

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. In a move that could make accounting simple for calculating royalties and auction prices of mines, the ministry of steel has made a case for subsuming both in the goods and services tax (GST).
2. JSW Steel has restarted coking coal mining in the US after a gap of almost three years.
3. The Mumbai Bench of the National Company Law Tribunal (NCLT) approved the resolution plan of Aion Investment-JSW Steel consortium to acquire Monnet Ispat and Energy.
4. Billionaire Sanjeev Gupta-owned Liberty House plans to invest Rs.300 crore to restart and modernise Adhunik Metaliks and Zion Steel.
5. The Mumbai Bench of the National Company Law Tribunal (NCLT) approved the resolution plan of Aion Investment-JSW Steel consortium to acquire Monnet Ispat and Energy.
6. The Confederation of Real Estate Developers' Associations of India (CREDAI) has written to the Prime Minister's Office for an intervention to arrest the steep rise in steel prices, which are adversely affecting the government's 'Housing for All' target.
7. Steel stocks melt amid fears of steep US tariff, slowing China growth
8. Tata Steel is planning to raise as much as \$3.1 billion via overseas loans to repay existing high-cost debt ahead of the merger of its European operations with German steel giant Thyssenkrupp.
9. ThyssenKrupp names Kerkhoff Intrim hero
10. Bhushan Steel Ltd acquired by Tata Steel conveyed that its board of directors has approved the appointment of T V Narendran as chairman and non-executive additional director of the company.

COMPANY NEWS**Tata Steel readying blueprint to buy Bhushan Power**

Tata Steel is gearing up to acquire Bhushan Power & Steel, going through insolvency proceedings, if it gets the requisite approvals. Much like the Bhushan Steel deal, Tata Steel is keeping its financing arrangements ready and is sounding out people within the organisation for Bhushan Power & Steel. As far as the financing is concerned, Tata Steel would take a short-term loan, the balance would be a mix of cash accruals and there could be possibly some leveraging at the holding company level. “We will not be in a position to comment on Bhushan Power & Steel as the matter is under the IBC (Insolvency & Bankruptcy Code) process,” a Tata Steel spokesperson said. Tata Steel recently got a rating done by ICRA for a Rs 90 billion commercial paper programme. Will it be used for Bhushan Power? The spokesperson replied the commercial paper rating was for general working capital and other requirements.

Source: Business Standard, July 16, 2018

JSW Steel restarts coking coal mining in US

JSW Steel has restarted coking coal mining in the US after a gap of almost three years. Operations in the mines located in West Virginia were suspended after coking coal prices dropped below production cost. The recent rise in coking coal prices has made it viable for the company to restart production. Though JSW Steel will not import the coking coal produced in the US to India it will provide a financial hedge as it will be sold in the open market. Seshagiri Rao, Joint Managing Director, JSW Steel, told BusinessLine that the US coking coal mine has started production and the plan is to ramp up production from 2.40 lakh tonne per annum to one million tonnes gradually. Coking coal prices have increased to \$200 a tonne from \$76 in the last few years. With a strong demand and disruption in supply due to logistics issues there are no chances of it coming down any sooner, he added. JSW Steel had invested \$35 million to set up a prep plant (washery) with a capacity of 2.4 mtpa near the coal mine. Going ahead, Rao said JSW

would source raw coal produced by small miners in the neighbourhood wash it at the prep plant and sell it in the open market to reach the one-million-tonne target. JSW Steel acquired the concession for nine coking coal mining in the US in 2010. These mines have total resources of 123 million tonnes and estimated reserves of 45 million tonnes in the area where drilling was already done. Rao said that the company has no plans to restart iron ore mining in Chile that has been under care and maintenance for the last few years.

Source: Business Line, July 17, 2018

Liberty House to invest Rs.300cr to restart Adhunik, Zion Steel

Billionaire Sanjeev Gupta-owned Liberty House plans to invest Rs.300 crore to restart and modernise Adhunik Metaliks and Zion Steel. The company received a formal NCLT order declaring it the highest bidder for Adhunik. It now plans to reopen the plant, sources said. NCLT Kolkata had approved Liberty House's resolution plan for both the companies on July 17. The plan had received 99 per cent of votes from the committee of creditors. Gupta, Executive Chairman of GFG Alliance, which owns Liberty House, said the group will invest heavily to modernise and create a long-term future for Adhunik Metaliks and Zion Steel as the first step in a bid to build an integrated and sustainable business across India. "We are extremely pleased to finalise this very important acquisition for GFG Alliance and Liberty House. It not only gives us the first foothold in the Indian steel sector but also provides the foundation for a sustainable and integrated metals and industrial business in this fast-growing and exciting economy," he said. Liberty House has already bagged Amtek Auto and is waiting for the final order from NCLT Chandigarh. It is also the leading contender for Bhushan Power and Steel. "We believe this is an excellent time to invest in the Indian industry, where there are many key acquisition opportunities that will provide a strong platform for our business model which integrates energy, metal production, downstream manufacturing and financial services," Gupta said.

