

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. Flat steel producers have raised prices (effective August 1) up to Rs. 3,000 a tonne, one of the steepest hikes in recent times.
2. SAIL, Arcelor Mittal deal likely in two months
3. Tata Steel posts Rs. 921-cr profit on higher output
4. Tata Steel to focus on reducing debt, India expansion
5. JSPL's Q1 Numbers Show It's Getting Back on Track
6. The world's largest steelmaker, ArcelorMittal, is likely to bid for stressed assets facing insolvency proceedings.
7. The Indian steel industry is showing signs of revival after a particularly tough year during which it fended off Chinese imports.
8. The Comptroller and Auditor General (CAG) report has pointed out that overall Rs.1,900 crore worth illegal extraction of iron ore was reported in the State between 2009-16 in violation of the mining plan and environment clearances (ECs).
9. Tata Steel is hopeful of "shortly" reaching a final agreement on a deal to separate its UK pension scheme from its businesses, a development that could pave the way for potential merger of its European businesses with German steel producer Thyssenkrupp.
10. Tata Group draws up restructuring plan, hires bankers to sell or merge misfiring businesses

RAW MATERIAL

Iron ore worth Rs.1900 crore illegally extracted in Goa: CAG

The Comptroller and Auditor General (CAG) report has pointed out that overall Rs.1,900 crore worth illegal extraction of iron ore was reported in the State between 2009-16 in violation of the mining plan and environment clearances (ECs). The performance audit on systems and controls in collection of minerals receipts has revealed a number of system and compliance deficiencies, the CAG report which was tabled on the floor of the House today mentioned. The lessee had also extracted minerals valued

Rs.374.99 crore in excess of quantity allowed under environment clearances,” it added. CAG has said the audit team checked 38 cases to ascertain whether the environment clearances limit has been observed by lessee during the period from 2009-16. The mining industry in Goa had faced ban due to Supreme Court order in September 2012, which was later lifted in April 2014. The audit report also states that the DMG failed to detect the suppression of closing stock iron ore which resulted in short collection of royalty of Rs.35.53 crore.

Source: Business Line, August 08, 2017

COMPANY NEWS

Tata Steel’s move to appoint PwC raises ‘conflict of interest’ concern

Tata Steel may be staring at a possible ‘conflict of interest’ situation due to its proposal at the upcoming annual general meeting to appoint PwC India as its statutory auditor, and barely months after the accounting firms’ former boss Deepak Kapoor was appointed an independent director on its board. Kapoor was associated with PwC India for four decades, having joined the accounting major as a trainee in 1978, and retiring as its chairman on December 31, 2016. Tata Steel’s board cleared Kapoor’s appointment as independent director just three months after he retired from PwC. It has now proposed the appointment of PwC as its auditor. Both the proposals will be put to shareholder vote on Tuesday. J.N. Gupta, Promoter, Shareholder Advisory Services (SES), said Kapoor will disqualify as an independent director under section 149(6) of the Companies Act, if PwC is appointed as its auditor.” The Companies Act states that an independent director is one who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year.

Source: Business Line, August 08. 08. 2017

Tata Steel to focus on reducing debt, India expansion

Steel major Tata Steel expects reducing the consolidated debt from Rs. 83,014 crore and achieving sustainable European operations are going to be the key challenges. Addressing shareholders at the annual general meeting for the first time on Tuesday, Chairman N Chandrasekaran said besides reducing debt and focus on Europe, the management is working on expansion in India and leverage on the ample talent pool within the company. Tata Steel has lined up a capital expenditure of Rs. 7,000 crore for this fiscal, largely to ramp up production at newly commissioned plant at Kalinganagar.

Defending Corus buyout

The acquisition of Corus PLC by Tata Steel in 2007 was part of the long-term strategy to grow business through international acquisition, said Chandrasekaran denying all the allegations made by estranged former Chairman Cyrus Mistry. The international growth strategy was to focus on accessing new markets, sourcing raw materials and Corus Group Plc provided a natural fit, he said. Last November, Mistry said that some board members had reservation to Tata pushing for the Corus acquisition for over \$12 billion, as it was available at half that price a year earlier. Chandrasekaran said the Board was deeply involved in all the deliberations on Corus and had approved the acquisition on a consensus basis.

