

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**

November 16 -22, 2019

HIGHLIGHTS OF THE WEEK

1. Govt. notifies Steel scrap recycling policy
2. Ministry proposes setting up integrated steel hubs
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4. Steel companies reduce prices by 11-14% for automakers
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COMPANY NEWS

Tata Steel arm NatSteel Holdings exits NatSteel Vina

Tata Steel on Friday said its arm NatSteel Holdings Pte (NSH) has concluded the sale its entire equity stake in NatSteel Vina (NSV) to a Vietnam-based company for Rs 36 crore. The steelmaker earlier in the month had announced that NatSteel Holdings Pte (NSH) had agreed to sell its entire 56.5 per cent stake in NSV for about Rs 36 crore to Vietnam-based Thai Hung Trading Joint Stock Company.

Source: Business Standard, November 16, 2019

Essar, Adani, GAIL buy bulk of ROL's new KG gas

Essar Steel picked up 2.25 million standard cubic meters per day or about half of the available volumes in the day long auction conducted on November 15. Gujarat State Petroleum Corp (GSPC) picked up 1.2 mmscmd while Adani Group, Mahanagar Gas Ltd and GAIL bought 0.3 mmscmd each, sources said. Hindustan Petroleum Corp Ltd (HPCL) bought 0.35 mmscmd and the remaining 0.10 mmscmd went to GSFC/GNFC. Reliance and its partner BP Plc of the UK had sought bids from potential users for the 5 mmscmd of natural gas they plan to produce from the R-Cluster Field in KG-D6 block from mid-2020.

Source: Business Line, November 18, 2019

Homecoming costs Mittal Rs.49, 670 cr

When ArcelorMittal in October last year revised its bid for debt-laden Essar Steel to Rs 42,000 crore, steel prices in the domestic market were peaking with the benchmark hot-rolled coil price hovering close to Rs 46,000 a tonne. Thirteen months later as the cloud over the deal is clearing, prices have tumbled by close to 25 per cent. In February last year, when the world's largest steel maker threw its hat in the ring for Essar, steel prices were at Rs 43,000 a tonne, much higher than its current level of Rs 34,000-35,000 a tonne, and the bid amount lower at Rs 35,000 crore. But the bid submission set off a chain of court battles and finally ended in a revised bid of Rs.42,000 crore. In the interim the steel cycle turned. Add to it the Rs.7,469 that Arcelor had to pay to become eligible for the bid under India's insolvency law, and it adds up to nearly Rs.49,670 crore.

Source: Business Standard, November 18, 2019

Tata Steel plans to cut jobs across Europe

Tata Steel Ltd. plans to cut jobs across its European operations as it wrestles with excess supply and high costs, reports Reuters. Group's European CEO Henrik Adam confirmed to Financial Times, the job cut plan across the European business, which employs around 20,000 people.

Source: Financial Express, November 19, 2019

Arcelor hopes to complete Essar by December-end

ArcelorMittal is expecting to complete the transaction for Essar Steel before the end of December. ArcelorMittal India Private Limited's (AMIPL) resolution plan for Essar Steel India Limited (ESIL) has been unconditionally approved by the Indian Supreme Court, the company announced. "Supreme Court approval of AMIPL's resolution plan is the final procedural step in ESIL's corporate insolvency process. Completion of the transaction is now expected before the end of the year," it said. After completion, ArcelorMittal will jointly own and operate ESIL in partnership with Nippon Steel Corporation (Nippon Steel), Japan's largest steel producer and the third largest steel producer in the world, in-line with the joint venture formation agreement signed by the two companies.

Source: Business Standard, November 19, 2019

SC's Essar Steel; insolvency ruling a shot in the arm for private investments

The Supreme Court's judgment in the Essar Steel insolvency case has settled several "conceptual and contentious issues" while resolving grey areas, said IBBI Chairman MS Sahoo. It will go a long way in promoting private investments and entrepreneurship in the economy, Sahoo told BusinessLine in an interview soon after the apex court's landmark judgment. Billed as a watershed moment in India's insolvency and bankruptcy journey, this judgment set aside the NCLAT's July 4 order while upholding the constitutional validity of Insolvency and Bankruptcy Code (Amendment) 2019, which among other things mandated that the corporate insolvency resolution process has to be completed in 330 days from the insolvency commencement date. While establishing supremacy of the Committee-of-Creditors (CoC) in commercial matters, the apex court has brought an end to claims popping up after approval of a resolution plan, Sahoo said. It resolves the issue of distribution of profits made during the resolution process, he added. It takes away excuses of various parties to halt the process of resolution midway and streamlines the processes for timely conclusion of the resolution process, Sahoo said.

