

# 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

July 21 - 27, 2018

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## HIGHLIGHTS OF THE WEEK

1. US tariff hike on steel no immediate threat to Indian firms: Govt
2. Tata Steel is in the process of shutting down its subsidiary Tayo Rolls in Jamshedpur and sell off some of its assets in South-East Asia to have a leaner structure and trim debt.
3. Tata Steel may invest Rs.5000cr to develop Subarnarekha port
4. Finished steel export slumps 34% in Q1
5. JSW Steel plans to merge Monnet Ispat & Energy with itself after turning around the company in the next one year.
6. JSW Steel profit quadruples on better realisation, strong demand
7. JSPL leads race to supply tracks to Rlys
8. Tata-Bhushan deal hits NCLAT hurdle
9. US open to steel waiver for India if it lowers export volume
10. China steel exporters delay shipments, giving space to rivals

## COMPANY NEWS

### **Tata Steel to shut down arm Tayo Rolls, sell SE Asia assets**

Tata Steel is in the process of shutting down its subsidiary Tayo Rolls in Jamshedpur and sell off some of its assets in South-East Asia to have a leaner structure and trim debt. Tayo Rolls is a joint venture with Japan-based Yodogawa Steel promoted in 1968. Based out of Jamshedpur, Tayo is into cast rolls, forged rolls, special castings and pig iron. It has not registered any revenue for the last two financial years. Tata Steel's operations in South-East Asia started in 2004 with the acquisition of NatSteel, Singapore. In 2006, it acquired Thailand-based steelmaker Millennium Steel to strengthen its operations. Answering a shareholder's question at the company's 111th AGM, N Chandrasekaran, Chairman, Tata Steel, said the company is looking to sell sub-scale and non-core asset to simplify the structure. The operations of Tayo Rolls, which were suspended some time back, is in the process of closure, he added. Tata Steel is also in an advanced stage of hiving off its European asset into a 50:50 joint venture with ThyssenKrupp. Allaying shareholders' concern on high debt, Chandrasekaran said the net debt has

gone up from Rs.69,215 crore to Rs.85,000 crore after the acquisition of Bhushan Steel, but it will come down by Rs.20,000 crore once the ThyssenKrupp joint venture is finalised. Tata Steel had sought shareholders' approval to raise Rs.12,000 crore through private placement of non-convertible debentures. Dwelling on Bhushan Steel acquisition, TV Narendran, Managing Director, Tata Steel, said the experience with the newly acquired asset has been satisfactory for the last 45 days and fund infusion into the company will enable a quicker turnaround. After completion of the joint venture with Thyssenkrupp and acquisition in India, the group's total steel capacity will be about 23 million tonnes per annum, he said.

*Source: Business Line, July 21, 2018*

### **JSW Steel to turnaround and then merge Monnet Ispat**

JSW Steel plans to merge Monnet Ispat & Energy with itself after turning around the company in the next one year. Sajjan Jindal, Chairman and Managing Director, JSW Steel, said going by the Group's past experience it normally takes about one year to turn-around an asset, so hopefully, Monnet will also turn positive in a year's time. "We will eventually merge Monnet Ispat into JSW Steel and it will be a JSW brand," he said on the sidelines of the company's annual general meeting. Last week, the National Company Law Tribunal approved a Rs.2,875-crore bid by a consortium of Aion Investments and JSW Steel to acquire the bankrupt Monnet Ispat & Energy, which owes over Rs.11,000 crore to lenders. The Aion-JSW consortium was the sole bidder for the 1.5-million-tonne asset in Chhattisgrah. Answering a question on the Group's interest in the stressed asset of Essar Steel, he said the matter is in court and the NCLAT judgement is expected in the next two-three weeks. In a bid to enhance production capacity and grow market shares in the domestic market, JSW Steel has tied up with Russian bank- promoted Numetal consortium to bid for the stressed Essar Steel asset. Jindal pointed out that the company is also in the process of working to increase its presence in iron ore and coking coal mining.

*Source: Business Line, July 25, 2018*

## **JSW Steel profit quadruples on better realisation, strong demand**

JSW Steel's net profit in the June quarter increased almost four times to Rs.2,339 crore against Rs.624 crore logged in the same period last year, on the back of higher production and better realisation. Sales were up 24 per cent at Rs.19,950 crore (Rs.16,048 crore). Saleable steel output was up 9 per cent at 3.83 million tonnes in the quarter with sales in high margin automotive sector increasing 54 per cent. Consolidated EBITDA per tonne of steel sold almost doubled to Rs.13,570, while on standalone basis it was Rs.12,580 on the back of better performance by the US and other subsidiary companies in India. Seshagiri Rao, Joint Managing Director, said the domestic demand for steel was up 9 per cent with strong demand from all the segments, including automobile, white and yellow goods companies. With the sharp increase in domestic demand, the company reduced exports to 12 per cent of overall sales compared to 23 per cent in the same period last year.