Source: Business Line, August 09, 2017

Graphite India bets on strong demand with rise in global steel production

Kolkata-based graphite electrodes maker Graphite India expects a better demand for its graphite electrodes on the back of a steady rise in the production of ferro alloy steel globally. The closure of steel capacities in China leading to the decline in exports of both steel and graphite electrodes from the region will further strengthen the demand. Graphite electrodes are primarily used in the manufacturing of ferro alloy steel through the Electric

Arc Furnace (EAF) route. According to KK Bangur, Chairman, the recent decline in exports from China has led to a rise in steel production through the EAF route globally. In India, the growth in the steel industry is supported by the government's initiatives such as anti-dumping duties on major steel products and increased expenditure on affordable housing, roads and infrastructure, he pointed out. The steady demand will help keep the prices firm. An Edeweiss report on Graphite India suggests that the demand for graphite electrodes was on a downswing between 2006 and 2015 on account of excess steel capacity created by China through the blast furnace route. This in turn exerted pressure on prices.

Source: Business Line, August 07, 2017

Tata Group draws up restructuring plan, hires bankers to sell or merge misfiring businesses

Nearly six months after his turbulent elevation to run India's biggest conglomerate, Natarajan Chandrasekaran is assembling a team of dealmakers to refocus some of the group's biggest businesses, expand its financial services and consumer businesses and sell or merge dozens of smaller units, according to interviews with senior executives. As many as one-third of the group's 100-plus units could go as Chandrasekaran and his team try to balance the need to prune unprofitable businesses at the 149-year-old group with the Tata family legacy of social responsibility, according to officials who asked not to be named because the negotiations are private. Chandra, as the 54-year-old chairman is called by his colleagues, has set his primary task to bring more focus to a conglomerate that assembles buses in Africa, serves kebabs at London's ritzy Bombay Brasserie and sells cheap bags of salt in Indian supermarkets among much else. There are plans to merge consumer and retail businesses, bring infrastructure firms under one umbrella, club defence units together and combine technology firms, according to the people.

Source: Economic Times, August 10, 2017

PROJECTS

SAIL, Arcelor Mittal deal likely in two months

Consensus on signing the JV deal between SAIL and ArcelorMittal for an auto-grade steel plant is likely in two months at the instance of think tank Niti Aayog, an official said. The country's largest steel maker had sought help from Niti Aayog to resolve differences with ArcelorMittal over setting up of Rs 5,000-crore steel plant. Almost a month back a meeting was called by Niti Aayog wherein both companies were asked to firm up their joint venture agreement, the official said. The government had earlier said that the proposed auto- grade steel plant would be set up close to an automobile hub. SAIL and ArcelorMittal had in May, 2015 entered into a memorandum of understanding (MoU) to explore the possibility of setting up an auto-grade steel manufacturing facility under a joint venture in India. A task force team comprising representatives from both SAIL and ArcelorMittal has been working on detailed due diligence and preliminary feasibility study and all other issues for setting up the joint venture company. The JV will also focus on producing specialised grade steel products for defence, space and automobiles. It will construct a cold rolling mill and other downstream finishing facilities in India, touted as one of the fastest-growing automotive markets in the world with production expected to double between 2014 and 2020, from 3.6 million units to 7.3 million units.

Source: Business Line, August 07, 2017

SW Steel may partner Piramal-Bain fund to bid for Bhushan Steel

SW Steel may partner Piramal-Bain fund to bid for Bhushan Steel is in advanced talks with a distressed fund jointly floated by Piramal Enterprises and Bain Capital Credit to bid for Bhushan Steel which has recently been admitted to bankruptcy courts for possible revival. "Both parties are in the final stages of negotiations to put together a joint bid for the distressed steel maker," said a person close to the transaction. Bhushan is one of the 12 companies referred to bankruptcy courts by a Reserve Bank of India order in

June. India's largest steel maker JSW Steel has been eyeing Bhushan Steel for more than a year now as it strives to ramp up output to 40 million tonnes in the next decade through capacity addition as well as acquisitions. Jindal has a proven track record of turning around stressed businesses. He had earlier acquired Ispat Steel and Southern Iron & Steel Company, and revived both. JSW officials are hoping to effect a similar turnaround for Bhushan.

Source: Economic Times, August 05, 2017

JSPL's Q1 Numbers Show It's Getting Back on Track

Jindal Steel & Power Ltd. (JSPL) has reported strong performance for the second consecutive quarter. In addition, it has commissioned the Angul steel plant recently, which is expected to boost production by 50 per cent in the next three quarters. These factors together with firm steel prices should help in allaying concerns over the company's ability to service debt and its future growth prospects. In the June quarter, JSPL's consolidated operating profit before depreciation (EBITDA) grew by 33 per cent year-on-year to Rs 1,350 crore, marginally lower than analysts' expectations but still higher than the interest expense of Rs 900 crore. Strong performance in the power business - 47 per cent higher generation and 157 per cent higher EBITDA of Rs 470 crore - was the key earnings driver. The performance of the steel division was relatively muted with 13 per cent jump in EBITDA at Rs 750 crore driven by 4 per cent growth in volume and better realisation. Its steel business in Oman grew by 3 per cent while the mining business was weak due to discontinued coking coal operations in Australia. "The Angul plant is commissioned last week and we expect to see its full benefit in the third and the fourth quarters," said Ravi Uppal, CEO, JSPL .

