exports of steel to these two countries fell to 39,000 tonne in 2016-17 from 43,000 tonne in 2010-11. The steel ministry also believes that there was need to protect the domestic steel industry in view of capacity expansion plans. The national steel policy has set a target of achieving 300 MT domestic capacity by 2030-31, up from 88.4 MT at present. As per the World Bureau of Metal Statistics, India's steel output would see an average annual growth of 8.9% during 2017-2021.

*Source: Financial Express, August 28, 2017*

## GLOBAL STEEL

### **Thyssenkrupp should look at Tata Steel JV alternatives: German minister**

Thyssenkrupp should consider alternatives to a planned merger of its European steel activities with those of Tata Steel, German foreign minister Sigmar Gabriel said on Friday. "My actual request to the company is to look at other alternatives," Gabriel said in Duisburg, Germany's largest steelmaking centre. Gabriel added this should not happen

publicly, "but in strategic sessions, maybe even with the state and with labour representatives". Thyssenkrupp Chief Executive Heinrich Hiesinger is interested in a tie-up of the group's European steel operations with those of rival Tata Steel, but workers fear such a move would result in the loss of thousands of jobs. Alternatives could include creating a German steel champion, possibly with peers Georgsmarienhütte and Salzgitter, although this has been played down by some in the industry. Thyssenkrupp could also carve out and list its elevator, components technology and industrial solutions unit, according to media reports. Talks with Tata Steel over a potential deal have been going on for more than a year, with progress expected to be made soon after the Indian group struck a deal to cut its UK pension scheme liabilities earlier this month. Sources told Reuters last month that Hiesinger was pushing for a deal as early as September.

*Source: Business Standard, August 26, 2017*

### **US steel executives appeal directly to Trump for import restrictions**

American steel industry executives have appealed directly to President Donald Trump for immediate import restrictions in a letter seen by Reuters, as a US Commerce Department

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national security probe languishes and steel imports surge back to 2015 levels. Senior executives from 25 US steel and steel-related companies sent the letter to Trump late on Wednesday, saying the industry was suffering the consequences of government inaction that could change with his "bold leadership" and "America First" vision. "The need for action is urgent. Since the 232 investigation was announced in April, imports have continued to surge," the executives said in the letter. "Immediate action must meaningfully adjust imports to restore healthy levels of capacity utilization and profitability to the domestic industry over a sustained period," they wrote. The executives from companies including Nucor Corp US Steel, ArcelorMittal and Commercial Metals Co said the sustained surge of steel imports into the United States had "hollowed out" much of the domestic steel industry and was threatening its ability to meet national security needs.

*Source: Financial Express, August 26, 2017*

## MISCELLANEOUS

### **‘Not easy to phase out the Nano’**

Leading automobile manufacturer Tata Motors will not be phasing out the Nano, the world’s cheapest car and Ratan Tata’s brainchild. Instead, the company will look to reposition the vehicle and alternative plans are being put in place, said Tata Motors

Executive Director and Chief Operating Officer Satish B Borwankar. While confirming that testing for the electric version of the Nano was recently carried out, Borwankar did not discuss its feasibility or time-frame for a rollout. At the company’s latest AGM, shareholders had wanted the production of Nano to continue, he said. “It is not that easy to phase out the Nano. “There are sentiments attached with it. Shareholders’ sentiments, company sentiments and so on,” he told BusinessLine on the sidelines of a CII programme here.

*Source: Business Line, August 28, 2017*