

# 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 Report by Joint Plant Committee

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## HIGHLIGHT OF THE WEEK

1. India's crude steel production saw a 3.9% increase to 7.6 million tonne (mt) in April 2016 compared to April 2015, even as global crude steel production saw a 0.5% decline.
2. Tata Steel has reported a consolidated loss of Rs 3,214 crore in the March 2016 quarter against a loss of Rs 5,674 crore in the year-ago period, owing to lower net sales and exceptional items impairment charges taken on restructuring of Europe operations and employee separation compensation in India.
3. Taking a cue from high delinquencies in the iron and steel sector, state-owned lender Punjab National Bank (PNB) has decided to refrain from lending to the sector till it recovers from the downturn, managing director and CEO Usha Anantha subramanian said

## COMPANY NEWS

### **Tata Steel's Q4 loss at Rs 3,214 cr**

Tata Steel has reported a consolidated loss of Rs 3,214 crore in the March 2016 quarter against a loss of Rs 5,674 crore in the year-ago period, owing to lower net sales and exceptional items impairment charges taken on restructuring of Europe operations and employee separation compensation in India. The company, India's largest steel producer, however, did not make any announcement on the sale of its UK assets. Its consolidated net sales for the March 2016 quarter declined 12.5 percent on a year-on-year (y-o-y) basis to Rs 29,164 crore in the March quarter as deliveries slipped owing to the closure of some units at Tata Steel UK operations. According to Bloomberg estimates, the company's bottom line was expected to report a loss of Rs 979 crore, while the top line was expected to be at Rs 30,337 crore. The firm's revenue and net profit numbers were lower than Bloomberg estimates, but its earnings before interest, taxes, depreciation and amortisation (Ebitda) at Rs 2,270 crore was higher than the estimated Rs 1,367 crore. Its Ebitda in the March 2015 quarter was Rs 1,580 crore. For 2015-16, Tata Steel's loss increased to Rs 1,674 crore from Rs 1,388 crore in the previous year. Deliveries of the commodity stood at 6.94 million tonnes (mt), down 1.7 per cent from 7.06 mt a year ago. As on March 31, the company's consolidated net debt stood at Rs 74,000 crore.

*Source: Business Standard, 26<sup>th</sup> May, 2016*

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**JSW Steel Rides on Expansion, Govt Help to Recovery: Moody's**

The government's protectionist measures and brownfield expansion of capacity are expected to drive JSW Steel's recovery in fiscal 2017, according to Moody's Investors Service. The rating company said its negative outlook for JSW, one of the India's largest private steel producers, continues to reflect the uncertainty over its ability to improve leverage in the backdrop of a demand supply imbalance in the global steel industry. The commissioning of brownfield expansion and an improvement in profitability will pave the way for better leverage in FY17. The rating company said it expects JSW Steel's earnings to improve significantly in fiscal 2017 due to a 24% increase in saleable steel to 15 million tonnes from 12.3 million tonnes in fiscal 2016. The other factor would be a more enriched product mix with a higher share of long products, value added and special products, according to Kaustubh Chaubal, VP-Senior Analyst at Moody's. Apart from this, Moody's said protectionist measures by the Indian government will continue to support steel prices. The government increased duties on steel imports from countries without free trade agreements by 500 basis points to 12.5% on flat products and 10% on long products, besides imposing a 20% safeguard duty on certain grades of hot rolled coil imports until 2018.

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

**KKR, Tata Steel likely to bid for Essar Steel**

Essar Steel's debt takeover has evinced interest from eight prospective bidders, which include private equity major KKR, Hong Kong-based special situations fund, SSG Capital, Tata Steel and JSW Steel. According to sources close to the development, in addition to the aforesaid names, four more prospective bidders have collected Information memorandum (IM) for the sale process which is being jointly managed by SBI Caps and ICICI securities. The initial deadline for submitting the non-binding bids was to end on May 15 but has now been extended to June end, a senior banker who is directly involved in the process told FE. Essar Steel currently owes R30,000 crore to the banks, which according to sources will result in more than 51% stake in the company on equity conversion through the strategic debt restructuring route. It is, however learnt that lenders have proposed that a new investor infuse at least R5,000 crore in fresh equity to begin with. The rest will depend on further negotiations and we will evaluate all options once the bids come in, said a senior banker directly involved in the sale process.

*Source: The Financial Express, 24<sup>th</sup> May, 2016*

## PROJECT

### **Odisha CM calls Tata Steel plant, IOCL refinery as landmarks in the state**

To counter the slowing pace of industrial activity in Odisha, chief minister Naveen Patnaik has listed the commissioning of Tata Steel's greenfield steel plant at Kalinganagar and Indian Oil's crude oil refinery at Paradeep as landmarks in the state's industrial scenario. On completion of two years in office for the fourth straight term, the Patnaik-led Biju Janata Dal (BJD) government claimed the government was decisively moving towards fulfillment of promises announced in the election manifesto. Patnaik said the new edition of the Industrial Policy Resolution (IPR), 2015 would propel the state's industrial growth in spite of global slowdown.

*Source: Business Standard, 22<sup>nd</sup> May, 2016*

## FINANCIAL

### **NMDC stake sale: Five merchant bankers shortlisted**

Five merchant bankers, including ICICI Securities Ltd, Citibank and SBI Capital have been shortlisted for assisting disinvestment of government's 10% stake in blue-chip NMDC reports PTI. The other two merchant bankers/selling brokers are Edelweiss Financial Services Ltd and Deutsche Bank.