Source: Economic Times, August 10, 2017

FINANCIAL**Tata Steel posts Rs. 921-cr profit on higher output**

Higher production and one-time income from disinvestment helped Tata Steel report a consolidated net profit of Rs. 921 crore in the June quarter against a net loss of Rs. 3,183 crore in the same period last year. Sales were up 19 per cent at Rs. 30,803 crore (Rs. 25,897 crore in the year-ago period). The company has made a provision of Rs. 617 crore due to the ongoing mining-related litigation, said the company in a statement on Monday. Last week, the Supreme Court levied penalty on a group of steel companies, including Tata Steel, for extracting iron ore and manganese ore in Odisha in excess of prescribed limits between FY2000 and FY2010. In view of the judgment, the provision has been made in the quarter, said Tata Steel. Gross debt increased by Rs. 4,798 crore to Rs. 87,812 crore on the back of cost involved in managing the inventory build-up in India due to GST implementation and lack of demand in Europe. Net debt was at Rs. 71,703 crore due to build up in cash reserve to fund £550 million British Steel Pension Scheme settlement which is expected to be announced soon. Tata Steel sold its stake in Tata Motors for Rs. 3,778 crore during the quarter and realised over Rs. 14,266 crore through disinvestment in the last five years. The company's steel production in India was up 28 per cent at 2.75 million tonnes due to ramp up at Kalinganagar facility but declined 14 per cent on sequential basis due to GST and planned shutdown. Ebitda from Indian operations was up 31 per cent at Rs. 2,922 crore (Rs.2,236 crore), while consolidated Ebita increased 50 per cent at Rs. 4,939 crore. TV Narendran, Managing Director, Tata Steel said there was inventory destocking across the channel in the run-up to the GST implementation which led to a drop in volumes on sequential basis.

Source: Business Line, August 08, 2017

Arcelor Mittal may bid for stressed steel assets

The world's largest steelmaker, ArcelorMittal, is likely to bid for stressed

assets facing insolvency proceedings. Among the 12 stressed accounts referred by the Reserve Bank of India for insolvency proceedings, five are from the steel sector: Bhushan Steel, Essar Steel, Bhushan Power & Steel, Monnet Ispat & Energy, and Electrosteel Steels. In July, a team from SBI Capital Markets, which is advising lenders on restructuring packages for some of these companies, had visited London to meet the senior management of ArcelorMittal. The idea was to get ArcelorMittal to participate when the assets came up for bidding. Sources indicated that ArcelorMittal could be interested in Bhushan Steel or Essar Steel, depending on valuation, and was in discussion with a leading bank to evaluate and advise on the stressed asset buy. Bhushan Steel has a steelmaking capacity of 5.6 million tonnes while Essar Steel has a capacity of 10 million tonnes. Bhushan Steel's debt in 2015-16 was Rs 44,478 crore and Essar Steel's Rs 37,284 crore. ArcelorMittal has been trying to gain a foothold in India for a while now. The company is now in talks with public sector Steel Authority of India (SAIL) for an automotive steel manufacturing joint venture.

Source: Business Standard, August 10, 2017

JSPL hopes to pare it Rs. 46 cr debt by Q4 2017

Naveen Jindal's flagship company JSPL is pinning its hopes on improvement in earning in its steel and power business to pare its Rs.46,000 crore debt burden by the fourth quarter of this year. In the first quarter of FY18, JSPL's consolidated interest burden was Rs.900 crore, while on a standalone basis it was Rs.532 crore. JSPL had to borrow an additional Rs.800 crore to meet enhanced working capital needs at Angul. However, JSPL's consolidated net debt remained at the same level as the previous quarter.

