

Steel In The News

A compilation of leading news items on Indian steel industry as reported in major national dailies

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HIGHLIGHTS OF THE WEEK

1. India's crude steel output grew 6% in the 1st quarter of the ongoing financial year, according to a report by the Joint Plant Committee
2. Steel Authority of India's captive mines under its Raw Material Division clocked record numbers in production and dispatch of iron ore in the first quarter of 2018-19.
3. SAIL-Arcelor JV stuck on 30-year clause
4. Tata Steel is planning to sell some of its businesses in South-East Asia as part of its strategy to exit non-scalable businesses and turn focus to domestic market.
5. JSW Steel posts 5% rise in crude steel output in Q1
6. NMDC ore price up for non-Karnataka mines
7. Tata Steel sales rises 8% to 2.97 million tonnes in June quarter
8. JSW Steel revamps acquisition strategy after recent setbacks
9. Steel Ministry fears US tariff on imports will result in cross dumping
10. Electrosteel Castings, a manufacturer of ductile iron pipes used in water transportation, is planning to raise up to Rs 140 crore through Issue of equity shares on a preferential basis.

RAW MATERIALS

NMDC ore price up for non-Karnataka mines

NMDC, a state-controlled mineral producer, has increased the price by Rs 150 a tonne for iron ore lumps and fines with effect from Tuesday. This does not apply to Karnataka, where the company reduced it by Rs 300 a tonne last month, as offtake was low. Its lump ore price is now Rs 3,200 a tonne and fines are Rs 2,810 a tonne. Sources said this is in the backdrop of a rise in demand and increase in royalty rates by the Odisha government. Prices and demand in Odisha and Chhattisgarh are going up at a time when Karnataka mines are seeing less of sales as compared to the production, resulting in piling up of stock. User industries in Karnataka had decided to source ore from elsewhere as much as possible.

Source: Business Standard, July 11, 2018

Essar Vizag commissions iron ore handling complex

Essar Vizag Terminal Ltd. (EVTL) has commissioned a 24 MTPA Vizag iron ore handling complex built on the outer harbour of Vizag Port at an investment of Rs830 crore. “The Vizag iron ore handling complex is a facility that is truly a national asset. We are committed to realising the government’s vision of port-led development”, Prashant Ruia, Director-Essar, said in a statement. With the state-of-the-art cargo handling equipment, the iron ore handling complex will have the fastest vessel turnaround time for iron ore among Indian ports.

Source: Financial Express, July 13, 2018

COMPANY NEWS

SAIL captive mines post record production in Q1

State owned Steel Authority of India’s (SAIL) captive mines under its Raw Material Division (RMD) clocked record numbers in production and dispatch of iron ore in the first quarter of 2018-19. Put together RMD’s iron ore mines at Kiriburu, Meghahatuburu, Gua, Chiria in Jharkhand, and Bolani, Barsua, Taldih, Kalta in Odisha together produced and dispatched 5.19 million tonne (MT) and 5.11 MT respectively, notching a growth of 15.4% and 16.7% over corresponding period last year. The mines have also achieved best ever monthly production of 1.85 MT in June. In particular, RMD’s Bolani mines clocked its highest ever loading of 151 rakes in June 2018. June, an official statement recently said. The improved performance comes at a time when RMD is ramping up its iron ore production to meet the increasing demand SAIL’s steel plants. In current fiscal RMD’s iron mines in Odisha and Jharkhand are set to produce about 24.50 million tonne of iron ore.

Source: The Economic Times, July 10, 2018

SAIL-Arcelor JV stuck on 30-year clause

Government-owned Steel Authority of India’s (SAIL’s) reluctance to join a non-exit 30-year contract has delayed its joint venture with ArcelorMittal for specialised steel. The joint venture has been in the works for three years but the two steel majors are yet to sign a formal agreement. “These joint ventures take time because many commercial issues are involved. Since the JV would be for a very long duration, you have to be very careful as to what the present challenges are and what market would be there so that the joint venture remains profitable throughout its tenure,” said a senior official with direct knowledge of the matter. ArcelorMittal wants a long-term binding agreement, at the end of which the two companies could take a call on whether to continue with the venture. Proposed sites for the 3 million-tonne joint venture have been identified. The Union ministry

of steel expects the more than \$1-billion partnership to be finalised in the next few months. “The two companies are in the process of vetting the JV agreement. Otherwise, most of the things have been sorted out to the satisfaction of both the parties,” Union Minister of Steel Birender Singh told Business Standard

