

Steel In The News

A compilation of leading news items on Indian steel industry as reported in major national dailies

CONTENTS	Page
Highlights of the Week	2
Raw Materials	2
Company News	2
Steel Performance	4
Miscellaneous	6

A Weekly News Report by Joint Plant
Committee

August 24- 30, 2019

HIGHLIGHTS OF THE WEEK

1. India's crude steel output rises 1.7% to 9.2MT in July: Report
2. Steel usage in India set for slowest growth in 3 years
3. Unexpected fall in global prices to hurt Indian steel companies in Q2
4. Stake sale of three specialty plants: SAIL extends EoI deadline
5. Tata Steel has overcome slump in the automobile sector by achieving higher sales in other emerging segments
6. Tata Steel may venture into commercial mining
7. Tata Metaliks to double ductile iron pipe output; plans 15 MW power plant
8. Auto sector's woes may hurt Tata Steel, JSW's profitability: Moody's

RAW MATERIALS

Tata Steel may venture into commercial mining

With 100 years of expertise in captive mining, Tata Steel is now weighing the option of getting into commercial mining. Evaluation of a wider mining strategy is a natural adjacency for Tata Steel. The focus will be to develop a cost competitive, technology-driven resource and capital efficient operating model, said Tata Steel Executive Director and Chief Financial Officer, Kaushik Chatterjee. Chatterjee was responding to shareholders' queries at the Tata Metaliks Annual General Meeting. Share holders had asked whether Tata Steel and Tata Metaliks would participate in mining auctions.

Source: Business Standard, August 28, 2019

COMPANY NEWS

Tata Steel weathers slowdown blues

Tata Steel has overcome slump in the automobile sector by achieving higher sales in other emerging segments like branded products and retail, industrial products and projects as well as downstream. The meltdown in the automotive sector rubbed on Tata Steel, with sales in this segment dipping 11.47 per cent year-on-year (YoY) in the April to June quarter of this financial year. In April-June quarter Tata Steel countered the sagging sales in the automobile sector by logging higher volumes in other segments-

branded products and retail, industrial products and projects and downstream.

Source: Business Standard, August 29, 2019

Stake sale of three specialty plants: SAIL extends EoI deadline

With no takers, the deadline for submitting expressions of interest (EoIs) for strategic disinvestment of three specialty steel plants of Steel Authority of India (SAIL) has been extended for a third time till September 10, said a person aware of the developments. Alloy Steel Plants (ASP), Visvesvaraya Steel Plant (VIP) and Salem Steel Plant (SSP) had been offered for strategic disinvestment in July to align with the finance minister Nirmala Sitharaman's budgetary announcement of prioritising strategic disinvestment in select central public sector enterprises. The initial deadline for submission of EoIs was kept at August 1. This was then extended to August 20 and then till August 26. The three plants that are located in Durgapur in West Bengal, Bhadravati in Karnataka and Salem in Tamil Nadu respectively had received the 'in-principle' approval from SAIL's board of directors in August 2017 as part of the central government's larger objective of strategically exiting a number of enterprises. However, the project lost steam and was eventually annulled before the general election.

Source: Economic Times, August 27, 2019

Tata Metaliks to double ductile iron pipe output; plans 15 MW power plant

Tata Metaliks Ltd is looking to double the production of ductile iron (DI) pipes to 4 lakh tonnes per annum from the current 2 lakh tonnes. The company is also installing a new 15-MW power plant at an estimated investment of ₹620 crore. According to Koushik Chatterjee, Chairman, Tata Metaliks, the brownfield expansion at its plant at Kharagpur is expected to be completed in 18-24 months. The company had received shareholders' approval to fund the expansion by way of issuance of equity shares and convertible warrants to the promoter — Tata Steel — on a preferential basis. Koushik Chatterjee, Chairman, Tata Metaliks "The share of DI pipes to our total turnover is around 55 per cent while that of pig iron is around 45 per cent. Once this expansion is complete, we expect the share of DI pipes to go up," Chatterjee told newsmen after the company's AGM here on Tuesday. The share of DI pipes to Tata Metalik's total turnover could

increase to 70 per cent from the current 55 per cent gradually once the expansion is complete and capacities are ramped up. The company, which had started as a pig iron producer, is now looking to focus more on DI pipes that are used in diverse applications including the distribution of potable water. The company's latest annual report said the demand for DI pipes continues to be robust and is likely to see an annual growth rate of 1012 per cent over the next few years.

