

# 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. According to World Steel Association, global steel production fell marginally by 0.1 per cent to 139.15 million tonnes last month compared to 139.29 million tonnes of the corresponding period of the previous year.
2. Liberty House Group has lined up financing from banks in the United Kingdom and India as well as several private investment firms to support its bid to acquire the British assets of Tata Steel Executive Chairman Sanjeev Gupta told Reuters.
3. JSW Steel on Friday said a US district court has released its subsidiary JSW Steel USA INC (JSWUSA) from any further liability to MM Steel in return for a payment of \$54.8 million (around Rs 368 crore).

## RAW MATERIALS

### **Steelmakers Need 96 MT Coking Coal FY20**

Domestic steel producers are likely to require close to 96 million tonne of coking coal by FY2020, with the country's crude steel capacity expected to grow to 173 mt in the next four years. The steel sector is the second largest consumer of coal in India, accounting for nearly 8% of coal consumption. This is followed by cement which consumes 5% of coal, the majority of which finds its way in electricity generation which has the largest share of about 64% of coal consumption according to the latest Coal Report by PwC-ICC. In FY'15, steel industry consumed 66 million tonne of coal and its consumption has increased nearly three-fold between FY'06 and FY'15, the report entitled 'Bridging the gap- Increasing coal production and sector augmentation' said. Imported coal accounted for approximately two-third of the total coal consumption by the steel sector in India. India has set a target of 300 mt of crude steel capacity and 275 mt crude steel production by 2025-26, increasing the capacity level to approximately 110 mt and production level to approximately 89 mt in 2015. This is an approximately three-fold increase in both

capacity and production levels, the report said. This despite the fact that India has more than 300 billion tonne of coal reserves, out of which around 90% are non-coking coal reserves.

*Source: The Economic Times, 23<sup>rd</sup> June, 2016*

### **NMDC fears cash shortage on share buyback plan**

Indian state-owned iron ore miner NMDC Ltd may borrow funds for the first time in more than two decades next fiscal year to cover a potential cash shortage caused by a government-mandated share buyback, two company sources said last week. India's government wants to raise as much as 36000 crore (\$5.4 billion) from share buybacks by state-controlled companies including NMDC, Coal India Ltd and aluminium company NALCO in the current fiscal year that ends next March, to fund infrastructure and welfare programmes. NMDC's buy-back of up to 25 percent of its own shares will raise as much as 7530 crore for the government which owns four-fifths of the company, but drain its ability to finance expansion plans next fiscal year, said a source with direct knowledge of concerns raised by some company directors in a recent board meeting. A quarter of NMDC's 12-member board did not want the buy-back to go through, the source said. An NMDC spokesman said last week the company had sufficient free cash-flows to meet expansion plans. But the source said the buy-back, a planned dividend payout of nearly 4200 crore, and proposed capital expenditures for the current fiscal year will leave the company with very little cash for the next fiscal year even if it made a profit of about 15 billion rupees as internally estimated. NMDC wants to spend about 4000 crore in the 2017/18 fiscal year to build a steel plant in the eastern state of Chhattisgarh and is likely to construct the second phase of an iron ore slurry pipeline with a partner.

*Source: The Financial Express, 23<sup>rd</sup> June, 2016*

## **COMPANY NEWS**

### **JSPL seeks shareholders' nod for sale of power units**

Jindal Steel and Power Ltd (JSPL) has sought shareholders' nod to divest 1,000 mega watt (Mw) power plant of a subsidiary company and sale of its 920 Mw captive power plants. In postal ballot notice, the company said that "consent of the members be and is hereby

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accorded to divest the 1,000 Mw power plant of the subsidiary company viz. Jindal Power Ltd to JSW Energy Ltd, a related party through a process of scheme or other mechanisms including transfer through special purpose vehicle". Shares of Jindal Steel and Power Ltd were trading 1.30 per cent higher at Rs 66.35 apiece on BSE.