*Source: Business Line, July 26, 2018*

## **JSPL leads race to supply tracks to Rlys**

The Indian railways is set to procure rail tracks from a private steel company for the first time in decades. Jindal Steel & Power Ltd. is set to have emerged as a front runner for a portion of the global tender to supply 487,000 tonnes of long rails worth almost Rs.3,000 crore, which also attracted Sumitomo Corporation and British Steel France rail. Other bidders included Angang Group International, VoestAlpine Schienen, East Metals, CRM Hong Kong and Atlantic Steel. Naveen-Jindal controlled Jindal Steel is believed to be the only company among eight in the fray to qualify after the financial bids were opened on Tuesday. A top railway ministry official confirmed that the bids were opened but declined to share details on shortlisted bidders saying that "it was too premature to comment". He said the Railways could make an official comment next week.

*Source: Economic Times, July 25, 2018*

## **Aion- JSW to pay Rs.28.9 bn for Monnet equity**

A consortium of Aion Investments, JSW Steel, which has won bid to acquire the bankrupt Monnet Ispat & Energy, will pay Rs.28.9 billion to take over the assets, according to revised resolution plan approved by NCLT. The National Company Law Tribunal on Thursday gave its detailed order on the

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takeover, after the tribunal gave a verbal order accepting the takeover. The bankrupt Monnet owes over Rs.110 billion to a clutch of lenders. This means banks and other financial creditors will take a massive 74 per cent haircut.

*Source: Business Standard, July 27, 2018*

## PROJECTS

### **Tata Steel may invest Rs.5000cr to develop Subarnarekha port**

In what could emerge as an important port on India's East coast, Tata Steel plans to develop the Subarnarekha port at the northern-most tip of Odisha, where the river Subamarekha merges with the Bay of Bengal. The port, with the ability to manage large-sized ships, will be developed at a cost of Rs.4,000-5,000 crore in three to four years, said an industry source privy to the matter. The precise location in north Odisha will allow the Subarnarekha port immediate proximity to West Bengal, Jharkhand, Bihar, and even Nepal. The port is likely to have the potential to handle large ships with 180,000 dead weight tonnage capacity with 18-metre draft that will help Tata Steel lower its transport and product costs. Other ports in the vicinity have lower drafts — Dhamra has a draft of 17.2 m, Haldia 7.5 m and Paradip ports 14.5 m. "To achieve the required depth, a navigation channel, which will be longer than at Dhamra, will have to be dredged. However, in comparison to Haldia, which is a riverine port, the siltation in the channel will be negligible here," said an industry source. The port will also need a rail-link of around 50 km. The rail distance from Subarnarekha to Tata Steel's Jamshedpur plant is around 270 km, about 100 km shorter than from Dhamra port, which is 374 km. The savings in terms of rail freight for imported raw materials will work out in the range of Rs. 50-250 per tonne.

*Source: Business Line, July 21, 2018*

### **Tata-Bhushan deal hits NCLAT hurdle**

Tata Steel's acquisition of Bhushan Steel may hit a hurdle as the National Company Law Appellate Tribunal (NCLAT) will re-examine Tata Steel's eligibility as a bidder. Besides, the NCLAT has also admitted a petition by operational creditor, Larsen & Toubro (L&T) which has sought Rs 9 billion from Bhushan Steel. If the NCLAT or the Supreme Court when appealed, gives any order which goes against Tata's acquisition, then it could mean increased acquisition cost for Tata Steel which has already paid Rs 352 billion to the banks, said lawyers. In May this year, the National Company

Law Tribunal (NCLT) had approved the Tata Steel resolution plan and the company had moved in to take over the unit from erstwhile promoters, Neeraj Singhal and family, who had immediately moved the appellate tribunal, according to the procedure. Bhushan Steel was sent to the NCLT under the Insolvency & Bankruptcy Code (IBC) after the company failed to repay its loans worth Rs.480 billion. The lenders took a 36 per cent haircut in the Tata Steel transaction. But on Tuesday, following a petition from the Singhal family, the NCLAT asked why Tata Steel was eligible to bid for the company under Section 29A of the IBC, which debars bidders for several reasons, including being close relatives of promoters or those who have defaulted on bank loans in the past.

