

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. Tata Steel will evaluate, on the basis of the parameters of transparency and feasibility, taking over steel firms referred to the National Company Law Tribunal (NCLT).
2. Tata Metaliks to focus on DI pipes
3. Tata Steel is in talks with a Russia-based firm to put up a facility for downstream steel products at its Gopalpur industrial park in Odisha.
4. Thyssenkrupp's chief executive is pushing for a deal to fold its steel operations into a joint venture with Tata Steel as early as September.

COMPANY NEWS

Tata Steel to consider take over of firms at NCLT

Tata Steel will evaluate, on the basis of the parameters of transparency and feasibility, taking over steel firms referred to the National Company Law Tribunal (NCLT). “If it is a transparent process, which it appears from the way the code has been drafted, we will evaluate and see. Our board has to be comfortable...” Koushik Chatterjee, group executive director (finance, corporate and Europe operations), Tata Steel, said. Later, he said the way in which the NCLT had been set up and the process that had been laid out showed the modus operandi of the tribunal was poised to be transparent. Five stressed steel companies — Essar Steel, Monnet Ispat and Energy, Electrosteel Steels, Bhushan Steel, and Bhushan Power and Steel — have been referred to the NCLT by the RBI in a recent directive. However, Chatterjee said evaluating organic growth at its plants in Kalinganagar and Jamshedpur would be done first. The company has come up with a 3-million-tonne-per-annum (mtpa) plant in Kalinganagar and there is scope for scaling it up to 18-20 mtpa. The Jamshedpur facility has the capacity of 10 mtpa and will add another one million tonne.

Source: Business Standard, July 26, 2017

Tata Metaliks to focus on DI pipes

Tata Metaliks will eventually become a full-fledged ductile iron (DI) pipe company, said chairman, Koushik Chatterjee, at the company's annual general meeting. Tata Metaliks now operates two integral business segments, foundry pig iron and DI pipes, post amalgamation of Tata Metaliks DI Pipes Limited. The DI capacity is around 2,00,000 tonnes per annum, while the blast furnace capacity is of 0.5 million tonnes. Its annual report mentioned that while pig iron growth was in line with steel production, ductile iron pipe production showed a growth of 11-12 per cent. The growth was largely driven by the government's focus on infrastructure projects in the country including AMRUT and smart cities. "In the years to come, this company will become a full-fledged DI pipe company. There is a migration process but it has to be a high-end product that can be differentiated from what is available," Chatterjee said.

Source: Business Standard, July 27, 2017

Uttam Galva Steels Q1 net loss narrows to Rs.192 cr

Uttam Galva Steel reported its net loss narrowing to Rs.192.53 crore during the first quarter ended June 30, 2017. The company had a net loss of rs233.40 crore in the year ago quarter, Uttam Galva Steels said in a BSE filing. Its total income fell to Rs.1,023.87 crore during the April-June quarter as against Rs.1,357.86 crore in the corresponding quarter of FY2017

Source: Financial Express, July 27, 2017

PROJECTS

Tata Steel's SEZ may house downstream steel unit

Tata Steel is in talks with a Russia-based firm to put up a facility for downstream steel products at its Gopalpur industrial park in Odisha. The steel company is the anchor tenant for the park spreading over 2,900 acres of land, where around 1,235 acres of land has been notified as a Special Economic Zone (SEZ). "Discussions are on with a Russia based company for a steel downstream plant. We have exchanged data. We are inviting investments in priority sectors identified by the Odisha government", said Arun Misra, managing director, Tata Steel SEZ Ltd and vice president,

Project Gopalpur. In its capacity as the anchor tenant, Tata Steel has invested around Rs 500 crore on a ferro-chrome plant with an annual production rate of 55,000 tonnes. The park has 12 investment intents in the pipeline - a mix of overseas and domestic proposals across sectors like steel downstream, auto components manufacturing, logistics, metals and wellness products. The steel maker is negotiating with an auto components manufacturer for a possible assembly line at Gopalpur. An overseas investor has evinced interest to set up an ecosystem for tourism. This envisages grooming multi-skilled hospitality professionals at an institute. Skill development would be at the core of investment strategy. In the pharmaceutical sector, there is a proposal for the development of wellness products. Tata Steel also has a proposal in logistics sector, where the developer intends to import material, repackage it and redistribute the cargo.