Source: Business Standard, July 10, 2018

Tata Steel plans to sell SE Asia to focus on India

Tata Steel is planning to sell some of its businesses in South-East Asia as part of its strategy to exit non-scalable businesses and turn focus to domestic market, people familiar with the matter said. Tata Steel has appointed a banker in Singapore to scout for buyers for NatSteel Holdings Pte Ltd (Singapore) and Tata Steel Thailand. The steelmaker values the businesses at about \$500 million. Both units are suffering due to lack of demand caused by slump in construction activities and elevated scrap prices in Singapore and Thailand. They contributed Rs 9,542 crore, or 16%, to total revenue of Rs 60,519 crore in FY18 but only Rs 437 crore, or 2%, to the total EBITDA of Rs 22,045 crore. Tata Steel’s operations in South-East Asia began in 2004 with the acquisition of NatSteel, Singapore. In 2006, Tata Steel acquired Thailand-based steelmaker Millennium Steel to strengthen its South-East Asian operations. Tata Steel is expanding footprint in India. It approved the expansion of the Kalinganagar plant in Odisha to 8 million tonne and has also acquired Bhushan Steel from the bankruptcy court.

Source: Economic Times, July 13, 2018

Tata Steel sales rises 8% to 2.97 million tonnes in June quarter

Tata Steel sales in the June quarter were up by eight per cent to 2.97 million tonnes from 2.75 mt logged in the same period last year. However, it was down marginally against 3.03 mt recorded in March quarter despite talks of robust demand across sectors. Production was up 3 per cent at 3.17 mt against 3.07 mt in March quarter. It was increased eight per cent compared to output of 2.94 mt logged in June quarter, 2017. Production in the quarter under review was more than March quarter largely due higher output at Kalinganagar, said the company in a statement on Friday. Automotive and special products achieved highest ever quarterly sales of 5,57,000 tonnes in this quarter due to stronger demand and new product approvals. Branded product and retail business has achieved highest ever first quarter sales of 9,75,000 tonnes, registering a growth of 12 per cent compared to 8,73,000 tonnes logged in same period last year. Overall engineering segments registered 70 per cent year-on-year growth with 97,000 tonnes (57,000 tonnes). In Europe, the company’s sales were down marginally at 2.43 mt against 2.55 mt in March quarter and 2.40 mt in June quarter last year. However, output in Europe was up at 2.81 mt against 2.79 mt in June quarter last year and the same in March quarter was 2.63 mt.

Source: Business Line, July 7, 2018

JSW Steel posts 5% rise in crude steel output in Q1

JSW Steel reported a 5% year- on- year increase in its crude steel output at 4.12 million tonne in the June quarter. The company had produced 3.91 of crude steel in the Q1 FY18, according to a company release. “JSW Steel reported crude steel production 4.11 MT for Q1 FY 2018-19, registering growth of 5% over corresponding quarter of FY 17-18”, it said.

Source: Financial Express, July 10, 2018

PROJECTS

JSW Steel revamps acquisition strategy after recent setbacks

JSW Steel is looking to acquire smaller steel plants in India and overseas that produce specialised products, a top executive said on Tuesday, as it tweaks its acquisition strategy after missing out on some recent deals. JSW Steel, India’s biggest steelmaker in terms of domestic capacity, failed to outbid rival Tata Steel in March for bankrupt steelmaker Bhushan Steel. The company also lost out to UK-based steel manufacturer Liberty House for Bhushan Power following a bankruptcy resolution process for both companies in April. Earlier this year, JSW was beaten out by ArcelorMittal SA, the world’s largest steelmaker, for Italian steel major Ilva SpA. After the recent setbacks, JSW Steel is now looking to focus on buying more niche, lower capacity plants which do not require huge investments to turn around, said Seshagiri Rao, joint managing director and the group financial head of JSW Steel. JSW has steelmaking capacity of 18 million tonnes per year, around 13 per cent of India’s installed capacity. It is investing Rs 268 billion (\$3.9 billion) over the next three years to expand to 24 million tonnes. JSW plans to increase its capacity to 40 million tonnes in India and 10 million tonnes overseas.

Source: Financial Times, July 11, 2018

STEEL PERFORMANCE

India’s crude steel output up in 1st Qtr

India’s crude steel output grew 6% in the 1st quarter of the ongoing financial year, according to a report by the Joint Plant Committee

Source: The Economic Times, July 10, 2018

Steel Ministry fears US tariff on imports will result in cross dumping

The Steel Ministry has suggested two options to the Commerce Ministry for the latter's meeting with the United States Trade Representative (USTR) for resolving the issue of 25 per cent import tariff on steel imposed by the US. Stating that the US move could lead to cross dumping into the country, the Ministry as well as domestic industry representatives said there are two options before the USTR — the first is to have a 25 per cent duty levied on all imported steel, and the second is to cap the quantity of steel that the US administration will allow to be imported into the country. Domestic steel manufacturers are pinning hopes on the meeting between representatives of the Commerce Ministry and the USTR which is scheduled to be held in less than a fortnight in the US. India's steel exports to the US are not substantial (less than one million tonne out of a total domestic production of 100 million tonne). But, domestic manufacturers fear that a 25 per cent duty might result in dumping from South Korean firms that export nearly 8 million tonnes of steel to the US annually. On its part, India has already imposed anti-dumping duty to prevent imports of major steel products, mostly from China and Taiwan. But, these duties are far from effective in the present scenario. A steel sector representative said, "Domestic firms fear that the existing anti-dumping measures in India are inadequate as global prices of steel have risen considerably."

