

# 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**

**February 11- 17, 2017**

## HIGHLIGHTS OF THE WEEK

1. Steel Authority of India Ltd.(SAIL) added a feather in its cap by supplying steel to ISRO as part of the space organisation's launch of a record number of 104 satellites in a single rocket on Wednesday Feb 15, 2017.
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3. JSPL consolidated Q3 net loss narrows to ₹ 455 crore
4. Tata Steel's pension reforms get backing of British unions

## COMPANY NEWS

### **Tata Steel's pension reforms get backing of British unions**

Members of three unions representing the majority of Tata Steel workers in the UK have voted strongly in favour of accepting reforms to Tata Steel's pension arrangements, in a move that will help Tata Steel take its talks with ThyssenKrupp forward. Tata Steel and the German steel-maker are in talks over the merger of their European operations. About 72 per cent of the members of Community, and 75.6 per cent of members of Unite — the two biggest unions — as well as 74 per cent of the third union GMB, voted in favour of accepting the proposals. This would help find a “sustainable solution for the British Steel Pension Scheme”, said Roy Rickhuss, General Secretary of Community.

*Source: Business Line, 16<sup>th</sup> February, 2017*

### **JSW steel sole bidder for Monnet Ispat**

Sajjan Jindal-led JSW Steel has emerged as the sole bidder for a controlling stake in Monnet Ispat Energy through the strategic debt restructuring (SDR) route. Friday was the last day for submitting bids and JSW Steel was the only company to submit the final bid, sources close to the development said, though global private equity fund Blackstone and Sudhir Maheshwari-led Synergy Capital had discussed the matter with lenders. Asked whether Synergy decided not to go ahead with the bid, Maheshwari said, “I am unable to comment on market rumours.” A source said: March would be a realistic time by when the deal could be closed. The discussion would now focus on whether JSW would take the entire equity from the lenders or take part equity and infuse capital in the company.” Lenders have around 53 per cent in Monnet Ispat, which was one of the first SDR companies in which lenders converted debt into equity. The existing promoters have around 25 per cent. Monnet ran into a huge debt, and in August 2015 lenders invoked SDR. SDR had been introduced by the Reserve Bank of India in June 2015 to tackle bad

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loans by allowing banks to acquire control of a defaulting company by converting the loans into equity. That was to be followed up by bringing in new promoters, after which sticky assets were to be upgraded to standard ones. Monnet's debt increased from ₹ 8,606.50 crore in FY13 to ₹12,499.70 crore in FY15

*Source: Business Standard 15<sup>th</sup> February, 2017*

## FINANCIAL

### **JSPL consolidated Q3 net loss narrows to ₹ 455 crore**

Jindal steel and Power (JSPL) narrowed its net loss on consolidated basis to ₹ 455 crore for the October-December quarter of the current fiscal from ₹ 882 crore in the year-ago period on higher sales and Ebitda from both steel and power businesses. While its sales turnover improved by 25% to ₹ 5,408 crore during the third quarter of the current fiscal, its Ebitda (earnings before interest, tax, depreciation and amortisation) went up by 136% to ₹ 1,277 crore from ₹ 542 crore during the same period last fiscal. Consolidated steel production stood at 1.15 million tonnes, up 7% Year-o-Year and while sales were at 1.16 million tonnes, up 18% YoY. In a statement, the company, having a ₹45,600 crore net debt, said it remains committed to meet all its debt commitments and is aiming to bring down the annual cash outflow in terms of repayments and interest by utilising various schemes provided by the government. JSPL had earmarked certain assets to sell off for partially repaying its debt but the process got stuck up over valuation issues.