*Source: Business Standard, July 27, 2018*

## STEEL PERFORMANCE

### **US tariff hike on steel no immediate threat to Indian firms: Govt**

The steel ministry said that India's steel exports to America are very low and hence the import tariff hike by the US will not pose any immediate threat to the domestic industry. It said however that tariff lines being worked on by the EU are a matter of concern and India has objection to some points which are under consideration. "Our capacity last year was 124 million tonnes. Our production was 102 million tonnes. Our export was 10 million tonnes. So these are the figures," Steel Secretary Aruna Sharma said. "To US in absolute numbers it is less than 0.9 million tonnes. So in the sense under that kind of scenario there is definitely no immediate threat," she told reporters in New Delhi. The US has imposed 25 per cent import tariff on steel and 10 per cent on aluminium. "The team led by Commerce Ministry is already in dialogue with them (US administration)... As far as steel is concerned we are exporting only two per cent... So it does not make much difference to us immediately," Sharma said. She was speaking on the sidelines of mining summit organised here by industry body Assocham. Fearing an adverse impact of the US tariff hike on steel, the European Union (EU) has initiated a safeguard probe into certain steel products to assess the effect of increased imports following the Trump administration step. When asked about EU starting safeguard probe into certain steel products, Sharma said, "EU is thinking of tariff lines so that is a concern because we export nearly six per cent to EU... Therefore it is very very important for us." She added: "So, we are watching. Their safeguards will be appearing in mid-September and let's see how it proceeds. What we are talking today is again a three year principle

which we have objected to, of taking an average of three years.”

*Source: Financial Express, July 21, 2018*

### **Finished steel export slumps 34% in Q1**

Export of Finished Steel slumped 33.7% to 1.351 million tonne (MT) during the first quarter of the current fiscal, according to a report. The country had exported 2.037 MT finished steel during the same quarter a year ago, The Joint Plant Committee said in its latest report.

*Source: Financial Express, July 23, 2018*

## **FINANCIAL**

### **NCLAT directs lenders to consider all 3 bids for Bhushan**

The National Company Law Appellate Tribunal has directed the Committee of Creditors of Bhushan Power to consider all three bids submitted by Tata Steel, Liberty House and JSW Steel. The CoC was told to submit the list of both the highest and second highest bidder for the debt-ridden company so that the adjudicating authority can approve one in case of any problems with the first resolution plan in future. The next hearing in the case is posted for August 1. Lifting the earlier stay on the resolution process, the two-member bench headed by Chairman Justice S J Mukhopadhya told the resolution professional to invite operational creditors, all the three resolution applicants and suspended board of directors for the meeting to finalise the resolution plan. The Appellate Tribunal said that CoC will place the selected resolution plan before the adjudicating authority, which may approve it, but they will not give it effect without its prior approval. During the last hearing on July 17, the Tribunal had hauled up Bhushan Power and Steel resolution professional Mahendra Kumar Khandelwal for not following its orders to allow operational creditors to attend the meeting. It had said that it would consider whether contempt of court proceedings should be initiated against the RP in the next hearing (July 20). Liberty House, a resolution applicant, had alleged that proper information was not provided about the meeting and on July 11 the resolution professional had

*Source: Business Line, July 21, 2018*

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## **Our cash bid for Bhushan Power is supported by foreign banks: Gupta**

UK-based entrepreneur and Liberty House promoter Sanjeev Gupta is preparing for the long haul in India, with a local board which will advise his company as it aims to go on a buying spree of distressed companies. Gupta's aggressive bids in the bankruptcy courts gave him his first success last week, as Liberty House was selected as the successful bidder for Odisha-based Adhunik Metaliks, a distressed steelmaker. Gupta is also in the race to acquire Amtek Auto and ABG Shipyard, which are in the process of restructuring and where he is the only bidder. However, the one that he wants the most — the 3.5-million-tonne Bhushan Power & Steel, where he says he has the “best proposition” in terms of money and turnaround experience — lenders have preferred the Tatas despite Liberty House making a substantially bigger offer. The matter, though, is still in court. Bankers in India are wary of Gupta's sources of funds, questioning his assertion of running a debt-free company. Gupta, however, said his bid has been wholly funded by foreign banks and Indian banks should be more worried of taking the best offer.

