

# 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. India to be net exporter of steel for years: Pradhan
2. Domestic steel demand, global sentiment may improve in H2: Crisil
3. SAIL looks to hive off manufacturing operations to leverage new tax rates
4. JSW Steel calls for 25% safeguard duty on import
5. JSW Steel plans \$500-million bond offering to global investors

## COMPANY NEWS

### **SAIL looks to hive off manufacturing operations to leverage new tax rates**

Steel Authority of India Ltd (SAIL) is looking at means to lower its overall tax incidence by hiving in-house manufacturing and project expansions into separate companies. “Industry has to take full advantage of the fiscal measures. The government has come out with quite a few measures and one very important measure is that new manufacturing companies are going to pay corporate tax at the rate of 15 per cent. Steel industry should take full advantage of this while keeping within the legal framework,” SAIL Chairman, Anil Kumar Chaudhary said at the Chintan Shivir organised by Federation of Indian Chambers of Commerce and Industry (FICCI) and the Ministry of Steel. Earlier this month, Finance Minister Nirmala Sitharaman announced a slew of tax measures including reducing the effective tax rate for domestic companies to 25.17, provided they do not take any incentives. For new manufacturing firms, the effective tax rate will be 17.01 per cent inclusive of surcharge and cess.

*Source: Business Line, September 24, 2019*

### **JSW Steel calls for 25% safeguard duty on import**

JSW Steel on Monday demanded a 25 per cent safeguard duty on imports of steel to protect domestic players. JSW Steel Joint Managing Director and Group Chief Financial Officer Seshagiri Rao said this while speaking to reporters on the sidelines of an industry event here. On domestic steel sector being impacted due to the ongoing trade war between the US and China, he said it is a matter of concern. Lot of diversion of steel products is happening into India, affecting the domestic industry. In August, imports went up and a

major part of it was from FTA countries. Most of the countries have taken protectionist measures and the domestic steel industry has also been seeking safeguard duty, he said. “A 25 per cent duty we are looking at on steel imports. It is very much essential that there are FTAs signed and majority of imports are coming from FTAs. Imposing safeguard duties is very much essential. All other countries have taken measures,” Rao said. According to official data, in 2018-19, finished steel exports stood at 6.36 million tonnes, a decline of 33.87 per cent compared to the previous year. Imports stood at 7.83 million tonnes, a growth of 4.7 per cent from last year. Thus, India was a net importer of total finished steel.

*Source: Business Line, September 24, 2019*

### **JSW Steel plans \$500-million bond offering to global investors**

JSW Steel plans to launch a \$500-million bond offering to global investors this week, according to people aware of the matter. The Sajjan Jindal-promoted steel maker finalised 11 international banks over the weekend to manage the proposed issue, though it has yet to make the names of the book runners public, they said. The proceeds from the proposed sale of bonds will be used to refinance some existing loans and also bolster the company’s reserve of funds for use towards corporate purposes, said a person, who did not wish to be identified. The selected banks are likely to include prominent US and European banks as well as some Japanese financiers who have loaned money to the company in the past. This would be the third such offering by the steel maker overseas, after it raised a similar sum of money two years ago and then followed it up with another successful issue in April this year. The two past issues took its tally of funds raised through overseas bond offerings to \$1 billion. JSW Steel, which is competing with Tata Steel to be the country’s top-ranked steel producer, has been adding capacities at its plant in Karnataka and is also scheduled to close its acquisition

*Source: Economic Times, September 23, 2019*

### **After selling off steel business to the Tatas, Usha Martin turns focus on consolidation**

Usha Martin Ltd (UML) will focus on consolidating and strengthening its wire rope business over the next three quarters before embarking on organic and inorganic growth opportunities once demand revives. According to Rajeev Jhawar, Managing Director, UML, the company — with its deleveraged balance sheet post the sale of its steel business to Tata Steel and with healthy cash flows — will look to strengthen its position among the top three wire rope players globally. The company claims to be among the top

five wire rope players globally. “With the deleveraged balance sheet and healthy cash flows expected out of the business, we hope to grow both organically and inorganically over 3-5 years and rank among the top three players globally,” Jhawar told BusinessLine.

*Source: Business Line, September 21, 2019*

## FINANCIAL

### **JSW Steel likely to price its dollar bonds at close to 5.75%**

JSW Steel on Tuesday is likely to have priced its 5.5-year dollar bonds at close to 5.375%, according to information provided by sources till the time of going to press. The company was looking to raise close to \$500 million but the final size of the transaction could not be ascertained. “The issue was launched with an initial price guidance of 5.5%,” said a source aware of the matter. Moody’s Investors Service has assigned a Ba2 rating to the proposed senior unsecured notes to be issued by JSW Steel. The rating outlook is positive, Moody’s said. Kaustubh Chaubal, vice-president and senior credit officer at Moody’s, indicated in a statement the proposed issuance represents JSW’s second US dollar bond issuance this year and illustrates its proactive approach towards raising long-term finance before incurring capex. “JSW also plans to issue INR debentures and raise foreign currency loans to diversify its funding sources,” he said.

*Source: Financial Express, September 25, 2019*

## STEEL PERFORMANCE

### **India to be net exporter of steel for years: Pradhan**

Steel Minister Dharmendra Pradhan on Monday said that in the next two-three years, India will be in a position to remain a net exporter of steel for years. The minister was speaking at an event ‘Chintan Shivir’, organised by the steel ministry. The event had a theme of making the domestic steel sector “vibrant, efficient and globally competitive”. Currently, India has a production capacity of about 140 million tonne (MT) capacity and produces over 100 MT of steel annually, he said. “We also produce saleable steel. We sometimes become importer, sometimes we are exporter. At present, we are net importer, we are importing about 2-3 MT. The outcome of this Chintan Shivir will be that within the next two-three years, India will remain a net

exporter of steel for years. There will be no import,” he said. With an aim to increase exports, India has also started talking to countries from which it buys petroleum, said Pradhan, who is also the minister for petroleum and natural gas.

*Source: Financial Express, September 24, 2019*

### **Domestic steel demand, global sentiment may improve in H2: Crisil**

Domestic steel demand and global market sentiment is likely to improve in the second half, but a weak first half is expected to lead to a 5-6 per cent contraction in realisations for steel makers this fiscal, ratings agency Crisil 2.81 % has said in its latest research report on the sector. Falling spreads on earnings before interest taxes depreciation and amortization (Ebitda) will weigh on steel sector capex, the report said, adding that the industry is yet to see a recovery in prices despite a run-up in raw material costs. "Global steel prices dropped 13 per cent in the first eight months of 2019 due to weak demand, unseasonal jump in global inventory levels of upto nearly 35 per cent through August and trade tensions," the report said. This was despite a whopping 56 per cent run-up in global iron ore prices during the same period. "Steel prices in India mirrored the trend, falling 10 per cent from Rs 42,000 per tonne in January to Rs 38,000 per tonne in August 2019," the report added. Not surprisingly Indian steel manufacturers' earnings before interest, tax, depreciation and amortisation (Ebitda) spreads contracted 420 basis points (bps) on-year in the first quarter of fiscal 2020. The contraction was more for large non-integrated players, at 470 bps.

*Source: Economic Times, September 26, 2019*