*Source: Financial Express 15<sup>th</sup> February, 2017*

## PROJECTS

### **No outright sale of NMDC steel unit**

The Centre may drop the plan to privatise mining major NMDC's under-construction Nagarnar steel plant in Chhattisgarh in the face of stiff opposition from the state government and trade unions; instead, it is likely to sell only minority stake in the three million-tonne plant. Steel secretary Aruna Sharma told FE: "There will be no outright sale but steps will be taken for better management and running of the steel plant. However, it is too early (to take a call) and the plant is yet to be completed." However, analysts said private steel firms are unlikely to be interested in minority stake in the unit and the government may have to eventually rope in a PSU, if it wants the plant to be run as a joint venture. Representatives of the federation, which had declared a two-day strike from February 20-21 in all units and work sites protesting against the plan, met Sharma last week. Federation secretary Rajesh Sandhu told FE that Sharma had assured them that

there would be no privatisation and that only a joint venture partner would be inducted. The representatives who want the proposed partner to be only from the PSU fraternity have sought a written assurance from the government. The official said it was never NMDC's decision to venture into steel-making and that it was imposed by the Centre with the idea that moving up the value chain and diversifying its portfolio would only help the company in the longer run. The idea was also to hedge itself against the vagaries of iron ore prices.

Source: *Financial Express* 13<sup>th</sup> February, 2017

## STEEL PERFORMANCE

### Steel firms do up corporate India's report card in Q3

Thanks to a turnaround in the fortunes of several steel companies — Tata Steel, Jindal Stainless and JSW Steel — which have swung from a loss to a profit, and a contraction in losses for others — SAIL, Uttam Galva — India Inc's numbers for the three months to December 2016 appear robust. Else, the growth in top line for a sample of 1,232 firms, at 8.2% year-on-year isn't much better than the 7% y-o-y reported for the September quarter or 7.6% y-o-y in June and March quarters. What has helped is the sharp improvement in costs with the ratio of raw materials to net sales rising by just 6 basis points y-o-y compared with increases of 61 bps, 47 bps and 82 bps in the three previous quarters. The control over costs has driven up the operating profit margin for the sample by a sharp 190 basis points and consequently net profits have jumped 28% y-o-y. Steel companies fared better during the quarter. Steel Authority of India (SAIL) narrowed its loss to R795 crore for Q3FY17 from a loss of R1,481 crore in Q3FY16. Tata Steel reported a profit in Q3FY17 of R144 crore compared with a loss of R2,127 crore in Q3FY16. However, management commentary, across sectors, has been fairly subdued and while most of the damage from demonetisation may be over, a recovery could take another couple of quarters. The impact of demonetisation was seen in companies such as Hero Motocorp, where the operating profits fell 5% y-o-y as volumes dropped 13% y-o-y and revenues came off by 12% y-o-y. At Mahindra and Mahindra (M&M), net sales were flat with the auto segment reporting a 7% fall in revenues. Top lines were clearly under pressure— at Asian Paints, net operating revenues rose just 2% y-o-y while at TVS Motors they went up 3% y-o-y with a marginal increase in realisations. The results of capital goods companies were mediocre. Larsen & Toubro (L&T) reported a dull set of numbers with the top line staying flat and order inflows falling 10% y-o-y. At BHEL, the order back log was disappointing; at R98,400 crore, down 10% y-o-y and 5% q-o-q. Analysts observed that a large part of the backlog remains slow-moving. The engineering company's profits were boosted by write-backs of provisions. At NTPC too, profits were supported by a tax reversal.

Source: *Financial Express* 13<sup>th</sup> February, 2017

## MISCELLANEOUS

### **ISRO Satellite Set off on SAIL's Steel**

Steel Authority of India Ltd.(SAIL) added a feather in its cap by supplying steel to ISRO as part of the space organisation's launch of a record number of 104 satellites in a single rocket on Wednesday Feb 15, 2017. In particular, SAIL's Salem Steel Plant (SSP) played a key role in this achievement by providing high quality stainless steel for the fuel and oxidizer tanks used in the launch vehicle. Incidentally, SAIL SSP had supplied steel for the iconic Chandrayan and Mangalyan missions too. Thanks to ISRO's feat, India has sealed its place in history by becoming the first country to launch a record number of satellites in a single rocket. ISRO's workhorse rocket PSLV earned the rare distinction on Tuesday morning by launching 104 satellites in a single mission from the state-of-the-art space centre at Sriharikota, Andhra Pradesh.

*Source: Economic Times 16<sup>th</sup> February, 2017*