Source: Business Line, November 19, 2019

Tata Steel's European reboot fails to cheer investors

Tata Steel's transformation programme in Europe doesn't seem to have enthused the Street, with the stock falling 1 per cent on Tuesday. While it is a step in the right direction, the Street is uncertain about successful execution of the measures proposed. Of the four areas the programme will focus on to improve profitability, reduction in headcount can have the maximum impact. The company plans to reduce headcount in Europe by 3,000, about a seventh of the company's total headcount. Other focus areas include increasing the share of value added products, optimization of production processes and reduction in procurement costs. Through its proposed transformation programme, TSE is initially targeting positive cash flow by the end of FY21.

Source: Economic Times, November 20, 2019

NMDC gets 'mining' breather in Chhattisgarh

State-run National Mineral Development Corporation (NMDC) Limited heaved a sigh of relief as the Chhattisgarh government decided to renew the lease of four mines that were at stake following development in Karnataka.

The public sector mining behemoth, which has been in the business of mining iron ore for over six decades, operates three iron-ore complexes in the country. While one is located in Karnataka's Donimalai, two are in Dantewada district of Chhattisgarh — sharing major proportion of company's total output. Of the NMDC's 33-million tonnes per annum (MTPA) production, Chhattisgarh's two complexes in Bachel and Kirandul under Bailadila project contribute 23.2 MTPA (in 2018-19). The Donimalai mine, with a capacity of 7 MTPA, was mired in controversy over renewal resulting in the cancellation of lease last year, which subsequently suspended the production. The company could not get the lease as of now despite intervention of Centre and mines tribunal.

Source: Business Standard, November 20, 2019

FINANCIAL

Bankers win, Arcelor finally gets Essar Steel

The Supreme Court on Friday upheld the supremacy of secured financial creditors, setting aside a ruling by the NCLAT which, in the Essar Steel case, had put operational creditors at par with financial creditors. A three-member bench, comprising Justices RF Nariman, Surya Kant and V Ramasubramanian noted there was no principal of equality between secured and unsecured creditors. The court said the committee of creditors (CoC) would have the last word in deciding on how the bid amount was to be distributed between various classes of lenders, noting that bankruptcy courts had no say. The judgment paves the way for ArcelorMittal, the world's largest steelmaker, to take over the sick steel maker with the court allowing it to pay Essar Steel's creditors, more than 800 days after the company was admitted to the NCLT (National Company Law Tribunal). Bankers stand to get around Rs 40,000 crore of the Rs 42,000 crore that Lakshmi Mittal-promoted Arcelor Mittal will pay as per the resolution plan, the resolution professional SK Gupta said. Legal experts opined that the NCLT and NCLAT would need to accept the decision of the CoC.

Source: Financial Express, November 16, 2019

Essar staring at 97% decline in revenue

With ArcelorMittal finally getting control over Essar Steel, the Essar group will see its India revenues fall 97 per cent to just Rs 3,296 crore for FY19

compared to Rs 1.25 trillion (which was its peak) in 2014, according to filings with the ministry of corporate affairs. A major share of the group's India revenues for FY14 were contributed by its oil refining and steel business. The revenues for FY19 have been contributed mainly by three Indian firms — AGC Networks, Essar Ports and Essar Shipping — filings with the ministry show. Several firms of the group did not file annual accounts for FY19 and, hence, were not accounted for. The fall in revenues also saw a corresponding decline in the group's debt which declined to around Rs. 3,400 crore at the end of March- excluding Essar Power and Essar Projects- from Rs. 77,000 crore as of March 2014.

Source: Business Standard, November 16, 2019

Barring Essar Steel and Bhushan Steel, recovery from top 7 IBC cases dips to 34 per cent

The recovery of bad debt from top seven resolved cases under the Insolvency and Bankruptcy Code will dip to just 34 per cent if the two prime assets of Bhushan Steel and Essar Steel are removed. Of the total admitted claim of the top seven resolved cases amounting to ₹213,731 crore, the overall recovery works out to 53 per cent or ₹113,876 crore.

The sale of Essar Steel and Bhushan Steel alone accounted for nearly 68 per cent or ₹77,571 crore of the overall recovered amount. The recovery from remaining five companies — Electrosteel Steels, Monnet Ispat and Energy, Alok Industries, Jyothi Structures and Bhushan Power and Steel — was only 34 per cent or ₹36,305 crore against their admitted claim of ₹108,236 crore.

Source: Business Line, November 21, 2019

JSW group promoter Sajjan Jindal repays ₹200-cr debt

Sajjan Jindal, promoter of JSW Group, has released pledged shares of JSW Steel and JSW Energy worth ₹200 crore. He has so far repaid ₹3,000 crore of loans in four tranches.

In October, Jindal, repaid ₹1,200 crore of loan raised against pledging of JSW Steel and JSW Energy shares. In September, he paid ₹1,150-crore loan to release pledged shares of JSW Steel.