Source: Business Standard, July 26, 2017

STEEL PERFORMANCE

Steelmakers are worth the most in years

Steel stocks are trading at the highest since 2011 and it's mostly thanks to the industry's biggest menace in recent years — China. Demand in China, which produces half the world's steel, has been surprisingly strong this year and the country closed some plants to ease a glut that had spread across the globe. That's led to a steep drop in exports, helping steel prices extend a recovery and pushing a Bloomberg gauge of global steel stocks up 45 per cent in the past year. China has been blamed by politicians and top producers in recent years for causing a price rout and forcing European and American plants out of business. That's prompted nations from the US to Ukraine to now have more than 100 trade restrictions on imports from China to protect their own industries from cheap steel. At the same time, more Chinese infrastructure spending has boosted local demand, just as the government shuttered millions of tons of overcapacity. Those factors helped China's exports plunge 28 percent in the first half. Less supply coming out of China has helped prices in Europe and the U.S. jump about 75 percent in the past 18 months. The rebound has also been driven by resilient demand, and top producer ArcelorMittal expects U.S. consumption to grow as much as 4 percent this year. There are also hopes that the US Commerce Department's Section 232 probe into steel imports may prompt other nations to further

restrict shipments from China. While only a small amount of American imports come directly from the country, the U.S. probably still ends up buying Chinese steel that has flowed via other places, such as Southeast Asia.

Source: Business Standard, July 25, 2017

India's crude steel production dips to 7.9 mt in June

The country's crude steel production declined marginally by 1.1 per cent to 7.9 million tonnes (MT) in June, according to the latest report by World Steel Association. The steel output stood at 8 MT in the same month last year, it said. However, the domestic production in the first six months of 2017 increased by 5.3 per cent to 49.48 MT over 46.9 MT in the same period of 2016, the data said. Global steel production for the 67 countries reporting to World Steel Association (worldsteel) was 141 MT in June this year, registering an increase of 3.2 per cent over 136.6 MT in June 2016. For the first six months of 2017, global steel production stood at 836.0 MT, up 4.5 per cent from 799.9 MT in the same period of 2016. While Japan produced 8.3 MT steel in June, a fall of 4.3 per cent from the year-ago period, the US produced 6.7 MT, down 1.7 per cent from 6.8 MT earlier. The crude steel capacity utilisation ratio of the 67 countries in June 2017 was 73 per cent. This is 1.4 percentage points higher than June 2016. Compared to May 2017, it is 1.3 percentage points higher, it said. India has overtaken the US to become the world's third largest steel producer and the country is now looking to bag the second spot from Japan. Steel Minister Chaudhary Birender Singh had earlier said that India is heading towards becoming the second largest steel producer in the world.

Source: Business Standard, July 27, 2017

FINANCIAL

Tata Industries Raises Rs.250 Cr via Corp Bonds to Refinance Debt

Tata Industries the holding company for new-age businesses at Tata Group, raised Rs 250 crore by selling corporate bonds to Birla Sunlife Mutual Fund, Aditya Birla Finance and Kotak Mutual Fund as it looks to refinance existing debt and spend on general business purposes.

Tata Industries issued 2,500 nonconvertible debentures (NCDs) of the face value of Rs 10 lakh each, according to documents seen by ET. Kotak Mutual Fund and Birla Sunlife Mutual Fund subscribed to Rs 100 crore worth of NCDs each while Aditya Birla Finance subscribed to Rs 50 crore worth of NCDs. was the sole arranger of the private placement.

Source: Economic Times: July 27, 2017

GLOBAL

ThyssenKrupp chief keen on Tata Steel merger before Sept

Thyssenkrupp's chief executive is pushing for a deal to fold its steel operations into a joint venture with Tata Steel as early as September, after two years of talks, sources told Reuters. The talks are more advanced than previously thought, the sources said. With earnings from Thyssenkrupp's industrials businesses sound and those at the steel unit weak due to structural overcapacity in the sector, Chief Executive Heinrich Hiesinger is facing pressure from investors to deliver the merger. "The fiscal year will come to an end soon (in September) and Hiesinger wants to have a story for investors. If it would not come to a merger it would be a severe defeat for (him)," a German union source said.

Source: Business Standard, July 27, 2017

ArcelorMittal Q2 Net Up 19% at \$1.32b on Higher Sales Volume

The world's largest steelmaker ArcelorMittal reported 18.91% rise in net profit at USD 1.32 billion for the April-June quarter on the abck of higher sales. The firm led by billionaire Lakshmi N Mittal had posted a net profit of USD 1.11 billion in the year-ago period. Sales of the steel giant rose 16.96 per cent to USD 17.24 billion in April-June from USD 14.74 billion in the corresponding period last year. Arcelor Millat follows January-December fiscal year. ArceloMittal chairman and CEO, Lakshmi Mittal said: "We have materially improved our financial performance in the first half of 2017, and continue to make important progress on our action 2020 plan." He said that the recently announced acquisition of Ilva represents a unique opportunity to create value for company shareholders. Arcelor Mittal said it will leverage its strengths to realise Ilva's potential as a tier 1 supplier to European and Italian steel customers,