Source: Economic Times, August 09, 2017

JSPL Q1 consolidated loss narrows to Rs.421 cr

Jindal Steel and Power (JSPL) narrowed its consolidated net loss to Rs 421 crore for the three months ended June 30, 2017 from a net loss of Rs 1,240

crore in the period of April-June 2016. The company's consolidated revenues stood at Rs 6127 crore, a rise of 20% y-o-y, while the EBITDA (earnings before interest, tax, depreciation and amortization) was up by 33% to Rs 1,353 crore. The EBITDA margins also came in higher by 200 basis points at 22% during the quarter. JSPL produced 1.26 million tonnes of steel on the consolidated level versus 1.19 million tonnes in Q1FY17, which was 6% higher and sold 1.15 million tonnes of steel against 1.11 million tonnes in Q1FY17, an increase of 4%. Jindal Power (JPL) posted an all round improvement in its performance during the quarter. JPL generated 3,186 units as compared to 2,171 units in the same period last year, registering a rise of 47%. During 1QFY18, the station PLF increased to 43% compared to 36% in Q1FY17. Meanwhile, the revenues from power business increased by 62% y-o-y. EBITDA for the quarter registered a more than two fold increase on a y-o-y basis to `468 crore. JPL generated cash profits of Rs 310 crore in 1QFY18. Meanwhile, JSPL will commission 4 million tonne blast furnace into services during Q2FY18, which will ramp up its production and is expected to reach its full potential by the end of FY18. Consequently, the volume of steel produced and delivered by the company is expected to double from the levels witnessed in April-June 2017.

Source: Financial Express, August 09, 2017

Jindal Stainless net up more than 50%

Jindal Stainless (Hisar) reported a more than 50 per cent jump in standalone net profit for the quarter ended June 30, 2017, at Rs. 74.38 crore. It had posted a net profit of Rs. 49.43 crore for the same quarter of the previous fiscal. Total income also zoomed up by 47 per cent at Rs. 2438.27 crore (Rs. 1,653.18 crore). The company's Vice-Chairman Abhyuday Jindal attributed the growth to emphasis on specialised and customised grades of stainless steel. "Our product differentiation and diversification strategy has held us in good stead. We will continue our drive towards upgrading our offerings and finding new avenues for applications of stainless steel products," he said.

Source: Business Line, August 08, 2017

Tata Motors Q1 profit jumps 42% riding on JLR pension plan benefit

Home-grown auto major Tata Motors' consolidated profit grew sharply by 41.6 per cent year-on-year to Rs. 3,200 crore for the first quarter ended June, driven by one-time gain of Rs. 3,609 crore relating to recent changes designed to improve the sustainability of JLR's defined benefit pension plans. Barring the one-time gain, Tata Motors booked a consolidated loss of Rs. 409 crore in the quarter. On a standalone basis, the company's loss stood at Rs. 467 crore against profit of Rs. 26 crore due to lower volumes on GST transition. The consolidated total income saw a similar downward trend with Tata Motors witnessing 9.6 per cent year-on-year decline in revenues to Rs. 59,972 crore in the first quarter over Rs. 66,339 crore in the corresponding quarter last year. This was again driven by a forex loss of Rs. 7,761 crore due to translation impact from GBP to INR. Sales (including exports) of commercial and passenger vehicles for the quarter ended June 30, 2017, stood at 1,11,860 units, a de-growth of 11.8 per cent, compared to the corresponding quarter last year, with M&HCV de-growth of 34.8 per cent Y-o-Y, LCV growth of 0.2 per cent Y-o-Y and passenger vehicles segment growth of 4.7 per cent Y-o-Y.

Source: Business Line, August 10, 2016

STEEL PERFORMANCE

Indian Steel Industry Showing Signs of Revival

The Indian steel industry is showing signs of revival after a particularly tough year during which it fended off Chinese imports. The government's focus on infrastructure and affordable housing has helped stoke demand while anti-dumping moves have helped the local industry. Piramal and Bain's distressed assets fund was floated in August 2016 and has a corpus of about \$750 million, with an option to increase it to \$1 billion. It seeks to invest in businesses that require restructuring and have fundamentally strong growth prospects linked to India's infrastructure and consumption needs. If the deal goes through, Bhushan Steel would be its first investment. Investors

— both local and foreign —are increasingly showing interest in the country's stressed assets due to improved market sentiment and introduction of IBC even as gross nonperforming assets (NPAs) have swelled to Rs 7.7 lakhcrore, as on March 31, 2017, representing 9.6% of the total banking industry loans.