Shares of JSW Steel and JSW Energy were beaten down due to debt concern. When share prices fall sharply, promoters who have raised money through pledged shares have to bring in more money to compensate the fall in value of pledged shares or cut their outstanding loan by pre-paying debt.

Source: Business Line, November22, 2019

Essar Steel verdict lifts sentiment for banks

Most bank stocks went up after the Supreme Court on Friday cleared the decks for ArcelorMittal to take over Essar Steel following nearly 800 days of legal battle. While Corporation Bank gained the most, up 17 per cent in Friday's trade, State Bank of India (SBI), IDBI Bank, Punjab National Bank, and Canara Bank rose 2.5-5 per cent. Not only will a significant amount stuck in resolution for long be freed up, experts say the Supreme Court reiterating the primacy of the committee of creditors (COC) may strengthen the position of banks in negotiating resolutions. This, according to Rakesh Sharma of Elara Capital, is the strongest message of the verdict.

Source: Business Standard, November 16, 2019

'Neutral' on SAIL, weak prices to offset benefits of volume

Operational miss on lower realization, higher cost: EBITDA was down 27% QoQ at Rs 1,160 crore (our estimate: Rs 600 crore) in 2QFY20 due to a 2% QoQ decline in realization to Rs 44,883/t (our estimate: Rs 42,652). As a result, EBITDA/tonne declined 24% QoQ to Rs 3,684. Sales volumes were also down 3% QoQ to 3.1mt (our estimate: 3.2mt). SAIL reported a loss of Rs 520 crore at the PBT level and Rs 340 crore at the PAT level (our estimate: loss of Rs 1,000 crore). Revenue was down 5% QoQ at Rs 14,100 crore (our estimate: Rs 13,600 crore) due to slightly lower volumes and realizations. Reported EBITDA declined 27% QoQ to Rs 1,160 crore, which included Rs 430 crore of revenue booked on higher price finalized for prior-period sales of rails to the Indian Railways. Excluding this benefit, EBITDA was down 54% QoQ to Rs 730 crore (our estimate: Rs 600 crore). Sales volumes declined 3% QoQ to 3.1mt due to subdued market conditions. We expect volumes to recover in 2HFY20 as demand improves. Product spreads were flat QoQ at INR24,712.

Source: Financial Express, November 19, 2019

STEEL PERFORMANCE

Finished steel exports drop 34% to 6.36 MT in 2018-19

India's Finished steel exports dipped 33.9 per cent to 6.36 million tonne (MT) in 2018-19, amid the government's efforts to keep the country as the net exporter of the metal. The country produced 110.92 MT of crude steel during the same year, a rise of 7.6 per cent as against 103.13 MT in 2017-18, Minister of Steel Dharmendra Pradhan said while replying to a question in the Lok Sabha on Monday. The minister also said the country exported 6.36 MT of finished steel during 2018-19.

Source: Financial Express, November 19, 2019

POLICY

Ministry proposes setting up integrated steel hubs

The Ministry of Steel has proposed setting up integrated steel hubs similar to the ones in Korea, China and Germany. The hubs would support the growth of the steel sector. According to a Draft Framework Policy-Development of Steel Clusters in India, "The Ministry is proposing creation of 'Integrated Steel Hubs' based on the principle of availability of raw material, logistics support and/or proximity to demand centres. It will enable capacity expansion through provision of a cohesive ecosystem, with presence of effective forward and backward linkages, single-window mechanism for swift approval of clearances and best-in-class logistics infrastructure." The draft, uploaded on the Steel Ministry's Website on Tuesday, has sought comments on the proposed policy. The policy's focus will be on two types of clusters, one around the Integrated Steel Plants (ISPs) and the other near the demand centres. The cluster around ISPs will be called ancillary and downstream cluster. It will primarily have a steel plant as its anchor plant, with focus on ancillary units and may also entail downstream units. It will help create an integrated ecosystem for the industry with enhanced linkage for both the ISPs as well as the tenant units.

Source: Business Line, November 20, 2019

Steel imports: Japan flags concern over dumping probe by India at WTO

Japan has raised concerns over an on-going anti-dumping investigation by India on import of certain steel products from the country and has asked Indian authorities to evaluate all “relevant economic factors” before taking a decision.

“Japan raised concerns with an Indian investigation on coated and plated tin mill flat rolled steel products initiated last June, and asked that Indian authorities be sure to evaluate all relevant economic factors having a bearing on the state of the domestic industry,” a Geneva-based trade official told BusinessLine.

India should also keep in mind the competitive relationship between Japanese exporters and Indian producers of the like product and the discomfort that is likely to cause to the domestic industry in the normal course of events, Japan indicated in the meeting.