*Source: Economic Times, July 24, 2018*

## **GLOBAL STEEL**

### **ArcelorMittal agrees to new conditions for steelmaker Ilva; Italy govt still cautious**

Steel giant ArcelorMittal agreed last year to buy Ilva, Europe's largest steelworks which is in state-supervised special administration, and had been due to take charge of the business on July 1. However, the newly installed government delayed the handover and asked Italy's anti-corruption watchdog to review the tender, which was drawn up by the previous center-left administration and led to ArcelorMittal being awarded the deal. “We have an obligation to verify the facts following important, critical issues that have emerged,” Di Maio's office said in a statement. “We believe there are the conditions for starting an administrative procedure aimed at the possible cancellation of (the tender),” it added, saying the review would last 30 days. In the meantime, Di Maio, who is head of the anti-establishment 5-Star Movement, said he would meet ArcelorMittal managers on Wednesday to discuss ways they could improve their original offer for Ilva. Under the terms of the 2017 deal, the Luxembourg-based ArcelorMittal said it would pay 1.8 billion euros to acquire Ilva and then invest 1.2 billion to boost productivity and 1.1 billion to curb pollution at the firm's main Taranto

plant. It has also told unions it plans to reduce the Taranto workforce to around 7,600 from 10,900 now. Earlier on Tuesday, ArcelorMittal said in a statement it would accept government calls to improve its original proposal for Ilva, but did not go into details.

*Source: Business Line, July 25, 2018*

### **US open to steel waiver for India if it lowers export volume**

The US has indicated that it will consider a waiver to India from its 25% additional tariff on steel, provided New Delhi offers an acceptable proposal to lower the volume of its supplies of the metal to the world's biggest economy, sources told FE. The move is important, as a failure to strike a deal soon will intensify a trade tussle between the two countries, with India having already notified its plan to slap retaliatory measures worth \$235 million against 29 American items from August 4. Senior officials of the two countries huddled in Washington last week to hammer out a 'trade package' in which all the contentious issues - including the Trump administration's decision to levy extra duties on steel and aluminium (10%) from India - were discussed. India is now working on a proposal to see if lower volume of steel supplies, with the exemption from the extra tariff, will serve its interest better. Once it finalises the proposal, it will be submitted with Washington to carry forward the negotiations, said the sources. For its part, the US hasn't yet suggested any volume threshold for steel supplies from India to qualify for exemption; instead, it has asked India to submit the proposal first which can then be considered, according to the sources.

*Source: Financial Express, July 26, 2018*

### **China steel exporters delay shipments, giving space to rivals**

Tight checks by Chinese customs officials to halt the smuggling of scrap steel to Southeast Asia have forced some exporters to cancel or delay shipments, benefiting rivals like Russia that are prowling for market share amid a raging Sino-U.S. trade war. Among those that have cancelled or delayed cargoes are Chinese exporters that have been taking advantage of Beijing's generous tax rebate system on value-added steel, according to two Chinese exporters and a major importer in the Philippines, China's third-biggest market. China has for decades given tax rebates to exporters selling value-added steel, allowing them to undercut competitors. China gave up to \$2.8 billion in such rebates in 2017, according to Reuters calculations based on its alloy steel export volumes. But the system has been abused by

exporters who have claimed rebates of 5 percent to 13 percent even for tiny additions of elements such as chromium, while some are alleged to have mislabelled shipments to pass them off as alloy steel. The volume of cancelled or delayed deals was relatively small and has so far not knocked back China's exports, which have been driven higher by a wide arbitrage and the nation's increasing output.

*Source: Financial Express, July 26, 2018*

## MISCELLANEOUS

### **Bhushan Steel case: NCLAT asks Tata Steel to provide resolution plan details**

The National Company Law Appellate Tribunal (NCLAT) asked Tata Steel to furnish a detailed plan as to how it proposes to distribute the amount earmarked for the operational creditors under its resolution plan for Bhushan Steel. Hearing a petition filed by Larsen & Toubro (L&T), the appellate tribunal asked Tata Steel to provide the details by Tuesday, when it is scheduled to hear the matter next. The engineering and construction major said against dues of Rs 961 crore, the resolution professional has admitted Rs 537 crore. However, Tata Steel's resolution plan does not specifically mention any amount that would be accrued to L&T. "Of the Rs 1,200 crore Tata Steel had set aside for operational creditors, Rs 200 crore would be given on priority. The remaining amount would be given on absolute discretion basis. Tata Steel, which has already emerged as the highest bidder and deposited Rs 35,200 crore to the financial creditors of the debt-ridden firm, had earlier said it would pay Rs 1,200 crore to operational creditors over a period of 12 months. L&T had earlier moved the National Company Law Tribunal (NCLT) seeking to be declared a secured creditor so that it gets higher priority in repayment of dues. The tribunal had, however, rejected its claim. Subsequently, it moved the National Company Law Appellate Tribunal. Get live Stock Prices from BSE and NSE and latest NAV, portfolio of Mutual Funds, calculate your tax by Income Tax Calculator, know market's Top Gainers, Top Losers & Best Equity Funds.

*Source: Financial Express, July 24, 2018*