Source: Business Line, July 20, 2018

ArcelorMittal plays safe, deposits Rs.7,000 cr in current AC, not escrow

The world's largest steel company ArcelorMittal, which is being tested for eligibility to bid for the stressed Essar Steel asset, has deposited Rs.7,000 crore in a current account with State Bank of India contrary to its earlier claim of putting the money in an escrow account. The fact was revealed recently by Essar Steel committee of creditor's counsel at the National Company Law and Appellate Tribunal, which was hearing a plea on the eligibility of both ArcelorMittal and Numetal, a consortium promoted by Russian VTB Bank. An escrow account is a contractual arrangement in which a third party receives and disburses money or documents for the primary transacting parties. After being declared ineligible to bid for Essar Steel, ArcelorMittal last May claimed that it had deposited Rs.7,000 crore into an escrow account with the SBI to show its commitment towards settling the debt of Uttam Galva Steels and KSS Petron. ArcelorMittal knows that the money put in an escrow account does not earn any interest, while the current account generates a minimal return. Moreover, once the money is in escrow, it cannot be arbitrarily withdrawn, said a banker. Given the uncertainty on its eligibility and the time taken to resolve the issue, the company would have found it wise to keep it in current account, he added.

Source: Business Line, July 14, 2018

Bhushan Steel appoints Narendran chairman

Bhushan Steel Ltd acquired by Tata Steel under corporate resolution process, said today that its board of directors has approved the appointment of T V Narendran as chairman and non-executive additional director of the company. Narendran, CEO and MD of Tata Steel, has more than 30 years of experience in metal and mining industry. A new management team has been put into place at Bhushan Steel Ltd after it was acquired by Tata Steel Ltd through India's new insolvency and bankruptcy process. "The Board of Directors at their meeting held on 11th July 2018 approved appointment of T V Narendran as Chairman and Non-Executive-Additional Director and Koushik Chatterjee as Non-Executive-Additional Director with effect from July 11," the company said in a statement. On May 18, Tata Steel which had won the bid for Bhushan Steel in an insolvency process completed the acquisition of 72.65 per cent stake in the debt-laden firm. Lenders to

Bhushan Steel also received 7.25 crore equity shares worth Rs 2 each, after conversion of Rs 14.5 crore worth loans in the company.

Source: Business Standard, July 16, 2018

Aion Investment –JSW team gets NCLT nod to buy Monnet Ispat

The Mumbai Bench of the National Company Law Tribunal (NCLT) approved the resolution plan of Aion Investment-JSW Steel consortium to acquire Monnet Ispat and Energy. The lone successful bidder increased its bid by about Rs.25 crore for MSME vendors, taking its total bid to Rs.2,875 crore. Lenders will forego 72 per cent of Monnet Ispat's total outstanding loan of Rs.10,000 crore. Aion Investment holds a 70 per cent stake in the consortium and JSW Steel the rest. In April, the resolution plan submitted by the consortium received 98 per cent favourable votes from the committee of creditors. The approval for the plan was delayed as NCLT questioned the inclusion of the Gare Palma coal mine in Chhattisgarh as an asset of the company in the resolution plan while the licence for the mine had been cancelled by the government. Monnet Ispat was among the first lot of 12 large non-performing loans referred by the Reserve Bank of India for resolution under the Insolvency and Bankruptcy Code (IBC). The resolution process for the company began last July and Sumit Binani was appointed the Insolvency Resolution Professional. The deadline for resolution was extended beyond 270 days. Monnet Ispat owns an integrated steel plant of 1.5 mtpa along with associated facilities including a sponge iron plant, a pellet plant, a sinter plant and a captive power plant in Chhattisgarh. It also owns coal beneficiation facilities in Chhattisgarh and Odisha.