Source: Economic Times, July 28, 2017

MISCELLANEOUS**NCLT admits insolvency proceedings vs Electrosteel**

The Kolkata bench of the National Company Law Tribunal (NCLT) on Friday admitted insolvency proceedings against Electrosteel Steels, its chief financial officer (CFO) Ashutosh Agarwal told FE. The company was referred to the bankruptcy court by State Bank of India (SBI) following a nudge from the Reserve Bank of India (RBI). Agarwal said lenders have appointed Dhaivat Anjaria, partner, PWC, as the interim resolution professional (IRP). The company owes lenders Rs 11,309 crore and reported a net loss of Rs 1,463 crore in FY17 on revenues of Rs 2,774 crore. SBI counsel Rishav Banerjee had informed the court on July 10 that the total default stood at Rs 1,400 crore. In a letter sent last month, the company said there was a default in making payments under the master restructuring agreement. Electrosteel Steels counsel Sachchida Nand Pandey told FE that according to the IBC, a committee of creditors should be constituted by the IRP within 30 days after his appointment. The RBI had on June 13 asked banks to refer a dozen troubled companies to the NCLT. The total exposure to these 12 companies adds up to a little over Rs 2 lakh crore, or about 30% of Rs 7 lakh crore worth of gross non-performing assets (NPAs) in the banking system. The central bank has said the accounts on the list constitute about 25% of the current gross NPAs of the banking system. The company had said in its annual report for FY16 that a delay in release of working capital of Rs 1,300 crore under the corporate debt restructuring (CDR) package impacted the cash flow, which resulted in erosion of the company's net worth for four successive years. The 12 accounts, identified by the RBI are those to which banks have an exposure of more than Rs 5,000 crore each, more than 60% of which has been recognised as NPAs. Once these cases are with the NCLT, lenders need to set up a committee of creditors that will come up with a plan on how the asset will be tackled. If the committee is unable to find a solution within 180 days — this can be extended to 270 days — the borrowing entity will go into liquidation.

Source: Financial Express, July 22, 2017

Essar Steel raises technical faults in insolvency application by lenders

Facing insolvency proceedings in the National Company Law Tribunal (NCLT), Ruias-led Essar Steel India Ltd (ESIL) on Monday sought dismissal of the application filed by its lenders led by State Bank of India (SBI) citing technical issues. Putting across its objections on the insolvency application filed by the lenders, Essar Steel contended that the signatory of the application filed at NCLT did not have any authorisation of such powers by the chairman of the bank, in this case, it is the State Bank of India. "The signatory of the application does not carry any such authorisation as required under Section 27 of the State Bank of India (SBI) Act. Hence, the application by SBI at NCLT is incomplete and not maintainable till the signatory is authorised," the Essar Steel counsel told the Ahmedabad Bench of NCLT chaired by Justice Bikki Raveendra Babu. Essar Steel also sought a separate hearing on the appointment of an interim resolution professional (IRP), which, according to the ESIL counsel, should be done separately and not simultaneously with the admission of the insolvency proceedings against it. The further hearing on the matter was placed for July 25. International lender, Standard Chartered Bank (SCB) and SBI had independently filed applications for initiating insolvency proceedings against Essar Steel for the outstanding loan of over Rs. 34,000 crore from its steel plants in Gujarat.

Source: Business Line, July 25, 2017

Why JSW is interested in debt-laden Bhushan Steel

The Sajjan Jindal-controlled company had made an unsolicited offer to lenders to take over around Rs. 22,000 crore of its debts. Towards the end of January, JSW had approached lenders with a proposal that included taking over a part of the debts of Bhushan Steel which stood at Rs.44,477 crore in FY16. The Bhushan Steel management, which was discussing a loan recast with lenders under the Reserve Bank of India's Scheme for Sustainable Structuring of Stressed Assets, however, was not on board with the proposal. Much water has flown under the bridge since. The RBI has recommended insolvency for 12 stressed accounts including Bhushan Steel under the Insolvency and Bankruptcy Code (IBC). Bhushan Steel's case is now being heard in the National Company Law Tribunal. But, JSW Steel has made it quite clear that it is keen on bidding for the company. Jayanta Roy, senior vice-president and group head, corporate sector ratings, ICRA, said, Bhushan Steel's operating profitability at close to 20 per cent in the second half of 2016-17 was healthy for a non-integrated player. "Additionally, a presence in the mineral-rich state of Odisha and a number of reputed clients

especially in the automobile and white goods industries could be added attractions for a potential buyer. The company has also bagged an iron ore mine in Odisha in an auction conducted recently. According to Bhushan Steel's 201516 annual report, the company is a long-term supplier to Maruti Suzuki, Tata Motors, Honda, Mahindra & Mahindra and Ashok Leyland. In fact, it was one of the first companies to supply outdoor skin panels for automobiles in the late 1990s when it was largely imported. In the consumer durables space, its customers include LG, Samsung, Videocon, Haier. Sources close to Bhushan said, in the consumer durables space it has an 80 per cent market share while in the supply of auto grade steel, it would have a 40 per cent market share. JSW's latest annual report says backward integration and raw material security have always been important to the firm's strategy. The firm has secured the Moitra coking coal block via an auction process. The mine has extractable coal reserve of around 30 mt and is in advanced stage of development.

Source: Business Standard, July 26, 2017