Source: Economic Times, August 5, 2017

Steel Companies going for steepest rise in price

Flat steel producers have raised prices (effective August 1) up to Rs. 3,000 a tonne, one of the steepest hikes in recent times. Last month prices were raised by about Rs.1,500 a tonne. With improving demand, these have moved ahead of raw material prices, signalling the industry's stronger grip on the market. Helped by a surge in international prices. In the past 30 days, the latter have increased by about \$100 a tonne; China has raised by 4.4 per cent this year, as opposed to 0.1 per cent last year. A steel producer said there was also a strong demand revival in the domestic market, aptly due to the approaching festive season and due to restocking after clearing of uncertainties in the post goods and services tax scenario. Producers do not rule out another increase towards the middle of the month.

Source: Business Standard, August 08, 2017

GLOBAL

Tata Motors global sales up 12% in July

Tata Motors has reported a 12% increase in global sales in July at 98,534 units, including those of Jaguar Land Rover (JLR) vehicles. The company has sold 88,159 units in July 2016, Tata Motors said in a statement. In the passenger vehicles category, global sales stood at 66,508 units last month as against 57,796 during the same period in 2016, a growth of 15%. Sales of Luxury brand Jaguar Land rover were up 17% to 51, 425 in July compared to 43,932 in the same month of 2016. Tata Motors said sales of its

commercial vehicles rose by 5% to 32,026 units as against 30,363 in the year ago month.

Source: Financial Express, August 09, 2017

Tata Steel India, Europe to remain profitable in FY 18

Positive performance by Tata Steel during the first quarter of 2017-18 is on expected lines and profitability will be sustained in the current fiscal, S&P Global Ratings said. “The healthy profitability at India based Tata Steel Limited (BB-/stable) is in line with our expectations and supports the company’s credit quality,” S&P Global Ratings said in a statement. A rating of BB points to less vulnerability of default.

Source: Financial Express, August 10, 2017

MISCELLANEOUS

Tata Projects completes first part of tunnelling for Lucknow Metro

Tata Projects Ltd has announced that it has completed the Lucknow Secretariat to Hazratgunj underground tunnel boring work for the Lucknow Metro Rail Corporation. This was achieved in a seamless, disruption-free manner and in a short period of five months. The 812 metre-tunnel work was executed as an EPC project. This is part of the 3.67-km Lucknow Metro Rail Track project estimated to cost Rs. 1,190 crore. The 75-metre-long Tunnel Boring Machine, Gomti, was deployed for the project. The computerised tunnel guidance system was deployed for the highest level of accuracy. Tata Projects plans to install Gomti to take up another tunnel work between Sachivalaya and Hussainganj Metro Station as the next part of the construction plan. Vinayak Deshpande, Managing Director, TATA Projects Ltd in a statement said, “Due to many heritage structures, the stretch was highly challenging. The daunting task was completed before time completion.” Kumar Keshav, Managing Director, Lucknow Metro Rail Corporation said, “The tunnelling in this stretch posed an enormous

technical challenge as the route passes beneath highly congested areas and basements of commercial establishments, to lay the tracks at a depth of 12 to 15 metres below ground level. With this ‘breakthrough’, LMRC has achieved one of the biggest milestones in the form of completion of the first TBM drive in the construction of underground metro in Uttar Pradesh. Hyderabad-headquartered Tata Projects is executing the design and construction of the overall underground track of 3.67 km from Charbagh Metro Station to KD Singh Babu Stadium Metro Station. Under the project estimated to cost Rs. 1,190 crore, Tata Projects will also construct three underground metro stations at Hussain Ganj, Sachivalaya and Hazratganj.

Source: Business Line, August 08, 2017

Tata Steel sees deal on UK pension soon

Tata Steel is hopeful of “shortly” reaching a final agreement on a deal to separate its UK pension scheme from its businesses, a development that could pave the way for potential merger of its European businesses with German steel producer Thyssenkrupp. While Tata Steel and Thyssenkrupp have been in talks to merge their European steel businesses for nearly a year, experts believe Tata Steel’s 15 billion pounds British Steel Pension Scheme (BSPS) has been a major stumbling block. A Tata Steel spokesman in the UK told that the parties involved in the pension deal are in “positive discussions and we are hopeful of reaching a final agreement shortly”.

Source: Economic Times, August 11, 2017

MMTC turns around with Rs.18-cr profit in Q1

Mining and Metals firm MMTC reported a net profit of Rs.18.13 crore in the quarter ended June, on account of over two-fold increase in its income. The state-run company had incurred a loss of Rs.7.01 crore in the corresponding April-June period of last year. MMTC’s total income rose to Rs.6,344.79 crore during the quarter under review, as against Rs.2,806.72 crore in the year-ago period. However, its total expenses too shot up to Rs.6,315.60 crore, from Rs.2,812.40 crore in the first quarter of the last financial year.

Source: Financial Express, August 10, 2017