Source: Business Line, July 20, 2018

POLICY

Steel Ministry may bring royalty under GST ambit

In a move that could make accounting simple for calculating royalties and auction prices of mines, the ministry of steel has made a case for subsuming both in the goods and services tax (GST). “Royalty is a big concern (for

industry) and we need to rationalise royalty and auction money, which can then become part of input credit,” Union Steel Secretary Aruna Sharma said on Friday at the National Conclave on Mines and Minerals. Currently, minerals like iron ore and manganese, used to make steel, are taxed at 5 per cent under GST, while finished steel is in the 18 per cent bracket. There is a need to rationalise auction prices and royalties paid on minerals, and to subsume royalties, auction prices and the district mineral fund to ease the mining business, she said. The ministry is preparing a draft proposal on this and, once done, will be sent to the Department of Revenue in the Ministry of Finance. Satish Pai, managing director, Hindalco, said: “Many tax and duties are charged (on mining). It is a better idea that all of them are subsumed under one umbrella tax.” Currently, royalty on iron ore in India is levied at 15 per cent ad valorem. According to Pratik Jain, partner, indirect tax, PwC, India, reduction in the GST rate on steel per se from 18 per cent to 12 per cent is feasible.

Source: Business Standard, July 14, 2018

STEEL PERFORMANCE

Rising Steel prices hurting ‘Housing for All’ projects

The Confederation of Real Estate Developers’ Associations of India (CREDAI) has written to the Prime Minister’s Office for an intervention to arrest the steep rise in steel prices, which are adversely affecting the government’s ‘Housing for All’ target. The increase in prices of steel in the past six months has escalated input costs for the real estate sector, making housing less affordable for lower income groups. “It is imperative that the government intervene and regulate prices for the benefit of all real estate stakeholders, especially the consumers, who have to bear the cascading effects of increase in costs,” Jaxay Shah, President, CREDAI said. Steel prices have shot up from Rs 29,000 to 32,000 per tonne in 2016 to Rs 51,000 to 54,000 per tonne, an increase of about 40 per cent. With the recent hike in import duty on steel, the real estate sector is faced with further hikes in domestic prices. While, the import duty has been introduced to deter imports and encourage ‘Make in India’, domestic suppliers see these prices as an

opportunity for an extortionary price hike, it said. The undue hike in prices is a huge deterrent for investment in real estate and its growth as it burdens the sector with an additional cost of Rs 90 to 180 per square feet, depending on other variants such as height, basement, etc. Shah also said developers were finding it tough to source raw materials, leading to obstacles in completion of real estate projects. The government needs to keep a check on this trend in order to further aid the growth of Indian realty, he added.

Source: Business Line, July 19, 2018

FINANCIAL

Steel stocks melt amid fears of steep US tariff, slowing China growth

Fears of a slowdown in the Chinese economy in the second quarter, and steep tariffs imposed by the United States on steel imports having an indirect impact on the domestic steel market spooked the investors on Monday, leading to a sharp fall in the share prices of steel companies. The fall was led by Tata Steel shares, which slumped 7.5% during intra-day trade and settled 6.96% lower at Rs 519.30 a piece, on Bombay Stock Exchange. The share prices of other steel companies — Steel Authority of India (SAIL) and JSW Steel — also fell intra-day and closed down 4.89% at Rs 71.05 and nearly 3% at Rs 307.45 respectively. Tata Steel pulled down the BSE Metal Index as well, which closed 461.08 points down (3.7%) at Rs 12009.82 contributed by 175.78 points from Tata Steel. With the Indian steel exports to the US being 3.3% of the overall exports, the steel companies as well as the government had maintained that the heavy tariff imposition of 25% by US president Donald Trump on steel imports will not impact domestic steel industry. However, on Friday, union steel minister Chaudhary Birender Singh said in a conference in New Delhi that there might be an indirect impact on the Indian steel market. According to a PTI report, Singh said that countries exporting to the US would be forced to look at other major steel consuming markets like India to sell their surplus (produce) which can distort the domestic market due to dumping. However, analysts have maintained that higher steel prices will aid the earnings of Indian steel companies, which are expected to report strong numbers for the three months of April-June 2018.

Source: Financial Express, July 17, 2018

Tata Steel in talks to raise \$3.1B via overseas loan

Tata Steel is planning to raise as much as \$3.1 billion via overseas loans to repay existing high-cost debt ahead of the merger of its European operations with German steel giant Thyssenkrupp. Once completed, this could be one of the largest refinancing programmes by a corporate this year to drastically cut down borrowing costs. The new facilities will replace the existing debt held by its European businesses and the pricing. The new debt is expected to be cheaper by from the current level would be done sometime in August, multiple sources with knowledge of the matter told ET. The group has begun negotiations with half-a-dozen banks including Barclays, JPMorgan, MUFG, DBS Bank and Citigroup, sources said. The proposed loan is likely to be priced in August Companies are increasingly tapping the as dollar bonds have turned expensive overseas loan market of this report.