Source: Business Line, August 28, 2019

STEEL PERFORMANCE

India's crude steel output rises 1.7% to 9.2MT in July:Report

India's crude steel output increased by 1.7 per cent to 9.215 million tonne in July 2019, according to World Steel Association's report. The country had produced 9.059 MT of crude steel during the same month a year ago, the global steel industry body said in its latest report. Global steel production for the 64 countries reporting to the association stood at 156.697 MT in July 2019, registering 1.7 per cent increase over 154.009 MT in July last year, the report said. China's production for July 2019 was at 85.223 MT, as against 81.180 MT in the year-ago-month. "India produced 9.215 MT of crude steel in July 2019, an increase of 1.7 per cent compared to 9.059 MT in July 2018," the report said. India's crude steel output increased by 1.7 per cent to 9.215 million tonne in July 2019, according to World Steel Association's report. The country had produced 9.059 MT of crude steel during the same month a year ago, the global steel industry body said in its latest report. Global steel production for the 64 countries reporting to the association stood at 156.697 MT in July 2019, registering 1.7 per cent increase over 154.009 MT in July last year, the report said. China's production for July 2019 was at 85.223 MT, as against 81.180 MT in the year-ago-month. "India produced 9.215 MT of crude steel in July 2019, an increase of 1.7 per cent compared to 9.059 MT in July 2018," the report said.

Source: Business Standard, August 29, 2019

Steel usage in India set for slowest growth in 3 years

Demand for steel in India could grow at the slowest pace in three years as an economic slowdown in the global industry's bright spot deepens. Steel consumption in India is likely to increase by less than 6 per cent this fiscal year, according to ICRA, the local arm of Moody's Investor's Service. That

would make it the slowest pace since since a 3.1% increase in the year ended March 2017. Our earlier view was that demand should grow 6% to 7%”Jayanta Roy, a senior vice president at ICRA, said in an interview. “A growth of 7 % would be out of line with the current situation now and even 6% in today’s environment would be optimistic”. India’s steel companies are taking a battering this year. Top steel maker, Tata Steel’s first quarter profit slumped to the lowest in more than two years and rival JSW Steel’s earnings fell by more than half as a crisis in South Asian country’s shadow banking sector fuelled a cash crunch and economic growth slowed to a five-year low.

Source: Financial Express, August 27, 2019

Steel demand will pick up in second half, says Narendran

The demand for steel is expected to pick up in the second half of the year on the back of a revival in construction activity and the slew of measures announced by Finance Minister Nirmala Sitharaman to boost consumer sentiment. “Normally, just before the festival season, purchases start picking up. So, with these measures and some more expected in the next couple of weeks, the sentiment is likely to swing a bit,” said Tata Steel Chief Executive Officer and Managing Director T V Narendran. The steel sector has been facing demand worries with a slowdown in almost every user industry. Though finished steel consumption recorded a 6.7 per cent increase year-on-year in Q1FY20, it had dropped by more than 3 per cent to 25.2 million tonnes quarter on quarter (QoQ).

Source: Business Standard, August 26, 2019

Unexpected fall in global prices to hurt Indian steel companies in Q2

Tata Steel, Asia’s oldest maker of the infrastructure alloy, faces the danger of slipping into the red in the September quarter after nine straight quarters of profit, analysts said. That means three out of India’s four largest steel producers could head into a loss in the quarter, the others being SAIL and Jindal Steel and Power. JSW Steel, too, could see a sharp dip in earnings but will be profitable, given its lower costs and interest outgo. Total net debt of these top four steel companies alone is Rs 2.4 lakh crore, and losses for them could mean more trouble for lenders. An unexpected fall in steel prices could dent the heavily leveraged steel players, analysts warn. Tata Steel’s debt exceeds Rs 1 lakh crore, and the move to offload debt in its European business has been shelved after talks with Thyssenkrupp were called off. Average global steel prices are down €30 since June, which translates into Rs 2,370 per tonne. Tata Steel sold 2.3 million tonnes in Europe in the previous

September quarter. Assuming similar volumes for the current September quarter, its operating profit before tax (EBITDA) would fall by Rs 550 crore.

Source: Economic Times, August 30, 2019

MISCELLANEOUS

Moody's revises Indian steel sector outlook to negative

Moody's on Wednesday revised its outlook to steel sector to negative following the rising input costs and inability to pass on higher costs to customers is pressuring the profitability of Asian steel producers. "We expect steel producers' profitability as measured by EBITDA per tonne, will decline by around 15 per cent in the twelve months to June 2020, following the 8 per cent drop in the 12 months to June 2019," Moody's Corporate Finance Group associate MD Chris Park said

Source: Business Standard, August 29, 2019

Auto sector's woes may hurt Tata Steel, JSW's profitability: Moody's

Tata Steel and JSW Steel, India's largest private steel companies, are among those poised for a decline in profitability due to slowing demand growth from the auto sector and higher raw material costs, Moody's Investors Service said. Asian steel producers will suffer a 15% drop in profitability in the 12 months to June 2020 on rising input costs, the rating company predicted in its latest Outlook on Steel - Asia. While demand will vary across Asia, India's overall steel demand is tipped to slow to mid-single digits under the impact of low demand from the auto and manufacturing sectors. Tata Steel's India Ebitda (earnings before interest, taxes depreciation and amortisation) per tonne, is likely to decrease in the 12-month period. However, at more than \$200 per tonne, its profitability will continue to be the highest among rated Asian steel producers, Moody's said. JSW Steel's Ebitda per tonne is estimated to drop almost 13% due to higher raw material prices and the company's relatively limited backward integration.

Source: Economic Times, August 29, 2019