Source: Business Line, July 11, 2018

FINANCIAL

Bhushan lenders choose Tata Steel's bid

Lenders to Bhushan Power & Steel have chosen the bid of Tata Steel and tossed out the pleas of Bhushan Power's promoter family- the Singhals- and that of Liberty House. They have decided to go ahead with the handing over of the firm to Tata Steel which won the bid in bankruptcy court, said two people, familiar with the development. The two appealed to the lenders that they were eligible to bid for the company following a tribunal order in another case which held that the amended insolvency and bankruptcy code prohibits promoters from applying only in those cases which were filed after the amendment and not before.

Source: The Economic Times, July 10, 2018

Electrosteel Steels fined Rs.10 mn over disclosure norms

Electrosteel Steels, which is undergoing insolvency resolution process, on Friday said the NSE has imposed a penalty of over Rs 10 million on the company for non-compliance of filing its financial results for the quarter and year ended on March 31, 2018, within the required time. As per regulatory norms, the company was under the obligation to submit its audited financial results for quarter and year

ended March 31, 2018, within 60 days from the end of the financial year, that is by May 30, 2018. The company, which had requested an exemption from compliance under Regulation 33 of the Listing Obligations and Disclosure Requirements (LODR) from the Securities and Exchange Board of India (Sebi), said its request was denied on June 25.

Source: Business Standard, July 7, 2018

Bhushan Power lenders can go ahead with resolution process

Lifting its earlier stay order, the National Company Law Appellate Tribunal (NCLAT) on Thursday allowed lenders to Bhushan Power and Steel (BPSL) to go ahead with the resolution process for the bankrupt firm and approve an appropriate resolution plan, and place it before the adjudicating authority (NCLT) to seek its go-ahead. Tata Steel, Liberty House and JSW Steel are in the fray to take over BPSL. Sources said that while Tata Steel's bid was a little lower than that of the UK-based Liberty House, it was higher than JSW Steel's. The committee of creditors (CoC) has earlier zeroed in on Tata Steel as the preferred bidder because its bid was more acceptable on other parameters than those of the other two. Liberty House was a late bidder in BPSL. Tata Steel, which had emerged as the highest bidder before Liberty's entry, had challenged the NCLT's April 23 order that asked the lenders to consider the late bid submitted by the UK-based firm. In its May 9 order, the appellate tribunal also ordered that Liberty House's bid should be accepted, but asked lenders not to disclose the identity of the highest bidder till it decides on the petition. In its May 24 order, the NCLAT had again ordered that though the CoC might approve a resolution plan, with the prior permission of the appellate tribunal, it would not place it before the adjudicating authority (NCLT) and keep it in a sealed cover, till the pendency of the matter. Hearing the matter on Thursday, the two-member bench of the appellate tribunal, headed by chairman Justice SJ Mukhopadhaya, however, said, "All the earlier orders stand modified." This paved the way for the CoC to proceed with the resolution process and place it before the NCLT for its approval. The NCLAT has placed the matter for further hearing on July 26.

Source: Financial Express, July 13, 2018

Electrosteel Castings plans pref shares to raise Rs.140 Cr

Electrosteel Castings, a manufacturer of ductile iron pipes used in water transportation, is planning to raise up to Rs 140 crore through Issue of equity shares on a preferential basis. The company's board of directors on Thursday approved raising of funds upto Rs 140 crore by issuing 4,85,26,861 equity shares of face value Re.1 per share on preferential basis at a price of Rs.28.85 per share, an official statement said. Out of Rs 140 crore that will be raised around Rs 40 crore would be infused by the promoter group of the company, the statement said. The proposed issuance will be governed by the Sebi (Issue of Capital and Disclosure

requirements) Regulations 2011. The Company will now seek its members' approval for the issue. Electrosteel Castings reported a revenue of Rs.1944 crore and an EBIDTA of Rs.305 crore during FY2017-18

Source: Economic Times, July 13, 2018

GLOBAL STEEL

China's top steelmaking city of Tangshan set to deepen production curbs over summer