Source: Economic Times, July 17, 2018

Arcelor to pay Uttam, KSS dues

ArcelorMittal, which is one of the two key contenders for the bankrupt Essar Steel, told the National Company Law Appellate Tribunal (NCLAT) on Wednesday that it will pay Rs 7,000-crore dues of Uttam Galva and KSS Petron in case the appellate tribunal finds its first round of bid to be ineligible. Currently, the company has transferred the amount into a State Bank of India escrow account.

Source: Financial Express, July 19, 2018

GLOBAL STEEL**ThyssenKrupp names Kerkhoff Interim CEO**

Chief Financial Officer Guido Kerkhoff was named interim CEO on Friday. He won the backing of the German industrial group's biggest shareholder, as the search began for a permanent replacement for Heinrich Hiesinger. Hiesinger quit last week after failing to win unanimous shareholder backing for a deal to create a venture with Tata Steel. Kerkhoff will run the firm

until the process of finding Hiesinger's replacement is completed, Chairman, Ulrich Lehner said, adding he enjoyed the confidence of the supervisory board.

Source: Business Standard, July 14, 2018

EU to curb steel imports after Trump tariffs

The European Commission has proposed a combination of a quota and a tariff to counter EU concerns that steel products no longer imported into the United States would instead flood European markets. The measures announced on Wednesday are the third part of the EU's response to U.S. tariffs. It has also imposed tariffs on 2.8 billion euros (\$3.3 billion) of U.S. imports, including bourbon and motor bikes, and has launched a legal challenge at the World Trade Organization. The quotas for 23 steel product categories have been set at the average of imports over the past three years, with a 25 percent tariff set for volumes exceeding those amounts. The quotas are allocated on a first-come, first-served basis. The main exporters of steel to the EU are China, India, Russia, South Korea, Turkey and Ukraine. European steelmakers body Eurofer welcomed the safeguards, but said it expected a short-term surge of imports as steelmakers rushed to fill the quotas. European automakers association ACEA said it regretted the move, which it forecast would inflate prices. EU manufacturers of the products ranging from hot and cold rolled sheets, plates, coated steel and tubes include ArcelorMittal, Voestalpine and Tata Steel.

Source: Financial Express, July 19, 2018

Japan's Kobe Steel indicted over fake data scandal

Japanese prosecutors on Thursday indicted Kobe Steel after it admitted to faking strength and quality data, one of the latest corporate scandal that has battered the country's reputation for quality. Japan's third largest steel maker was charged with violating the country's unfair competition law in relation to data falsification upto September 2017, the Tokyo District Public Prosecutor's Office said in a statement. In October last year Kobe Steel said its employees had misrepresented strength and quality data, which had been

submitted for products sold to hundreds of clients worldwide. It was the latest in a string of revelations to have undermined faith in ‘Japan Inc’.

Source: Economic Times, July 20, 2018

MISCELLANEOUS

ArcelorMittal not eligible to bid for Essar Steel, Numetal tells NCLAT

VTB Capital-led Numetal on Monday said in the National Company Law Appellate Tribunal (NCLAT) that its rival ArcelorMittal should not be made eligible to bid for Essar Steel as it is yet to clear dues of two defaulting firms – Uttam Galva Steels and KSS Petron. “It’s an admitted fact that ArcelorMittal Netherlands, a 100% subsidiary of ArcelorMittal, was a promoter of Uttam Galva. If ArcelorMittal through ArcelorMittal Netherlands is an admitted promoter of Uttam Galva, which was admitted as an NPA, then it is ineligible,” said senior counsel Mukul Rohatgi, appearing on behalf of Numetal. Refuting ArcelorMittal’s contention, made earlier before the appellate tribunal, that it was not a shareholder either in Uttam Galva or in KSS Petron prior to putting its bid for Essar Steel (ESIL) on February 12, Rohatgi said, as per Sebi regulations, a promoter ceased to be a promoter only after shares of the company are declassified by the exchanges. Rohatgi said ArcelorMittal could have cleared its dues and become eligible had it paid the entire Rs 7,000 crore dues for Uttam Galva and KSS Petron, which it has not done so far. Uttam Galva owes Rs 6,000 crore to the lenders while KSS Petron the remaining Rs 1,000 crore. The two-member NCLAT bench, headed by Justice SJ Mukhopadhyay, will hear the matter again.

Source: Financial Express, July 17, 2018