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

### **PNB not to lend to iron & steel sector till it recovers**

Taking a cue from high delinquencies in the iron and steel sector, state-owned lender Punjab National Bank (PNB) has decided to refrain from lending to the sector till it recovers from the downturn, managing director and CEO Usha Anantha subramanian said on Tuesday. Speaking to reporters in Mumbai, Ananthasubramanian said the bank has been 'bitten' by the steel sector. 'Certainly when any new project comes, you will shy away irrespective of the promoter. There are certain area, certain industries which you may have to shut shop to or not be any active player,' she said. She added that in some sectors, the bank has huge exposure that will certainly be pruned. 'Earlier, the names would have been an attract. But today since we are bitten, we are in the process of having high collateralised or good quality proposals. It is not that four banks are there so let us be there, or we will be there and we will pull four banks,' Anantha subramanian explained.

*Source: The Financial Express, 25<sup>th</sup> May, 2016*

**Tata Steel gains 24.4% in 2016, outperforms other Sensex cos**

Tata Steel has gained as much as 24.4% in 2016, outperforming other members of the Sensex. It currently commands market capitalisation of Rs 31,360.5 crore. Even as the 30-stock index has lost 3.12% in the year so far, a surge of nearly 32% in steel prices globally since January and a clarity on the largest steel-maker's UK asset sale deal helped the Tata Steel stock steadily inch up. The stock currently trades at Rs 323 apiece.

*Source: The Financial Express, 21<sup>st</sup> May, 2016*

**STEEL PERFORMANCE****India Beats Global Steel Blues, Output Rises 4% in April**

India's crude steel production saw a 3.9% increase to 7.8 million tonne (mt) in April 2016 compared to April 2015, even as global crude steel production saw a 0.5% decline to 135 mt in April 2016 over April 2015, according to data released by the Brussels-based World Steel Association (WSA). India's steel output in April 2016 bucked the trend evident elsewhere in Asia, where Japan's crude steel output fell 1.2% to 8.5 mt and Korea's production went down by 1.3% to 5.7 mt during the month under review. India thus seemed to have lived up to Moody's Investors Service assessment which referred to it as "the only bright spot in region," while analyzing JSW Steel's performance in a recent report. Crude steel capacity utilisation ratio of the 66 countries reporting to the WSA in April 2016 was 69.2%. this is 3.6 percentage points lower than April 2015. Compared to March 2016, it is 1.5 percentage points lower, WSA said in an official statement issued on Friday.

*Source: The Economic Times, 24<sup>th</sup> May, 2016*

**GLOBAL STEEL****Faltering demand, glut deepen China steel crisis**

Steel and iron ore futures in China sank to their lowest since March on Monday, each tumbling nearly 6 percent at one stage, as faltering steel demand in the world's top consumer put renewed pressure on oversupplied markets. Steelmaking raw materials coking coal and coke slid 4 percent and other China-traded commodities also took a hit

amid growing doubts about whether the world's second-largest economy is stabilising. Chinese steel and iron ore futures have fallen 30 percent from their peaks in April. The price surge was fuelled by bets that the worst was over for the country's economy, leading to bloated prices and volumes on domestic commodity exchanges and prompting regulators to impose curbs to restore order. Seasonal demand for steel has passed and the current weather, hot in some parts of China and rainy elsewhere, has slowed construction activity, said Kevin Bai, analyst at CRU consultancy in Beijing.

*Source: The Financial Express, 24<sup>th</sup> May, 2016*

### **China's top steel-making province pledges cuts**

China's top steel-making province aims to shutter capacity equivalent to about a month of production, amid warnings over a global glut of the metal from world leaders gathered in Japan for an economic summit. Hebei, the north-eastern province that makes nearly a quarter of China's steel, has pledged to close down 14.2 million metric tons of annual capacity this year, according to a report by the official Xinhua news agency. That would account for nearly four weeks of last year's output of 187.9 million tons. Xinhua cited a letter of commitment signed by the provincial government and companies. They also promised to cut about 17.3 million tons of iron-making capacity.

*Source: The Financial Express, 27<sup>th</sup> May, 2016*

## **MISCELLANEOUS**

### **UK working on pension plan for Tata Steel**

Seeking to overcome the biggest stumbling block in securing a deal for Tata Steel, the British government on Thursday unveiled a unique pension compromise scheme to secure the sale of the Indian conglomerate's loss-making assets in that country and save thousands of jobs. UK Business Secretary Sajid Javid, back in London after a meeting with the Tata Group Board in Mumbai, launched a consultation on the proposed changes to an employee's pensions scheme in the House of Commons. One option under discussion is to base the scheme's annual increase on the Consumer Prices Index (CPI) inflation measure, which is usually below the Retail Prices Index (RPI) measure. This is the option favoured by the British Steel Pensions Scheme as they say it would leave most of the pension holders either better off or not worse off, compared with entering the Pensions Protection Scheme (PPS), which is the likely alternative.

*Source: Business Line, 27<sup>th</sup> May, 2016*

**Bid rivals set to join forces for Tata Steel UK buyout**

Management buyout firm Excalibur and Indian-origin businessman Sanjeev Gupta's Liberty House, the two front-runners in the race to acquire Tata Steel's UK assets, are believed to be considering joining forces, it was reported on Sunday. Excalibur, led by the former chief of Tata Steel's Port Talbot plant, Stuart Wilkie, is considering backing Liberty House. An Excalibur delegation, including Wilkie and chairman Roger Maggs, held talks with Gupta on Friday at his London office, The Sunday Times reported. They are understood to have discussed backing Gupta's plan to convert the vast steelworks into one fed by scrap metal, rather than raw iron ore and coke. UK business secretary Sajid Javid is set to fly to Mumbai ahead of the sale and has offered to pump in hundreds of million pounds of loans and take a 25 per cent stake to prevent the steelworks from collapsing.

*Source: Business Standard, 23<sup>rd</sup> May, 2016*