The top Chinese steelmaking city of Tangshan has ordered steel mills, coke producers and utilities to cut output further this summer, according to a document from the city government, the latest step to curb smog in one of the country's most polluted areas. The move to deepen cuts in emissions will last for six weeks from July 20 until Aug. 31, according to the document, which was reviewed by Reuters. That will be in addition to 10-15 percent capacity cuts imposed from March to November. The document did not instruct factories to cut output by a certain amount, but told the city's local districts to set their own detailed plans for curbing production by July 13. The curbs mark one of the latest steps in Beijing's 'war on pollution' as it pushes to clear the country's notoriously polluted skies. "Sintering machines and blast furnaces will be major targets of production cuts in the steel sector and could be at as much as 50 percent depending on emission levels at mills," an official at the environment department of Tangshan's government told Reuters by phone. He declined to be identified as he is not authorized to talk to media. Sintering is a process where iron ore is heated into a mass as a precursor to making hot metal. Factories located outside the city center that have completed steps such as "environmental upgrades" will not need to cut production by as much as some other sites, according to the document. Tangshan produced 91.2 million tonnes of crude steel in 2017, accounting for 11 percent of the country's total steel output. Analysts at industrial data provider SMM expect the latest restrictions in Tangshan to reduce production by up to 150,000 tonnes of hot metal a day.

Source: The Financial Express, July 12, 2018

Tata Steel's JV with Thyssen to boost credit profile: Fitch

International rating agency Fitch said Tata Steel Europe's agreement with German industrial major, ThyssenKrupp to create a joint venture would improve its credit and business profiles as it would reduce its exposure to structural weaknesses in the region. However, the gain will probably be offset by a relatively high level of leverage over the next two to three years due to acquisitions back home to expand market share, the agency warned in a report. It also hinted at resolving the rating watch on the ratings of both the companies after the completion of the JV transaction by 2018-end.

Source: Business Standard, July 11, 2018

ThyssenKrupp chief Hiesinger quits

Less than a week after defending the deal to merge European steel assets with Tata Steel, ThyssenKrupp CEO Heinrich Hiesinger is to step down from his position after the company's supervisory board accepted his resignation. The company will be led by the board until a suitable successor can be found, the company said. Hiesinger has led ThyssenKrupp – a large German industrial conglomerate — over the past seven years, attempting to reshape its focus, away from steel, to which the merger with Tata Steel was seen as key. However, in recent weeks management's unwillingness to push for more favourable terms because of recent tough quarters for Tata Steel's European assets brought them criticism from leading activist shareholders. Hiesinger defended the terms – which included an agreement that in the event of an IPO 55 per cent of the proceeds would go to ThyssenKrupp, which alone would determine if and when the process could commence. Tata Steel had also insisted the deal was structured as best it could – acknowledging changing circumstances while not changing the fundamental philosophy of the deal.

Source: Business Line, July 7, 2018

MISCELLANEOUS

Never had management control in Uttam Galva or KSS Petron, says ArcelorMittal

ArcelorMittal on Tuesday said it never had management control either in Uttam Galva Steels or KSS Petron, or any board representation. It was just a passive shareholder in both the companies. Appearing on behalf of the company, senior counsel Harish Salve told the National Company Law Appellate Tribunal (NCLAT) that ArcelorMittal was not a shareholder either in Uttam Galva or in KSS Petron prior to putting its bid for Essar Steel (ESIL) on February 12. The company, he said, did not have shares in Uttam Galva as on February 7 and in KSS Petron as on February 9. Salve said ArcelorMittal never required a permission from the market regulator Sebi to submit the bid. To a question from the two-member NCLAT bench, headed by Justice SJ Mukhopadhyay, Salve said the company put in Rs 7,000 crore on the escrow account on the direction of the National Company Law Tribunal (NCLT), which said, "If you pay, you are off the hook."

Source: Financial Times, July 11, 2018

Essar Steel lenders ask NCLT to speed up resolution process

Lenders to the bankrupt Essar Steel urged the National Company Law Appellate Tribunal (NCLAT) to speed up the resolution process as they were incurring a daily loss of Rs 17 crore on their exposure to the steel firm. Essar Steel (ESIL)

owes lenders Rs 49,000 crore, senior counsel Sudipto Sarkar told the appellate tribunal. “I want a quick resolution,” Sarkar said while arguing his case in the NCLAT, adding that the resolution professional (RP) did not submit the first round of bids to the committee of creditors (CoC) and thus, the CoC never considered the eligibility or viability of the two parties. The bids were also not opened so far. The two-member NCLAT bench, led by justice SJ Mukhopadhaya, however, said that it might take two-three weeks to pronounce an order after completion of hearing on the matter. Sarkar also in his prayer said that it “may kindly be specifically clarified that the entire period starting April 19, 2018 to the final disposal of the present appeals be specifically excluded on computation of the corporate insolvency resolution process period.”

Source: The Financial Express, July 12, 2018