Source: Business Line, November22, 2019

US not complying with India steel ruling: WTO

A World Trade Organisation panel ruled on Friday that Washington had failed to fully comply with a five-year-old ruling in a dispute over import duties on Indian steel products. India first filed its complaint at the WTO in 2012, after Washington imposed duties of nearly 300 per cent on imports of products including carbon-quality steel pipes, after complaining that Indian steel manufacturers were benefitting from unfair subsidies. The global trade body then ruled in 2014 that the duties constituted a breach of global trade rules, and ordered Washington to bring its practices into line. But India complained that Washington was failing to comply with that ruling and asked the WTO to weigh in again. In the ruling on Friday, the WTO's Dispute Settlement Body rejected several charges by India but found that the US had "failed to comply with the recommendations and rulings of the DSB in the original dispute." "We recommend that the United States bring its measures into conformity with its obligations," the ruling said. The WTO polices global trade accords in an effort to offer its member economies a level playing field.

Source: Business Standard, November 16, 2019

Govt. notifies Steel scrap recycling policy

The government has notified a Steel Scrap Recycling Policy (SSRP) to provide for a framework to facilitate and promote establishment of metal scrapping centers in India for scientific processing and recycling. Union Steel and Petroleum Minister Dharmendra Pradhan said in Lok Sabha that the policy framework provides standard guidelines for collection, dismantling and shredding activities in an organised, safe and environmentally sound manner.

Source: Financial Express, November 19, 2019

Govt invites applications for auction of 26 iron ore blocks

Mines Minister Pralhad Joshi on Monday said that applications have been invited for auction of 26 more iron ore mines. "Notice Inviting Tenders for 26 more iron blocks have been issued," Joshi said in a reply to a question in the Rajya Sabha. Since 2015, 24 iron ore blocks have been auctioned, the minister said. Iron ore is a key raw material used in steel making. As per available information, the consumption of iron ore was 166 million tonnes **in 2016-17, 175 million tonnes in 2017-18** and 189 million tonnes during 2018-19, the minister said. The government has notified Mines and Minerals (Development and Regulation) Amendment Act, 2015 to streamline grant of mining leases so as to maintain sufficient availability of iron ore for steel sector, the government had earlier said.

Source: Financial Express, November 19, 2019

MISCELLANEOUS

'More innovation': Steel firms welcome ArcelorMittal's entry to India

Presence of more companies in the market will lead to more innovation, quality and R&D activities, said domestic steel players on Thursday while reacting to the entry of global steel giant ArcelorMittal in India.

"We don't see ArcelorMittal as a challenge," JSW Steel Chairman Sajjan Jindal told PTI on the sidelines of the ISA Steel Conclave here. More the number of players, more the research & development (R&D) activities, innovations, quality in the market, he added reacting to a question how the ArcelorMittal's entry will benefit the consumers. Jindal Steel and Power Chairman Naveen Jindal said, "We see its (ArcelorMittal's) entry as a positive step."

Tata Steel Chief Financial Officer Koushik Chatterjee also said there should be competition in the market. Steel Authority of India Ltd (SAIL) Chairman A K Chaudhary said, "ArcelorMittal's entry will promote healthy competition in market."

Source: Business Standard, November22, 2019

China launches probe into steel capacity amid surging output

China has started investigating production capacity at its steel mills amid increasing worries about the rapid growth in output this year, according to a notice circulated online on Monday. The notice jointly issued by the National Development and Reform Commission, Ministry of Industry and Information Technology (MIIT) and the National Bureau of Statistics urges local governments and the State-owned Assets Supervision and Administration Commission (SASAC) to verify the steel firms' capacity, production and fixed-asset investments. Local governments will check the mills under their administration while SASAC will look into national steel firms, the notice said. All three government units confirmed the authenticity of the notice, dated Nov. 4, without commenting further. China has eliminated more than 150 million tonnes of steel capacity over the past three years as part of its environmental crackdown and supply-side reforms.

Source: Financial Express, November 19, 2019

Steel companies reduce prices by 11-14% for automakers

For the automobile sector reeling from slowdown, there could be some breather from steelmakers lowering contract prices by 11-14 per cent for the second half (H2) of the financial year (2019-20 or FY20). Some have already sealed half-yearly contracts for the auto segment; others are in the process of finishing them. "The auto industry is an important stakeholder for the steel industry. It is important for us to support them when they are facing challenges," said a leading steel producer that has already closed negotiations. It added, "It's in the nation's interests that both survive and grow. Hence, we support each other." G H Bang, managing director of Korean firm Posco's India operations, said in H1FY20, prices of commercial grade steel had dropped by \$100 a tonne, but that had not been factored in the contracts for the auto segment.

Source: Business Standard, November 19, 2019