*Source: The Financial Express, 18<sup>th</sup> June, 2016*

### **Liberty lines up funds for Tata Steel UK bid**

Liberty House Group has lined up financing from banks in the United Kingdom and India as well as several private investment firms to support its bid to acquire the British assets of Tata Steel Executive Chairman Sanjeev Gupta told Reuters. The firm is one of a number of companies that have put forward offers to buy Tata Steel's loss-making UK operations and save thousands of jobs in Britain, whose steel industry has been hit by cheap Chinese imports, high energy costs and a global supply glut. The sale process is "ongoing" and no announcements have yet been made on any shortlisted bidders, Gupta told Reuters at the firm's office in Dubai. Referring to how it plans to finance its bid, Gupta said it had lined up three UK high street lenders, large Indian banks and several funds and equity investors, some of which it had shortlisted as backers. A successful bid for Tata Steel's operations could also make investments in steel businesses in continental Europe much more attractive for Liberty, according to Gupta. Should its bid for Tata Steel's British operations fail, Liberty is eyeing investments in steel plants in the United States, India and Africa, Gupta told Reuters earlier this month. This "green steel" model is one which Liberty is looking to promote in Britain, where the amount of re-purposable steel is set to double in the coming years to 20 million tonnes per annum, according to Gupta.

*Source: The Financial Express, 22<sup>nd</sup> June, 2016*

## **FINANCIAL**

### **Jindal Stainless promoter pledges 11.49% stake**

Jindal Stainless Ltd on Tuesday said its promoter JSL Overseas Ltd has pledged 11.49% stake in the firm with SBICAP Trusteeship Co. Ltd. In a regulatory filing, the steel maker said its promoter has pledged around 2.66 crore shares or 11.49% stake with SBICAP

Trusteeship in a bid to secure the financial facilities availed by Jindal Stainless (JSL). The promoter pledged its stake on 17 June, it added. As of March 2016, JSL Overseas held 11.49% stake in the stainless steel maker.

*Source: The Financial Express, 22<sup>nd</sup> June, 2016*

## **POLICY**

### **US court releases JSW Steel from further liability to MM Steel**

JSW Steel on Friday said a US district court has released its subsidiary JSW Steel USA INC (JSWUSA) from any further liability to MM Steel in return for a payment of \$54.8 million (around Rs 368 crore). JSW Steel said in a BSE filing. It further said: "This payment has been made and JSWUSA intends to seek review of the Fifth Circuit's decision by filing a petition for writ of certiorari in the United States Supreme Court, which if successful, could result in the refund of part or all of the funds paid to satisfy the judgment." In December 2015, a district court in the US had asked a JSW Steel subsidiary to pay a \$156 million (Rs 1,040 crore) fine, as it confirmed an earlier ruling by a jury in an antitrust case filed by a local steel distributor. MM Steel had sued its competing distributors and steel manufacturers, including JSW Steel, in 2012, claiming that its rivals had conspired to deprive it of supplies.

*Source: The Financial Express, 18<sup>th</sup> June, 2016*

## **GLOBAL STEEL**

### **Global steel output dipped marginally to 139 million tonne last month**

Global steel production fell marginally by 0.1 per cent to 139.15 million tonnes (MT) last month compared with 139.29 MT a year ago, latest data by industry body World Steel Association (WSA) showed. Crude steel capacity utilisation ratio of 66 countries in May 2016 was 71.3 per cent, which is 1 percentage point lower than May 2015. Compared to April 2016, it is 0.1 percentage point lower, WSA said in a statement. China's crude steel

production for May 2016 was 70.5 MT, an increase of 1.8 per cent compared to May 2015. Elsewhere in Asia, Japan produced 8.8 MT of steel in May 2016, a decrease of 0.9 per cent, it added. India's steel production was 8 MT last month, up 4.9 per cent on May 2015, while South Korea's steel production was 5.8 MT in May 2016, down by 3.5 per cent on May 2015.

*Source: The Financial Express, 23<sup>rd</sup> June, 2016*